



**REPUBLIC OF KOSOVA
OFFICE OF THE AUDITOR GENERAL**

Document No: 22.1.1-2015-08

**AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE
MUNICIPALITY OF MITROVICA
FOR THE YEAR ENDED 31 DECEMBER 2015**

Prishtina, june 2016

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

Our Mission is to contribute to sound financial management in public administration. We perform audits in line with internationally recognized public sector auditing standards and good European practices.

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

The Auditor General has decided on the audit opinion and report on the Annual Financial Statements of Municipality of Mitrovica 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 the Team Leader, Ramadan Gashi and Team members Selvete Foniqi and Mehmet Kurti.

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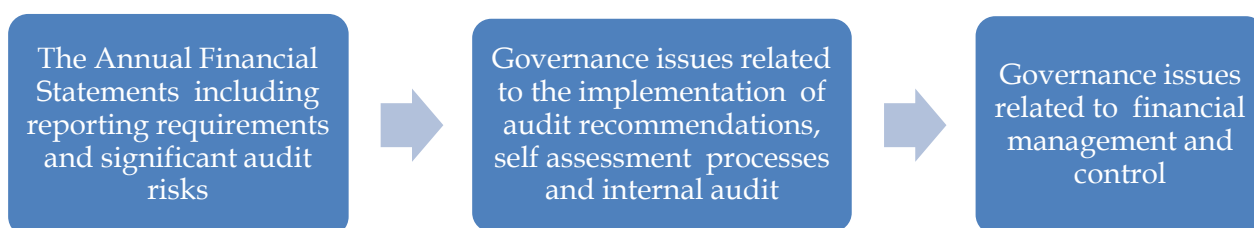
Executive Summary

Introduction

This report summarises the key findings from our audit of the 2015 Annual Financial Statements of the Municipality of Mitrovica which determine the Opinion given by the Auditor General. We would like to thank the Mayor and his team for their assistance during the audit process.

The examination of the 2015 financial statements was undertaken in accordance with the internationally recognised Public Sector auditing standards (ISSAIs). 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 06.11.2015.

Our audit focus has been on:



(For more details see Annex I of this report)

The level of work undertaken by the Office of the Auditor General to complete the 2015 audit is determined from the quality of the internal controls implemented by management.

Opinion

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

The Auditor General’s opinion is:

“Qualified Opinion” because, on behalf of co-financing, €195,000 were paid and reported under capital expenditures, whilst no counter value has been benefited from the funds given.

Emphasis of Matter

The Municipality has not managed to register all owned lands and properties. In addition, the municipality paid €263,069 from Capital Investments for Goods and Services.

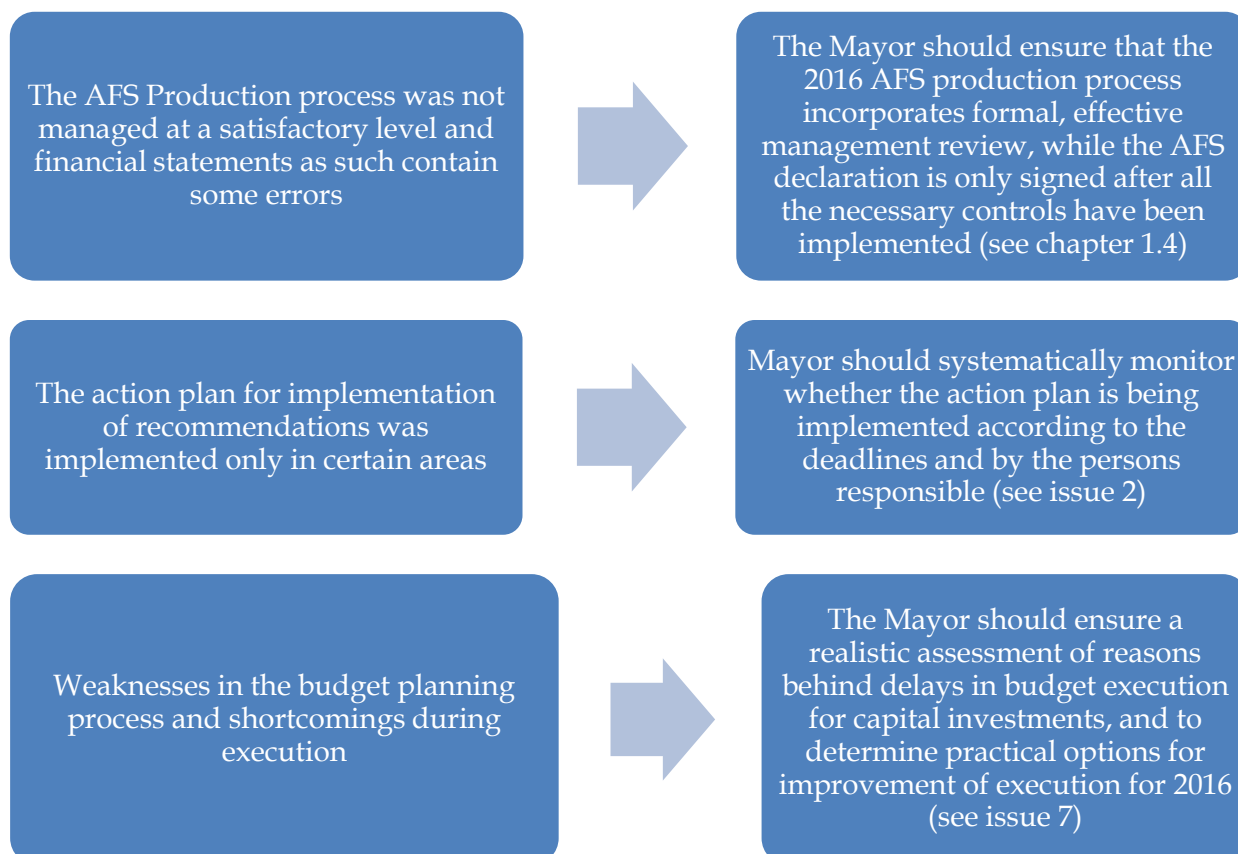
Full wording of opinion is detailed under section 1.2 of this report.

