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**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF
KOSOVO CUSTOMS FOR THE YEAR ENDED ON 31
DECEMBER 2008**

Prishtina, July 2009

Table of contents

- I. Executive summary
- II. Introduction
- III. Status of prior years recommendations
- IV. Audit scope
- V. Audit approach
- VI. Audit opinion
- VII. Key audit findings and recommendations

Annexes:

- I. Different types of Audit Opinions (ISSAI 400)
- II. KC comments and response of OAG at comments

List of abbreviations

AG	Auditor General
CA	Contracting Authority
EO	Economic Operator
FMISK	Financial Management Information System in Kosovo
FS	Financial Statements
IAU	Internal Audit Unit
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
KC	Kosovo Customs
KCB	Kosovo Consolidated Budget
SCD	Single Custom's Document
LPFMA	Law on Public Financial Management and Accountability
LPP	Law on Public Procurement
MFE	Ministry of Finance and Economy
MPS	Ministry of Public Services
OAG	Office of the Auditor General
TIMS	Trade Information Management System
UNMIK	United Nations Mission in Kosovo

I. Executive summary

The Office of the Auditor General (OAG) has performed an audit of the Financial Statements of the Kosovo Customs (KC) for the year ended 31 December 2008.

Our audit was carried out in accordance with international auditing standards issued by INTOSAI and included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements.

In our opinion, the financial statements do present *a true and fair view* in all material aspects. (ISSAI 400, Unqualified Opinion).

In general KC has good internal control. However, a detailed test has disclosed other important issues related to revenues, procurement procedures and other internal control weaknesses that require more noticeable attention of the KC's management.

We report deficiencies in the internal control system, which as per our opinion has an impact in the decrease of organization's effectiveness in achieving its objectives.

In general, our audit has resulted in the fourteen (14) key recommendations, addressed to KC's management and that have to do with:

- Revenues – Customs tax calculating procedures and revenue collection;
- TIMS system – System's weaknesses related to recording of data;
- Not good monitoring of Customs Warehouses;
- Expenditures, respectively Procurement and Payment Procedures;
- The weaknesses noticed in internal controls of KC about calculation and collection of revenues increase the risk of inaccuracy of revenues and such a circumstances can create situations of their underestimation or overestimation.

Based on previous audits, the TIMS software system although satisfactorily advanced in previous years concerning the accuracy of data processing , yet again, there is a need for upgrading.

If key data are not accurately processed in TIMS, this represent an increased risk that revenues might be erroneous and that importers are not charged with the correct customs tax.

Besides these, weaknesses in payment and procurement process and contracts execution procedures increase the risk for inadequate managing of funds and public assets.

KC's Director should address these weaknesses in order to further improve the level of internal control within the KC's Service.

II. Introduction

The Office of the Auditor General under the law is responsible for carrying out annual regularity audits.

A Regularity Audit is defined as an attestation of financial accounting, involving examination and evaluation of financial statements and other financial records and expression of opinions on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable Laws and regulations;
- The appropriateness of internal controls and internal audit functions;
- The probity and propriety of administrative decisions taken within the audited institutions or entity; and
- All matters arising from or relating to the audit.

It is the responsibility of the Kosovo Customs management to prepare financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”, in compliance with Administrative Instruction 2008/13, and to present it in time.

III. Status of prior year’s recommendations

The OAG audit on KC’s financial statements for the year ended on 31st December 2007 has resulted with six (6) key recommendations in six different areas, which have also other points and their sub-points. Our Current audit has noticed that KC still has difficulties in implementing of some given recommendations. According to KC’s Management one of the reasons for the delay in undertaking of the steps in implementing of some recommendations was that the Auditor Report for 2007 was handed over to KC on 17th of July 2008. During our audit we have concluded that KC has completely implemented 2 recommendations, 3 of them are implemented partially whereas related to recommendation that got to do with legal regulation on the transport expenditures, KC has issued an Administrative Instruction on 27th of April 2009, for which we expect that during the audit in 2009 we are ensured that this is being implemented.

