



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE
MUNICIPALITY OF RANILLUG
FOR THE YEAR 2019

Prishtina, July 2020

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

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

This audit is carried out in line with the International Standards of Supreme Audit Institutions, and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Municipality of Ranillug in consultation with the Assistant Auditor General, Naser Arllati, who supervised the audit.

The report issued is a result of the audit carried out by Pleurat Isufi (Team Leader), and Milosh Petrovic and Gazmend Namani (team members), under the management of the Head of Audit Department, Astrit Bllaca.

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Executive Summary

This report summarises the key issues arising from our audit of the Municipality of Ranillug for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



The Annual Financial Statements were prepared in accordance with the MoF Regulation No. 01/2017 on Annual Financial Reporting by Budget Organizations.

Financial management and control requires further improvements including the area of revenues, the appointment of contract managers, recording of third parties' payments and their presentation in the AFS, management of accounts receivable, and issues relating to asset management.

Implementation of prior year recommendations shows that out of six recommendations, the municipality implemented two, one is in process, two have not been implemented and one was considered closed.

Opinion of the Auditor General¹

Unmodified Opinion

For more details, see Chapter 1 of this report.

Management's Response to audit 2019

The Mayor has agreed with audit findings and conclusions and committed to address all the recommendations given. The National Audit Office acknowledges the cooperation of the management and staff of the Municipality during the audit process.

¹ Annex I explains different types of Opinions in line with ISSAIs.

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed operations of Ranillug Municipality, the extent of reliance on management controls in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

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

The following chapters provide in detail our audit findings and recommendations in each audited area. Management's response to audit findings can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Municipality of Ranillug for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

Unmodified Opinion

In our opinion, the Annual Financial Statements for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards according to cash based accounting.

Basis for the Opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the Municipality. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for AFS

The Mayor and the Chief Financial Officer are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Cash based Accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Mayor is responsible to ensure the oversight of Municipality's financial reporting process.

Auditor General's Responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit conducted in accordance with ISSAIs. These standards require that we obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements

may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

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

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

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

The audit report is published on the NAO's website, except for information classified (as sensitive) or other legal or administrative prohibitions in accordance with applicable legislation.

2 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources and assets and liabilities as well as the internal audit function.

Financial Management and Control Conclusion

Financial Management and Control require further improvement, including the area of revenues, appointment of contract managers, recording of third party payments and their presentation in the AFS, management of accounts receivable, and issues related to asset management.

2.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds	1,825,748	2,040,657	1,682,939	82	1,838,350	1,548,080
Government Grant - Budget	1,695,118	1,740,929	1,629,933	94	1,742,574	1,436,195
Carried forward from previous year ³ -	-	175,953	44,227	25	76,266	51,615
Own Source Revenues ⁴	121,352	121,352	8,779	7	5,415	23,423
External Donations	-	2,423	-	-	14,095	36,847
Financing from borrowing	9,278	-	-	-	-	-

The final budget is higher than the initial budget by €214,909. This increase is a result of the own source revenues carried forward from the previous year in the amount of €175,953 and the unspent donation carried forward in the amount of €2,423, the increase of the budget from Government decision by €45,811 and the decrease of the budget from financing from borrowing by €9,278.

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

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

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

In 2019, the municipality spent 82% of the final budget or €1,682,939, with a decrease of 4% compared to 2018.

Table 2. Spending of funds by economic categories - (in €)

Description	Initial Budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories	1,825,748	2,040,657	1,682,939	82	1,838,350	1,548,080
Wages and Salaries	1,040,966	1,086,777	1,086,777	100	1,039,960	975,774
Goods and Services	228,612	279,068	167,009	60	105,066	132,683
Utilities	30,000	46,871	35,142	75	30,618	26,730
Subsidies and Transfers	40,000	46,708	34,938	75	36,191	46,021
Capital Investments	486,170	581,233	359,073	62	626,515	366,872

Explanations for changes in budget categories are given below:

- The final budget for Salaries was increased by €45,811. This increase is based on Government Decision no. 03/115, dated 17.12.2019, to cover the deficit in Wages and Salaries;
- The final budget for Goods and Services was increased by €50,456. The budget was increased from revenues carried forward in the amount of €57,499 and from donations carried forward in the amount of €2,235. While the budget was decreased in the amount of €9,278, for funds from financing from borrowing which were transferred to the Ministry of Health;
- The final budget for Utilities was increased by €16,871. The increase comes from revenues carried forward from the previous year;
- The final budget for the Subsidy category was increased by €6,708. This increase comes from revenues carried forward; and
- The budget for Capital expenditures was increased by €95,063 from revenues carried forward.