Overall Conclusion

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

In terms of reporting, the current internal control system does not provide assurance that operational and financial activities of the municipality are carried out effectively, and as such, there is a need for increased supervision and improvement in certain areas.

Our key conclusions and recommendations are:



Many weaknesses in procurement. Lack of a contract manager, lack of availability of funds and non-approval of decisions by the Mayor to appoint committees for evaluation of tenders



The Mayor should ensure that prior the initiation of procurement procedures is signed the statement of availability of funds, appointed a contract manager and approved the evaluation committee as foreseen under regulations of procurement (see issue 8,9,10).

The municipality does not have a complete assets register and the evaluation of assets was carried out



The Mayor should ensure that the evaluation process and recording of assets is completed. (See issue 22)

Management response audit 2015

The Mayor has taken into consideration and agreed on the audit findings and conclusions in this report and he is committed to address the recommendations given.

We take it for granted that the mayor:

- Will discuss the audit report in the Municipal Assembly; and
- By the end of January 2017, will also discuss the progress made on the implementation of the Action Plan on audit recommendations in the Municipal Assembly, before the AFS 2016 are submitted to the Ministry of Finance.

1 Annual Financial Statements and other External Reporting Obligations

1.1 Introduction

Our review of the Annual Financial Statements (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 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.

1.2 Audit Opinion

TO: MUNICIPALITY OF MITROVICA

QUALIFIED OPINION WITH EMPHASIS OF MATTER

We have audited the Annual Financial Statements of the Municipality of Mitrovica for the year ended on 31.12.2015 which comprise of the Statement of Receipts and Payments in Cash, the Consolidated Statement of Comparison of Budget and Actual Amounts, Explanatory Notes in the AFS and Disclosures.

In our opinion, except for the effects of the issue described in the paragraph on Basis for Qualified Opinion, the Annual Financial Statements present a true and fair view in all material aspects of receipts, payments and executed budget of the Municipality of Mitrovica for the year ended on 31.12.2015 in compliance with International Public Sector Accounting Standards (Cash Based Accounting), Law no.03/L-048 on Public Finance Management and Accountability (as amended and supplemented), and Financial Rule no.03/2013 on the AFS of Budget Organisations issued by the Ministry of Finance.

Basis for Qualified Opinion

Based on the Memorandum of Understanding, till the end of December, the municipality paid and reported €195,000 under capital expenditures in the Annual Financial Statements, whilst in 2015 no counter value was benefited from the funds given because works are expected to start in 2016.

For these reasons we qualified our opinion.

We conducted an audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the municipality in accordance with the ethical requirements that are relevant to our audit of the annual financial statements of budget organisations in Kosovo and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

Emphasis of Matter

We draw your attention to the fact that the municipality has not managed to register all owned lands and properties. This was because the Assets Evaluation Commission has not yet carried out a complete and fair verification and evaluation of assets owned by the municipality.

The Municipality made payments from Capital Investments for Goods and Services in the amount of €263,069. It is worth to clarify that the amount of €263,069 was approved with the budget tables for Budget 2015 on capital investments, but the projects presented in the table does not meet the requirements to be treated as capital projects, and errors relate to the initial planning of the municipality and inadequate approvals made by the MoF. Our opinion is not qualified in respect of matters referred to above.

Responsibility of Management and Those Charged with Governance for the Annual Financial Statements

The management of municipality is responsible for preparation and fair presentation of AFS in accordance with International Public Sector Accounting Standards – Financial Reporting under the Cash basis of Accounting, and is responsible for internal controls which management determines as necessary to enable the preparation of AFS that are free from material misstatement, whether due to fraud or error. This includes the application of Law number 03/L-048 on Public Finance Management and Accountability as amended and supplemented.

Those charged with governance such as the Mayor, Directors, budget holders and financial officers are responsible for overseeing the municipality's financial reporting process.

Auditor's Responsibility for the Audit of the Annual Financial Statements

Our responsibility is to express an opinion on the annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

1.3 Significant Audit Risks to the Annual Financial Statements

Description

In our Audit Planning Memorandum of date, 06.11.2015 three risks have been identified that relate to AFS. These are risks of material misstatements that can result in modification of opinion or emphasis of matter. These risks relate to complete recording of all assets, payments from third parties, and classification of expenditures in adequate codes.

The risk that related to the recording of all capital assets in the AFS has materialised as the management has not taken any action to address this. The municipality has not yet managed to produce a comprehensive and complete register (land and buildings) on non-financial assets.

During the interim audit we have reviewed management controls and the accompanying processes to ensure fair presentation of payments from third parties, and gave them advices on their improvement. The risk identified has not materialised as the management was able to implement necessary improvements in third party payments after AFS were corrected.

The risk of misclassification of expenditures has materialised as the amount of €263,069 from the category of Capital Investments was paid for the category of Goods and Services, and the amount of €3,950 was paid from Subsidies for Goods and Services.

1.4 Compliance with AFS and other reporting requirements

The municipality is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with FR no. 03/2013;
- Requirements of LPFMA No.03/L-048, as amended and supplemented;
- Compliance with budget requests;
- AFS have been submitted in Albanian language;
- Reporting to the municipal assembly;
- Procurement plan and reporting on progress of capital investments.

In the context of reporting requirements we have identified the following discrepancies:

- Capital projects that do not belong to this category have been included in the budget, thus leading to misclassification of payments.

Weaknesses identified in the AFS have been presented in the following:

- Under a memorandum of understanding the amount of €195,000 was paid and reported in the AFS as a part of capital expenditures, whilst no counter value was benefited from the funds given, as works are expected to begin in 2016 (for more details see issue 11);
- The municipality had misclassified expenditures, where from the category of Capital Investments were carried out payments in the amount of €263,069, which are suitable to the nature of Goods and Services, and out of the category of Subsidies was paid the amount of €3,950 for Goods and Services; and
- Note 28: The statement of liabilities was understated by €37,369.

