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AUDIT REPORT
ON THE ANNUAL FINANCIAL REPORT OF THE MINISTRY OF
LOCAL GOVERNMENT ADMINISTRATION FOR
THE YEAR ENDED 31 DECEMBER 2016

Prishtina, June 2017

Deloitte Kosova Sh.p.k. conducted the audit of the Annual Financial Statements of the Ministry of Local Government Administration ("the Ministry") for the year ended December 31, 2016, on behalf of the National Audit Office of the Republic of Kosovo.

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

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

Deloitte Kosova sh.p.k has decided on the audit opinion on the Annual Financial Statements of the Ministry of Local Government Administration.

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Executive Summary

Introduction

Deloitte Kosova Sh.p.k. conducted the audit of the annual financial statements of the Ministry of Local Government Administration (“the Ministry “or “MLGA”) for the year ended December 31, 2016, on behalf of the National Audit Office (“NAO”).

This report summarises the key issues arising from our audit of the 2016 Annual Financial Report of the Ministry of Local Government Administration, which determines the Opinion given by Deloitte Kosova sh.p.k. The examination of the 2016 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions. Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in our External Audit Plan¹ dated 3/28/2017.

Our audit focus (detailed in Annex 1) has been on:



The level of work undertaken by us to complete the 2016 audit is a direct reflection of the quality of internal controls implemented by the Management of the Ministry.

Opinion of the Auditor General

Qualified Opinion

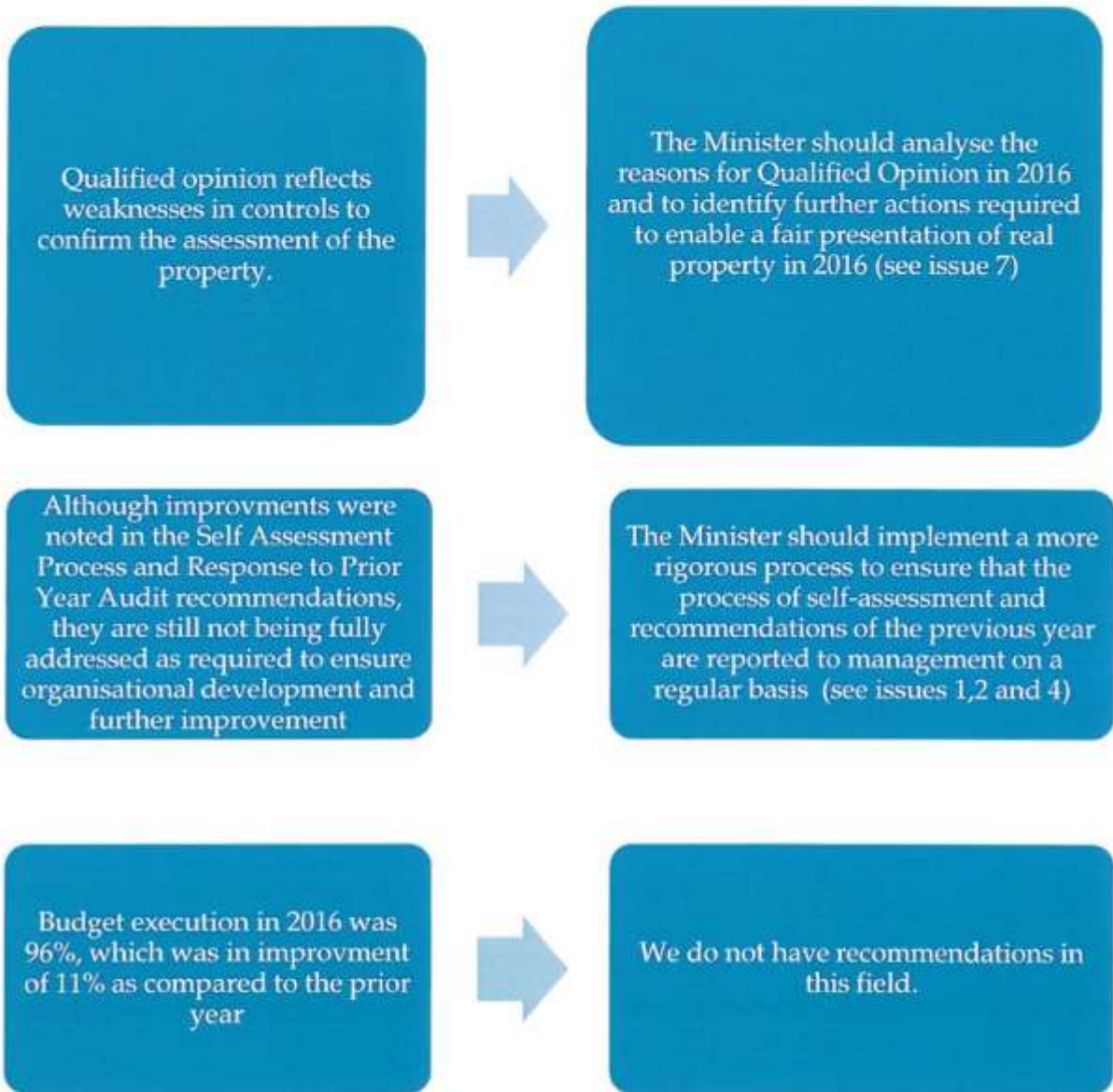
The Annual Financial Statements present a true and fair view, in all material aspects, with the exception of the effects of issues related to assets, set out in the paragraph "Basis for Qualified Opinion". For more details, please see Section 1.2. of this Report.

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

We would like to thank the Minister and his team for their assistance during the audit process.

¹ The term External Audit Plan replaces the term Audit Planning Memorandum

Key Conclusions and Recommendations



1 Annual Financial Statements and other External Reporting Obligations

Introduction

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information recorded in the AFS. We also consider the Declaration made by the Chief Executive Officer and Chief Financial Officer 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 AFS. These declarations are intended to provide the Government with the assurance that all relevant information has been provided to ensure that a comprehensive audit can be undertaken.

1.1 Audit Opinion

Qualified Opinion

We have audited the financial statements of the Ministry of Local Government Administration ("the Ministry") for the year ended December 31, 2016, which comprise the Statement of Cash Receipts and Payments, the Statement of Budget Execution and the explanatory notes included in Annex V of this report.

In our opinion, except for the possible effects of the matters referred to in paragraphs of the *Basis for qualified opinion* paragraph, the financial statements of the Ministry for the year ended December 31, 2016 have been prepared in all material respects, in accordance with IPSAS "Financial Reporting under the Cash basis of Accounting" and Law on Public Financial Management and Accountability no 03/L-048 amended and supplemented by Law 03/L-221, Law 04/L-116, Law 04/L-194 and Law 05/L-007.

