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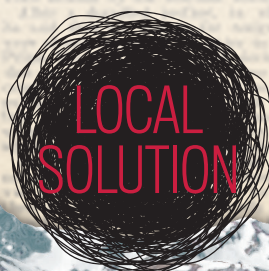
A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF

ŠTRPCE SHTËRPCE

MONEY AND POLITICS



ADVANCING KOSOVO TOGETHER



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Project Description:

This project, supported by the Advancing Kosovo Together – Local Solutions (AKT-LS) through the United States Agency for International Development (USAID), aimed to increase the integrity of local governments through increased monitoring by civil society in these municipalities. Participants in the project took part in a training that trained them to: access information on public tenders at the municipal level, identify the political connections of companies or persons that received tenders after donating funds to certain political parties, as well as examine the declaration of assets of local officials. They were then put to task to reproduce these results in their local municipalities and report on the results. This work is reflective of this methodology and training.

Disclaimer:

The views expressed in this report are the work of the participants in this Project. The research in these reports is solely the work of these persons, and not of their respective organizations. They also do not necessarily reflect the views of the donor for this project, United States Agency for International Development (USAID). They also do not necessarily reflect the views of the implementing organizations, Communication for Social Development, and Organization Çohu!

Published by:

Organizata për Demokraci, Antkorrupsion dhe Dinjitet, Çohu!
Rruga: Rustem statovci Nr.17; Prishtinë, Kosova
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A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF **ŠTRPCE/SHTËRPCE**

INTRODUCTION

Due to technical problems we were not able to obtain the 2007-2009 data. During 2010, the Municipality of Štrpce/Shtërpce had cases of contracts which were signed exceeding the sums approved by the budget of the municipality. Also, during this year the Municipality had debts.

For 2011, the budget is not based on past needs analysis and is not in line with the operational activities of the municipality. There is a lack of timely drafting of procurement plans and budget execution. As a result, there was a budget surplus, thus causing a failure to plan and spend funds towards more concrete and realistic needs. Also, there is no control of the distribution of expenses according to periods of time, which resulted in spending more than half of the total budget during the last quarter.

Contrary to previous years, in 2012 the Municipality of Štrpce/Shtërpce managed to implement its budget plan at a satisfactory level, as will be shown later in the graph data. During 2013, the most critical fields to be addressed were: procurement, subsidies, and property management.

In 2014, the Municipality of Štrpce/Shtërpce implemented 88% of the final budget compared to the previous year, with 83% of implemented budget. Based on this, we can conclude that in the course of several years, the Municipality of Štrpce/Shtërpce made some improvements, and the professionalism of municipality officers is noticeable, and this was an expected outcome.

Of all the companies which won tenders in the Municipality of Štrpce/Shtërpce, the companies from this municipality won 82 tenders worth a total of € 2,694,039. This represents 15.75%, compared to the total value of all tenders in the Municipality of Štrpce/Shtërpce for 2010-2015 period

The main problems identified by the General Audit Office are as follows:

- Violation of legal dispositions of Public Procurement;
- Inefficient municipal procedures regarding public procurement, not aligned with existing procurement rules;
- Political favors to companies when giving tenders;
- Signing of contracts contrary to the Law on Public Procurement;
- Irregularities in procurement and contract management;
- Capital income (activities such as: type of property, privatization fund, type of income) not evidenced by the Municipality;
- Excess of own income budget, excess of certain budget programs such as healthcare, failing to hire planned staff.

- The Municipality of Štrpce/Shtërpce did not fully and accurately disclose information on property;
- Lack of an assets officer who would produce a full register of assets and update it on regular basis;
- There was no reconciliation of own income among departments and assets officers;
- Payments of collected income were not made to banks on daily basis;
- The Municipality lacked a final public procurement plan for 2011, as well as Rules and Procedures on granting subsidies;
- Lack of control of municipal expenses;
- Lack of complete documentation for subsidies;
- Failure to implement General Audit recommendations throughout the years;
- Incomplete annual financial reports;
- Lack of evidence concerning the use of vehicles for official purposes, despite the fact that payments were made for high amounts of fuel;

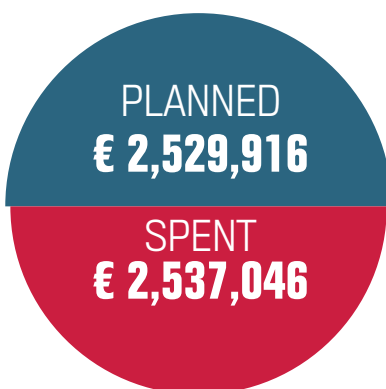
KEY FINDINGS

1 / Public procurement

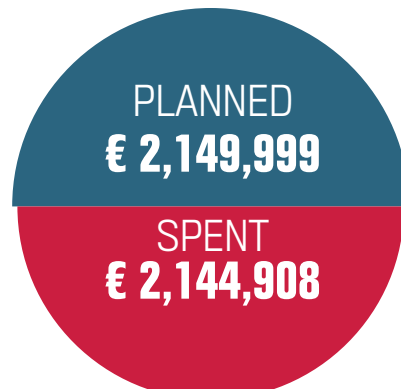
1.1 / Planned capital in the municipality

For capital investments, as well as for goods and services for the 2010-2015 period, the Municipality of Štrpce/Štërpce allocated following planned funds:

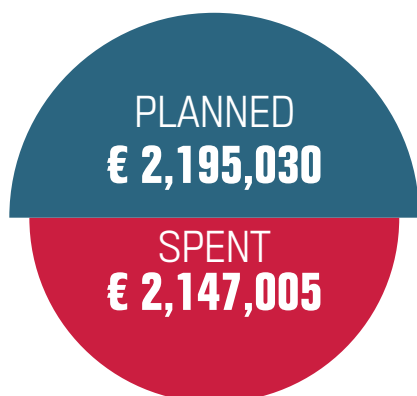
Planned and spent funds for capital investments