1.5 Recommendations

Recommendation 1 High Priority - The Mayor should ensure that are established effective processes in order to confirm that the plan for drafting of AFS 2016 addresses all issues raised including significant risks identified. This should also include a review of the draft AFS by the management, with a particular focus on high-risk areas and/or areas where errors have been identified.

2 Governance

2.1 Introduction

Effective governance arrangements are fundamental to municipality's successfully managing the challenges it faces and ensuring that service delivery is optimised for the benefit of taxpayers and service users.

A key tool supporting effective Governance is the implementation of audit recommendations as this demonstrates that management are seeking to develop existing processes and controls. Similarly, the self-assessment checklist completed by all Budget Organisations provides a framework for developing enhanced Governance arrangements. It is important that the answers provided by an individual budget organisation are supported by appropriate evidence.

Our reviews have identified several shortcomings in the area of Good Governance, which have been presented below:

Issue 1 - Good governance - High Priority

Finding Issues below indicate poor governance by the municipality, which do not have impact on the opinion:

- The Municipality had not drafted a proper procurement plan as the planning for supplies and services was not separated, but were included together as the requests were done by the relevant departments, by also including the Utilities.
- In the Public Investment Program for 2015 were entered projects that do not belong to the category of Capital Investments, such as: removal of wild landfills, demolition of buildings without permit, purchase of books for the city library, etc.
- The report on payments received was not signed by the Certifying Officer certified by the Treasury, but by committees for receiving of works/goods/services; and
- We have noticed that receiving of goods in health and education was done by officials who are not assigned to receiving committees.

Risk Including activities in the procurement plan without clearly specifying the nature of expenditure (works, goods or services) does not ensure a real plan of activities that are expected to be executed during the year. Furthermore, this also has impact on accurate reporting of expenditures.

Signing of the Treasury form for the goods received by unauthorised officials is in disagreement with the requirements of Regulation on expenditures, and is poor management of payments.

Entering projects from other economic categories into the PIP, results in overestimation and underestimation of the category of services.

Recommendation 2 The Mayor should ensure a clear procurement plan, wherein services, goods and works planned that are subject to the law on procurement will be specified separately. In order for the Procurement Officer to develop a good procurement plan he will need close cooperation with the budget department and other departments. Further, to ensure that with a decision appoints committees for receiving of goods according to Rule no.02/2013 and the report on goods received to be in accordance with the Financial Rule No.01/2013 MF - Spending of Public Money.

2.2 Overall Governance Conclusion

Procedures of robust governance require that strategic and operational activities are implemented and monitored effectively. We have assessed several activities that we considered to have contributed to good governance, as well as to determine whether there is room for further improvement.

It is worth mentioning that if we compare managing with the previous year, the municipality had achieved progress in some areas, such as in the area of revenues, assets management, but further engagement is needed for an efficient and effective management.

2.3 Prior Year Recommendations

Our Audit Report on the 2014 AFS of municipality resulted in 17 key recommendations. The municipality had prepared an Action Plan stating how all recommendations will be addressed. We consider that the management has to further strengthen the accountability process of managers in terms of implementation of recommendations.

It is appreciated the fact that the audit report on 2014 AFS was also discussed in the municipal assembly on 26.11.2015, which contributes to enhancement of transparency and a critical review of municipality's activities.

At the end of our 2015 audit, two recommendations have been implemented; nine were addressed partially; and six have not been addressed yet. For a more thorough description of the recommendations and how they are addressed, see Annex III.

Issue 2 - Addressing Prior Year Audit Recommendations - High Priority

Finding Most of the prior year recommendations have not been implemented because the municipality has not implemented any formal process to manage and monitor the way that the AG's recommendations are implemented.

Risk The continued weakness of management and other controls in key financial systems such as:

- Overstatement/understatement of disclosures in the AFS;
- Poor planning and execution of budget;
- Poor managing of municipal leases;
- Poor management of municipal assets;
- Inadequate controls over procurement; and
- Constant increase of Accounts Receivable.

Recommendation 3 The Mayor has to strengthen control measures and responsibilities towards officials who are responsible for complete implementation of recommendations, so that the actions foreseen under the Action Plan are implemented, particularly in the areas identified with the greatest degree of risk and within the limits set.

2.4 Self-Assessment Checklist

The Ministry of Finance (MoF) has produced a detailed self-assessment checklist for Budget Organisations to support effective governance arrangements. For all audits undertaken, we have tested the quality of self-assessments submitted to the MoF, by assessing certain parts of the checklist. In the following, we have summarised our findings for the municipality, and the summary of our work in all the audits will be consolidated in our Annual Audit Report. This is not intended to give a commentary on the quality of the whole self-assessment questionnaire submission but will provide a 'snapshot' across a number of key questions to support the Ministry of Finance in its attempts to increase the effectiveness of the process and the overall development of the FMC system.

Issue Issue 3 – Self Assessment Checklist – High Priority

Finding	<p>During our audit we have considered several key issues of the self-assessment questionnaire relating to five components. From issues reviewed we have found that:</p> <p>Adequate procedures for risk management are not in place and this was handled in more detail in section 2.5.1;</p> <p>The municipality has adopted the strategy for local economic development for mitrovica for 2014-2017; and</p> <p>In the audit memo we have given a recommendation for a better quality planning in terms of procurements of same type of nature, so that is avoided splitting of tenders. The response in the self-assessment was graded high, but we consider that the municipality was not sufficiently self-critical regarding this.</p>
Risk	<p>Poor governance arrangements weaken strategic and operational processes and reduce the quality of services provided to citizens through inefficient and ineffective activities.</p>
Recommendation 4	<p>The Mayor should ensure that is taken on a review to supplement the self-assessment checklist and those areas with weaknesses are addressed in an active manner. A review process should be applied by the internal audit in order to confirm the accuracy of the checklist and to provide supporting documentation.</p>

2.5 Specific Governance Reviews

Our work on specific areas of governance arrangements is based on our audit planning, by taking into account the context within which the municipality operates and the challenges that it faces.