It is noticed that Customs has made attempts to implement the OAG’s recommendations. By encouraging for its attempts, we think that KC should further be engaged in full implementation of recommendations, since its incomplete implementation remains to be a reason for concern and an indication that the previously reported weaknesses are still present.

IV. Audit scope of activity

This audit has to do with KC financial statements for the year ended 31 December 2008.

The primary objective of this audit was to enable the OAG express its opinion on whether the KC Financial Statements give a true and fair view and whether the financial records, systems and transactions comply with applicable Laws and regulations..

V. Audit Approach

Our audit was planned and performed during the period from 12/01/2009 to 15/04/2009, following the INTOSAI Audit Standards.

In order to fulfil our responsibilities, we:

1. Reviewed the KC financial statements against the approved budget for 2008;
2. Determined whether the KC Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting”;
3. Undertook extensive substantive testing of financial transactions;
4. Used a combination of judgment and random sampling to select transactions for testing;
5. Established materiality levels of 5% for uncertainties and 3 % for errors as a threshold for assisting in determining the type opinion to render on the financial statements;
6. Relied on a combination of interviews, analytical reviews, document reviews, and physical verification to assess the validity and propriety of financial transactions;
7. Assessed the independence and quality of work of the KP Internal Audit unit to determine if their work could be relied upon for our audit purposes.

Our findings and conclusions are based upon the documentation, information and explanations provided to us during the course of our audit work.

In regard our audit opinion for KC financial statements, the international standards set out specific criteria that govern the type opinion that can be rendered. Audit opinions can be unqualified, qualified, adverse or a disclaimer of opinion (Cf. Appendix 1 ISSAI 400).

VI. Audit opinion

In our opinion, the financial statements do present *a true and fair view* in all material aspects. (ISSAI 400, Unqualified Opinion).

VII. Key audit findings and recommendations

Our audit is focused in the review of collection and presentation of revenues in financial statements for concluded year on 31st of December 2008, not leaving aside other categories, as well. We were engaged in conducting of substantial tests to confirm accuracy and validity of financial transactions.

Management should ensure existence of control mechanisms and their implementation on the processes that are under respective control. They are responsible for appliance of sufficient controls in order to guarantee that risks would be minimized in a lower and acceptable level.

Below we have presented key findings and recommendations as a result of conducted audit to financial statements of Kosovo Customs for 2008.

2. Financial statements

Financial statements for 2008 should be prepared in compliance with Administrative Instruction no. 2008/13- "Annual reporting of budget organizations" issued by Ministry of Finance and Economy (MFE).

This instruction requires from all budget organizations, which receive means from KCB to hand over to Ministry of Finance and Economy financial reports based in International Public Sector Accounting Standards until 31st of January 2008.

Kosovo Customs has developed an accounting system for preparing of financial statements. We have noticed that financial statements were prepared and submitted to MFE within the deadline set by LPFMA no.03/L-048.

The Financial statements for year ended on 2008 are in full compliance with FMISK data and accounts ledgers kept within Budget Organization.

3. Budget execution

The overall budget of KC for the year 2008 was: €1,034,523.

We have noticed that during 2008 KC has achieved to execute only 80 %, of the budget or €8,790,691 which shows that 20 % of the budget was surplus. Non - execution of entire budget occurred due to the failure in construction of three capital projects.

3.1 Revenues

Main objective of this audit was to assess collection of revenues from Customs into the Kosovo Consolidated Budget for the year 2008. Within this objective it was the finding regularity and identification for possible improvements in collection.

Revenues for 2008 were in the amount of €604,195,952. These revenues consist 64% of the total of revenues of the Kosovo Consolidated Budget for 2008.

Based in the KC's records and those of FMIS in MFE, it is noticed that in comparison with 2007, during 2008 KC has collected €72,604,862 or 13.7% more.

The highest part revenues are collected from:

- Value Added Taxes (VAT);
- External Excise in the border;
- Customs taxes;
- Internal Excise, Excise on cigarettes and
- Other taxes.

The table below shows main sources of revenues collected by Kosovo Customs.