2.1.1 Revenues

Revenues generated by the municipality in 2019 totalled €88,904. These relate to property tax revenues, revenues from construction permits, revenues from waste transportation, and revenues from business activities.

Table 3. Own Source Revenues (in €)

Description	Initial Budget	Final Budget	2019 Receipts	% of 2019 Receipts	2018 Receipts	2017 Receipts
Total revenues	121,352	121,352	88,904	73%	83,338	100,634
Tax revenues	31,352	31,152	26,085	84%	23,809	25,389
Non-tax revenues	90,000	90,000	62,819	70%	59,529	75,245

The municipality also had indirect revenues in the amount of €6,762. Indirect revenues consist of revenues from police fines €3,130, and revenues from the Forest Agency €3,632. We have tested 17 samples as part of substantive testing, and 12 samples as part of compliance testing.

Issue A1 – Failure to verify current condition of properties

Finding Article 15.2 of Law no. 06/L-005 on Immovable Property Tax provides that inspection activities are carried out annually for at least 20% of all facilities within the territory of the municipality.

In 2019, of 1,353 registered properties, the municipality managed to verify only 12 buildings or less than 1% of immovable properties.

According to municipal officials, this happened because there is only one official employed in the property tax unit, who, due to the workload, was not able to meet this legal requirement.

Impact Low property inspection may result in incomplete information on current taxable property and affect the inaccurate valuation of property tax revenues.

Recommendation A1 The Mayor should consider filling vacancies in this department, and take all necessary measures to carry out the verification of facilities according to legal provisions.

2.1.2 Wages and Salaries

The final budget for 2019 is €1,086,777 and was spent in full. The number of employees by budget was 189, whereas by the end of the year the number of employees was also 189. During 2019 there were employed 11 new staff. We have tested 31 samples of €108,484 as part of substantive testing, and 15 samples as part of compliance testing.

Issue A2 – Shortcomings in conducting recruitment procedures

Finding Administrative Instruction 07/2017, on the Regulation of procedures for Competition in the Public Sector, Articles 7,9,11,12 among others stipulate that eight days after the announcement of the competition, a list is compiled with candidates who meet the criteria set in the competition. Candidates who meet the criteria are invited for the written test, results are announced with the points scored from the test, and those who pass the test are invited for the interview. The commission then announces the final list of all participants in interview in which there is legal advice for dissatisfied candidates, where they are entitled to appeal to the appeal commission which is formed three days after the announcement of the vacancy.

The competition dossier did not contain the list of candidates who applied; The selection commission did not compile the list of candidates who met the competition criteria; Evaluation forms for written and interview scores were missing; In the decision on the final selection, the number of points scored is not mentioned neither legal advice on the basis of which dissatisfied candidates are entitled to appeal, as the appeal commission was not even formed. We have not received any response from relevant officials for non-compliance with the requirements of the regulation.

Impact Non-compliance with the requirements arising from the relevant rules regarding the announcement and establishment of the employment relationship enable irregular interventions in recruitment processes and inadequate controls upon selection of new employees.

Recommendation A2 The Mayor should ensure that all requirements of the Administrative Instruction in force are applied during the employment of new employees.

2.1.3 Goods and Services

The final budget for Goods and Services (including Utilities) in 2019 was €325,999, of which €202,152 were spent. The budget for Goods and Services is mainly related to the purchase of materials, office supplies, fuel, repairs and maintenance, etc.

Issue A3 – Failure to appoint contract managers

Finding Paragraph 61.4 of the ROGPP stipulates that after a contract has been signed by both parties the responsible Procurement Officer shall inform the Chief Administrative Officer “CAO” and the CAO shall, appoint in writing, a Project Manager responsible for the management (supervision) of the specific contract and for informing the responsible Procurement Officer.

For the contract “Supply with office supplies” in amount of €3,154 and “Vehicle Insurance” in amount of €4,579, the Contract Manager was not appointed. According to procurement officers, the managers of these contracts were not appointed because they were not aware that they had to appoint a manager for each contract signed.

Impact Failure to appoint a contract manager poses a risk as goods or services that should be supplied by the Economic Operator may not be at the right the quantity and quality or even at the time specified in the contract.

Recommendation A3 The Mayor should ensure that the contract manager will be appointed for each contract signed.

2.1.4 Subsidies and Transfers

The final budget for Subsidies and Transfers was €46,708, of which €34,938 was spent in 2019. They relate to financial support of public and non-public entities. We have tested five (5) samples of €4,250 as part of substantive testing, and six (6) samples as part of compliance testing.