2.5.1 Risk Assessment

All Budget Organisations are expected to implement risk assessment. Guidance set out require for the risk register to be complete in order to support effective operational and strategic management of the municipality.

Issue 4 – Risk Management – Medium Priority

- Finding** The Self-Assessment questionnaire completed by the municipal staff has confirmed that the municipality has not identified yet the risks that can threaten fulfilment of objectives and the response in case they are encountered.
- Risk** Lack of effective management of risk will reduce the quality of services provided to citizens, as the internal and external issues that affect this are not addressed in a timely manner. This is because effective actions that prevent or avoid the impact of such matters will not be undertaken in a planned and timely manner.
- Recommendation 5** The Mayor has ensure that after drafting the risks register is delegated direct responsibility for management of risk to a director, who in coordination with Heads of units will manage this process and will report on regular basis on risks.

2.5.2 Management Reporting

The management has applied a range of internal controls to ensure that financial systems and operational activities operate as intended. It is important that these include appropriate reporting to management to enable an effective and timely response to identified operational problems.

Issue 5 –Management Controls – Medium Priority

- Finding** Our review of management controls applied in the key municipal financial system has revealed weaknesses in the high-level controls. As such, overall arrangement of controls require strengthening, particularly in relation to: planning and execution of the budget for Capital Investments (misclassification), registrations and reporting of assets, lack of controls over the lease of municipal buildings, controls over the certification of payments should be strengthened significantly, so that they prevent payment errors, clarified agreements, and increase controls over supplying in education and health sector.
- Risk** Poor quality of controls by the senior management reduces the ability to respond timely and to manage actively municipal activities, and to face successfully existing challenges.
- Recommendation 6** The Mayor should ensure that the quality of controls and budget supervision are reviewed in a critical and systematic manner to ensure establishment of adequate controls in areas where weaknesses are identified.
-

2.6 Internal Audit System

The Internal Audit Unit (IAU) in the municipality operates with three staff members – the Director of IAU and two auditors. Audit Committee is an independent body that advises the management and supports the IAU, which was established on 21.11.2014. The Audit Committee consists of non-executive municipal members. The Committee held four meetings in 2015, and based on their minutes of meetings we noticed that internal auditor reports were not looked into in detail.

The IAU has planned and carried out five audits. Reports have been completed while the areas reviewed were: 1. Treatment of social welfare cases (scope/2014), 2. Management of the parking lot (2014/Q1 of 2015), 3. Expenditures for goods and services (scope 2014/2015) 4. Expenditure for capital investments (Scope/2015), 5. Procurement procedures (Scope/2015).

In addition, the IAU has produced a strategic and annual audit plan and quarterly reports, which were submitted to the Central Harmonisation Unit in the Ministry of Finance.

Issue 6 - Implementation of IAU recommendations and Audit Committee – High Priority

Finding We noticed that on 11.02.2016 the management produced a concrete action plan on implementation of IAU recommendations which covers the years 2013, 2014, and 2015, but this Management action was taken in delays. The Audit Committee had met 4 times during the year; where comments were made on the audit reports in general and no conclusion on actions needed to implement recommendations was made by the Management.

Risk Delayed drafting of the action plan by the management to address IAU recommendations increases the risk that identified weaknesses will not be corrected, thus resulting in repetition of same recommendations. Lack of the Audit Committee’s conclusions to the Management increases the risk for the management not being informed to be able to take adequate measures for the issues raised by the audit.

Recommendation 7 The Mayor should undertake ongoing and concrete actions and to timely respond to IA findings and recommendations, whilst the Audit Committee should produce a work plan specifying agendas and topics to be addressed during the year. In the meetings minutes, it should also draw clear conclusions to the management on internal audit issues.

3 Financial Management and Control

3.1 Introduction

Our work on Financial Management and Control outside of the areas of Governance referred to above reflects the detailed work undertaken on Revenue and Expenditure Systems. As part of this we consider Budget management, Procurement and Human Resources issues and Assets and Liabilities.

3.2 Financial Management and Control Conclusion

In the context of financial systems, controls over the certification of payments are generally weak and are not being implemented effectively. Other areas where more improvements are needed is budget planning and execution, appropriate classification of expenditures, debts, managing leasing process, contract management and assets management.

3.3 Budget Planning and Execution

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

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

Description	Initial Budget	Final Budget ¹	2015 Outturn	2014 Outturn	2013 Outturn
Sources of Funds	15,733,116	18,528,235	17,367,291	15,051,981	16,398,203
Government Grant -Budget	13,615,824	15,831,723	15,773,053	13,477,762	14,654,588
Carried forward from previous year ² -	0	259,895	255,570	125,102	235,901
Own Source Revenues ³	2,117,292	2,117,292	1,230,437	1,391,035	1,239,425
Domestic Donations	0	210,584	68,547	45,270	163,331
External Donations	0	108,741	39,684	12,812	104,958

The final budget is higher than the initial budget by €2,795,119. This increase is a result of increase of Government Grant in the value of €2,215,899, where based on Government's decision the value of €1,789,677 was given to cover expenditures for some capital projects and the value of €426,223

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

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

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

to cover expenditures for wages and salaries, revenues carried forward in the value of €259,895 and domestic donations in the value of €259,895, and external donations in the value of €319,325.

The final budget for 2015 was spent at the level of 94% compared to planning.

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

Description	Initial Budget	Final Budget	2015 Outturn	2014 Outturn	2013 Outturn
Spending of funds broken down by economic categories	15,733,116	18,528,235	17,367,291	15,051,981	16,398,203
Wages and Salaries	10,878,257	11,341,471	11,262,513	10,299,754	8,842,940
Goods and Services	1,462,313	1,525,159	1,427,375	1,565,467	1,380,404
Utilities	465,000	465,000	446,348	344,815	425,406
Subsidies and Transfers	663,000	729,659	625,418	816,527	787,854
Capital Investments	2,264,546	4,466,946	3,605,637	2,025,418	4,961,599

Explanations for changes in budget categories are given below:

- Despite the budget increase (Government's decision for the value of €1,789,676) for capital projects, during the year the execution rate was 81% out of the planned amount. A similar situation is also when it comes to execution of the budget of subsidies and transfers (86%). The main reason for this was low level of collection (€1,517,742) of own source revenues compared to those planned (€2,117,292), out of which was planned to cover these expenditures.

