



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

Performance Audit Report



Prishtina, December 2019

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which under Constitution and domestic laws enjoys functional, financial and operational independence and is accountable to the Assembly of the Republic of Kosovo for its work.

Our mission is to strengthen, through quality audits, accountability in public administration for an effective, efficient and economic use of national resources. 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 has been carried out in line with the International Standards on Supreme Audit Institutions (SNISA 3000)¹ and good European Practices

Performance audit report carried out by the National Audit Office are independent, objective and reliable reviews which assess whether the Government's actions, systems, operations, programs and activities or Organisations comply with the principles of economy², efficiency³ and effectiveness⁴ and whether there is room for improvement.

The Auditor General has decided on the content of this report Projects Financed from DEMOS Grants (for year 2018), in consultation with the Assistant Auditor General Vlora Spanca, who supervised the audit.

The audit report team consisted of:

Fatlinda Ramosaj, Audit Director

Donjetë Dreshaj, Team Leader

Vjosë Bojku, Team Member

NATIONAL AUDIT OFFICE – Address: St. Ahmet Krasniqi, No. 210; Lagja Arbëria, Prishtinë 10000, Kosovë Tel.: +383(0) 38 60 60 04/1002/1012-FAX: +383(0) 38 2535 122 /219
<http://zka-rks.org>

¹ SNISA 3000 Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience

² Economy – The principle of economy implies minimising the cost of inputs. Inputs should be available at the right time, quantity and quality and at the lowest price possible.

³ Efficiency - The principle of efficiency implies achieving the maximum from the available inputs. It relates to the relationship between input and output in terms of quantity, quality and time.

⁴ Effectiveness - The principle of effectiveness implies the achievement of set objectives and the achievement of expected outputs.

Table of Content

Executive Summary	iii
1 Introduction.....	1
1.1 Audit objective and questions	2
2 Description of the audit scope	3
3 Audit findings.....	5
3.1 Development of public procurement procedures should be further improved.....	5
3.2 Most projects are timely implemented and operational	9
4 Conclusions	15
5 Recommendations	16
Annex 1 Information on benefiting municipalities	17
Annex 2 Audit motive, criteria, methodology and scope	18
Audit motive	18
Audit objective	18
Audit questions.....	18
Audit criteria	19
Audit scope.....	20
Audit methodology	20
Annex 4: Letters of Confirmation	22

List of abbreviations

DEMOS	Decentralization and Municipality Support
EO	Economic Operator
LPP	La on Public Procurement
MLGA	Ministry of Local Government Administration
NAO	National Audit Office
SDC	Swiss Agency for Development and Cooperation

Executive Summary

The audit report on Projects Financed from DEMOS Grants has been produced based on the agreement between the National Audio Office and Swiss Agency for Development and Cooperation (the project is implemented by the Decentralisation and Municipal Support). This audit aims at assessing whether procurement procedures have been conducted in compliance with the Law on Public Procurement, and whether investments in are functionalised and implemented in time for use by the citizens.

The allocated grant is transferred to municipalities under their organisational code and the funds are entirely managed by the Municipality. The assessed period covers year 2018, which is the first year that municipalities got awarded for good performance under this agreement which will continue as of 2020. The appropriated amount for the 22 winning municipalities is €2.25 million for 2018. We have audited seven projects in five municipalities (Prizren, Peja, Podujeva, Mamusha and Graçanica). The audited amount is over €600 thousand or 27% of the appropriated amount of the grant.

Overall conclusion

The audit has concluded that projects were operational and available to the citizens and moreover citizens were happy with the investments. Their requests were taken into consideration when deciding which projects to invest in, and beneficiaries of these projects were a large number of citizens. In addition, all municipalities have applied procurement procedures in place and have used an open procedure that provides transparency and participation opportunities for all economic operators. All audited municipalities included projects in the procurement plan, the process of appointing managers was developed in accordance with applicable legal requirements and the funds allocated were spent only on capital projects and only for the contracted purpose. However, the procurement process requires several stages of attention for all audited municipalities. Therefore, regardless of the implementation of projects for the designated purposes, the audit has concluded that there are some shortcomings that need to be improved in order to make the process perfect.

There were times when a medical equipment was delayed for four months due to lack of timely clearance. This made the citizens to ask for medical services in other municipalities during this period. Further on, the contract management process should be monitored and further strengthened in order to achieve the intended results. Contract managers are not monitored and do not report on eventual changes to the project during implementation, therefore it's impossible to know what exactly has been added or taken away from the signed bill-of-quantities. Contract managers were not attentive to project supervision during the works or even to the warranty period, where one of the seven audited contracts had unfinished work and two had damage during the warranty period.

However, the audit impact has been achieved ever since our site visit, where with the recommendation of the audit team, the contract manager (in one case) requested from economic operator to repair damages after project termination within the warranty period without any additional costs.

Overall recommendation

Municipalities should continue to involve citizens in the process of prioritizing and decision making on which project to invest. Since projects are for the benefit of the citizens and they are the ones who benefit from them, further efforts can be made to involve larger groups of citizens in these processes and document the results of these meetings. In addition, further phases of the procurement process need further improvement, with particular emphasis:

- Attention should be paid while applying procurement procedures with a focus on the fair use of the common procurement vocabulary when evaluating the bids; and
- Further strengthen the contract management process, witnessing any changes in positions that occur during contract implementation, and monitor the management plan ensuring that equipment is received on time contracted and penalties are applied in case of delays.

Response from the auditees

The municipalities involved in the audit agreed with the audit findings and recommendations. We encourage the municipalities involved in this audit to make every effort to address the recommendations given.

(For more detailed conclusions and recommendations refer in the body of the report)

1 Introduction

In 2017, the Ministry of Local Government Administration (MLGA) of the Government of Kosovo and the Swiss Agency for Development and Cooperation (SDC) have agreed to establish and fund a nation-wide system for performance grants to municipalities. The available annual budget for the performance grant is around €2.25 million for the 2018-2021 period. All (38) Kosovo municipalities are entitled to apply for the performance grant. The minimum criteria that municipalities should have met in order to be eligible for being awarded with the grant were the following:

- Municipalities should have signed a three-party participating agreement (Municipality, MLGA and HELVETAS Swiss Inter-cooperation);
- The audit opinion should have been Unmodified Opinion with Emphasis of Matter;
- Municipalities should have spent 75% or more of the budget on capital investments.