Basis for Qualified Opinion

Register of capital assets. The total amount of assets as at December 31, 2016, presented in Note 19.3.1 "Capital Assets (over € 1,000)" is Euro 348,531. Because the balance of Euro 7,024,860 of assets presented in the annual financial statements of the year 2015 incorrectly included capital investments made in municipalities, the Ministry undertook measures during 2016 to make the appropriate adjustments. Nevertheless, even with the adjustments, we identified a difference of Euro 59,150 between the balance presented in the financial statements and the balance as per the assets transfer report. Consequently, we were not able to collect sufficient appropriate audit evidence in relation to those adjustments made in the balance of capital assets as at December 31, 2016.

Moreover, the results of the stocktaking process of capital assets, that could have supported the accuracy of the aforementioned movements, are not updated entirely in the system. Consequently, we were unable to determine whether any adjustments to the amounts disclosed in note 19.3.1 and 19.3.2 and other related balances is necessary.

We conducted our audit in accordance with International Public Sector Accounting Standards (IPSAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Ministry in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to "Declaration on Presentation of Financial Statements", which describes the basis of accounting. These financial statements are prepared to meet the requirements of Law on Public Financial Management and Accountability no 03/L-048. As a result, these financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS "Financial Reporting under the Cash basis of Accounting " and Law on Public Financial Management and Accountability no 03/L-048 amended and supplemented by Law 03/L-221, Law 04/L-116, Law 04/L-194 and Law 05/L-007. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Ministry or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Basic Principles and Guidelines on Auditing of the International Organization of Supreme Audit Institutions (INTOSAI)s 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.

As part of an audit in accordance with INTOSAI s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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June 28, 2017

1.2 Compliance with AFS and other reporting requirements

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

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, as amended and supplemented with Law no.03/L-221, Law no. 04/L-116 and Law no. 04/L-194;
- Compliance with Financial Regulation no. 01/2013;
- Compliance with Financial Regulation no. 02/2013;
- Action Plan on implementation of recommendations; and
- Reports for debts on arrears;
- Draft and final procurement plan

In the context of the AFS we have no issues to raise.

1.3 Recommendations for the first part of the report

Recommendation 1 The Minister should apply further controls that enable the management of assets in accordance with the legal requirements.

2 Governance

2.1 Introduction

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

2.2 Overall Governance Conclusion

In 2016, the Ministry used 96% of its final budget, an improvement of 11% compared to the previous year. This shows a positive trend in the budget management.

There are number of governance weaknesses within the Ministry, as detailed in section 2.3 - 2.6 below. Regarding external and internal audit recommendations, the Ministry has prepared an action plan for them.

2.3 Progress in the Implementation of Prior Year Recommendations

The audit report for AFS of the year 2015 of the Ministry resulted in 10 key recommendations. The Ministry had prepared an Action Plan stating how to implement the recommendations.

By the end of our audit for 2016, 4 recommendations have been implemented and 6 are under implementation. For a more complete description of the recommendations and how they are addressed, see Annex III.

Issue 2 - Addressing Prior Year Audit Recommendations – Medium Priority

Finding	Only a part of last year's recommendations are implemented by MLGA.
Risk	The continued weakness of risk management controls and other controls in financial systems have resulted in continuous inaccuracies in the presentation of capital and non-capital assets.
Recommendation 2	The Minister should ensure that the action plan is implemented and considered, which sets out a timetable for implementing the recommendations made by the auditor, with the identified responsible staff, and focusing initially on the most important areas.

2.4 Self-Assessment Checklist of FMC components

The Ministry of Finance has produced a detailed self-assessment checklist for Budget Organisations to support effective governance arrangements. For all audits we undertook we have tested the quality of FMC self-assessment submissions made to the Ministry by assessing one key question in each component of the checklist. 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 develop the FMC system as a whole.

Issue 3 –Self Assessment Checklist – High Priority

Finding	As part of our audit, we have reviewed four key questions of self-assessment questionnaire regarding the components. For the reviewed questions we have found that with regard to the reconciliation of capital assets as per SIMFK and fixed assets register, MLGA replied that it is done on yearly basis, but the evidences we have been given do not fully support this conclusion.
Risk	Poor governance arrangements weaken strategic and operational processes and reduce the quality of services provided to citizens through inefficient and ineffective activities.
Recommendation 3	The Minister should ensure that a review of the processes for completing the self-assessment checklist and proactively addressing areas of weaknesses is implemented. A revised mechanism to confirm the accuracy of the return and to ensure supporting documentation supports the submission should be applied.

2.5 Specific Governance Reviews

Our work on specific areas of governance arrangements is based in our audit planning which considered the context within which MLGA operates and the challenges that it faces.

2.5.1 Risk Assessment

All Budget Organizations are expected to implement risk assessment. For the year ended December 31, 2016, MLGA has prepared a register of risks.

Recommendation

We have no recommendations in this area.

2.5.2 Management Reporting and Accountability

A range of internal controls are applied by Management 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 4 – Weaknesses in High Level Management Controls with regard to capital assets and AFS – Medium Priority

Finding	Our review of management controls applied to the main financial system of MLGA has revealed that despite regular formal reporting from subordinate units for the area of non-capital assets and AFS preparation process, they are not utilized effectively by management to prevent systematic errors in these fields.
Risk	Insufficient quality and financial review of the senior management may reduce the quality of reporting and reduce the ability of management to manage the activities of MLGA pro-actively.
Recommendation 4	The Minister should ensure that a review is conducted to determine the form of reporting to senior management, and management to prevent errors on reporting.

2.6 Internal Audit System

Internal Audit Unit (IAU) is currently operating with three members of staff – the Director of IAU and two auditors. To conduct an effective audit is needed a comprehensive program of work that reflects the financial risks and other MLGA and provide sufficient assurance on the effectiveness of internal control.

Issue 5 – Weakness in internal audit – Medium Priority

Finding	Four of the five reports planned for 2016 were carried out.
Risk	An incomplete audit program may lead to a lack of identification and in not addressing of the weaknesses in controls resulting in operational inefficiencies and financial losses for the Ministry. Failure to address the recommendations will exacerbate the situation.
Recommendation 5	To achieve maximum benefit from the internal audit activity, the Minister should ensure that all the planned audits are realized within the year and should review the actions undertaken by the management with regards to the audit recommendations.

3 Financial Management and Control

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.

Financial Management and Control Conclusion

Regarding MLGA, procurement issues have been significantly reduced, partly due to the improvements in the controls implemented in the Ministry and partly due to the delegation of the procurement process responsibility to the respective municipalities. In the context of financial systems, controls over a range of expenditure areas require further enhancement to prevent errors. The main areas where improvements are needed are on capital asset management, and procurement planning.

3.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €).

Description	Initial Budget	Final Budget ²	2016 Outturn	2015 Outturn	2014 Outturn
Sources of Funds	4,960,000	4,988,957	4,808,764	3,825,642	4,259,816
Government Grant -Budget	4,960,000	4,775,476	4,696,680	3,745,283	4,148,756
Foreign donations	-	213,481	112,084	80,359	111,060

The final budget is higher than the initial budget for Euro 28,922. The change is the result of foreign donations, totaling Euro 213,481 and the reduction applied after budget review and in accordance with Government decisions. In 2016, MLGA has used 96% of the final budget or Euro 4,808,764, with an improvement of 11% compared with 2015. The following are the explanations for the current position.