Table 3. Own Source Revenues collected - outturn against budget (in €)

Description	Initial Budget	Final Budget	2015 Receipts	2014 Receipts	2013 Receipts
Own source revenues	2,117,292	2,117,292	1,517,742	1,645,625	1,368,877

Out of revenues planned in the value of €2,117,292 for 2015, were collected €1,517,742 or 72%. In this value were included court and police fines. This level of revenue collection is low. If we compare them to the prior year, we have a decline of revenues by €127,883.

A significant setback of revenues was noticed in the department of urbanism. The amount planned was €1,003,000, while were collected only €360,477, or 36%. The Department of Health out of €120,000, had collected €42,636, or 35%; the Department of Economy out of €35,900 has collected only €6,947, or 19%. The reason behind the low collection according to the official in charge is that the initial planning of revenues by the Director was higher than real parameters. This is the reason why the differences between the amounts planned and collected in these two Departments are significant and determine a low efficiency.

Issue 7 - Weaknesses in budget execution and planning of revenues - High Priority

Finding The statement of expenditures reveals a relatively low level of budget execution for capital investments over the years, and this due to failures in the revenue plan.

Risk The poor planning of revenues has also affected the overall collection performance and the expenditures trend of capital projects and due to this, there is an inefficient use of municipal potential resources and decrease of planned capital projects.

Recommendation 8 The Mayor should ensure that prior to planning budgets is conducted a comprehensive assessment of potential sources of revenues, and take up practical options for improvement of performance for 2016. A systematic monitoring of budget trends would increase the chances for an effective performance.

3.4 Procurement

Public procurement legislation aims to ensure that public funds are used transparently and efficiently in order to achieve the value for money. The legal framework clearly defines the rights, duties and responsibilities of all parties involved in procurement management.

The work carried out in substantial testing and compliance resulted in the following shortcomings.

Issue 8 - Systematic Weaknesses in Procurement - High Priority

Finding We have identified the following systemic weaknesses in the procurement:

- There are a large number of procurements carried out through minimum value procedure with in order to avoid application of open procedures. The municipality during 2015 had entered into 95 contracts with small and minimum value;
- The contract manager was not assigned in any of the contracts, thus there are no plans for contracts management. There are only supervisory bodies assigned by the requesting department;
- The approval for evaluation committees was done by the procurement manager and not by the CAO, and in some cases the Statement of Needs and Determination of Availability of Funds was missing prior the initiation of procurement procedures; and

- The municipality had entered into obligations exceeding the funds appropriated under the law for budgetary appropriations. We have identified the following cases: “Construction of roads with cobblestones” (planned €150,000, spent €268,711); “Designing projects for capital investments” (planned €45,000 spent €236,711); “Road repair and maintenance” (planned €40,000, spent €439,456) and for the project “Construction of roads in rural areas” (planned €200,000, spent €514,038). Thereafter, at the end of the year, these liabilities were paid off under Government’s decision No. 05/67 of date 30.12.2015, and on the same day were developed payment procedures.

Risk

The cases identified above indicate weak controls over the procurement process. The mere fact that 95 contracts were with small or minimal value indicates poor needs assessment by the requesting procurement units. This increases the risk to harm free market competition, and poses a risk for the municipality to procure goods, services and works at much more expensive prices than those offered in the open market competition. In addition, entering into contracts and going on with works that exceed appropriations presents a serious risk where the municipality may not be able to meet liabilities and then be subject to courts, or where payments are executed directly by the Treasury. Due to lack of contract managers are faced risks of contracts not being implemented in line with initial agreements.

Recommendation 9

The Mayor should look into reasons why the abovementioned cases in the procurement process have taken place, and strengthen procurement controls over all stages of the process. An improved approach is needed particularly in the initial planning of needs, and to avoid maximum procedures for contracts with small and minimum value, unless it is considered necessary. In addition, should ensure that prior the initiation of procurement procedures is signed the Statement of Needs and Determination of Availability of Funds, are appointed contract managers and approve evaluation committees, as foreseen under the procurement regulations.

Issue 9 - Systematic weaknesses in procurement - high priority

Finding

Under the framework contract “Demolition of buildings without permit in the city of Mitrovica” dated 12.04.2013, this year €49,633 were paid for demolishing of commercial buildings. We have identified that works were invoices at a price of €6m² for each position, while in the contracted price list this price does not exist. The price list under the contract was: position 1 with price €10 m², position 2 with price €3 m², position 3 with price €2 m², position 4 with price €2 m² and position 5 with price €1 m². Furthermore, the reports of the supervisory body do not clearly specify the works performed based on contract positions. Due to these uncertainties, we were unable to determine the financial effect;

In the contract with value of €6,592 “Supply with milking machines for cows”, we have tested a payment in the amount of €4,592 and found that to the file was attached only the invoice with the total value and the list of 86 beneficiaries of machines. As a result of this we were unable to compare whether the price paid per unit and the characteristics of machines received were in line with contract specifications; and

In the contract “Supply with dialysis vehicle” in the amount of €19,350, the EO had not provided the performance security prior to signing the contract.

Risk

Failure to adhere to the contract prices and lack of adequate supervision and measuring the progress of works against contracts could result in financial losses for the municipality and poor value for money spent.

Recommendation 10 The Mayor should ensure that are adhered contract prices, and are strengthen significantly controls over the certification of payments so that they prevent such payments.

He should ensure detailed supervision over the functioning of controls, so that these irregularities are avoided, and find the reason why these irregularities have occurred.

3.5 Expenditure not related to Procurement

3.5.1 Other expenditures

Issue 10 - Avoiding procurement procedures - High Priority

Finding

The municipality had entered into two contracts for contractual services without developing procurement procedures. One related to obtaining security services 24hrs for official vehicles owned by the municipality, with a monthly payment of €1,250 and the other to communication and information services between the municipality and the NGO "Mitrovica" to follow all activities of the municipality in order to inform the public with a monthly payment of €1,500.