For 2018, 22 out of 28 municipalities were entitled to benefit from the grant.

This project is implemented by the Decentralisation and Municipal Support Project (DEMOS) and the Government of Kosovo. DEMOS supports municipalities in delivering the services to citizens through the following lines:

- Improving the delivery of services in public spaces, municipal traffic and waste management;
- Improving financial management and transparency;
- Improving the democratisation of local government and citizens' participation in decision making;
- Contributing to an improved and more harmonized policy framework for local governance.

The overall purpose of this Grant is to encourage municipalities to improve governance processes, which together with the upgraded policy framework would enable the delivery of better services to citizens. While developing competition between municipalities, performance grants encourage positive changes in the behaviour of municipalities to improve democratic governance, financial management and human resources, transparency and integrity.

The Performance Grant was awarded for the first time to the best performing municipalities in 2018, and these grants were invested in capital projects that the beneficiary municipalities deemed important.

The amount allocated for 2018 was €2,25 million. The same amount is expected to be allocated in the next three years (2019-2021) as well.

1.1 Audit objective and questions

The audit objective is to assess whether the procurement process for the funded capital projects complies with legal requirements from the planning up to the implementation of the contract.

Another objective of this audit is to assess whether the projects implemented out of the DEMOS Grant have reached the intended purpose, i.e. whether the Municipality has improved the public services delivery to citizens through these investments.

The key audit questions are:

I. Have procurement procedures been conducted in accordance with Public Procurement Law (LPP)?

II. Has the funded project had any impact on the improvement of public services to citizens?

This audit covered seven contracts (from the grant allocated for 2018): three in the Municipality of Peja, one in the Municipality of Prizren (two projects under one contract), one in the Municipality of Podujeva, one in the Municipality of Mamusha and one in the Municipality of Graçanica. The audited municipalities and projects have been selected based on the ones with the highest and the lowest expenditures, in order to have a clear view of municipalities of different sizes. Also, in the process of selection of municipalities we took into account the criteria of the marginalized⁵ population. We audited the process from the citizens' requests, prioritisation of such requests, projects approval, inclusion of projects in the procurement plan, tendering procedures, contract awarding up to the acceptance of projects.

For more information on beneficiary municipalities, invested projects, and audit methodology please refer to *Annexes 1 and 2*.

⁵ Different groups of people within a given culture, context, and history at risk of being subjected to multiple discrimination because of the interplay of different personal characteristics or grounds, such as sex, gender, age, ethnicity, religion or belief, health status, disability, etc. sexual orientation, gender identity, education or income, or living in different geographical locations. (<https://eige.europa.eu/thesaurus/terms/1280>) (http://kryeministri-ks.net/wp-content/uploads/2018/03/Kushtetuta.e.Republikes.se_Kosoves-2.pdf)

2 Description of the audit scope

Performance grant implies the process wherefrom municipalities receive funds based on their performance in selected areas. The minimum criteria that municipalities must meet in order to be eligible for participating in a performance grant are: sound financial management and capital investment spending to a satisfactory extent. Once municipalities become eligible, the value of the grant is determined by the municipalities' relative scores (outcome) on a set of performance indicators. Performance grant is co-financed by the Government of Kosovo (outside MLGA budget allocation) and SDC.

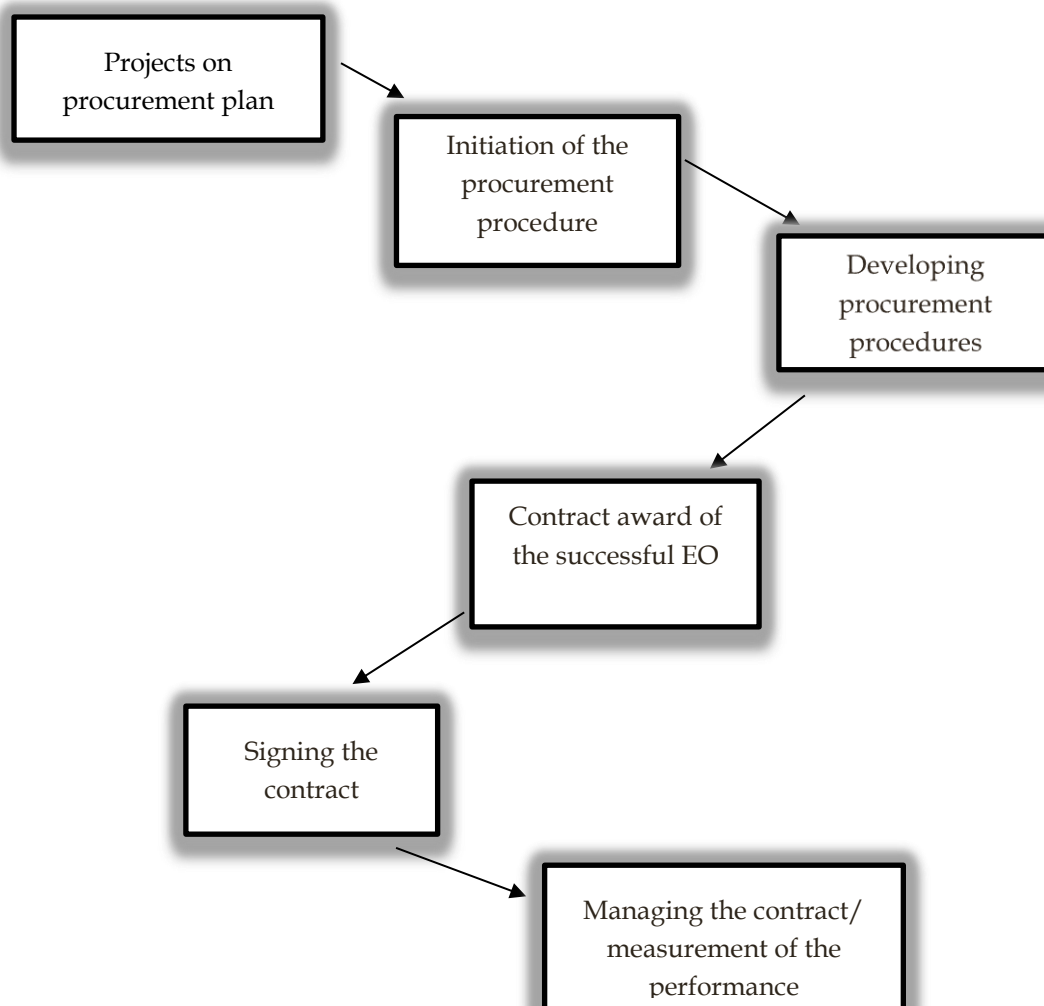
Performance grants are awarded to municipalities in accordance with the scores achieved in municipal performance based on several indicators focused on three key areas: democratic governance, municipal management and integrity and transparency.