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

Description	Initial Budget	Final Budget	2016 Outturn	2015 Outturn	2014 Outturn
Spending of funds broken down by economic categories:	4,960,035	4,988,957	4,808,764	3,825,642	4,259,816
Wages and Salaries	976,455	925,554	918,917	844,722	809,979
Goods and Services	254,431	445,916	345,231	326,231	446,250
Utilities	25,500	11,959	11,134	13,388	18,878
Subsidies and Transfers	203,649	197,624	197,624	200,732	372,007
Capital Investments	3,500,000	3,407,905	3,335,858	2,440,569	2,612,702

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries compared with the initial budget was reduced by Euro 50,901. Until December 31, 2016, 99% of the final budget was implemented.
- The final budget for Goods and Services in comparison with the initial budget, increased in total for Euro 191,485. Initially, it decreased by Euro 7,000 with the budget review. Subsequently a further reduction of Euro 14,000 was made. And lastly, to the final budget were added Euro 212,481 from foreign donations. The final budget for this category was realized for Euro 345,231 or 77%.

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

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- The final budget for Utilities compared to the initial budget was reduced for Euro 13,541. Initially, this category has been reduced for Euro 10,000. Subsequently, a further reduction of Euro 5,000 was made. And lastly, Euro 1,000 from foreign donations were added to the final budget were added. 93% of the final budget of this category was realized.
 - Subsidies were reduced by Euro 6,025 from the initial budget. The final budget for this category was fully realized.
 - Capital Investments final budget compared to the initial budget was reduced by Euro 92,095. Initially, with the budget review, this category is increased by Euro 70,000, while subsequently it is reduced by Euro 162,000. After the decrease, the final budget for this category was spent 98%.

The program for Capital Investment includes ongoing projects from last year and new projects started during the current year. The project "Regulation of the riverbed in Dobrajë të Madhe" in the Municipality of Lipjan, as co-financing between the MLGA and the Municipality of Lipjan by the arrangement in the amount of Euro 157,537, was not finalized in 2014 while the physical progress of the project was not at the level expected, and accordingly this project continued in 2015 and finalized in 2016. The total payments made during the year ended December 31, 2016 with regard to this project amounted to Euro 37,612.

During 2016, a new contract amounting Euro 69,897 and Euro 28,750 was signed with "Ilir Kosova sh.p.k" and "Storm Ict llc", respectively, for the purchase of IT equipment. The total contracted amount was received within the year.

Additionally, major payments with regard to capital investments co-financed with municipalities (the procurements for which were made directly by the respective municipalities) amounted to Euro 249,988, Euro 247,967 and Euro 198,130 with the Municipality of Mitrovica, Zubin Potok and Zvecan, respectively.

Recommendation

We have no recommendations in this area.

3.1.1 Wages and Salaries

Wages and Salaries are paid through a centralized system (payroll). Controls operated by MLGA are dealing with the calculation of salaries in accordance with labor contracts and applicable legislation.

The number of employees approved in MLGA was 151, while the actual number of employees was 149 employees. We tested several recruitment procedures, personnel files and we have reviewed payroll lists and compared the data presented by the Treasury, KFMIS and their presentation in AFS.

Recommendation

We have no recommendations in this area.

3.1.2 Goods and Services and Utilities

We have also tested the expenses that do not require the application of procurement procedures such as utilities, representation expenses, travel expenses and other expenses.

Recommendations

We have no recommendations in this area.

3.1.3 Subsidies and Transfers

The final budget of Subsidies and Transfers was Euro 197,624, which was fully spent in 2016. MLGA has developed processes for monitoring and supervision for subsidies and transfers.

Recommendations

We have no recommendations in this area

3.1.4 Capital Investments

The final budget of Capital Investment was Euro 3,407,905, out of which Euro 3,335,858 were spent in 2016.

Recommendations

We have no recommendations in this area.

3.1.5 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue 6 –Improper planning of procurement - High Priority

Egjetura	During the year ended December 31, 2016 the entity has performed procurements amounting to Euro 108,660 which were not included in the procurement plan. The portion of the unplanned expenses exceeded 60% of the total procurements made during 2016. This represents 3 out of 42 procurements conducted during the year.
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Risk As a result of failure to properly plan procurements may result in delays in delivering of services and poor value for money might arise.

Recommendation 6 The Minister should ensure that a detailed and thorough analysis of Ministry's needs is performed before the procurement plan is finalized, so that the procurements needed to be made outside the procurement plan are reduced to a more acceptable level.

3.2 Assets

3.2.1 Capital and Non Capital Assets

Although the Ministry has taken steps to improve reporting on its assets, there are still some uncertainties and weaknesses in relation to the assets of the Ministry. Below are findings that are not included in the first section of the report.

Issues 7 – Non-reconciliation of movements of non-capital assets - High Priority

Unreconciled movement of non-capital assets. The balance of non-capital assets as per note 19.3.2 has increased by Euro 47,000 since December 31, 2015. This does not correspond with the non-capital investments made during the year as presented in note 3 of the financial statements (more specifically categories furniture, phones, computers and IT hardware - less than Euro 1000 of note 3).

Risk Failure to maintain sufficient accounting records with regard to corrections made in the balance of capital assets affects the accuracy of the value of assets presented in the AFS.

Recommendation 7 The Minister should ensure that additional controls are in place that enable the management of assets in accordance with legal requirements.

3.3 Outstanding Liabilities

Statement of outstanding liabilities to suppliers as at December 31, 2016 was Euro 17,482. These liabilities are transferred for payment in 2017. In comparison with previous years, outstanding obligations are significantly reduced. Unpaid bills for obligations are concerning the last two days of November and December 2016.

Recommendations

We have no recommendations in this area

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 action that the Minister/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 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 III: Prior Year Recommendations

Audit Component	Recommendation given	Implemented	Under implementation	Not implemented
Recommendations of previous years	The Minister should ensure that the action plan is implemented and considered, which sets out a timetable for implementing the recommendations made by the auditor, with the identified responsible staff, and focusing initially on the most important areas.		In process of implementation	
Self Assessment Checklist of FMC	The Minister should ensure that it implements a review of the self-assessment checklist and that areas of weakness are addressed pro-actively. It should apply a revised mechanism to confirm the accuracy of the checklist and to provide supporting documentation.		In process of implementation	
Risk Assessment	We recommend the Minister to ensure that the Ministry complies with all reporting requirements, including the preparation of the risk register.	Implemented		
Management Reporting	The Minister should ensure that a review is conducted to determine the form of reporting to senior management, and management uses the reporting to prevent errors.		In process of implementation	
Internal Audit System	To achieve maximum benefit from the internal audit activity, the Minister should ensure greater involvement of the Audit Committee. The Audit Committee should review the critical internal audit plans and results of internal audit. It should also review the actions taken by management in connection with the audit		In process of implementation	

	recommendations.			
Budget Planning and Execution	The Minister should ensure that budget performance is systematically monitored on a monthly basis and that this review identifies and addresses obstacles to the realization of the planned budget level. Where initial budget assumptions are incorrect, it should be fully reflected in the final budget.	Implemented		
Procurement	The Minister should ensure that a review is conducted to determine why in the above cases the procurement requirements were not applied consistently. Consequently, additional controls need to ensure that a similar situation will not be repeated in future procurements.		In process of implementation	
Remunerations (Wages and Salaries)	The Minister should ensure that all reimbursements are made within the limits and in accordance with relevant laws and regulations.	Implemented		
Capital and Non Capital Assets	The Minister should ensure that adequate controls are in place that enable the management of assets in accordance with legal requirements. Also of high importance is considered initiation of the process for the removal of assets from the accounting records that are not owned by the Ministry.		In process of implementation	
Handling of Debts	The Minister should ensure that MLGA will take further steps and develop action plans to make payments within the required period.	Implemented		