2010



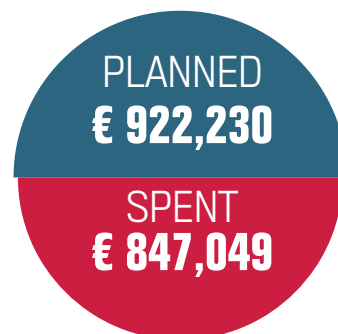
2011



2012



2013



2014

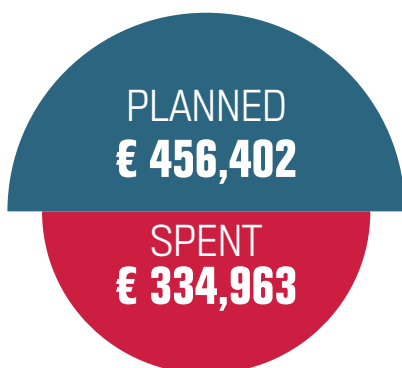
Planned and spent funds for goods and services



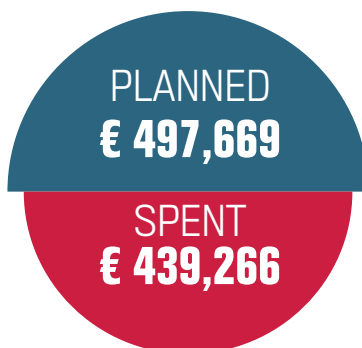
2010



2011



2012



2013



2014

2010

According to the Auditor General report, the Municipality of Štrpce/Shtërpce for 2010 planned to spend a total of € 2,707,824 for capital investments and public procurement. From this amount, the Municipality spent € 2,714,954, producing a deficit of € 7.130. In goods and services, the expenditure was in line with the planned budget, while in other capital investments the Municipality, spent € 7.130 more than it planned. This difference was a result of bad planning of funds at disposal, says the General Audit Office.

AUDIT

According to Auditor General, the shortages in public procurement are as follows:

- The Municipality of Štrpce/Shtërpce failed to establish effective procedures for public procurement which are in line with existing procurement rules;
- Procurement activities were carried out without prior reservation of funds in the Free Balance system;
- There were also several cases of public procurement for capital investments and operational costs where the date of signing of the contract precedes the date of reservation of funds in the Free Balance system;
- There were several cases where contracts were signed by companies with amounts exceeding the existing approved municipal budget amounts;

AUDIT RECOMMENDATIONS ARE AS FOLLOWS

- The Municipality must adhere to Laws and Administrative Procedures of the Republic of Kosovo;
- The Administration of the Municipality of Štrpce/Shtërpce should fully comply with the applicable laws of Kosovo, particularly with the dispositions of Law no. 03 / L-241 on Public Procurement in Kosovo;
- The Administration of the Municipality of Štrpce/Shtërpce should make sure to not carry out any procurement and not sign any contract exceeding the amounts of final municipal budget;

2011

According to the General Audit Office, the Municipality of Štrpce/Shtërpce in 2011 planned to spend € 2,619,611 for capital investments, goods and services. From the planned amount, a total of € 2,485,280 was spent.

- Either the internal control system is not designed adequately in order to eliminate existing shortages, or this system is not properly implemented.
- The Municipality of Štrpce/Shtërpce did not fully and accurately disclose information regarding assets.
- The Municipality of Štrpce/Shtërpce did not have a final public procurement plan for 2011, and in addition to this, there are no Rules and Procedures for granting subsidies.

THE RECOMMENDATIONS BASED ON THE AUDITOR'S REPORT ARE AS FOLLOWS:

- Annual financial report should be in full compliance with the Financial Provision no. 07/2011;
- The compensation for the entire staff should be in line with applicable laws and Administrative Instructions;
- Procurement procedures should be in line with the Law on Public Procurement;
- The registration of assets should be in compliance with Administrative Instruction no. 21/2009

- According to the General Audit Office, the Municipality of Štrpce/Shtërpce
- in 2011 planned to spend € 2,619,611 for capital investments, goods and
- services. From the planned amount, a total of € 2,485,280 was spent.

2012

According to the General Audit Office, the Municipality of Štrpce/Shtërpce in 2012 planned to spend € 2,651,432 for capital investments, goods and services. From the planned amount, a total of € 2,481,968 was spent. The € 169,464 difference was not spent.

AUDIT

According to the General Audit Office, we found that shortages in public procurement and services are as follows:

- A series of shortages in public procurement were identified. Procurement beyond contracts and poor level of monitoring were some of the shortages in this process;
- The audit noticed the lack of complete documentation for granting subsidies;
- Poor management of liabilities, including here unprofessional staff;

THE RECOMMENDATIONS BASED ON THE AUDITOR'S REPORT ARE AS FOLLOWS:

- The budget should be planned according to a comprehensive realistic needs analysis;
- The annual financial report does not reflect all assets, which is a realistic requirement, in order to complete the necessary information;
- Prepare an annual procurement plan, clearly specifying all projects and supply needs, and strengthen the control and management of contracts in order for the works and supplies to be carried out within set deadlines;
- Design internal Rules and Procedures, clearly specifying criteria and procedures for subsidies, in order to prevent potential irregularities;
- Complete the register of assets, in line with Administrative Instruction no. 21/2009 for assets registration and management;
- Carry out a functional review of internal control, in order to see whether the procedures of control and the risk identification are defined normatively, and whether those produced a normal information exchange and communication within the institution;
- GAO will mainly focus on following the activities of the coming year, especially on the most problematic problems such as procurement and assets, and establish a Review Committee as soon as possible, strengthening the functioning of internal audit;

2013

According to General Audit Office, the Municipality of Štrpce/Shtërpce in 2013 planned to spend €1,621,307 for capital investments, goods and services. Out of this amount, the Municipality spent a total of € 1,421,189. The € 200,118 difference was not spent.