In regard to all the municipalities having met the minimum criteria, the grant each of these municipalities receives is based on its relative scores against 27 performance indicators⁶. The performance grant is made available to municipalities as an annual top-up to the general grant, the size of which is determined based on a grant allocation formula with variables such as: population size, area and ethnic composition, calculated on a fixed base amount⁷.

In spending the performance grant, all the existing government rules (applied for capital investments under the general grant) shall apply in terms of use of the grant, planning of the grant as well as reporting and accountability. Municipalities should use the local procedures of tendering, contracting, and technical acceptance. They also should use the grant for capital investment according to their priorities and needs, in line with Kosovo legislation.

⁶ Summary of performance grant topics (Annex 3)

⁷ The allocation formulae for the general grant is defined in the Law on Local Government Finance (Law No. 03/ L- 049)

Graph 1: Public procurement process

The selected municipalities have used the open procedure to contract the projects. The open procedure is characterized by the fact that anyone may bid for the contract, regardless of the qualification and capacities. This is a procedure that provides transparency and equal competitiveness opportunity to all bidders.

3 Audit findings

This chapter presents the findings identified during the audit of capital projects funded by DEMOS. The findings are summarised into key audit questions in order to better describe the whole process including the application of procurement procedures in the audited projects and inclusion of citizens requests (including marginalised groups) in the investments made.

3.1 Development of public procurement procedures should be further improved

All performance grant benefiting municipalities are obliged to apply the laws and regulations of the Republic of Kosovo. All audited municipalities used the applicable law and regulations regulating the public procurement procedures and have applied the open tendering procedure, which is one of the procedures that provides greater transparency and application opportunity to all economic operators (EOs). However, all audited municipalities are required to pay more attention to some points in the procurement process. We have identified some shortcomings in the processes due to accelerated procedures so that the grant could be completed within the fiscal year. Inadequate application of procurement procedures resulted in awarding the most expensive EO, exceeding the estimated contract value, delays in delivery of goods, and delays in signing contracts.

Projects were properly planned

Projects planned to be invested in, should all be included in the annual public procurement plan in order to give a transparent view of what is expected to be invested by the municipality. All audited municipalities (Prizren, Peja, Podujeva, Mamusha and Graçanica) have included the projects in the procurement plan and developed the procurement procedures according to the law and regulations applicable for those projects. Only the Municipality of Mamusha did not include the project in the annual procurement plan, but the Municipality had timely informed the Central Procurement Agency about developing the procurement procedure thus ensuring the availability of funds as well. All audited projects are also listed in the report on signed contracts.

Development of procurement procedures could be further improved

Four⁸ out of five audited municipalities need to pay more attention to the development of procurement procedures, whilst in the Municipality of Graçanica there were no shortcomings in the development of procedures⁹ according to the LPP rules.

⁸ Municipalities: Podujeva, Mamusha, Prizren dhe Peja.

⁹ Municipality of Graçanica.

In order to provide the prerequisites for the complete implementation of the project, Contracting Authorities (CAs) should, prior to initiating any procurement activity, make a proper needs assessment by estimating the approximate value of the contract and the allocation of funds. The Municipality of Podujeva, in the project *“Llap River – Continuation”* had exceeded the estimated value of the contract by €9,751, i.e. the Municipality did not make a good planning and a poor planning leads to the risks of the project having insufficient funds to be completed.

Municipality of Podujeva awarded the EO offering a price by €23,085 or 17% higher than the other cheaper offer. The EO with a cheaper price was disqualified on the grounds that it did not meet one of the selection criteria that is *“has executed similar works of €225 thousand in the last three years”*. The evaluation committee had considered that the evidence provided by the non-eligible EO was not for specific work such as paving a river, however the code (45000000-7) used in this procedure from the Common Procurement Vocabulary¹⁰ includes construction works, which the disqualified EO had provided evidence of having executed works similar to those contracted by the Municipality of Podujeva (works that may qualify as similar). Moreover, both EOs (the winning one and the disqualified EO with a lower price) had registered the construction of residential and non-residential buildings as their primary business activity in the Kosovo Business Registration Agency, which means that both EO could have been considered eligible to finish similar works. Had the contract been awarded to the EO with the lower price, the budget would have been saved.

In the process of developing the procedures, setbacks incurred also in the project of Prizren Municipality *“Construction of Pocket-parks, Supply and Instalment in Public Spaces of Park Benches, Trash Bins and Public Lightning in the Municipality of Prizren”* the contract for which was signed with five months in delay. This was because of the non-winning EO complaints filed at the Procurement Review Body. This caused delays to the Municipality in regard to the commencement of works, which started in the fiscal year 2019 rather than 2018 as stipulated in the agreement entered into between DEMOS, MLGA and Municipality. However, the Municipality had followed the right steps for obtaining the donor’s approval to transfer the funds in the fiscal year 2019 and the project implementation carried on.

The contract signed between the Municipality of Prizren and the EO in the Tender Dossier specified that the items offered by the EO had to be highlighted in the catalogue in order to have an exact idea of the items being offered. But the Evaluation Commission was not able to provide us with evidence on the evaluation of this criteria, i.e. there were no highlights of the products offered from the catalogue. Lack of evidences on the way assessment of specifications (products) were carried out by the Commission may lead to the risk that the Municipality may accept products that were not part of the Tender Dossier. This may then result in failure to implement projects as planned.