Annex IV: Management Response to OAG Findings

Findings	Agree Yes/No	Comments from the BO in case of disagreement	NAO view
<p>Issue 1: <i>Register of capital assets.</i> The total amount of assets as at December 31, 2016, presented in Note 19.3.1 “Capital Assets (over € 1,000)” is Euro 348,531. Because the balance of Euro 7,024,860 of assets presented in the annual financial statements of the year 2015 included incorrectly capital investments made in municipalities, the Ministry undertook measures during 2016 to make the appropriate adjustments. Nevertheless, even with the adjustments, we identified a difference of Euro 59,150 from the balance presented in the financial statements and the balance obtained from the supporting report of the transfer of the assets from previous years that were not in the ownership of the Ministry.</p>	<p>No</p>	<p>The Ministry has prepared the dossier with all relevant evidence, which has been submitted to the auditors and gives details on the assets as follows:</p> <ul style="list-style-type: none"> - Value of assets as in the beginning of the year 2016 (report 21.01.2016): 7024562.22; - Annulment of assets in the value of (years : 2009, 2010, 2012, 2013 dhe 2015): 4,152,852.28 ; - Additions of assets as a result of corrections in economic codes as per recommendations of the Ministry of Finance: (years: 2009, 2010, 2012, 2013 dhe 2015): 12,870,709.66; - Transfer of assets to the benefiting municipalities: (years: 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 dhe 2016): 15,441,246.02. <p>After all the calculations related to the assets of the Ministry, there has been only an amount of 47,357.18 which is not for transfer.</p> <p>All amounts mentioned are evidenced with names of projects and paperwork sent to the Ministry of Finance.</p>	

<p>Consequently, we were not able to collect sufficient appropriate audit evidence in relation to those adjustments made in the balance of capital assets as at December 31, 2016.</p> <p>Moreover, the results of the stocktaking process of capital assets, that could have supported the accuracy of the aforementioned movements, are not updated entirely in the system. Consequently, we were unable to determine whether any adjustments to the amounts disclosed in note 19.3.1 and 19.3.2 and other related balances is necessary.</p>	<p>As regarding 2016, the value of assets of the Ministry is EUR 348,531.00. During 2016, registration has been carried for all capital projects in KFMS as per regulation of the Ministry of Finance 02/2013. During the whole year, these assets have been evidenced as work in progress investments and after the last payment from the Ministry, a paperwork has been addressed to the treasury to transfer the assets to the municipalities.</p> <p>The Ministry has compiled stocktaking, estimation and transfer reports, and the same have been harmonised with KFMS and e-pasuria systems. The Ministry has prepared a database on assets.</p> <p>As such, the Ministry considers that related to this recommendation, there is a noted progress and it is in the process of the full implementation of this finding.</p>	
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<p>Issue 2 –Implementation of prior year recommendations Only a part of last year's recommendations are implemented by MLGA</p>	<p>No</p>	<p>Controlling list of self-assessment of MFK: The Ministry considers that this recommendation has been applied and all data related to the list are documented. As regarding the finding from the last year related to risks list, the Ministry has prepared a risks list for the years 2016, 2017 and 2018. As regarding the finding related to procurement procedures connected to technical specification, the Ministry has established commissions for preparation of technical specification for all procurement activities for the year 2016. As regarding the finding on preparation of weekly reports on commitments and execution of the budget, certification reports have been prepared on daily basis and expense and commitment reports have been prepared in weekly basis. Managerial reporting: The Ministry applies a system of managerial reporting starting from the individual level of each official up to the general report of the Ministry for different periods, that reflect clearly all activities of the Ministry in all areas as per following responsibilities: 1. Weekly individual report of each official; 2. Weekly report of each organizational unit; 3. Quarterly reports on the work of the Ministry; 4. Quarterly analysis of the implementation of work plan; 5. Monthly financial report for all budgeting categories; 6. Weekly report on the progress of capital investments; 7. Quarterly report on the implementation of recommendations of the internal and external auditor; 8. Monthly report on unpaid invoices; 9. Daily and weekly report on certifications; 10. Weekly report on commitments; 11.</p>	
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		<p>Quarterly report of PIP; 12. Online system of payment system; 13. Report on monitoring of projects from the subsidies category; 14. Preparation of guidelines on expenses for each budgeting category; 15. Quarterly report on self-assessment list; 16. Quarterly report on risks list.</p> <p>Consequently, the Ministry considers that this recommendation has been fully implemented.</p>	
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		<ul style="list-style-type: none"> - Procurement: As regarding the finding related to lack of the Ministry's practice to prepare a written guideline from the authorizing official who authorizes procurement officer to initiate procurement activity, the Ministry has prepared a written guideline for the initiation of procurement procedure for each procurement activity during the year 2016, as foreseen in article 22 of the Law on Public Procurement. As regarding the finding related to culture venue in Xërxë village, the project has ended and the technical acceptance has been carried out. As regarding the finding for the project in the river Dobrajë e Madhe in Lipjan, this project has also ended. Due to delays in project implementation, penalties have been applied as based on the Law on Public Procurement for delays in implementation. - As regarding the finding on same members in the assessment commission and in the service acceptance commission, during the year 2016 there was no such case (the Ministry has already a database for members engaged in commissions). - As regarding the finding on means availability, which has not been made after the publication of the benefiter contract and before signing of the contract with the contractor during the year 	
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		<p>2016, the procedure has been followed as per Law on Public Procurement.</p> <ul style="list-style-type: none"> - As regarding the finding on commitment of means, which has not been made in harmonisation with the financial regulation 01/2013, during the year 2016 the Ministry has followed all procedures as foreseen in article 15 of this regulation. - As regarding commitments that have been made for the same contract, procedures as per Law on Public Procurement have been followed for all contracts during the year 2016. - As regarding delays in payment executions for invoices received which have surpassed the deadline of 30 days for execution, during the year 2016 there has been no such delay case identified as per online system of payment cycle monitoring. <p>Consequently, the Ministry considers that this recommendation has been fully executed.</p> <p>Assets and liabilities: The Ministry, as explained in issue 7, has transferred assets to the benefiting municipalities (for the year 2009, 2010, 2012, 2013, 2014 dhe 2015). As regarding the year 2016 and as required with the rule 02/2013, after the last payment from the Ministry, assets have been transferred to</p>	
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	<p>municipalities. During the whole year, as required with the rule no 02/2013, it has been registered as work in progress investment in KFMIS system for the project that has been in the process of implementation.</p> <ul style="list-style-type: none"> - As regarding the finding on registering of capital asset with value above EUR 1,000.00, KFMIS registers the date when the asset is put in the system and from that date depreciation rate starts. - As regarding the finding on lack of stocktaking, for the year 2015 the Ministry has conducted stocktaking twice during 2016. One stocktaking related to assets in the building and one related to the Ministry's warehouse. Data as per stocktaking reports has been harmonised with e-pasuria and KFMIS and for this the evidence is kept within the logistics division. - As regarding assets of the officials who have quit their job with the Ministry, for each case the Ministry dismisses the officials that have been engaged as per regulations in place. <p>Consequently, the Ministry considers that this recommendation has been fully implemented.</p>	