AUDIT

According to General Audit Office, we found that shortages in public procurement and services are as follows:

- Poor financial management quality carried out by high management;
- Failure to consistently plan the sources of income; The differences in the last three years are noticeable, and that € 70,000 less compared to 2012, or 1/3 of the amount of the invoiced taxes was not collected;
- Common shortages in public procurement;
- Other procurement processes were characterized with specific control shortages

ACCORDING TO THE GENERAL AUDIT OFFICE, THE RECOMMENDATIONS ARE AS FOLLOWS:

- The Mayor should make sure that the systematic plan for the design of financial reports includes the request to include the total amount of assets;
- The reviewed action plan should clearly specify a time frame and the staff responsible to address the recommendations together with members of identified staff who are responsible for the high priority fields;
- There should be a comprehensive approach when dealing with income, both in terms of planning and in terms of establishment of efficient mechanisms for the implementation of planned parameters;
- The Mayor should make sure that the staff for income generation is in line with the financial service staff (at least on a monthly basis), with formal support of reports which explain the reasons behind an identified inconsistency;
- All annexes to the contracts for additional works should be made within the limits set by the LPP. In case of additional works exceeding the 10% of the main contract, a new procurement procedure should be carried out, or negotiation steps should be used without advertising the granting of contract; Monitoring bodies should strengthen the control and confirm only the real amount and the quality of works;

- The Mayor should explain to the financial and public procurement officers that contracts should be respected strictly, and that no supply or payment can be made outside the contract;
- All invoices for official lunches should be based on additional evidence regarding the purpose of the event, the number of participants and so on, and that the invoices should contain accurate figures of the paid amount;
- The Mayor should strengthen the control of fixed and mobile phone expenditure; The decisions for mobile phone refills should specify the authorization for their use and every point of this decision should be respected;
- A systematic review of the staff dossier should be carried out in order to insure that it includes all necessary documentation, within a specified time frame;
- The internal Rules of Procedures should be respected when granting subsidies, and all subsidies should be dealt with in line with the procedures set in these Rules and Procedures, including the reporting aspect;
- The Mayor should make sure that all expenses which meet the criteria to register in ISUFK or in the register of assets are registered, regardless of the way they were generated;
- Within an optimal time frame, the Mayor should appoint a special assets and logistics officer; Immediate measures are needed in order for these officers to start registering assets and have them under full management;
- The Mayor should design a clear strategy for the payment of the outstanding debts; The Municipality should be aware of the funds at disposal before entering into liabilities and should make payments within legal time frames;
- In order to strengthen the internal audit mission and the control system in general, the Audit Committee recommends that the Mayor consider the establishment of an Internal Audit Committee, within a certain period of time;

- The Mayor should make sure that the staff for income generation is in
- line with the financial service staff (at least on a monthly basis), with
- formal support of reports which explain the reasons behind an identified
- inconsistency;

2014

According to General Audit Office, the Municipality of Štrpce/Shtërpce in 2014 planned to spend € 1,212,822 for capital investments, goods and services. From the planned amount, a total of € 1,099,314 was spent. The € 113,508 difference was not spent.

AUDIT

According to General Audit Office, we found that shortages in public procurement and services are as follows:

- Annual financial reports are incomplete;
- Management framework featured shortages regarding formal and qualitative reporting of financial and operational activities;
- There are noticeable shortages in the field of expenditures, including the public procurement field;

THE RECOMMENDATIONS OF THE GENERAL AUDITOR ARE AS FOLLOWS:

- The Mayor should analyze the reasons behind initial wrong declaration of assets, and the neglect of the advice given by GAO in the transitory phase for their addressing; Adequate measures should be taken in order to insure an accurate representation of assets in the annual financial report for 2014, together with timely and effective functioning of the Inventory Committee;
- The Mayor should make sure that the reviewed action plan sets clearly the time frame to address the recommendations of GAO together with identified staff

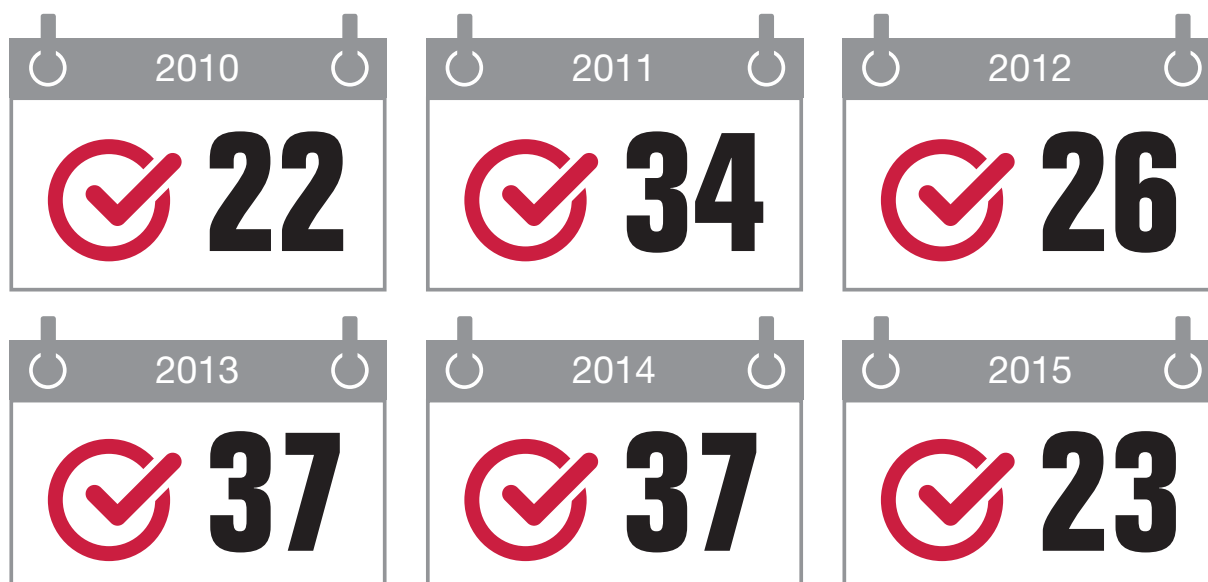
responsible for that, with an initial focus on issues of high priority; The action plan should be reviewed by the Mayor on a quarterly basis;