¹⁰ Codes on what supply, service, work include

In the three audited projects in the Municipality of Peja, one of the requirements in the Tender Dossier was the dynamic plan and declaration filled in, signed and stamped by the EO on the works execution dynamic plan. Although the Municipality of Peja had required evidences from the EOs, only one¹¹ of the three audited projects presented the required evidences in the Tender Dossier. This was because the dynamic plan was attached to the dossier and that was considered as enough evidence (without the signed declaration). Although this did not materialise in any risk, the established requirements in the Tender Dossier should be adhered to.

Improvement is needed in the process of managing the contracts

In all audited contracts, the managers' appointment process was correct and according to legal requirements. But the contract manager should pay more attention to the contract management plan, which in most of the cases was just completed in terms of general information and did not contain any other details on the fulfilment of the contract terms.

In the contract "Llap River-Continuation" in the Municipality of Podujeva, the contract manager reports to the Urbanism Department verbally and there are no written reports on the progress of on-site works.

In the contract "Supply with Device for Biochemical Tests" in the Municipality of Mamusha, the Special Conditions stipulated that the delivery deadline for the supply of the medical device was 30 days. The Municipality received the device with four months in delay. The reason for the delay, according to officials, was the obtaining of permission for custom clearance of goods. This delay led the Family Healthcare Centre to the situation of not delivering services to the citizens and refer them elsewhere instead. The CA did not apply any penalty on the OE for this case at all. This delay has affected the timely delivery of services to citizens and potential budget saving.

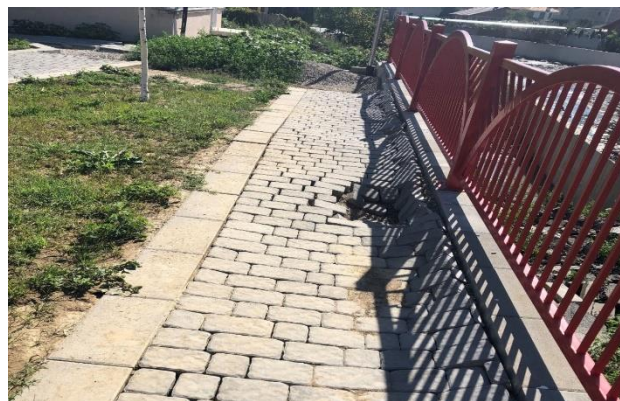
All projects should have a contract manager appointed, or a Supervisory Body in the case of large contracts. Prizren Municipality had contracted a Supervisory Body to supervise the implementation of capital projects. The Supervisory Body had reported on regular basis to the Public Service Department where two officials are appointed to check the executed works. The Municipality had also appointed the Director of Public Services as the contract manager. This was a characteristic practice of Prizren Municipality because the same Director was appointed as CM in all the capital projects that were being implemented. The practice of engaging two supervisors on same projects leads to duplication of works.

For all audited projects we have also conducted physical examinations in order to verify whether or not projects were executed as contracted.

¹¹ Project for Public Lighting in Broliq village.

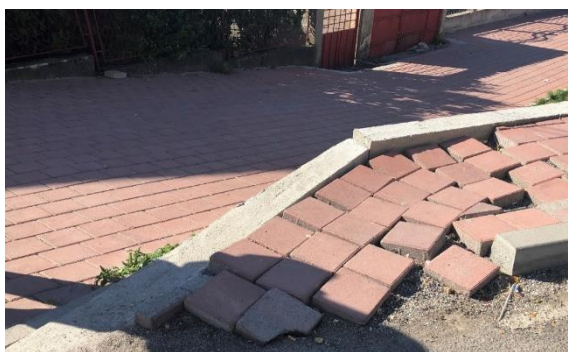
We have found small damages in the project of Podujeva Municipality and in one¹² project of Peja Municipality (pictures 1, and 2), following the technical acceptance of the projects whereas in the third project the work was not fully completed as contracted (picture 3). The contract manager should secure that the works which were not initially completed are executed in line with the contract, and in case of damages, after technical acceptance are repaired within the warranty period, given that the contracts included a warranty period of one year after the technical acceptance of the project. The contract manager who should have filed a request to EO for repair of damages did not take any action. After our site visit and the recommendation given to the Contract Manager (Municipality of Peja), he requested that the damages are repaired and the EO repaired the damaged cubes (photo 4). The repair of these damages had the effect of saving additional funds that the Municipality could have paid if the damages were not repaired during the warranty period. Damages were repaired only in the “Xhemajl Kada” project, whilst for other two projects we were not provided with evidence that such a thing occurred.

Picture 1 and 2: Project “Llap River-continuation” - Podujevo where dome-free pillars are seen and project “Paving with cubes, greenery and public lighting in Puhovc neighbourhood” - Peja, where damaged cubes are seen



Picture 3 and 4: Project “Adjustment of parking, sidewalk, lighting and cubes in Xhemajl Kada neighbourhood” - Peja, where damaged cubes can be seen in one picture and other picture repaired damage following our site visit

¹² Rehabilitation of parking, sidewalk, lightning and stone paving in Xhemajl Kada neighbourhood and Stone paving, greening and public lightning in Puhovc neighbourhood



In the same two projects in the Municipality of Peja, changes were made to the items. These changes were agreed upon by the EO and the Contract Manager, but aside from being noticed on the site, they were not evidenced in the stage sent for payment which was also signed by the contract manager. Changes consisted of excavations behind the protective wall and digging of the trench to install the drainage pipe, filling with gravel behind the wall and the drainage trench, supply with material, transport and instalment of drainage pipe (*Xhemaj Kada*). These items were added after having removed the quantity of concrete kerb stones (item 3.6) for 90m less; the conical zinc poles (item 6.8) were not installed at all; concrete stones (item 3.8) were paved for 15m² less.

In regard to Puhovc Project, there were added seven new items, which were not in the contract and were reconciled with what remained in items 3.5 and 3.6 (supply with material and laying of kerb stones and supply, transport and laying of natural granite stones).

There were no other evidences on how the process of items' changing and reconciliation took place. Undocumented changes lead to the risk that the CA may not receive the contracted works.

Funds were spent for the contracted purposes

According to the Agreement between MLGA and DEMOS, all funds allocated for the performance grant should be exclusively spent on capital projects and for the contracted purpose only. All municipalities had signed capital investment contracts and expenditures incurred for the same projects they were contracted for.