Issue A4 – Lack of the annual plan for financial support to NGOs

Finding MoF Regulation No. 04/2017 on Criteria, Standards and Procedures for Public Funding of NGOs, Article 6.1 stipulates that “Providers of financial support should prepare the annual plan of financial support for NGOs at the latest 30 days after the approval of the annual budget of the Republic of Kosovo and should send it to respective office for good governance at the Prime Minister's Office of the Republic of Kosovo”.

We found that the Municipality has not prepared the annual plan of subsidies, as required under this regulation. The reasoning from the officials of the municipality was that we do not prepare such a plan.

Impact The lack of an annual plan for financial support of NGOs is a lack of information which areas will be supported by the municipality, and the purposes for which these funds are intended.

Recommendation A4 The Mayor should ensure that the annual plan for financial support of NGOs is prepared based on certain areas and goals.

2.1.5 Capital Investments

The final budget for Capital Investments was €581,233, of which €359,073 were spent in 2019. Those relate to construction of roads, the construction of sports halls, etc. We have tested 25 samples of €320,426 as part of substantive testing, and five (5) samples as part of compliance testing.

Issue C1 –Lack of the executive construction project

Finding Article 28.10 of the Law on Public Procurement clearly defines that the contracting authority must possess an executive construction project before the commencement of contracting work procedures.

During the audit of the contract “Asphalting of roads in the municipality” in amount of €119,198, there was no executive construction project. According to officials, this happened because they did not know that there should be an executive project for the existing roads.

Impact Initiation of the procurement procedure in absence of executive project results in incompliance with the legal requirement and allows for poor implementation of contracts for not projected and studied works and may result in unforeseen expenses.

Recommendation C1 When contracting works/construction, the Mayor should ensure in advance that the competent structures have drafted the project in accordance with the needs and requirements provided otherwise such procedures should not begin.

Issue A5 – Non-presentation of payments from third parties in the Financial Statements

Finding MoF Regulation no. 01/2017 on Annual Financial Reporting by Budget Organizations, Article 9.6 stipulates that all payments by third parties must be recorded in the KFMIS in accordance with the relevant procedure and presented in the financial statements.

The municipality did not register and present the amount of €6,000 in the Financial Statements, accepted as payment by third parties which was co-financing with the municipality for the supply of sports equipment for the sports hall. This happened after an omission was made by municipal officials.

Impact Non-presentation of third party payments to support the municipality leads to incorrect records in the AFS.

Recommendation A5 The Mayor should ensure that the presentation of payments from third parties is done in accordance with the requirements of the financial reporting regulation.

2.2 Capital and non-capital assets

The amount of capital assets presented in AFS is €8,788,199, that of non-capital assets is €80,325, and of stocks is zero. We have tested 30 samples of €321,671 as part of substantive testing, and performed compliance testing.

Issue A6 – Weaknesses in asset management

Finding Regulation 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 19, among others, states the responsibilities of the inventory commission are: inventory of assets owned and controlled by the organization, which must be physically verified and compared with non-financial asset records. During the audit, we were given only a document issued by the inventory commission appointed by the mayor, which states that all assets have been identified, but there is no evidence that proves such a thing. So data on verified assets, their status and comparisons with asset registers are missing. We have not received any clarification in this respect from the responsible officials.

According to Rule 02/2013 on Management of Assets, Article 6, paragraph 3, assets under €1,000 must be registered in the e-assets system. The municipality does not use the e-asset programme to identify and manage assets under €1,000. According to municipal officials, there were technical problems with the use of the e-asset system and therefore it was not used.

According to Article 4 of Regulation 02/2013, the Chief Administrative Officer is responsible for approving internal rules and procedures for the evidence, preservation and alienation of non-financial assets. The municipality has not approved internal rules and procedures for the evidence, preservation and alienation of municipal assets.

Impact Failure to provide a detailed inventory report and not using the e-asset programme to identify and manage assets reflect weaknesses in asset management and, consequently, affect the fair presentation of the value of assets in the AFS. Failure to approve internal rules and procedures may result in the assets being misused or lost.

Recommendation A6 The Mayor should ensure that the inventorying of assets is carried out in accordance with the regulations in force, where part of the final report is the list of assets verified and compared with the asset register. The Mayor should also ensure that assets under €1,000 are registered in the e-asset system, as required by applicable regulations, and to draft internal rules and procedures regarding assets.