- The Mayor should carry out a revision in order to establish a format of financial report for high management, which is a requirement to support an efficient management of work. This should be supported by a managerial structure where high management is informed about the shortages of control and address those shortages actively;
- The Mayor should make sure that the budgeting process is preceded by a strict assessment process which fully reflects the information including the expenses of the previous year/potential challenges and so on; A special emphasis should be put on the identification of obstacles and opportunities in the process of improvement of the level of realization of capital projects, and adequate steps should be made in order to address these obstacles and make use of the identified opportunities; An efficient monitoring throughout the budget year should be carried out when measures to address differences vis-a-vis planned budget are taken;
- The Mayor should carry out systematic reviews in order to identify active companies in the Municipality of Štrpce/Shtërpce. and make sure that all these companies have work permits and are invoiced for taxes in 2014;
- The Mayor should carry out internal control;
- The Mayor should cooperate with the Ministry of Finance and the Government;
- The Mayor should ensure the establishment of the Audit Committee;

Contracts signed by the Municipality of Štrpce/Shtërpce through public procurement procedures

A request for access to public documents was submitted to the municipality, in order to get the date on the number of planned tenders for the 2010-2015 period. The municipality did not respond to this request yet.

According to the data obtained from the Public Procurement Regulatory Commission (PPRC) portal, the tenders realized during 2010-2015 period are as follows:



During 2010-2015 period we found that the Municipality of Štrpce/Shtërpce initiated 179 tender procedures, out of which 111 belonged to the category of “works”, 41 to the category of “supplies” and 27 tenders in the category of “services”;

2008 In 2010, the Municipality of Štrpce/Shtërpce initiated 22 procurement procedures, out of which 18 belonged to the category of “works”, 2 tenders belonged to the category of “supplies” and 2 belonged to the category of “services”;

2008 In 2011, the Municipality of Štrpce/Shtërpce initiated 34 procurement procedures, out of which 24 belonged to the category of “works”, 6 belonged to the category of “supplies” and 4 belonged to the category of “services”;

2008 In 2012, the Municipality of Štrpce/Shtërpce initiated 26 procurement procedures, out of

which 17 belonged to the category of “works”, and 9 belonged to the category of “supplies”;

2008 In 2013, the Municipality of Štrpce/Shtërpce initiated 37 procurement processes, out of which 31 belonged to the category of “works”, 5 tenders belonged to the category of “supplies” and 1 belonged to the category of “services”;

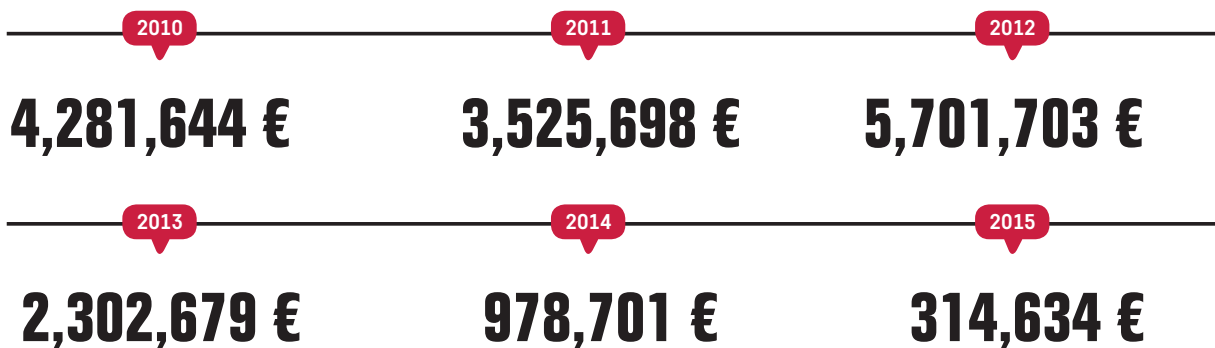
2008 In 2014, the Municipality of Štrpce/Shtërpce initiated 37 procurement processes, out of which 16 belonged to the category of “works”, 11 tenders belonged to the category of “supplies” and 10 belonged to the category of “services”;

2008 In 2015, the Municipality of Štrpce/Shtërpce initiated 23 procurement processes, out of which 5 belonged to the category of “works”, 8 tenders belonged to the category of “supplies” and 10 belonged to the category of “services”;

According to 179 analyzed tenders, the total amount spent in the 2010-2015 period was **€17,105,059**



FUNDS SPENT THROUGH PUBLIC PROCUREMENTS



As you can see from the graph above, the highest amount of funds for public procurement was spent in 2012. Although the number of tenders in the coming years increased, the value of the public money that was spent through public procurement marked a drastic decline.