<p>Issue 3 – Self Assessment Checklist</p> <p>As part of our audit, we have reviewed four key questions of self-assessment questionnaire regarding the components. For the reviewed questions we have found that with regard to the reconciliation of capital assets as per SIMFK and fixed assets register, MLGA replied that it is done on yearly basis, but the evidences we have been given do not fully support this conclusion.</p>	<p>No</p>	<p>Self-assessment questionnaire is a separate activity and is not attributed only to assets, because it has 106 questions that address five components: Control environment, Risk management, Control activities, Information and communication and Monitoring activities, and for the same the Ministry has appointed an official responsible to prepare a report on quarterly basis regarding the implementation.</p> <p>As regarding reconciliation of capital assets in KFMIS, for the year 2016 the Ministry has followed all procedures as per regulation of the Ministry of Finance 02/2013.</p> <p>Consequently, the Ministry considers that this recommendation has been fully implemented.</p>	
<p>Issue 4 - Weaknesses in High Level Management Controls with regard to capital assets and AFS</p>	<p>No</p>	<p>The Ministry applies a system of managerial reporting in daily, weekly, monthly, quarterly and annual bases as regarding non-financial assets during the process of implementation, which information is then distributed to responsible officials so they can be evidenced in the corresponding systems which the Ministry uses as per laws in force.</p> <p>As regarding managerial controls related to non-financial assets, the Ministry has complied stocktaking, estimation and transfer reports and the same have been harmonised with KFMIS and e-pasuria systems. The Ministry has prepared a database for its assets.</p>	

<p>Our review of management controls applied to the main financial system of MLGA has revealed that despite regular formal reporting from subordinate units for the area of non-capital assets and AFS preparation process, they are not utilized effectively by management to prevent systematic errors in these fields.</p>		<p>Consequently, the Ministry considers that there is noted progress for this recommendation and it is in the process of full implementation of this finding.</p>	
<p>Issue 5 – Weakness in internal audit Four of the five reports planned for 2016 were carried out</p>	<p>No</p>	<p>Issue 4: Lack of full realisation of IA unit plan: Four out of five planned reports have been completed for the year 2016. NO The finding that four out of five reports planned for the year 2016 have been completed does not stand. In reality, out of 6 planned audits, 5 have been completed and 1 audit has been carried forward from the year 2015. In the following, we are disclosing the completed audits during the year 2016 in the planned areas:</p>	

<p>Issue 6 – Improper planning of procurement During the year ended December 31, 2016 the entity has performed procurements amounting to Euro 108,660 which were not included in the procurement plan. The portion of the unplanned expenses exceeded 60% of the total procurements made during 2016. This represents 3 out of 42 procurements conducted during the year.</p>	<p>No</p>	<ol style="list-style-type: none"> 1. "The System of management of Human Resources – Management of all leaves of SHC"- carried forward from 2015; 2. "The system of procurement management", 3. "The system of budget management", phase I, 4. "The system of management of Human Resources", 5. "The system of management of Logistics – Vehicles and IT", 6. "Budget management including subsidies and transfers" 	
		<p>The Ministry prepares Procurement Plan each year as per procedures determined from LPP, based on allocated budget for goods and services. For each year, procurement activities are planned only for the category of supplies and services, while for the capital investments budget no activity is planned in the procurement plan because the Ministry allocated financial means in municipalities and procurement procedures are completed from the municipalities. As such, the Ministry has realised procurement activities as planned for the year 2016 in monetary value and in procedures.</p>	

		<p>Meanwhile, a procurement activity (not three activities) separated in three lots from the budget category of capital investments, has come out as a result of a project (IT solutions in municipalities) of intranet for municipalities that the Ministry has been developing in cooperation with the DEMOS/SDC project and the Agency for Information Society/MAP. Even this procurement activity has been sent to the Central Procurement Agency: <i>As per article, point 6, of the Law on Public Procurement No. 04/L-042, amended with the law No. 04/L-237, Law No. 05/L-068 and law No. 05/L-92 and point 7.6 of Operative Guideline on Public Procurement.</i></p>	
<p>Issues 7 – Non-reconciliation of movements of non-capital assets</p>	<p>No</p>		

<p>The balance of non-capital assets as per note 19.3.2 has increased by Euro 47,000 since December 31, 2015. This does not correspond with the non-capital investments made during the year as presented in note 3 of the financial statements (more specifically categories furniture, phones, computers and IT hardware - less than Euro 1000 of note 3)</p>		
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ANNEX V - AFS



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Administrimit të Pushtetit Lokal
Ministarstvo Administracije Lokalne Samouprave
Ministry of Local Government Administration

Prishtina, 11 May 2017

To: Fatmir Plakiqi, Director of Treasury
Ministry of Finance

Subject: Annual financial report 2016, corrected

Dear Mr. Plakiqi,

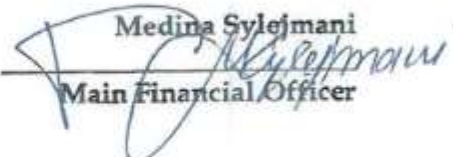
Based on the External Auditor's request, find attached the corrected Annual Financial Report for 2016 of the Ministry of Local Government Administration based on Treasury/MoF's recommendations that the information contained on the financial statements should be based on the data after 23.03.2017.

Corrections were made in the tables on pages 5, 7, 8, 9, 10 and 15 (budget) as well as on page 20.

Annexes to the report are attached to the earlier report submitted in January to which no changes have been made.

Thank you for your cooperation!

Sincerely yours,


Medina Sylejmani
Main Financial Officer



Republika e Kosovës
Republika Kosova-Republic of Kosovo

Ministria e Administrimit të Pushtetit Lokal
Ministarstvo administracije lokalne samouprave
Ministry of Local Government Administration

Annual financial report

For the ended period 30 December 2016

Section 11. DECLARATION ON PRESENTATION OF FINANCIAL STATEMENTS

To: Fatmir Plakiqi, Director of Treasury

From: Rozafa Ukimeraj, Main Administrative Officer
Medina Sylejmani, Main Financial Officer

In our opinion, the attached financial statements, including records for the ended period 30 December 2016 have been prepared in accordance with the International Public Sector Accounting Standards "cash-based financial reporting" which meets all reporting obligations arising from the Law on Public Financial Management and Accountability no. 03/L-048 and the Law.03/L-221 amending and supplementing to the LPFMA, which are based on properly maintained financial records.