2.3 Receivables

The municipality disclosed in the 2019 AFS receivables in amount of €392,279. This is made of property tax €195,302, business tax €54,063, sale of services €131,149 and use of public area €11,765.

Issue B1 – Management of accounts receivable

Finding According to Article 26 of the Law on Immovable Property Tax 06-L 005, The Municipality, the Ministry of Finance and the competent enforcement bodies shall have the authority and competences to collect outstanding tax liabilities which exceed the amount of ten (10) Euros, and Article 27 If a taxpayer or debtor fails to fully pay the tax and fine if any, or outstanding tax liabilities, according to stipulated deadlines, the Municipality shall issue a final written notice within ten (10) business days after the last day for payment, requiring full payment of outstanding tax liabilities, not later than ten (10) calendar days after the day when the final notice is considered to be received by the debtor.

The municipality has not undertaken any activity for the collection of the tax receivables in the amount of €195,302, which compared to last year increased by €27,412 as provided for by the law on property tax.

According to Article 58 of the regulation on municipal taxes, fees and fines, among others, as a mechanism for debt collection, are foreseen actions such as: the debtor is sent a tax payment order with a warning for enforcement, interest will begin to be calculated from the date set in debt collection decision; termination of business activity (closure for three days); the goods will be registered and taken (confiscation of assets) and the sale of assets through auction.

The receivables from the sale of services (waste collection) at the end of 2019 were €131,149, which means that from last year they have increased by €20,889. Tax business revenues reached the value of €54,063, compared to the previous year they have increased by €6,383. The municipality has not taken action for their collection as provided for by regulation.

Impact Non-application of mechanisms established by law affects the continuous growth of these accounts, which results in small funds to achieve the goals, and encourages other debtors not to pay their liabilities.

Recommendation B1 The Mayor should ensure the implementation of laws and regulations for collection of debts from property tax, sale of services and business taxes, and strengthen internal control to avoid their continued growth.

2.4 Liabilities

2.4.1 Outstanding liabilities

The statement of liabilities at the end of 2019 was €31,782. These liabilities are carried forward to be paid in 2020.

Issue A7 – Delays in payment of invoices

Finding Financial Rule 01/2013 MoF, Article 37.1 stipulates that all invoices received by the budget organization should be paid within 30 days, unless otherwise provided by contract.

During the testing, seven samples with 18 invoices in amount of €5,555 were paid late, starting from 24 up to 87 days. This happened due to lack of funds, and for the correction of invoices which were not in order at the time of receipt.

Impact Delays in payment may affect the municipality incurring additional court/enforcement costs for purchased services/goods.

Recommendation A7 The Mayor should ensure that the received invoices are paid within the statutory deadline and ensure that the return of irregular invoices is done through the protocol.

2.4.2 Contingent liabilities

The statement of contingent liabilities at the end of 2019 was €9,170 for which the municipality was in court proceedings.

2.4.3 Contractual obligations

The municipality at the end of 2019 had no contractual obligations to suppliers.

2.5 Internal Audit Function

The Internal Audit Unit (IAU) operates with one staff member, who is also the Head of IAU. The IAU has drafted the strategic plan for the period 2019-2021 and the annual plan for 2019.

The IAU has fulfilled its annual plan by conducting five planned audits. The audits conducted resulted in 15 recommendations, of which seven (7) were implemented, seven (7) are under implementation and only one (1) recommendation has not been implemented.

Issue B2 – Lack of Audit Committee

Finding Administrative Instruction MoF No. 01/2019 on the Establishment and Functioning of the Audit Committee in the Public Sector Entity, Article 4.1 establishment of the audit committee: Each public sector entity that has established the Internal Audit Unit at the level of the main body according to the legislation in force shall establish the Audit Committee.

The Municipality of Ranillug has not yet established an Audit Committee. According to the internal auditor, “Despite the will of the management to establish the Audit Committee (AC), the lack of sufficient budget to compensate the per diems of its members has affected its non-establishment”.

Impact The lack of an Audit Committee may affect the independence of the Audit Unit from the interventions of managers, and there may be inadequate addressing of recommendations by IAU.

Recommendation B2 The Mayor should establish an Audit Committee so that the work of the IAU is monitored and is independent and effective through the implementation of recommendations.

3 Progress in Implementing Recommendations

Our Audit Report on the 2018 AFS of Municipality of Ranillug resulted in six (6) key recommendations. The municipality prepared an Action Plan stating how all recommendations will be implemented.

BO submitted the Progress report on implementation of recommendations (30th of September and 15th of March) under requests deriving from the Rules of Procedure on implementation of audit and action plans.