2010 In 2010, the Municipality of Štrpce/Shtërpce spent € 4,191,749 for 18 projects in the category of “works”, € 69,995 for 2 projects in the category of “supplies” and € 19,900 for 2 projects in the category of “services”;

2011 In 2011, the Municipality of Štrpce/Shtërpce spent € 3,297,340 for 24 projects in the category of “works”, € 127,650 for 6 projects in the category of “supplies” and € 100,708 for 4 projects in the category of “services”;

2012 In 2012, the Municipality of Štrpce/Shtërpce spent € 2,547,544 for 17 projects in the category of “works”, € 3,154,159 for 2 projects in the category of “supplies”;

2013 In 2013, the Municipality of Štrpce/Shtërpce spent € 2,139,199 for 31 projects in the category of “works”, € 163,480 for 5 projects in the category of “supplies” and there was 1 project in the category of “services” but we do not have data on the total amount of this tender;

2014 In 2014, the Municipality of Štrpce/Shtërpce spent € 817,886 for 16 projects in the category of “works”, € 103,982 for 11 projects in the category of “supplies” and € 56,833 for 10 projects in the category of “services”;

2015 In 2015, the Municipality of Štrpce/Shtërpce spent € 108,693 for 5 projects in the category of “works”, € 152,654 for 8 projects in the category of “supplies” and € 53,287 for 10 projects in the category of “services”;

Companies which won most tenders in the Municipality of Štrpce/Shtërpce

Out of 179 checked tenders, five companies won 70 tenders, or around 39% of tenders.

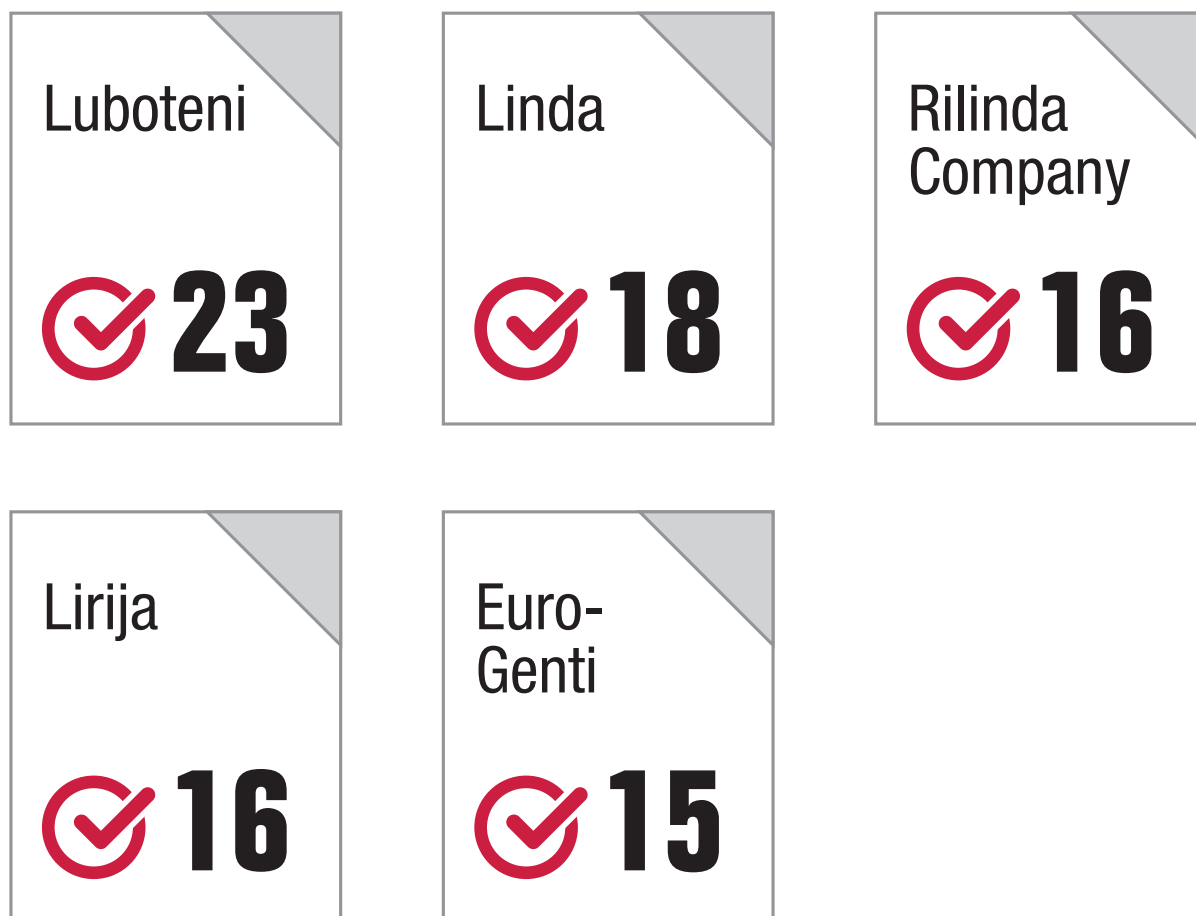
The company which won the highest number of tenders is “Luboteni” from Štrpce/Shtërpce with 23 tenders.

“Luboteni” won 23 tenders, out of which 21 belonged to the category of “works” with € 1,111,872, 1 belonged to

the category of “services” with € 19,900, and 1 belonged to the category of “supplies” with unknown total amount.

The second company to win the highest number of tenders was “Linda” from Ferizaj/Uroševac. “Luboteni” won 19 tenders, out of which 18 belonged to the category of “works” with € 3,444,946, and 1 belonged to the category of “services” with € 9,990.

COMPANIES THAT WON THE MOST TENDERS



“Rilindja Company” is the third company in this list. This company won 12 tenders. All tenders belonged to the category of “works” with € 601,916 spent.