This statement is provided in connection with the presentation of financial reviews of the Kosovo General Budget of Budget Organization for the ended period 30 December 2016.

We confirm, to the best of our knowledge and belief, that:
There were no irregularities related to the management or employees, which could have a material effect on financial overviews.

The information provided and presented in financial overviews regarding the identification of funds and their expenditure related to the Kosovo General Budget is complete and accurate.
Information about the collection of revenues is accurate.

There is no bank account of the budget of the Republic of Kosovo except bank accounts specified in financial overviews and this specification up to for the ended period 30 December 2016 is complete and accurate.

There was no violation of the requirements of regulatory authorities that could have a material effect on financial statements, in case of being violated.

There is no complaint (legal) process, which could have a material effect on financial overviews.
All liabilities, both actual and contingent, and all guarantees that had been given to third parties are registered and / or disclosed properly.

All loans to external parties are registered and / or disclosed, as appropriate.
There has been no transaction after the end of the period which would require adjustment or disclosure in financial statements or in their notes.

In our opinion, the consolidated financial overviews that are attached represent a true and unbiased presentation of finances and financial transactions for period 30 December 2016 of the Ministry of Local Government Administration.

Date: 11 / 05 / 17


(Signature and stamp)

Main Administrative Officer

Date: 11 / 05 / 17


(Signature and stamp)

Main Financial Officer

Section 9. Statement of cash receipts and payments

For the ended period (31 December 2016)

	2016		2015		2014	
	Single treasury account	Payments from external third parties '000	Single treasury account	Payments from external third parties '000	Single treasury account	Payments from external third parties '000
SOURCES OF FUNDS						
Governmental grant						
Own revenues	4,697		3,745		4,149.00	
Dedicated grant						
Dedicated donors' grants	112		80		111.00	
Loans						
Development Trust Fund						
Other receipts	4,809		3,825.64		4,260.00	
Total						
USE OF FUNDS						
Operations						
Salaries and wages	918.92		845		810.00	
Goods and services	345.2		326		446.00	
Municipal expenditures	11.13		13		19.00	
	1,275		1,184.34		1,275.00	
Transfers						
Transfers and subventions	197.62		261		372.00	
Capital expenditures						
Property, building and equipment	3335.66		2,441		2,613.00	
Return of loans						
Other payments						
Total	4,809		3,825.64		4,260.00	

IV

Section 10. Statement of budget execution

Statement on comparison of budgetary and actual amounts for the Ministry of Local Government Administration

For the ended period 31/12/2016

	Notes	January-December 2016		January-December 2015		January-December 2014	
		Initial allocation (allocation)	Final budget	Realization	Realization	Realization	Realization
		A € '000	B € '000	C € '000	D=Q/B %	€ '000	€ '000
Entry of petty cash in Treasury account							
Taxes	9						
Own revenues	10						
Grants	11						
Capital receipts	12			155	155	109	36
Privatization fund	13						
Other	14						
Total receipts collected for FKK		-	-	155	155	109	36
Exit of the petty cash from the Treasury account							
Wages and salaries	2	976	926	919	(6.64)	845	910
Goods and services	3	254	446	345.2	(100.68)	326	446
Utilities	4	25	12	11	(0.82)	13	19
Transfers and interventions	5	204	198	198	-	201	372
Capital expenditures	6	3,500	3,408	3339	(72.05)	2,441	2,613
Privatization fund	7						
Other	8						
Total payments made from BRK through LIVTh		4,960	4,989	4,887.9	(100)	3,826	4,260

Section 15
Financial statement explanatory note

Note 1

Information on the budget organization (activities, legislation etc.) and accounting policies

Note 2: Salaries and wages

Description	Final	2016					Overall payment € '000	Comparison n	2015-1	2014-2
	budget € '000	GG € '000	OR € '000	THD € '000	GPD € '000	H € '000			FZHM € '000	€ '000
Net salaries through the payroll	783,9	783,89						721	692	
Free means	6,6									
Payments for the syndicate										
Net payments for overtime work										
Employees with contracts (not included in the payroll)										
Tax on personal incomes	47,50	47,50						44	41	
Pension contribution - employee	43,76	43,76						40	39	
Pension contribution-employer	43,76	43,76						40	39	
Salaries and wages	925,55	919						845	811	

Display the notes reflected in the table in details:

Note 3 Goods and services

Description	Final budget € '000	2016		2015-1		Pagesas € '000	Erasmus € '000	2014-2 € '000	Display the notes in the table in details
		GG € '000	GD € '000	GG € '000	GD € '000				
Official travel expenditures within the country	2,13		1,13		1,00		10,3	9,2	
Wages for official trips within the country	0,87		0,87		1,00				
Accommodation for official trips within the country	3,21	24,08	7,93		3,2	99,97			
Other expenses for official trips within the country	33,72	33,62			3,4	99,99			
Official travel expenditures outside the country	13	12,85	0,36		13	102,01			
Wages for official trips outside the country	19,23	16,35	2,87		19	100			
Accommodation for official trips outside the country	20,6	19,53	0,43		20	100			
Other expenditures for official trips abroad	0,13	0,13			0	102,22			
Expenditures for cellular phone services					0	#121V/01			
Expenditures for mail services					0				
Expenditures for educational training					0				
Printing services - non marketing related					0				
Other contractual services					0				
Furniture (less than 1000 Euros)	114,6	29,22	19,33		108	94,44			
Phones (less than 1000 Euros)	5,36	1,96	4,08		6	100			
Computers less than 1000 Euros	0,43	0,63			1	100			
IT hardware (less than 1000 Euros)					1	#118V/01			
Office supplies	30,36	18,13	2,54		21	67,08			
Maintenance and repair of vehicles	13,04	13,10	0,13		13	97,22			
Advertisements and vacancies	1,77	1,41	0,36		2	100			
Publication	20,16	27	2,98		30	100			
Official lunch					0	#121V/01			
Other equipment	10,77		9,66		10	91,33			
Other purchases					0				
Registration services	3,29783	3			0	#121V/01			
Uncommitted means from the donation	83,05193				3	100			
Expenditures for courts	4	4			4	0			
OB	19	19			19	100			
Goods and services	445	333,3	119,9		383,3	77,52		145	

Description	Final budget € '000	2016		2015-1		Overall payment € '000	Comparison	2014-2 € '000	Display the notes in the table in details
		GG € '000	GD € '000	GG € '000	GD € '000				
Expenditure	1,00	0,37	0,19		0	54,87			
Wages					0	#121V/01			
Wages					0	#121V/01			
Central expenses					0	#121V/01			
Travelling services	11,94807	11,38665			10,5847	50,62		13	
Payments - court judgments					0	#121V/01			
Financial expenditures	11	10,2539	0,15		11	55,108		19	