When supplying with IT equipment for 2015, the municipality had executed 14 contracts through minimal value totalling €9,930 to an EO, by avoiding open procurement procedures.

Risk

Signing contracts without procurement procedures has as a consequence elimination of competition and impair the transparency of the process, and there is a possibility of procuring services that are at much more expensive than those in the market.

Recommendation 11 The Mayor should ensure that procurement procedures are foreseen for all activities and that they are implemented strictly in accordance with the Law on Public Procurement.

Issue 11- Payments carried out under the cooperation agreement - High Priority

Finding

On 16.12.2014 the municipality had signed a Memorandum of Understanding with the Luxembourg Agency for Development Cooperation “Lux Development” within the project KSV/018 - Institutional and Technical Support for the Water Supply System in Mitrovica region (phase II). This memorandum was preceded by an agreement between the Luxembourg Government and the Government of Kosovo signed on 25.07.2014 by the responsible Ministers. The estimated cost to finance this project was €1,057,000. Under the agreement, the Government of Luxembourg will fund the amount of €457,000, and the municipality the amount of €600,000, which have to be deposited in the account of the representative of Lux Development which is “Regional Office Balkans.” The municipality had paid €35,562 in 2014 and €195,000 on 30.12.2015. For the amount of €195,000, the municipality has not benefited the equivalent for the funds given as works are expected to begin in 2016. This value was recorded in the assets registers.

On 19.12.2014, the Mayor had signed a cooperation agreement with Caritas Kosova for the project “Home Mobile Medical Care - Home Care II-2014-2015”. Under the agreement, the municipality will invest the amount of €75,000 within the period of 15 December 2014 - 15 December 2015. Under the agreement, the municipality should transfer the amount of participation into the account of Caritas, while Caritas will participate with €30,000, and with two vehicles for teams on the ground, fuel, and medical material for the beneficiaries. Caritas Kosovo had not provided any evidence as to whether it had provided two vehicles for such services. From 09.03.2015 to 10.16.2015, the municipality had paid out of goods and services on the account of Caritas the amount of €50,000, without a receiving report for provision of services. Caritas Kosova had used the funds of the municipality to cover salary expenses of 21 health workers. According to a periodic report, they were engaged by Caritas for home health care in rural areas. No supervisor was appointed by the municipality to follow the implementation of the project from both parties. The abovementioned agreement is not in accordance with the Law on Public Procurement (LPP) Article 4, paragraph 2, as if the project is financed over 50% by the entity (in this case the municipality) it should be a Contracting Authority.

Risk

Executing payments by the municipality before confirming that the contracted works or services are received increase the risk for objectives set out in the agreement to be achieved partially or not at all. For as long as the municipality does not exercise active supervision over the implementation of projects, and does not have a guarantee that donors will complete projects according to agreements, these payments can be considered irregular and can cause considerable financial losses for the municipality.

Recommendation 12 The Mayor should ensure that no payments will be carried out before confirming that works or services are delivered. Payments have to be documented with invoices and confirmed reports on works/services received. The aspect of supervision and reporting of liabilities that derive from these agreements should be subject to regular reviews by the management of the municipality. In order to eliminate the risk that threatens failure of these agreements, we suggest that such practices of payments are stopped.

3.5.2 Remunerations (Wages and Salaries)

Wages and Salaries are paid through a centralised system. Key controls that confirm accuracy and completeness of payments are payroll list signed by heads of units. Salary costs in 2015 were €11,262,513 i.e. 99%. Shortcomings identified are presented below:

Issue 12 - Insufficient controls over salary payments - Medium Priority

Finding We have tested payments to municipal assembly advisors and have identified that one of them was paid for six and one for two months after resigning from their positions.

Risk Failure to update the data and lack of adequate controls over the payroll system damages the municipal budget by €800.

Recommendation 13 The Mayor should ensure that the reasons behind errors in execution of salaries have to be reviewed and enhance controls over the personnel management so that such cases are not repeated. Payments carried out unfairly should be returned to the municipal budget.

Issue 13 - Compensation of education staff salaries - High Priority

Finding The department of Education in 2015 had eight teachers who had not been entered on the payroll system.

Risk Hiring new staff in vacant positions and not introducing them in the payroll list presents a risk, as employees could file lawsuits that can result in financial budgetary implications.

Recommendation 14 The Mayor has before the start of the school year to analyse the numbers of staff needed in the education sector, and if legal barriers are encountered to discuss the issue with line Ministries and the Government, so that the staff engaged is not left outside the payroll.

Issue 14 - Files of teachers - Medium Priority

Finding While testing files we noticed that files of teachers were incomplete as were missing appraisals of workers, and in some cases were missing contracts. Looking at the contracts, we could not determine what subjects were engaged teachers going to teach, as in the contract was presented only the title professor or teacher, but not the subject that he/she teaches.

Risk There is no sufficient data available to justify the payment of salaries or to enable reviewing of performance appraisals.

Recommendation 15 A systematic review of personnel files should be undertaken in order to ensure that all necessary documentation is included within a specified period, and that all payments are supported. Staff appraisals should be performed at least once at the end of each school year.

Issue 15 - Payments in health from the category of salaries - Medium Priority

Finding We have identified that workers who travel from Main Family Medicine Centre (MFMC) through FMC and Family Medicine Ambulances (FMA), are compensated 50% of their travelling ticket expenses. These were paid out of the category of Wages and Salaries presented as night shift, and were not supported by travel evidence.

Risk Paying for travel expenses out of the category of Wages and Salaries overestimates and underestimates the category of Goods and Services.

Recommendation 16 The Mayor should enhance controls over health so that payments for travel expenses are carried out from the category of Goods and Services, by documenting them in line with Treasury regulations.