The fourth company to win the highest number of tenders was “Lirija” from Štrpce/Shtërpce. “Lirija” won 8 tenders in the category of “works” with a total of € 286,503 spent.

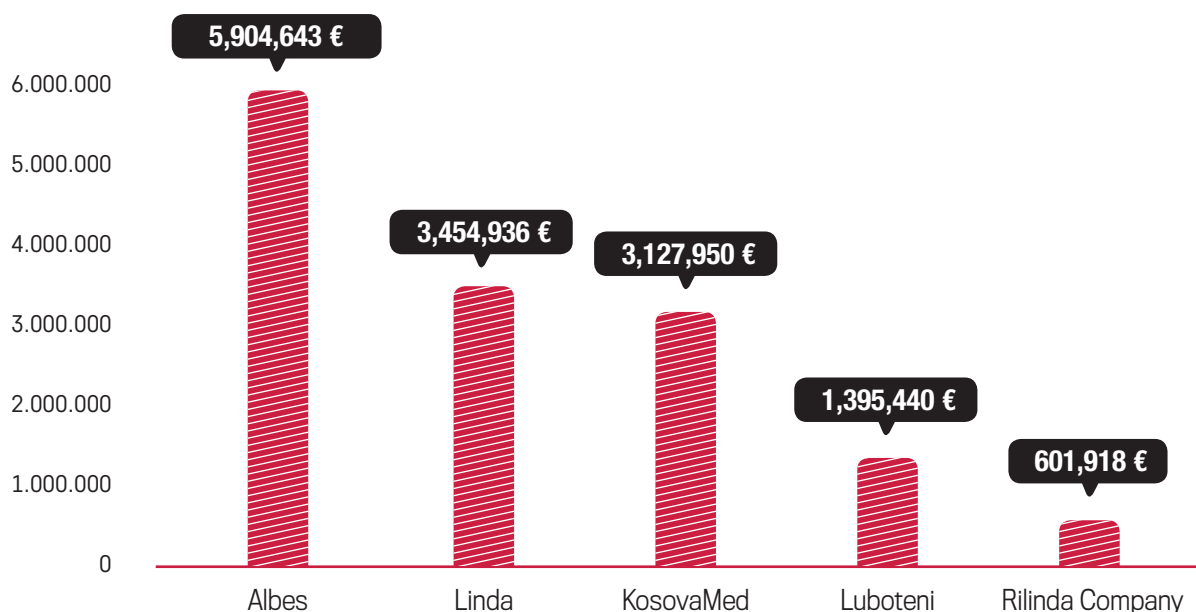
“Euro-Genti” is the fifth company in the list. This company won 8 tenders, out of which 7 belonged to the category of

“works” with €170,279, and 1 belonged to the category of “services” with € 42,430.

Out of € 17,105,059 spent through public procurement, five companies won € 11,356,937 through 60 tenders.

Out of total amount of expenditure through public procurement, these five companies won 66% of all funds, vis-a-vis the rest of the companies which won only € 5,748,122.

COMPANIES THAT WON THE MOST TENDERS ACCORDING TO AMOUNTS



Although “Luboteni” won 23 tenders, when it comes to the amounts, the first company in this list is “Albes” company which won tenders in the total amount of € 5,904,643. Other companies which won higher amounts of tenders are:

“Linda” with € 3,454,936, “KosovaMed” with € 3,127,950, “Luboteni” with € 1,395,440, and “Rilindja Company” with € 601,918.

AUDIT REPORTS

2010

According to the documentation of the Municipality of Štrpce/Shtërpce for 2010, GAO noticed following short-ages:

- The Municipality has not disclosed in the notes to the Statements, the government grants received from the KCB;
- The Municipality has not disclosed in the notes to the Statements, information related to fixed assets as required;
- The Municipality failed to establish effective procedures for procurement related to compliance with procurement regulations, as a result of which we have noted during our audit certain irregularities such as:
 - Procurement activities initiated without prior commitment of funds in the Free Balance system
 - Irregularities in management of supply contracts;
- In the Municipality of Štrpce/Shtërpce there were several cases of procurements for capital investments and operating expenses conducted by the Municipality where the date when the contract was signed with the supplier is earlier than the date in which the funds were appropriated in the Free Balance system
- The municipality had also entered in other obligations;
- Capital incomes (type of assets, privatization fund, type of incomes) – The municipality identified none of these activities;
- There was an excess of budget spending of own incomes, excess in spending for certain budget programs such as health, where the Municipality did not manage to hire staff as foreseen by this budget. Also, in the firemen program the number of estimated workers was higher than the current number of employees;
- Renovation of the garden in the St. Dimitrije Church in Donja Bitinja; Renovation of the space of St. Todor Church in Donja Bitinja; Renovation of water supply in Gornja Bitinja; Expansion and renovation of the road in Gornja Bitinja. These four capital projects were not paid as a result of a technical mistake of the bank account of the client, which was inactive.
- According to the evidence of the business taxes manager, the obligations of businesses from previous years are € 29.716.
- The salaries of the political staff are 10% higher than it is required.

2011

During 2011, the municipality did not adequately address the recommendations of the audit report of 2010. The municipality did not design a plan to address the recommendations, and no recommendation was addressed.

- The Municipality of Štrpce/Shtërpce did not entirely and accurately disclose the information on assets. The audit findings for 2011 are being repeated since 2007, and despite the adequate recommendations for improvement, positive changes were not noticed. The lack of an assets officer, who would produce a full register of assets and update it regularly, could also imply a lack of control and shortage in terms of assets management. The municipality did not design any plan to address the recommendations of 2010 and did not take the necessary measures to report the assets in 2011.

- The audit report regarding the financial report gave 4 recommendations. None of these recommendations were addressed in 2011. The fact that no recommendation was addressed show a lack of performance control, as well as unpreparedness of the management to take steps towards improvement.