Table 1: Analysis of the revenues from UMIK Customs Service (UCS) for 2008 and 2007

No. serial	Economic Code	Description of revenues	F.S 2008 (Customs)	F.S 2007 (Customs)	Difference in %
1	40410	Border Excise	132,498,221	129,395,334	2%
2	40420	Excise on cigarettes and other products	70,817,298	61,988,283	14%
3	40440	Refund of excise	-113,687	-271,654	-58%
4	40450	Customs on Import	93,349,569	81,208,209	15%
5	40451	Refund of Customs Taxes	-232,962	-208,273	12%
6	40460	VAT at the border	304,760,172	255,038,795	19%
7	40461	VAT refund	-362,001	-278,704	30%
8	40470	Various customs taxes	168,432	1,513,089	-89%
9	40471	Refund of various customs taxes	-74,735	-1,405,214	-95%
10	50105	Customs offences and penalties	647,403	557,754	16%
11	50403	Revenues from the sale of seized goods	1,217,415	741,508	64%
12	50412	Banderols	541,788	649,686	-17%
13	50511	Customs external control	804,568	2,554,957	-69%
14	50512	FAST-Customs	174,471	107,322	63%
		Total	604,195,952	531,591,090	14%

3.1.1 Analytic review

In 2008 the KC has applied rules and procedures established by Customs Code as the highest legal act of the Kosovo Customs including updates that occurred during the year. The KC uses the value of imported goods as a base for calculating the customs taxes, and in compliance with Code's requirements applies six methods to evaluate goods in order to elicit the base for calculation of customs taxes. There is a first method of evaluating the goods regulated by article 13 of Customs Code through which goods in the customs are charged with customs taxes based in the value of transaction (source documents). In other

cases, when the value of the goods cannot be determined in compliance with Article 13, five (5) other methods are used which are regulated by Article 14 and 15 of this Code. In cases when there is a need for appliance of other methods from 2 to 6, it is necessary that in TIMS software system to be placed different evidences of customs base by enumerating the reasons of change, base used for re-evaluation of goods and other elements that would made action as convincible as possible. Emplacement of these evidences in timely and as accurate as possible is of a very big importance or efficiency and transparency of KC.

Findings:

We have focused our audit activities in the process of alteration of base for calculation of the value of imported goods, in order to ensure that this process relies in respective evidences. Our particular objective was to verification of state of affairs of irregularities from previous years.

- We have noticed that during 2008 customs base is changed to 119,466 Single Customs Document, meaning that the evaluation methods are used from 2 to 6. Out of these, at 302 SCD, which had initial goods value in the amount of €1,282,553, that after increased change was €1,915,983 with customs tax in the amount of €506,530 we have noticed that even though their initial value was changed in TIMS there is no any traces left concerning the criteria, evaluating base and other essential elements. Instead of supporting traces, customs staff has placed various of punctuation marks or various incomprehensible figures. such a traces are also missing in SCD physical Dossiers. It is to be mentioned that the number of these errors in relation to previous year is smaller;
- Number of SCD is formed from the number of the year, Customs station and serial number that starts from no. 1 for each customs station and it is a continual serial number. . From the analysis made of SCD database we have noticed gaps, wherein the serial ordering is not respected. We can mention as example that only in customs station of Prishtina Airport number of these gaps is 75. Whereas overall number of gaps during 2008 is 127;
- TIMS provides statistical information as well as managing information and financial control. This system contains traces of such a auditing that enables that whatever changes made to SCD document be able to be tracked. TIMS also has controls that require a justification for all changes (updates) that are made during processing of the SCD. During the testing of the database for Customs Declarations, we have found that 22,608 SCD in the value of declared goods of €20,326,202 have no traces in the base of registration of SCD as per customs clearance process under code 12 –increased value of SCD;
- There are 35 items of goods in the amount of €88,018, wherein based on data it is not known which method of customs clearance is used.

Conclusion:

KC has not left sufficient and reasonable traces for changing of customs base. Failing to leave traces for justification of change of customs base can have an impact that the revenues from re-evaluation are not calculated accurately. Noticed weaknesses regarding

internal controls in KC that has to do with determination of customs charges are very serious and in an emphatic way increases the risk of collection of revenues.