In addition, the agreement stipulates that funds should be spent within the fiscal year (the actual fiscal year for these projects was 2018), but only the Municipality of Prizren could not manage to start with the project implementation within 2018 due to delays in the procurement procedures. However, the Municipality, in agreement with DEMOS, had transferred the funds in 2019 and the project implementation carried on during 2019.

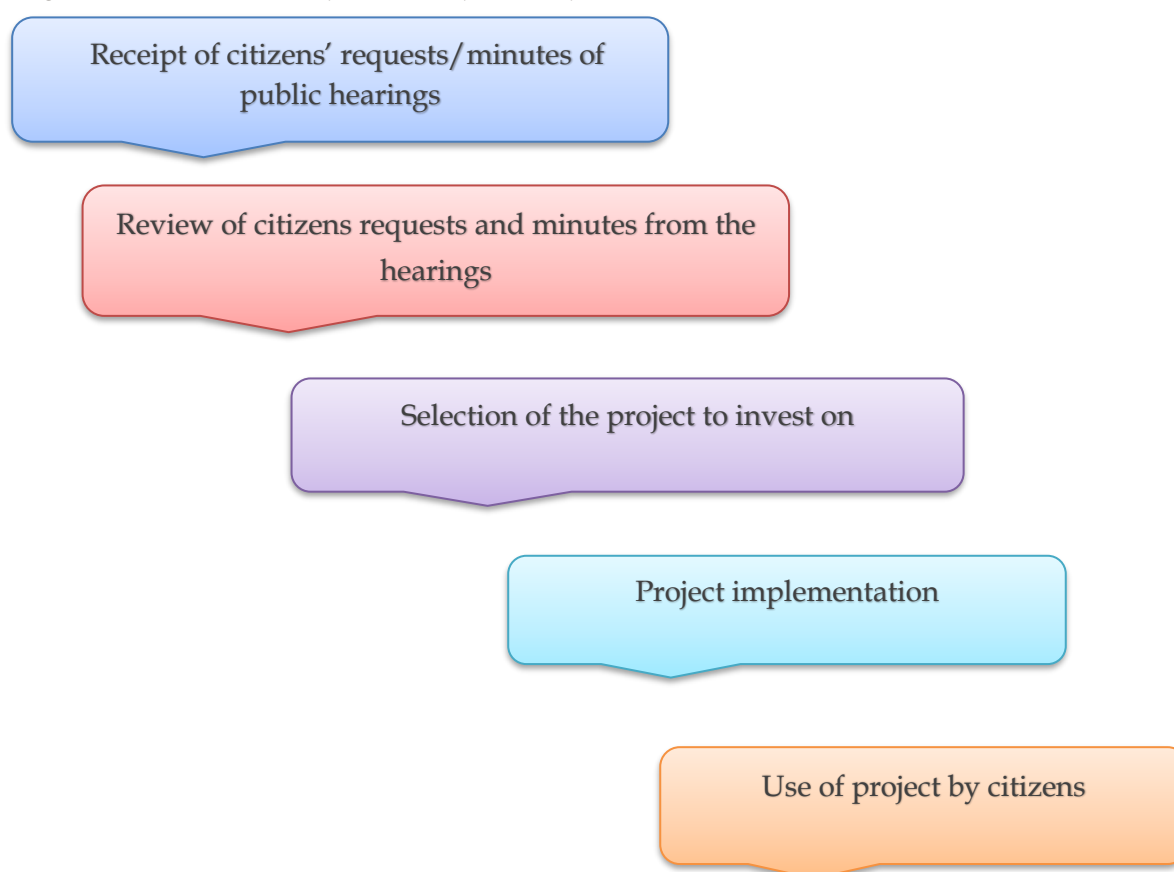
3.2 Most projects are timely implemented and operational

In prioritising and deciding on the projects that need to be invested on, the Municipality should incorporate the citizens' requests and needs as well. Given that these projects serve to

the benefit of citizens, municipalities should also include the citizens in the process of making decisions about the project the performance grant will be invested on.

The process of incorporating citizen requests and the prioritisation of those requests in the audited projects was not documented. In addition of holding public hearings, municipalities are also open to accepting individual requests from citizens, however, they have no other policies to increase the greater involvement of citizens in the investment plan. Despite the lack of comprehensive policies, all audited projects are executed and are at service of citizens. Six¹³ out of the seven audited projects were timely functionalized which has resulted in increased safety, improved public spaces/services and creation of recreational opportunities for children.

Diagram 1: The citizens' requests incorporation process



Citizens were consulted during the investment decision making, whilst the requests were partially handled

The practice of involving the requests of citizens and methods for making investment decisions differs from one municipality to another. Municipalities are obliged to and follow the practice of holding public hearings with citizens regarding potential problems and

¹³ Only the project in Prizren Municipality was delayed in starting with the implementation, which started in 2019.

difficulties they face. Four¹⁴ out of five audited municipalities have kept minutes from the public hearings organised with the citizens. These minutes contained different topics and different concerns of the citizens. Moreover, the municipalities have applied the method of accepting the citizens' requests in written and directly to the municipality's offices.

The fact that those are the only ways of incorporating the citizens' requests means that citizens may have limited room for being part of the investment decision making. In addition, the audited municipalities have not made further efforts to inform the public at large about the meetings held.

It is worth mentioning that almost all invested projects had been included either in budget hearings, investment strategies or integrity plans, even though the discussions were internal.

The process of decision making according to municipalities

Municipality of Podujeva selected the investment project by holding informal meetings with the directors of the relevant sectors, where amongst other discussions it has been decided about where it was most necessary to invest on. The Municipality has also held public hearings which were not published in the website and where discussions were also made about the problem in Llap River, which is a project where performance grant funds were invested in. Same project was also included in the Municipality's Medium-Term Budgetary Framework (2016-2018), which was an ongoing project and it is expected to continue in the following years.

In 2018, Municipality of Mamusha did not hold public hearings with citizens at all and the decision-making process on what to be invested was not documented. However, one of the objectives set out in the Municipality's Integrity Plan for 2016-2020 was to increase the quality in delivering healthcare services to its citizens, an area where the performance grant funds granted by DEMOS were invested on.