Note 5: Subventions and transfers

Description	Budget € '000	GQ € '000	T11V € '000	T11D € '000	GPD € '000	T1 € '000	T244M € '000	Pageson € '000	Krahmann %	€ '000	€ '000
Subventions for public entities	197.62	197.62						198	100.00	194	337
Subventions for public entities (thead)											
Subventions for non public entities											
Transfers to other governments											
Payments for individual beneficiaries											
Basic pensions											
Basic contribution funds											
Pensions for persons with special needs											
Social assistance pensions											
Pensions for the imprisoned											
Pensions for war veterans											
Pensions for the blind people											
Pensions for the KPC											
Pensions for the KSF											
Payments for the war invalids											
Payments for the families of the persons fallen in war											
Temporary pensions for Trejca workers											
Maternal leave											
Payments for court decisions											
Payment for the livestock sector											
Payments for cultures											
Restructuring physical potential											
Management of irrigation agricultural resources											
Farm diversification											
Subventions and Transfers	198	198						198	100.00	201	172

Display the notes in the table in details

Note 6: Capital expenditures

Description	2016				Comparison	2015 -1		2014 -2	
	Total budget € '000	GQ € '000	TIIV € '000	TIIV + GPD € '000		€ '000	€ '000	€ '000	€ '000
Residential buildings	429,72	429,72	-	-	163,00	-	-	118	
Business administration buildings	154	154,36	-	-	160,00	-	-	135	
Educational facilities	-	-	-	-	-	-	-	100	
Health facilities	95,80	95,80	-	-	100,00	-	-	100	
Cultural facilities	74,97	74,97	-	-	100,00	-	-	67	
Sports facilities	-	-	-	-	-	-	-	-	
Memorial facilities	-	-	-	-	-	-	-	-	
Warehouses	-	-	-	-	-	-	-	-	
Garages	-	-	-	-	-	-	-	-	
Sport fields	-	-	-	-	-	-	-	-	
Construction of highways	-	-	-	-	-	-	-	-	
Construction of regional roads	-	-	-	-	-	-	-	-	
Construction of local roads	1643,13	1643,13	-	-	1683,00	-	-	944	
Sidewalks	223,95	223,95	-	-	100,00	-	-	192	
Canalization	-	-	-	-	-	-	-	50	
Water supply	62,08	62,08	-	-	100,00	-	-	-	
Maintenance investment	-	-	-	-	-	-	-	-	
Furniture (benches, litterbins etc)	147,10	147,10	-	-	100,00	-	-	10	
IT equipment	227,11	227,11	-	-	100,00	-	-	-	
Other equipment	68	68	-	-	100,00	-	-	-	
Other capitals	189,61	189,61	-	-	100,00	-	-	753	
Motor	-	-	-	-	-	-	-	11	
Other means	22,05	-	-	-	-	-	-	-	
Capital expenditures	3,407,50	3,336	-	-	97,89	-	-	2,932	

Display the notes in the table in details

Note 7: Loan repayment

Description	20		20		20	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Lender 1	-	-	-	-	-	-
Lender 2	-	-	-	-	-	-
Lender 3	-	-	-	-	-	-
Total	-	-	-	-	-	-

Lender 1
Lender 2
Lender 3

Total

Display the notes in the table in details

Note 10: Non-tax revenues

Description	Notes			% of the			% of change from		
	20	20	20	total 20	20	20	20	20	20
	€ '000	€ '000	€ '000		-1	-2	-1	-1	-1
Tax revenues 1				%			%		%
Tax revenues 2				%			%		%
Revenue from fines and penalties 1				%			%		%
Revenue from fines and penalties 2				%			%		%
Revenue from licenses 1				%			%		%
Revenue from licenses 2				%			%		%
Revenues from sale of assets and services				%			%		%
Revenues from inspection				%			%		%
Revenues from bank interest				%			%		%
Revenue from exchange position changes				%			%		%
Accreditation tariff				%			%		%
Revenues from the property				%			%		%
Other receipts				%			%		%
Total	0	0	0	0%					0%

Display the notes in the table in details

Note 11: Dedicated revenues

Description	Notes	20	20	20	% of the total 20	% of change from 20
		-1	-1	-2		
		€ '000	€ '000	€ '000		-1
Type of revenue 1					%	%
Type of revenue 2					%	%
Type of revenue 3					%	%
Type of revenue 4					%	%
Total		0	0	0	0%	0%

Display the notes in the table in details

Note 12: Donors dedicated grants

Description	2016	2015 -1	2014 -2
Name of the donor	112.08	80	36,482
Name of the donor	-	-	-
Name of the donor	-	-	-
Total	112	80	36,482

Display the notes in the table in details

Note 13: Borrowings

	20	20	20
	€ '000	€ '000	€ '000
Lender 1			
Lender 2			
Lender 3			
Total	-	-	-

Display the notes in the table in details

<u>Note 14: Other</u>	20	20	20
Nature of payment	€ '000	€ '000	€ '000
Deposits of games of chance			
Deposits of the Regulatory Commission			
Deposits of the Ministry of Justice			
Other deposits			
Total	0	0	0

Display the notes in the table in details

Display the notes in the table in details

Note 2 to 8

Unlike notes 2-8, these notes are used to explain material difference in column D i.e. material differences in budget realizations. SNKSP demands to explain material differences based on cash. Depending on the size of the difference, there is no need to offer explanations for all categories. Therefore, changes may be requested in the system of calculation of notes. The summary of the nature of change can be given when the differences of any category of allocation are explained.

Article 14.6

Disclosure of initial and final allocation of budget

Mdryshimet e autorizuar nga LMFPF

Category of allocation	Change accord. to accord. To		Changes for		Changes on the donors dedicated grant	Changes for other sources of financing	Final budgetary allocation SIMFK	Changes of the initial budget
	accord. to 29 Art. 30 of the Law no. 03/L 048	accord. To Law no. 03/L 048	the own revenues	of the Art. 31 of the Law no. 03/L-048				
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Inflows								
Tax revenues								#DIV/0!
Non-tax revenues								#DIV/0!
Dedicated revenues								#DIV/0!
Donors dedicated grants								#DIV/0!
Borrowings								#DIV/0!
Other								#DIV/0!
Total								#DIV/0!
Outflows								
Salaries and wages	976,4550	0	(51)				926	-5%
Goods and services	254	(7)	(14)		212		445,916	75%
Utilities	26	(10)	(5)		1		12,0	-53%
Transfers and subventions	204	0	(6)				198	-3%
Capital expenditures	3,500	70	(162)				3,438	-3%
Loan repayment								#DIV/0!
Other								#DIV/0!
Total	4,960	53	(238)	0	213	0	4,989	0.6%

Display the notes in the table in details

Salaries and wages: there has been a decrease in the amount of € 50,901 compared with the beginning of fiscal year.