At the end of our 2019 audit, two (2) recommendations were implemented, one (1) was under implementation, two (2) were not implemented yet, and one (1) was closed. For a more thorough description of the recommendations and the way they have been addressed, see Table 4 (or Table of recommendations).

Table 4 Summary of prior year recommendations and of 2019

No	Audit area	Recommendations of 2018	Actions undertaken	Status
1	Budget Process	The Mayor should ensure that budget performance is monitored on a systematic manner, on a monthly basis, and that this review identifies and addresses barriers in anticipated level of budget execution. Where initial budget suggestions are incorrect, it should be fully reflected in the final budget status.	This issue will not be addressed in the audit report of 2019.	Recommendation closed
2	Revenues	The Mayor should ensure that revenues are classified and recorded in adequate codes on the occasion of their recording, according the account plan of the current year approved by the Treasury.	The municipality in the current year recorded revenues in the appropriate codes.	Recommendation implemented
3	Salaries	The Mayor should ensure that controls have been reviewed, designed and placed in all directing levels related with areas of wages, and to ensure that the school payroll list will be cleared from staff that is not employed in schools, and review the opportunity of non-allocation of norms in the education system.	It has been regulated, the staff has been located in the places where they are employed.	Recommendation implemented
4	Capital Investments	The Mayor should ensure that all contracted commitments are being strictly implemented in accordance with the set forth conditions, by eliminating the obstacle at the entrance in a contractual agreement. If exceptionally, a need is presented to terminate the contract, the necessary procedures should be followed as foreseen by applicable Laws and Guidelines in force. Furthermore, the Mayor should also ensure that the drafting of executive projects precedes the initiation of procurement activities for contracts for works as per AI requirements no. 1/2014.	This year the contracts have been implemented according to the specifications, but the executive project is missing for one project.	Under implementation
5	Receivables	The Mayor should ensure the strengthening of mechanisms for the collection of its revenues, including also the receivables remained from the previous years. Initially, all needed actions should be undertaken within the Municipality, following with other legal measures to ensure their collection.	The situation continues to be the same.	Recommendation unimplemented
6	Internal	The Mayor should take all actions toward	The situation	Recommendation

	Audit	administrative units in order that the recommendations are addressed, having a maximum commitment in taking improvement measures. Except this, we suggest that the AC is also established/operational, to review the results of internal audit and actions undertaken by Management in relation to the given recommendations.	continues to be the same.	on unimplemented
No	Audit area	Recommendations of 2019		
1	Revenues	The Mayor should consider filling vacancies in this department, and take all necessary measures to carry out the verification of facilities according to legal provisions.		
2	Wages and Salaries	The Mayor should ensure that all requirements of the Administrative Instruction in force are applied during the employment of new employees.		
3	Goods and Services	The Mayor should ensure that the contract manager will be appointed for each contract signed.		
4	Subsidies	The Mayor should ensure that the annual plan for financial support of NGOs is prepared based on certain areas and goals.		
5	Capital Investments	When contracting works/construction, the Mayor should ensure in advance that the competent structures have drafted the project in accordance with the needs and requirements provided otherwise such procedures should not begin.		
6	Capital Investments	The Mayor should ensure that the presentation of payments from third parties is done in accordance with the requirements of the financial reporting regulation.		
7	Assets	The Mayor should ensure that the inventorying of assets is carried out in accordance with the regulations in force, where part of the final report is the list of assets verified and compared with the asset register. The Mayor should also ensure that assets under €1,000 are registered in the e-asset system, as required by applicable regulations, and to draft internal rules and procedures regarding assets.		
8	Receivables	The Mayor should ensure the implementation of laws and regulations for collection of debts from property tax, sale of services and business taxes, and strengthen internal control to avoid their continued growth.		
9	Outstanding Liabilities	The Mayor should ensure that the received invoices are paid within the statutory deadline and ensure that the return of irregular invoices is done through the protocol.		
10	Internal Audit	The Mayor should establish an Audit Committee and make it operational so that it reviews the internal audit results and actions taken by management regarding the given recommendations.		

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

Annex I: Explanation of the Different Types of Opinion Applied by NAO

(extract from ISSAI 200)

Form of opinion

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

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

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

Modifications to the opinion in the auditor's report

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

Determining the type of modification to the auditor's opinion

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

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

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

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

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

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

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

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

158. An Emphasis of Matter paragraph should:

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

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

Annex II: Confirmation Letter



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Komunës së Ranillugut për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimit, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tij.

z. Vladica Aritanovič

Kryetar i Komunës së Ranillugut

Data: 09 korrik 2020, Ranillug