The Municipality of Graçanica had an investment plan in place for the municipality. It specifically planned to invest in lighting with a focus on LED lighting. The plan clearly described the lighting distribution throughout the territory of municipality. Although according to the minutes available on the Municipality's website, there were no requests from citizens to invest on public lighting, this was an ongoing project and is included in the action plan for 2015-2018.

Meanwhile, Municipality of Prizren did not approve the investment strategy, which would have included the investments plans for 2018. As a result, the investment prioritisation procedure was not documented in the Municipality of Prizren either.

¹⁴ Municipalities of Podujeva, Graçanica, Prizren and Peja, whilst the Municipality of Mamusha did not hold public hearings for 2018.

On the other hand, Municipality of Peja was the one that held public hearings the most and all invested projects were handled in these minutes. From the minutes of these hearings it is clearly seen that all projects in which it was invested were discussed and dealt with. What it was not documented was the way these projects have been prioritised.

Table 1: Public hearings¹⁵ held in the audited municipalities

Municipality	Number of hearings held	Venue		Has the project been discussed in public hearings	Has the project been put to use for citizens ¹⁶
		City	Village		
Peja	19	10	9	Yes	Yes
Gračanica	7	7	0	No	Yes
Prizreni	5	5	0	Yes	Yes ¹⁷
Podujeva	4	1	3	Yes	Yes
Mamusha	0	0	0	NA	Yes

From Table 1 we can see that most of the public hearings were held in Peja, followed by Gračanica to end with Mamusha, which did not hold public hearings for 2018. On the other hand, we also see that Municipality of Peja has also held public hearings in villages thus creating a balance with the number of public hearings held in the city. This has resulted in an inclusive participation of citizens in information and expression of concerns. All citizens have been therefore given equal opportunity to make their requests and the same to be considered for investments.

Participation of marginalised groups of the society could be empowered further

None of the audited municipalities had any specific procedures in place for incorporating the requirements of marginalised groups in the investment decision-making process. The same process as public hearings apply to all citizens, and participation is open to all.

¹⁵ According to the 2017 Public Hearing Minutes

¹⁶ For year 2018

¹⁷ The project has been operationalised in 2019

In most of the audited municipalities, information to citizens was provided by posting the announcement at the entrance of the municipal building and on the official website of the Municipality. There are municipalities who have announced the public hearings through social networks such as Facebook¹⁸.

It is worth mentioning that all invested projects were opened and accessible to all citizens, including the marginalised groups. Even more so, they were also in neighbourhoods that includes different groups of citizens.

However, municipalities could develop other ways or mechanisms to make the information available for citizens about holding public hearings even broader.

Projects have been operationalised and are being used by citizens

One of the established terms of the agreement was that projects should be operationalised within 2018. All audited projects were operationalised in time, except the project in Municipality of Prizren which was operationalised in 2019¹⁹. However, the Municipality of Prizren also received donor approval for this extension.

Picture 5: Audited projects



¹⁸ Municipalities of Peja and Prizren

¹⁹ Physical examination on site

During the site examination of these projects we also interviewed some random citizens to obtain information from those whom these projects are dedicated to and see what their thoughts about them were. During these conversations, citizens have considered these projects as necessary and well done. Moreover, when there was any damage in these projects, citizens told us that they have notified the municipality and timely intervention was made to repair the damage.

4 Conclusions

The inclusion of citizen requests in decision-making by most of the audited municipalities indicates that the donor request has been taken seriously. The inclusion of these requirements has resulted in projects in which most of the citizens of the respective municipalities have been invested. However, prioritization of these projects over other projects needs to be documented.

All audited projects where the performance grant was invested on have been operationalised and released for public use within the time agreed with donor. Regardless of the operationalization of projects, procurement procedures require increased attention in order for the process to be improved further.

Weakness identified in different stages of the procurement procedures (each municipality in some part of the process) indicate that the audited municipalities need to pay more attention to some processes, starting from the incorporation of the projects into the procurement plan, procurement procedures up to contract management. As a consequence of not using the Common Procurement Dictionary, the Municipality of Podujeva awarded the economic operator 17% more expensive than the non-eligible EO. A better understanding of the use of this vocabulary could result in some more meters of riverbed being laid.

Insufficient care of the contract manager to monitor the EO has caused that in Municipality of Mamusha the equipment for biochemical analyses reaches with four months' delay. This has caused that the citizens could not use the equipment in time and for the same services to have to go in other cities. Shortcomings in the contract management were also observed in the Municipality of Peja, where contract managers did not sufficiently document the changes in positions they approved during the implementation of contracts.

Two of the projects audited had damage after the works were completed and one project was not fully completed (picture 3). The good of this was that municipalities had the means to repair these damages, such as the one-year warranty after the works were completed. After the physical examination of the audit team, by our recommendation, the project manager requested that these remedies be made, and in one project they were already done. The use of these guarantees in other cases also affects the repair of damages without spending additional budget of the municipality.

The audited municipalities did not manage to document the prioritisation of investments in respective projects. Although public hearings with citizens were held and invested projects were included in both the investment strategies and work plans, municipalities do not have a standard process for receiving, reviewing and prioritising investment requests. In addition, municipalities do not have specific mechanisms for incorporating the requests of marginalised groups in the investment selection process. However, all the projects were completed and accessible to all the citizens without distinction. After interviewing some of the citizens, the latter found the investment to be appropriate and fruitful.

5 Recommendations

In order that performance grant investments fully achieve the intended purposes and in order to make the citizens' requests incorporation process and procurement process advanced, the National Audit Office recommends to:

- Document how projects have been prioritized in which to invest. Although citizen requests have been considered and dealt with either during public hearings or meetings between department heads, these discussions have not been sufficiently documented. Their documentation would justify why it was invested in the certain project and not any other project;
- Further strengthen internal controls in areas where weaknesses have been identified in the respective municipalities and prevent the risk of repeating the same or other potential weaknesses;
- ensure that the Common Procurement Dictionary is used properly by ensuring that the lowest price bids are awarded under contract. Keep in mind that similar jobs are proof that the operator can perform jobs that enter the same figure in this dictionary;
- ensure that designated project managers closely follow the management process and ensure that the goods or services are available for use in accordance with the contracted time. In case of delays apply legal measures such as penalties. Whereas the Municipality of Peja ensures that any changes in contract positions that occur happen to be documented; and
- Ensure that the damage repair guarantee is used in all cases as foreseen by the contract in order to repair the damages at no additional cost to the municipality.