Recommendation no. 1:

We recommend Director of KC to ensure:

- Adequate controls and to ensure that all evidences of change of customs base supports customs charges, by ensuring at the same time accurate and adequate registrations in TIMS system;
- Documented support to the change of customs base, avoiding as much as possible the opportunity that customs charges are done on the basis of independent judgment of customs officials.

3.1.2 Acceptance of transport expenditures in the customs base

KC on the occasion of accepting of transport expenditures for calculation of customs base applies several expenditure fees, which have no written legal support.

Conclusions:

There is no written regulation through which would determine the unified procedures for defining of the transport expenditures. It was not clear how is the measurement of these expenditures is done. The impact of this on the revenues of KCB has certain reflections. Recognition of these expenditures in a higher or lower quote has respective impacts in creation of real customs base and accordingly in the level of revenues from the customs, as well.

Recommendation no.2:

We recommend Director of KC to ensure:

Drafting of written Instruction through which the ways of defining and measuring of transport expenditures are unified, by defining also at the same time adequate fees and at once to do the supervision of its implementation.

3.1.3 Findings from testing of samples (SCD)

In addition, OAG has audit a statistical sample of 123 SCD through which we have achieved to test 1697 items, regarding the regularity of collecting of revenues. The selection is made as per the following types;

- 114 samples for imports;
- 7 samples for exports; and
- 2 samples for the transportation of goods (transit).

During the testing, serious breaches were identified in some of reviewed cases:

- From the Customs data results that at 7,218 items with customs base in the amount of 29,3million Euros, it is noticed that even though numbers no. from 2-6 are noted

down, meaning the alteration of evaluation method – increase of the value of goods, increase of the value has not been done. Customs duty realized from these goods are: €10,197,987;

According to explanations of KC's personnel in charge, these anomalies are technical weaknesses of software, but auditor still considers that it is necessary to avert such anomalies and control their causes and effects.

- In one case with the invoice at the amount of €35,646, KC has received a discount at the amount of 29% of the goods value. Customs applies the practice of recognition of the deduction in price (Discount), but does not have written procedures and standards for the accepted deduction rates;
- In one SCD at the amount of €9,111 the last page of the invoice is a copy and do not continue with the following serial number;
- During calculation of one of the items in SCD no 5956, the transport expenditures are not included in the customs base at the amount of €13;
- In the items with the number of tariff base 3811210090 and 3814009000 the excise rate that is €0.31 per liter is not calculated. .

Conclusions:

- Establishing of wrong records and evaluating methods that are not applied during the evaluation process creates the possibility that customs personnel might not be able to conduct appropriate procedures as required by legislation;
- Application of acceptance of price deduction (discount) without normative standard regulated through written procedures, represents an autonomous action and might be appropriately inapplicable by all customs staff for various of importers;
- Lack of original invoice and the serial link of the number, creates uncertainty in continuity related to reliability of information inserted in SCD.

In the cases when customs staff failed to apply exactly all the required procedures, as lack of evidences, inaccurate calculation of values, wrong calculation, wrong application of action for exempt goods etc., raises concerns that all this failures have had impact in the accuracy and completeness of collected revenues.

Recommendation no. 3

We recommend Director of KC to ensure:

- Undertaking of the immediate measures for establishing the adequate controls to ensure adequate updates and complete appliance of customs procedures. Whereas, to clarify and provide necessary explanations for the cases related on altering of method without changing of value;
- Issuance of clear Instruction that would regulate analyses, evaluation and recognition procedures of possible deductions (discount) in the cases of customs clearance of the goods, otherwise such a practice should be terminated;
- That each cleared goods has its original documents, accurate calculation of the value and elimination of several mistakes in clearance actions.

3.1.4 Compliance Department – External control

Compliance Department is a customs mechanism whose functions mainly have to do with controls following the entry of the goods in Kosovo.

Customs warehouses

KC, within the economic facilities that applies for business entities through Procedures with economic impact conducts also authorization of customs warehouses for import of goods in Kosovo.