In relation to own income:

- Those were not aligned between the departments and the income officers;
- Payments of collected income were not made in banks on a daily basis;
- The municipality did not have a final public procurement plan for 2011. Besides this, there are no Rules and Procedures for granting subsidies;

- The fact that no recommendation was addressed show a lack of
- performance control, as well as unpreparedness of the management to
- take steps towards improvement.

The Municipality of Štrpce/Shtërpce in 2012 did not pay adequate attention to the implementation of audit recommendations. Auditors identified poor planning of own income.

- A series of shortages in the field of public procurement were identified. Procurement without contracts and a low level of monitoring are some of the existing shortages. The Municipality of Štrpce/Shtërpce signed contracts for the construction of the Hospital in Štrpce/Shtërpce, and to this end the municipality signed an annex to the contract for additional works, which is not in line with the Law on Public Procurement, the amounts exceeded the plan and the annexes were produced outside procurement procedures. The municipality signed an agreement with EO„ Atom Med” for the supply of medical equipment in the Health Center of Štrpce/Shtërpce, but the amount exceeded the contracted sum and this is considered as an irregular payment.
- In other cases there was a lack of control. Telephone and lunch expenses were not justified with adequate evidence, and this represents a risk that the municipality might be spending public money without proper evidence.
- There was a lack of complete documentation for subsidies. The municipality did not sign MOUs with the beneficiaries of the subsidies regarding the way they spend and report on the subsidies.
- Poor management of liabilities. More than € 1.2 million of debts from 2011 were paid, and there are more than € 1 million debts which are left unpaid.
- The situation of assets management in the municipality is inadequate. There is no assets officer or logistics officer, and there is an inefficient inventory management. The registration of assets in the amount lower than € 1,000 owned by the municipality was not done in full amounts. The risk of inaccurate representation of assets leads to the misunderstanding of financial position of the municipality, and creates space for misinterpretations regarding budget demands in the future. Furthermore, an effective management of assets is impossible.
- There are delays in terms of collection of incomes from property taxes. There are also cases and periods of a lack of aligning of own incomes between the departments which collect income on the one hand, and the Ministry of Finance on the other hand.
- Although the auditors in 2011 identified a series of shortages regarding expenses, giving respective recommendations, it is clear that the municipality did not manage to understand the need for a more rigorous control of the system in this field.
- Besides this, there are cases when the municipality mistakenly paid the same debt for a fixed telephone twice.
- The auditors also found that the physical dossiers of the employees of the Municipality of Štrpce/Shtërpce are incomplete, and not in line with the Administrative Instructions. In some cases there were no ID copies, degree diplomas, and the calculations of annual vacations. All checked dossiers lacked bank account copies. Also, the Municipality of Štrpce/Shtërpce does not keep an electronic evidence of employees.

2013

2013 featured the same problems when it comes to the registration of assets owned by the municipality, which are still not properly identified and registered, causing many factual anomalies in the registers of assets in financial reports.

- The audit report for 2012 produced 14 key recommendations. Only 7 recommendations were fully addressed, 5 were in the process of being addressed, and 2 were not addressed at all.
- The common shortages in the public procurement process were as follows:
- More than 30% of the invoices of economic operators were not paid;
- In two contracts, “Reconstruction of the road Markagine” and “Asphalting of the road Jazince – Svece” there were not enough committed funds for the realization of the contract, and there was no license to provide basis for asphalt;
- In four projects, the total amount of which was € 25,684, the works were carried out without procurement procedures, and without signing of contracts between the municipality and the economic operators;

Also, some projects did not have a report of accepting works;

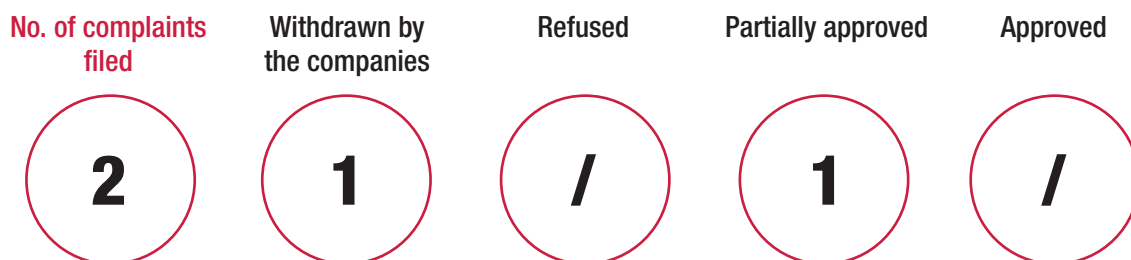
- Other procurement processes featured specific control shortages; In the contract of 22.08.2012 for the supply of fuels, the operator raised the prices in invoices without any evidence of the change of prices in stocks;
- Some subsidies were given without any written agreement and without evidence showing how the funds were spent;
- During 2010, the municipality reached an agreement for the construction of housing buildings for people who were living in hotels (€ 1,862,955), as well as € (1,382,171) for the construction of the hospital in Štrpce/Shtërpce, but these projects were not implemented;

2014

Similar to previous years, there was a series of irregularities in 2014, ranging from failure to declare property to incomplete and inaccurate representation of the assets of the municipality;

- Annual financial reports are incomplete. For example, in some cases teachers of the same level, with the same number of classes, and with same qualifications are paid €382 at one school, and € 519 at another school; This difference is due to the fact that one school takes into account the qualifications and the working hours, while the other school does not do so;
- Only 1 of 13 recommendations of the previous year was entirely addressed in 2014;
- Subsidies were given without internal Rules and Procedures and without feedback reports from beneficiaries;
- The total level of budget realization was 88%; According to court decisions, the budget for capital investments was realized at the level of 47%;
- The municipality established an Audit Committee;
- There are noticeable shortages in the field of expenditure, including public procurement;
 - Healthcare service agreements were reached in the amount of € 350 per month, for the period between 20.06.2014 and 31.12.2014, but there was no evidence that these services were provided;
 - In cases of the use of private vehicles for official purposes, 506 liters of fuels were paid with no evidence showing that vehicles were indeed used for official purposes;
 - For “Cleaning Vrbeštica road”, the municipality paid € 6,900 without a prior contract, but as a result of an immediate need for cleaning;

COMPLAINTS FILED AT THE PROCUREMENT REVIEW BODY (PRB)



During 2010-2015 the Procurement Review Body received 2 complaints claiming breaches of procedures and other irregularities in the process of giving tenders.