3.5.3 Subsidies and Transfers

The planned budget for this category was €729,659, while for the fiscal year 2015 were spent €625,418, or 86% of the budget planned. Expenses mainly related to a support of cultural activities, support to farmers, sport and gender issues, and natural persons as beneficiaries who are in a difficult socio-economic condition. We have identified the following shortcomings:

Issue 16 - Monitoring of subsidies - High Priority

Finding The municipal Office for Communities and Return has subsidised 50 beneficiaries with food and hygiene packages that amounted to €1,900 based on requests by minorities. We noticed that during the supply of food packages, some of the positions (food items) do not match with the prices specified in the contract.

Risk Poor monitoring of payments by the Municipality increases the risk of items being paid higher than prices specified in the contract.

Recommendation 17 The Mayor should ensure that are established controls over payments, so that all items are paid in line with prices of contract.

Issue 17 - Subsidising of NGOs - Medium Priority

Finding In five cases, the municipality has subsidised NGOs without meeting the criteria of submitting the reports on the financial situation of the past two years as foreseen under the regulation. The beneficiaries are: "7 Artet"; "Handball Club -Trepca"; Football Club "Trepca"; "CAS AD libitum" and "Mundësia".

Risk Failure to adhere to the regulation criteria increases the risk of future bad practices being created. In such cases, it is not certain whether the subsidies reach the intended purpose.

Recommendation 18 The Mayor should ensure that the criteria set out in the Regulation on Subsidies are fully implemented; otherwise subsidies should not be granted.

3.6 Revenues

The municipality applies a set of controls that relate to collection and reporting of revenues. However, there is need for improvement in some processes in order to support the accuracy and completeness of revenue collection.

Revenues planned to be collected in 2015 were €2,117,292, while were collected €1,517,742 or 72% of planned.

Issue 18 - Weak controls over municipal leases - High Priority

Finding Despite our recommendations to improve the management of leases process, weaknesses continue to exist this year as well:

From the records of urbanism department we have obtained a register on the leaseholders of municipal property. From the samples tested we found that six leaseholders had accumulated outstanding liabilities in the amount of €28,678. The management had taken limited to actions to obligate these leaseholders in meeting their obligations towards the municipality.

In the register of the urbanism department are listed 14 apartments for which the municipality had signed lease contracts on 18.03.2009 for a period of two years to social welfare cases (€17, 66 a month). In the contract is specified that every 2 years the Municipal Assembly will reassess the economic situation of families, in order to determine whether to continue/terminate the contract. However, municipal officials claim that such thing was never done.

We have tested two (2) contracts for leasing of premises and found that contractors only for 2015 had a debt of €12,062. The contract stipulates that the leaseholder will renovate the business premise. The municipality had not established a professional committee to assess investments made in business premises by the leaseholder. Furthermore, the leaseholder up to now had not paid any monthly payments.

Risk The municipality applies weak controls over the collection of revenues from the properties leased to citizens or other entities. Despite the measures and actions taken by management to obligate leaseholder meet their obligations in line with the contracts, the overall collection of revenues from this category compared to the plan remains low. Allowing such practices to continue can also motivate other leaseholders to avoid paying respective leases. Due to failures in collecting revenues planned are risked projects that are planned to be financed from its own resources.

Recommendation 19 The Mayor has to review contracts and lease agreements, as well as the existing procedures on tax collection, and take measures to collect all debts owed by leaseholders. If this is not possible, then property leased should be taken back, and through public auction are offered to other potential users who meet monthly rent payments in time.

Issue 19 - Property Tax - High Priority

Finding The Municipality from property tax for 2015 had invoiced the amount of €872,599, while it collected only €515,994 or 59% of planned. From tests carried out in the property tax, we noticed that debts from selected units were €31,668. Total accumulated property tax debt by the end of 2015 was €4,875,320.

Risk The increasing trend of debts from year to year risks initial plan projections, as they may not materialise, which affects achievement of overall objectives of the municipality.

Recommendation 20 The Mayor should ensure identification of obstacles that hinder collection of property tax and produce a concrete plan with accompanying measures, in order to maximize property tax collection levels.

Issue 20 - Business operating fees - High Priority

Finding The Municipality has charged businesses with operating fees in the amount of €262,050, while were only collected €18,277 or 7%. The municipality has not provided a database (a program) on the number of businesses, invoicing, collections, and debts owed to the municipality due to the transfer of data from the old into the new system. As a result, we were unable to test any samples in this category. According to official in charge of business operating fees, total receivables were in the amount of €3,075,729.

Risk Failure to functionalise fully the database can result in failures of real tax planning and collecting them at a satisfactory level, thus not being able to fulfil the revenue plan.

Recommendation 21 The Mayor should ensure that the Department of Finance builds a database (program) and to systemise relevant information on businesses that actively operate within its territory. In addition, effective measures should be applied so that business fees are collected based on periods of the year, without ignoring the previous debts.

Issue 21 - Taxes from non-formal education not based on regulations - Medium Priority

Finding We have tested 3 samples of revenues from non-formal education and have identified that the school EHS "Hasan Prishtina" had charged its candidates with a registering fee of €100, €180 and €205 in disagreement with the Administrative Instruction 11/2011 of MEST, and the municipal regulation. 07/2013. The permitted fee according to the regulation is €150.

Risk Application of higher fees to candidates than those stipulated in the AI and the approved municipality's regulation, have unjustly harmed the registered candidates.

Recommendation 22 The Mayor should review the case of these payments, and return funds to all candidates who have paid more than the amounts specified under the AI, and regulations.

3.7 Assets and Liabilities

3.7.1 Capital and Non Capital Assets

The municipality has not yet managed to have a comprehensive and complete register on non-financial assets.

The value of capital assets in the book at the end of 2015 was €26,528,969. Despite this, we have noticed some shortcomings.

Issue 22 - Incomplete assets of municipal assets - High Priority

Finding The municipality has not managed yet to record parcels of land and buildings that it owns. During testing we have found that buildings such as the Gymnasium “Frang Bardhi”; Technical School “Architect Sinani”; and the Municipal Assembly building were not included in the assets register;

Under the Decision 01/52857 of the mayor of date 01.10.2014 was established a committee for assessment of non-financial assets, but the chairman of this committee has reported that the process for verification and evaluation of properties is on-going, but nothing has been reported up to now.