Sector of Customs' External Control, also known as (external Audit), is a sector that has a duty to monitor and supervise these warehouses. In 2008, this right on using of these facilities have about 138 customs warehouses, and only during this year the right to use is won by 40 business entities.

According to Customs sources, it is planned that from 11th of May 2009 all warehouses be closed in order to be subjected to new conditions and criteria for licensing. .

During 2008, according to Head of the Customs External Control Sector, more than 50% of the warehouses were controlled. According to Customs External Control report during 2008 we have this situation in Customs Warehouse:

Stocks in the beginning of 2008	<u>66,760,536</u>
Goods that have entered during the year 2008	338,937,790
Total value of goods in 2008	405,698,326
Total value of exempt goods for free turnover during 2008 is	<u>301,305,311</u>
Stocks in the end of 2008	€104,393,015

In relation to the above mentioned, our audit has identified:

- Conditions for authorization of a Warehouse requires (Point 7a): “Business entities are obliged to submit a monthly declaration for regular imports (IM4), not later than 5 days after the expiration of the month”. Some entities during 2008 have done this report either with delays or they haven’t done it for several months. In one sample of testing, it has resulted that the entity has not submitted reports for seven months in the sector of Customs External Control in 2008. In addition, it has not conducted timely clearance of goods and payment of liabilities;
- Point 5 of authorization for running of a Customs warehouse says: “There is a restriction of stocks that one business entity could have in its warehouse in the maximum of their value in € and this value must not exceeded”. This value is different and it depends on the size of the business and other factors. During the testing of a entity with authorization number DD.018 in 2008 based on the presented declarations in the customs and registered in TIMS system (analyzing interim Imports IM7, IM4 and EX3) it can be seen that there is exceeding for 5 months (July - December 2008). Although the maximum value for this entity has been €300,000, this exceeding for this period has gone up to €301,927.

Concessions:

Not sufficient monitoring by the Customs external control sector due to small number of staff and lack of a software that would timely signalize for this occurrence, have given opportunity to the entities to violate the permitted procedures and conditions for customs warehouse authorization.

Not sufficient monitoring of the state of affairs of stocks in the Warehouse and lack of a unified reporting standard from them has caused the exceeding of stocks quantity, delay on goods clearance and also we have postponing of customs liabilities that entity should carry out in the beginning of each month.

Recommendation no 4:

We recommend Director of –KC to ensure enhancement of Warehouse monitoring, by unifying reporting standard supported by adequate software so that the situation of warehouses be constantly under full supervision in all permitted aspects of Authorization of a Warehouse.

3.1.5 Revenues from the excise of tobacco products

Upon receiving of the comments, this finding is accepted. It is more thoroughly explained in point 5 annex no. 2.

3.2. Expenditures – Procurements and Payments

During 2008, KC has conducted 97 procurement activities, from them; 13 were big procurements, 52 medium procurements and 32 small procurements. Our audit has tested twelve 12 samples, eight (8) of medium and big procurements and four (4) small (price quotation). In the sum of the value these samples comprise 33 % of the total value of expenditures of the category of goods, services and capital investments, (The value of samples = €1,920,413, whereas the value of expenditures = €5,894,758).

3.2.1 Capital investments

We have noticed that KC by the procurement plan for 2008 has foreseen capital investments at the amount of €1,102,100 in the mean time they failed to execute 1,035,000 € from the incorporated projects. Projects failed to be executed are Construction of Customs Object at the amount of €335,000 and construction of objects in Laposavic and Zubin Potok at the amount of €500,000.

The reason for failure to realize the project for the construction of customs object has to do with obstacles arisen related to selection of the location for the object, whereas two other objects due to political circumstances.

3.2.2 Supplies with goods and services

Findings:

Repeating of tenders

During 2008, in some of the projects there was annulling of procurements with open tendering procedures that were repeated more than three times, as in the cases: Supply with expendable material is repeated seven (7) times, Vehicle servicing three (3) times, Supply with flags and logo three (3) times etc. According to explanations of personnel in charge, reasons for annulling of tenders are the reception of irresponsible bids.