Goods and Services: there has been a decrease in the Administration Office, where the current budget amounts to € 206,119.00, while in the minister's office there has been an increase of € 7,000.00, now amounting to a total budget of € 41,789.00 (this increase was made as a result of

the request made to MLGA for increasing i.e. adding the amount of € 7,000.00 to this category from the category of utilities), so there has been a decrease for 6,523 € in this category.

Municipal utility: € 15,500.00 (7,000.00 euros were transferred to the office of the Minister at the request of MLGA, and € 3,000.00 were taken by MF.

Subventions and transfers: 203,649.00 € - was in the beginning of the year while until the end of the fiscal year this category was decreased for 6, 025, 22 €.

Capital investments: we have had an increase of 70,000 in this category during revision, while at the end of the year it was decreased for 162,095.48 €.

Article 16: Report on receivables

Receivables (applies to organizations that collect revenues)

	20	20 -1	20 -2
Economic code	€ '000	€ '000	€ '000
Description			
Total	0	0	0

Display the notes in the table in details

Article 17: Report on unpaid obligations (invoices)

Economic code	Economic category	2016	2015-1	2014-2
		€ '000	€ '000	€ '000
11	Salaries and wages	6.19	0	0
13	Goods and services	6.47	3.77	2
14	Utilities	1.01		
20	Transfers and subventions	3.02		10
30	Capital expenditures		24.464	55
Total		17.48213	28.23308	67

Display the notes in the table in details as an annex 1:

Date of the receipt of the invoice	Invoice number	Economic c code	Deadline payment	Supplier	Description	Reasoning of non-payment	€ '000
20.12.2016	2	2110		RKT	SUBVENTION	to be available	1.75
20.12.2016	16-Nov	1430		M'Zezen	official lunch	received after the deadline	0.49
08.12.2016	80/16			Equidare	advertisements and exercises		0.27
13.12.2016	560126573	1325		PTX via	food receptory	after the deadline of commitment	1.01
15.12.2016	21332	1430		central room	official lunch	after the deadline of commitment	0.02
15.12.2016	23782	1430		central room	official lunch	after the deadline of commitment	0.01
15.12.2016	16-SHVOI-SM01-2010			cars gara	vehicle maintenance	invoices were received after the deadline of purchase order	0.19
15.12.2016	62164-04725	1370		HIP pencil	laborant	after the deadline of commitment	1.51
15.12.2016	14121			cars gara	vehicle servicing	the deadline of purchase	0.097
15.12.2016	14120			cars gara	vehicle servicing	the deadline of purchase	0.1236
22.12.2016	37389	1430		Syngor	official lunch	after the deadline of commitment	0.801
22.12.2016	11/2016-0432L	1325		PTX	mail services	after the deadline of commitment	0.01
22.12.2016	2	2110		CSP Group 20 treno participare	SUBVENTION	to be not completed	2.07
24.12.2016	T111-30001	1430		central food	official lunch	after the deadline of commitment	2.0519

Article 18: Contingency obligations

Nature of contingency obligations	Reasoning	Estimated or exact amount	
		2020	2019
		€ '000	€ '000
		0	-2
Total		0	0

Display the notes in the table in details:

Article 19: Report on non-financial assets Article 19.3.1: Capital assets (over 1000 Euros)

Classification of assets	2016	2015-1	2014-2
	€ '000	€ '000	€ '000
Residential buildings		620.73	639
Commercial buildings	64.4	538.19	554
Educational facilities	69.7		
Other structures	112.3	340.54	351
Construction of roads		1479.68	1586
Construction of local roads		235.23	252
Sport objects		25.69	26
Canalisation		59.52	63
water supply		472.48	497
Hidrosanitary installation		245.54	259
Land			
Equipment	28.8	4.26	13
Supply, generation, transmission		57.97	62
Machinery			
Furniture	0.26	1.28	3
Computers	4.81	1.35	2
Software	42.27	8.57	10
Photocopy machines	3.09	5.15	7
Vehicles	21.44	83.74	133
Machinery		10.38	14
Other	1.498	58.56	119
Subsequent investments		2776	2195
Total	348.53	7,024.86	6,785.00

Check the following table in details as Annex 2:

Article 19.3.2: Non capital assets (below 1000 Euros)

	2016	2015-1	2014-2
	€ '000	€ '000	€ '000
Classification of assets			
Equipment and furniture	694	647.44	635
Total	694	647.440	635

Browse the following table in details as Annex 3:

Section 19.3.3: Stocks

	2016	2015-1	2014-2
	€ '000	€ '000	€ '000
Classification of assets			
Stocks	6.6	30	20
Total	6.6	30	20

Section 20: Report on the unjustified allowances

Date of issuance	CPP number	Purpose	2016 € '000
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Total 0

Display the notes in the table in details

Section 21: Report on the unspent revenues

	20 € '000	20 € '000	20 € '000
Own revenues transferred from the previous year	-	-	-
Own revenues generated this year	-	-	-
Available total for allocation in the current year	-	-	-
Spent amount for the actual year	-	-	-
Remained amount for transfer	-	-	-

Section 22 Report on unexpended balances of the Development Trust Fund

	20	20	20
	€ '000	€ '000	€ '000
Own revenues transferred from the previous year	-	-	-2
Own revenues generated this year	-	-	-
Available total for allocation in the current year	-	-	-
Spent amount for the actual year	-	-	-
Remained amount for transfer	-	-	-

Section 23: Report on dedicated revenues

	20	20	20
	€ '000	€ '000	€ '000
Own revenues transferred from the previous year	-	-	-
Own revenues generated this year	-	-	-
Available total for allocation in the current year	-	-	-
Spent amount for the actual year	-	-	-
Remained amount for transfer	-	-	-

Section 24 Report on unspent funds of donors

	2016 € '000	2015-1 € '000	2014-2 € '000
Own revenues transferred from the previous year			
Own revenues generated this year	213	139	141
Available total for allocation in the current year			
Spent amount for the actual year	112	80	111
Remained amount for transfer	101	58	30

Section 25: Report on the number of employees according to payroll

Department	Nr. of employees in the Law of Budget	Number of employees by the end of 2016		Nr. of employees by the end of 2015-1		Nr. of employees by the end of 2014-2	
		Full time	Part time	Full time	Part time	Full time	Part time
Central administration	136	134		116		122	
Minister's office	13	15		14		12	
Department 3							
Total	151	149	0	136		134	

Section 26: Report the number of employees not included in the payroll

Department	Actual number of employees by the end of 2016		Actual number of employees by the end of 2015-1		Actual number of employees by the end of 2014-2	
	Full time	Part time	Full time	Part time	Full time	Part time
Department 1	5		6		6	
Department 2						
Department 3						
Total	5		6	0	6	

Section 27: Report the number of employees with special service contract

Department	Current number of employees by the end of		Current number of employees by the end of		Current number of employees by the end of	
	Full time	Part time	Full time	Part time	Full time	Part time
Department 1	7		3		4	
Department 2						
Department 3						
Total	7	0	3	0	4	

Section 28: Report on the situation / implementation of the recommendations of the National Audit Office (NAO)

No	Recommendation or finding	Taken or proposed action	Deadline of implementation	Risk evaluation

Display the notes in the table in details