The regulation on assets management stipulates that the receiving officer is to record all assets and stocks with value under €1,000 in the system “e-assets”. We have noticed that the system e-assets has started functioning this year, but is not complete yet as purchases by the department of education and health are not recorded in this system.

Risk Having an incomplete register makes it difficult to identify assets and confirm their existence, as well as increases the risk for their misuse, loss or alienation.

Recommendation 23 The Mayor should ensure that the Committee does its fair and complete evaluation of all assets owned by the municipality as soon as possible, and monitor all results of the evaluation. In addition, in order to have accurate records of stocks, all entry/exits of movable property with value under €1,000 are done through the e-assets system.

3.7.2 Handling of receivables

The Municipality presented Accounts Receivables of €8,135,676 in the AFS. Shortcomings are the following:

Issue 23 – Accounts Receivables - High Priority

Finding The largest part of these accounts relates to property tax (€4,875,320), business operating fees (€3,075,729), lease of public buildings and lands (€78,511), and business premise leased to the culture sector (€106,116).

Risk Failure to collect these accounts could affect municipality's ability to meet expenditure plans and budgetary plans in the future.

Recommendation 24 The Mayor should initiate a reassessment process (review), where all accounts will be analysed in terms of maturity, validity of individual debts with significant amounts, real possibility for their collection and exercising of administrative measures (if necessary).

3.7.3 Handling of Debts

The statement of outstanding liabilities owed to suppliers for 2015 was €462,695. Compared to 2014, where the amount of liabilities was €667,000, the municipality has managed to reduce its outstanding liabilities by €204,305, thus we a tendency for improvement. This disclosed amount contains the following inaccuracies.

Issue 24 - Incomplete disclosure of liabilities and failure to pay invoices within the legal deadline - Medium Priority

Finding The report of liabilities was not accurate as therein were not included contractual obligations in the amount of €37,369 that the municipality owes to teachers as it had not managed to include them in the regular payroll lists.

We have tested outstanding liabilities that have been reported as debt in the Ministry of Finance, and have ascertained that in several cases the municipality had not met its obligations within the foreseen period of 30 days, even when some of them were since 2014.

Risk Failure to meet obligations towards teachers and other suppliers, poses an increased risk for implementation of the expenditure plans, due to the need to pay these obligations on the one hand, and potential lawsuits against the municipality on the other.

Recommendation 25 In order to avoid legal disputes and execution of direct payments by the Treasury, the mayor should handle the situation carefully, and take appropriate measures to plan the budget for meeting debts owed to suppliers and teachers, and to prevent entry into new obligations without prior commitment of funds.

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

ANNEX I Audit Approach and Methodology

The responsibilities placed on the Auditor and Those Charged with Governance are detailed in the Opinion set out in Section 1.2 of this report.

While a key output of our work is the audit opinion this report reflects the totality of our work with specific focus also on Governance Issues including Financial Management and Control. The latter is informed by our extensive, risk based, compliance audit programme..

The Executive Summary is intended to highlight the key finding of the audit and the key actions that the mayor should ensure are taken to address identified management/control weaknesses.

The detailed report provides an extensive summary of our audit finding with emphasis on determining the cause audit findings and providing appropriate recommendations to address these. For completeness we have included issues identified at the interim audit where they remain relevant. Our findings are defined as:

High Priority - issues which if not addressed 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 significant improvements to the efficiency and effectiveness of internal controls.

Findings considered low priority were/will be reported separately to finance staff.

Our procedures included a review of the internal controls and accounting systems and associated substantive testing and associated governance arrangements 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.

Annex II 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.

Prior Year Audit Recommendations	The Mayor should initiate an analysis of causes behind unaddressed audit recommendations are not being addressed. An action plan for addressing of recommendations of this report and prior recommendations should be drafted until 31 July 2015, determining all actions, responsible staff and time frame within which the plan would be implemented. We suggest a direct monitoring of the process by the mayor.		Partially Some of the recommendations have remained unimplemented	
Good Governance	The Mayor should initiate a review of the existing regulations of governance/accountability and reporting requirements. Requirements not fulfilled should be in place until the end of 2015. Quality and content of internal reporting should be revised in critical manner to demonstrate positive changes in operational management and achievement of strategic objectives.		Partially	
Budget	Mayor should ensure better and systematic monitoring of the budget performance and on monthly basis. The barriers for improvement of budget execution level and efficient use of own source revenues and donations should be identified and addressed. If the initial budget assumptions are inaccurate, this should be revised in the final budget position. Furthermore, the reasons behind discrepancies between planning and the actual expenditures should also be addressed, The Mayor should ensure the financial discipline in payments“ execution in time will be strengthened and that all remaining obligations will be analysed in order to minimise withdrawals based on court’s decisions.		Partially Partially Meeting obligations towards some teachers and decreasing the liabilities from year to year.	

	The Mayor should ensure an analysis of reasons behind not following the procurement requirements in identified cases and apply improved controls which ensure that weaknesses are identified and addressed in time.			No
Wages and salaries	The Mayor should ensure that proper controls are set to prevent the identified errors and to ensure that recruitment of new staff is done only when the wages are planned with the budget.		Partially	
Subsidies and transfers	The Mayor should ensure that criteria are set for granting of subsidies and continuous monitor for all subsidies, to ensure that the subsidies achieve the purposes.	Yes		
Assets	The Mayor should ensure that an internal manual for management of assets is produced clarifying the roles and duties of appointed officials who should contribute in the preparation of data for assets to be registered.			No
Liabilities	Mayor should initiate analyse of the reasons behind a high amount of liabilities in order to ensure that all invoices will be paid within the legal deadlines.		Partially	
Internal audit	Mayor should ensure a full functioning Internal Audit System. The Audit Committee should strengthen its work. The IAU should develop risk based approach as a base for audit planning. Recommendations should be addressed properly.		Partially	