Conclusion:

Repeating of the tenders is an indicator that KC were not able to manage properly the process of planning of the expenditures, respectively procurements. The consequence of this phenomenon is the delayed supply with goods, services and investments, but also temporary supplies with non-competitive prices.

Recommendation no. 6

We recommend director of KC to ensure better planning and managing of the procurement process eluding the possibility of repeating of the tenders and purchase of goods and services in non-competitive forms.

3.2.3 Procurement Findings from tested samples;

3.2.3.1 Services of workmanship and renovations no. of contract 301-08-001-2-2-1

By testing of this contract in which the price per working is included hours as well as the transport expenditures per kilometre, it has been revealed that:

- In this contract the prices provided by supplier were unusually low in relation to the prices of other bidders and market prices.. We have not found that customs have raised concerns and have acted according to requirements derived from LPP. Article 59 of LPP no 2003/17 of the amendment says:., If an economic operator submits a tender, that is or seems to be unusually low, regarding the subject of whatever procurement procedures, it will rise concern that economic operator have submitted a non-applicable tender and contacting authority would sent to bidder a written request wherein it is required from the bidder to deliver in writing (i) a division of the constituent elements of the tender and (ii) explanations regarding the basis of the tender, under Article 59.2;
- In the contract it has appeared an article that specifies that contractor can be supplied with its own materials proofing it with invoice. This supply is not included in technical specification and in contracting terms. The value of this supplies out of market competitiveness during 2008 includes the amount of €19,227, whereas the value of workmanship works carried out according to the contract was €5,595 (total: €24,822);
- For some accomplished works, in the report for verifying of the works there is a lack of evidences concerning the number of working hours, and it is difficult to understand how many hours realistically spent for accomplishment of these services.

Conclusions:

KC has not applied all LPP provisions emphasizing in particular the Article 59. KC has not adequate internal controls for its procurements. This alongside with a failure to adhere to procurement regulations increases the risk that procurement be followed up with possibility of fraud, abuse and mismanaging. Given that procurement is a subject with high risk, KC should immediately establish adequate internal controls related to its procurement activities and to ensure that all procurements comply with regulations. .

Recommendation no 7:

We recommend to director of KC to ensure:

- The immediate establishment of adequate internal controls regarding its procurement activities and ensure that all procurements adhere to regulations.
- application of appropriate procedures to ensure that payments are not paid to economic operators unless there is an evidence that contracted works are accomplished in compliance with terms of the contract. This could require the establishment of a commission composed by respective experts, to inspect and accept accomplished work by economic operator.

3.2.3.2 Servicing and Maintenance of vehicles No. contract 301/08/068/211

- Parts has been required through a technical specification for repairing of the vehicles, which were purchased approximately two weeks before the announcement of the tender for servicing of the vehicles that were under the guarantee terms for two (2) years. The need for possible repairing was only for eight (8) vehicles, whereas 23 vehicles were under guarantee. The latter have needed only servicing during the contacting period. One of the Economic Operators offered very low prices for some items. As for example for one absorber of the vehicle Golf V he has offered price of 0.01 cent, whilst for the same item of the vehicle Golf IV, which was many years older has offered price of €198. These unserious prices has have impact on damaging of fair competitiveness of EO;
- The commitment is made in a far lower amount than the procurement planned amount;
- Servicing form and request for servicing in many cases are not signed by persons in charge (Reference: Payments to EO for Land rover, Toyota, etc).

Conclusions:

- Inclusion of vehicles under the guarantee in the request for repairing might have been made on purpose in order to give the opportunity to the one of the Economic Operators to offer unusually low prices to acquire the tender. These actions are indication that behind the tendering process might have existed secret agreements between parties. Such an action might be action with possibility of fraud;
- Lacks of signatures in the confirmation documents for accomplished services represent weaknesses of internal control related to assurance that servicing and

repairs are carried out in compliance with the contract. This also makes possible to perform payments for the tasks that were not carried out at all.