Annex 1 Information on benefiting municipalities

 Grant allocation per Municipality and projects - 2018							
#	Municipality	DEMOS/MAPL	MUNICIPALITY	TOTAL	SPENT	BALANCE/NOT SPENT	PROJECTS 2018
1	Gjilan/Gnjilane	205,008.00 €	189,288.60 €	394,296.60 €	205,000.00 €	8.00 €	1
2	Gračanica/Gračanicë	9,521.00 €	12,841.60 €	22,362.60 €	18,986.50 €	0.00 €	1
3	Hani i Elezit/Elez Han	29,970.00 €	100,000.00 €	129,970.00 €	29,970.00 €	0.00 €	1
4	Istog/Istok	119,454.00 €	30,546.00 €	150,000.00 €	146,687.50 €	0.00 €	5
5	Junik/Junik	25,628.00 €	14,992.00 €	40,620.00 €	33,792.50 €	0.00 €	2
6	Kaçanik/Kaçanik	84,138.00 €	25,351.40 €	109,489.40 €	88,466.71 €	0.00 €	2
7	Klinë/Klina	75,614.00 €	45,386.00 €	121,000.00 €	117,247.25 €	0.00 €	4
8	Lipjan/Lipljan	103,011.00 €	46,989.00 €	150,000.00 €	0.00 €	103,011.00 €	1
9	Malishevë/Mališevo	77,964.00 €	36,125.00 €	114,089.00 €	69,157.94 €	8,806.06 €	1
10	Mamushë/Mamuša	9,377.00 €	0.00 €	9,377.00 €	8,990.00 €	387.00 €	1
11	Mitrovicë e jugut/Južna Mitrovica	27,756.00 €	5,000.00 €	32,756.00 €	32,756.00 €	0.00 €	1
12	Novo Brdo/Novobërdë	21,838.00 €	3,000.00 €	24,838.00 €	31,476.73 €	0.00 €	3
13	Obiliq/Obilić	50,634.00 €	10,000.00 €	60,634.00 €	50,633.96 €	0.04 €	1
14	Pejë/Peć	213,682.00 €	180,318.00 €	394,000.00 €	374,727.05 €	0.00 €	10
15	Podujevë/Podujevo	136,651.00 €	110,000.00 €	246,651.00 €	237,748.54 €	0.00 €	2
16	Prizren/Prizren	212,681.00 €	370,067.00 €	582,748.00 €	112,681.00 €	100,000.00 €	2
17	Rahovec/Orahovac	95,493.00 €	135,000.00 €	230,493.00 €	279,613.65 €	0.00 €	2
18	Shtime/Štimlje	68,410.00 €	78,920.00 €	147,330.00 €	138,472.00 €	0.00 €	1
19	Skenderaj/Skenderaj	65,538.00 €	14,462.00 €	80,000.00 €	39,153.50 €	26,384.50 €	1
20	Štrpce/Shtërpçë	28,871.00 €	1,262.00 €	30,133.00 €	29,466.13 €	0.00 €	1
21	Suharekë/Suva Reka	83,070.00 €	26,825.00 €	109,895.00 €	109,445.00 €	0.00 €	1
22	Viti/Vitina	52,107.00 €	62,079.00 €	114,186.00 €	80,681.00 €	0.00 €	2
SPENT		1,557,819.40 €					
Total		1,796,416.00 €	183,548.00 €	481,544.00 €	397,217.63 €	26,384.50 €	

Annex 2 Audit motive, criteria, methodology and scope

Audit motive

The agreement regulating the allocation of grants does not require any standard proposal of monitoring, reporting or specific auditing of the grants awarded to the municipalities. However, the agreement may require a special annual audit for a group of randomly selected municipalities in order to examine one or more aspects of public financial management related to capital investment projects, for example: procurement processes, procedures for technical acceptance of services, payments, etc.

The Donor (DEMOS) has therefore requested the National Audit Office (NAO) to conduct such audit in order to obtain assurance that the grant is serving the purpose it has been allocated for.

The Performance Grant is important in terms of value and purpose. The purpose of this Grant is to contribute to enhanced performance of municipalities, therefore the audit of projects funded from the Grant provides the opportunity of assessing this performance. Given that grants are intended for all citizens of the respective municipality, they have the right to know where and how such funds are spent. Therefore, the National Audit Office aims, through the audit of these projects, to provide the donor and citizens with an overall view on how funds of this Grant are being spent.

Audit objective

The objective of this audit is to assess whether the procurement process for the funded capital projects complies with legal requirements, from the planning up to the implementation of the contract.

Another objective of this audit is to assess whether the projects implemented out of the DEMOS Grant have reached the intended purpose, i.e. whether the Municipality has improved the public services' delivery to citizens through these investments.

Audit questions

In order to respond to the audit objective we have asked the following audit questions and sub-questions:

I. Have procurement procedures been conducted in accordance with the Law on Public Procurement (LPP)?

- Has the projects planning been properly conducted?
- Has the CA been efficient in developing public procurement procedures?
- Has the contract management process been properly conducted?

- Have funds been spent for the intended purpose, at the right time and in accordance with the financial rules?

II. Has the funded project had an impact on the improvement of public services to citizens?

- Have the citizens' requests been incorporated and have they been consulted while making decisions about what to invest on?
- Have the requests of marginalised groups of society been incorporated in these projects?
- Have these projects been operationalised to be used by citizens?

Audit criteria²⁰

In order to verify the audit objective, we have set one key criteria and some sub-criteria.

These funds should be spent on capital investments only. These investments should improve the citizens' lives and the projects' contracting procedures should be carried out in compliance with the Law on Public Procurement.