The report regarding these complaints says that 2 complaints were submitted to PRB, and one of the complaints was withdrawn by the complainant since he failed to provide evidence within a time frame, while the second complaint was partially approved.

In fact, after this complaint the activity (i.e. the call for tender), started all over again, since the review panel found that the complainant was partially right regarding the claim that legal dispositions were violated in the tender procedure.

THE FINANCING OF POLITICAL SUBJECTS

The audited reports of the financial statements were published only for 2009-2012. Central Election Commission never published the financial statements of political subjects for the years before 2009 since those were audited by OSCE.

On the other hand, financial statements after 2013 were not audited since the Kosovo Assembly failed to select the audit company.

The Municipal Assembly of Štrpce/Shtërpce during 2007-2015 period was run by SLS in two mandates, and the PDK in one mandate.

During 2009-2012 period SLS declared only one external donation in the amount of € 3.000. This donation was received within a day, contrary to the requirement under Article 5 of the Regulation 2004/2 against “Money Laundering”, respectively Law no. 03/L-196 on the Prevention of Money Laundering and Financing of Terrorism. During the 2009-2012 period, the PDK received € 502,084 as donations from natural and legal persons.

In many cases, the auditor found excess of spending during election campaigns, as well as failure to follow the limit of donations received within a day.

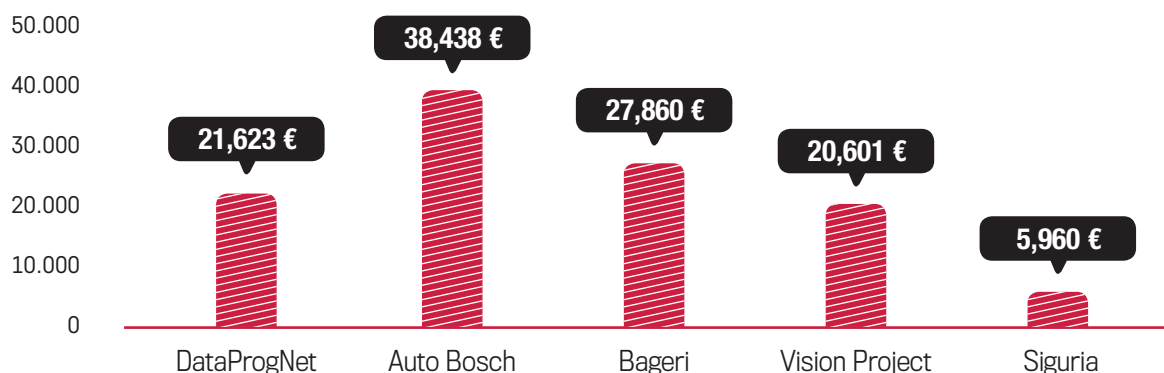
LINKS BETWEEN BUSINESS AND POLITICS

The data obtained from PPRC as well as those obtained from the financial statements of the political subjects helped us identify five companies which financed political subjects and won tenders in the Municipality of Štrpce/Shtërpce.

Four companies financed the PDK, which was in coalition with SLS for a long time on the central level. One company financed the AKR.

These five companies won € 114,482 in the form of 11 tenders from the Municipality of Štrpce/Shtërpce.

AMOUNT OF TENDERS WON BY COMPANIES WHO FUNDED POLITICAL SUBJECTS



CONCLUSIONS AND RECOMMENDATIONS

First of all, the research show that the recommendations of the General Audit Office were not implemented throughout years. Only in 2013, the GAO made 13 recommendations and based on the report, only one of these recommendations was addressed. Also, the recommendations of previous years were not addressed either, including those of 2014.

Based on our research, the Municipality of Štrpce/Shtërpce faces many governance problems when it comes to the budget, and the field of public procurement.

The audit report identified many problems which affect the functional budget operation. During 2010-2015 different problems were identified, such as: the breach of legal disposition of public procurement, inefficient public procurement procedures which are not in line with the existing procurement rules, connections and political favors to companies when giving tenders, contracts against the Law on Public Procurement etc.

Although the GAO recommended an adequate budget planning, compliance with legal dispositions of public procurement when signing contracts, and the designing of public procurement procedures, these recommendations were not addresses by the respective municipal bodies.

In light of this, the GAO recommended the establishment of an internal audit committee and asked for the implementation of recommendations, but these requests were not taken into consideration by the municipality.

Among other things, the audit report found irregularities in the management of contracts, lack of declaration of assets, problems with expenditure, payments, and equations, lack of documentation, evidence and invoices of expenses, especially for fuel.

These issues caused continuous problems for the normal functioning of the Municipality in terms of spending of public money, and the implementation of legal dispositions, especially those related to public procurement.

The implementation and the addressing of the recommendations should be considered as an imminent need of respective municipal bodies. We consider that the issues identified by the GAO and the addressing of such problems would help in tackling many problems, and would contribute to the prevention of such problems in the future.