- Municipalities should spend the grant they have been awarded for their performance on investment capitals only;
- The project should be included in PIP, the Law on Budget and procurement plan of the Contracting Authority for the respective year;
- Procurement procedures should comply with the law and regulations on public procurement in Kosovo;
- Expenditures should be appropriately supported with original documents;
- Acceptance of works/goods should be done and used in line with the contractual baseline of the contract;
- The project should comply with Grant Agreement and expenditures should exclusively incur on the initially approved project;
- Citizens' requests for investments should be taken into account during the needs assessment process and investments prioritisation;
- Contracting authorities should distribute their investments in a way of providing access to all groups of citizens (regardless of religion, race, ethnicity, gender, political conviction etc.);
- Municipalities should terminate these projects in time and make them accessible for public use so that citizens can benefit thereof.

²⁰ For more information, please refer to ISSAI 300, Criteria, p.7

Audit scope

With this audit we aim at offering relevant recommendations to the municipal level, as part of the performance grant, and to other stakeholders in order to improve their approach to donations and their way of investing them.

We have audited 7 contracts: three in the Municipality of Peja, one in the Municipality of Prizren (two projects implemented under one contract), one in the Municipality of Podujeva, one in the Municipality of Mamusha and one in the Municipality of Graçanica. The audited municipalities and projects have been selected based on the highest and the lowest expenditures, in order to have an accurate view of all types. The period will include the grant awarded in 2018. We audited the process from the citizens' requests, prioritisation of these requests, project approval, and incorporation of the project in the procurement plan, tendering procedures, contract awarding up to the acceptance of the project.

Audit methodology

Our audit approach towards these projects uses a variety of techniques:

- Analysing the legal framework, respective agreement between MLGA, GoK and SDC;
- Analysing the requests in public hearings and comparing them with the Municipality's investment priorities;
- Analysing the procurement dossiers and comparing them with the applicable public procurement procedures;
- Interviewing responsible officials regarding the prioritisation of investment in actual projects;
- Interviewing of citizens about the benefits from the projects invested by the municipality;
- Comparison of payments with executed works.

Annex 3 – Summary of topics of performance grant

#	TOPIC / INDICATOR AREA	# MAKS OF SCORES
DEMOCRATIC GOVERNANCE		40
I	Role of the municipal assembly as supervisory body	20
1	The Municipal Assembly approves the annual budget on time	3
2	The Municipal Assembly discusses the expenditures against budget reports on regular basis	5
3	Discussions on the municipal performance report by the Municipal Assembly	4
4	Participation of Mayors in Municipal Assembly meetings	3
5	Municipal Assembly discusses internal and external audit findings	5
II	Participation and consultation of citizens	10
6	Statutory public meetings of the municipality are properly and timely announced	4
7	Public consultation on municipal acts prior to approval by the municipal assembly	6
III	Inclusion	10
8	Participation of women in the municipality's public meetings with citizens	4
9	Women appointed in political positions in the municipality	3
10	Adherence to the use of local official languages by the municipality	3
MUNICIPAL MANAGEMENT		40
IV	Human Resources Management	10
11	Staff assessments are made yearly and in line with legal requirements	3
12	Competitions for civil servants are processed through HR Information System	2
13	Municipal Assembly discusses the HR annual report	2
14	Special service contracts are in line with legal framework	3
VI	FINANCIAL MANAGEMENT AND CONTROL	20
15	Invoices are paid within the legal deadline of 30 days	3
16	Implementation of the procurement annual plan	3
17	The property tax register is regularly updated	3
18	Collection of the annual property tax (no debts, fines, interest etc.)	5
19	High and medium recommendations of the NAO have been addressed	6
VI	SERVICE DELIVERY	10
20	Handling of requests and complaints by the Municipality	4
21	Project managers appointed for monitoring the contract implementation	3
22	Prior to the final payment, the Municipal Executive checks the satisfactory implementation of contracts	3
TRANSPARENCY AND INTEGRITY		20
VII	Access to information	10
23	Municipal website updated in line with legal requirements	3
24	Handling of citizens applications for public documents	3
25	Publication of acts approved by the Municipal Assembly and the Mayor	4
VIII	Integrity	10
26	Municipal Assembly discusses the annual performance report on integrity plan	4
27	Suspension of civil servants for misuse of official position	6

Annex 4: Letters of Confirmation



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Vendi dhe data:
Gracanica, 27.11.2019.

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Kryetari,
Srdjan Popovic



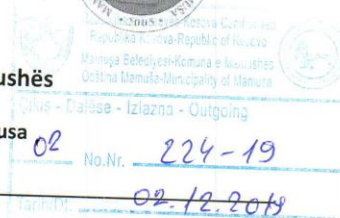


Republika e Kosovës – Kosova Cumhuriyeti
Republika Kosova – Republic of Kosovo



Mamuşa Belediyesi – Komuna e Mamushës

Opština Mamuša – Municipality Of Mamusa



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Vendi: Mamushë

Data: 02.12.2019

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Kryetari,
Abdülhadi Krasniç





LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

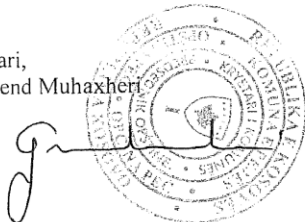
Vendi dhe data:
Pejë: 05/12/2019

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Kryetari,
Gazmend Muhaxheri





REPUBLICA E KOSOVËS • REPUBLIKA KOSOVA
KOSOVA CUMHURIYETI
Komuna e Prizrenit • Opština Prizren
Prizren Beledijesi
Kryetari i Komunës • Predsednik Opštine
Belediye Başkanı
01 Nr. 16/19 Dt. 03.12.201

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Vendi dhe data:

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Prof. Dr. Mytaher Haskuka

Kryetar i Komunës së Prizrenit





KOMUNA E PODUJEVË / OPŠTINA PODUJEVO / MUNICIPALITY OF PODUJEVO		
DIREKTORIA E ADMINISTRATËS - UPRAVA ADMINISTRACIJE		
regullar më	05/12/2019	
konstatim	No.	Shtypje -
02-016/01-9091809/19	Be.	Prilog
BILLETË E PODUJEVË		



Republika e Kosovës / Republika Kosova / Republic of Kosova
Komuna e Podujevës / Opština Podujevo / Municipality of Podujeva

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për **“Projektet e financuara nga grantet e DEMOS (për vitin 2018)”** (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Datë: 05 dhjetor 2019
Podujevë,

 Kryetari i Komunës
Agim Veliu