Recommendation no. 8

We recommend director of KC to ensure establishment of appropriate controls to investigate the clear reasons of actions in question as well as to prevent other actions, which leads to the possibilities of fraud, and misappropriations. Furthermore, the controls that have to do with documentation of performed servicing should be reinforced.

Price quotation

3.2.3.3 Services for publication of notices through daily press. No. 301.08.004.236

KC has conducted quotation procedures for purchase of the service regarding publications through daily press. Prices from EO are offered per unit, based on the format size. The customs decision was that two Economic Operators be winners of the contract. During the review of the dossier, we have found:

- It was requested from one of the EO winners to decrease the price in the level of other EO, which was cheaper operator;
- There are not fulfilled all requirements of Annex VI of the tender's dossier, respectively the required List of document so as the quotation be valid;
- One EO, winner of the contract, failed to provide human and technical capacities concerning the printing of the daily newspaper;
- Two, out of three Economic Operators the winners of the contract failed to provide written evidences regarding sales of daily circulation requested by KC. Explanation (One of the EO has provided only the daily capacity achieved in printing during one day).

Conclusions:

- Negotiating of price is not in compliance with procurement rules, respectively with Article IV of the Dossier which emphasizes that: There can not be negotiations between KC and EO regarding to any material condition or material aspect of quotation of price, neither before nor after the handover of quotation;
- Selecting of EO that failed to fulfil the submitted requests shows the negligence of determinative criteria to contract meritorious EO.

Recommendation no 9:

We recommend the director of KC to ensure that in each case of appliance of procurement procedures there would be commitment in fulfilling of the requirements of Law on procurement and other legal requirements.

3.2.3.4 Supply with Tables, Instructions and Logo of the vehicles No. 301/08/043/136

Amounts of payments tested by the project: €9,681

Findings:

- Purchase procedure is made with quotation of price. Technical specification is prepared according to price per unit. It has been envisaged to purchase ten (10) types of items without specifying even approximately purchase quantity. By our testing we have noticed that Customs is supplied with only five (5) types of items. A Price quotation procedure limits the amount for purchases only up to; €10,000, therefore the contract is finalized with the supply of these items only. From this results that Customs failed to plan properly and accurately its purchase requirements;
- Uncertainty of budget planning. This supplying is repeated twice. In the first and second time it was requested jointly with flags in one quotation. Planned amount was €10,000. While, in the third time quotations are split and amount calculated was for two quotations, €10.000 each.

Conclusions:

- Non-defining of the purchase quantity could create disinterest of EO to compete. This due to the reason of assessing of expenses that EO could create in performing competition procedures (principle–cost/benefit);
- Request for items for which there is no need and far bigger supply with other items results with poor planning of the supplies and irrational expenditure of public money.

Recommendations no. 10:

We recommend the director of KC to ensure:

- That in each case of processing of purchase requests, there would be presented the quantity of supply needed in the technical specifications;
- Not to request the articles for which there is no need;
- Better review of allocation and managing of public money. The case of quotation two times €10,000 for the same quantity to be investigated thoroughly by the management.

3.2.3.5. Tender “Office space for rent” No. of contract 301/07/085/21

During testing of this tender with the price €22,955 per month, we have done physical examination of the object. During examination we have made measurement of two positions and our measurements have resulted in: Space for logistics warehouse offered by EO is smaller for 10 m² (ten) from the space contracted. This amount is paid each month to the EO- lesser.

Conclusion:

The difference presented, ten (10) m², damages Kosovo budget in the amount of €60 per year.

Recommendation no. 11

We recommend Director of KC to ensure: the reviewing of the contract with EO- lesser, as well as to undertake measures to return overpaid money.

3.2.3.6 Supply with uniforms and shoes

According to the plan related to supply with goods and services for 2008, it has been planned to accomplish a supply with uniforms and shoes in the amount of €287,000, whereas the supply has been accomplished in the amount of €11,487 which is twice higher.

Conclusion

Enormous discrepancy between planning and execution signifies that planning of the supply with uniforms and shoes was not adequate. This could have impact in using of money designated for other purposes.

Recommendation no. 12

We recommend the director of KC to ensure more serious engagement in planning of as best as possible the calculation of spent money.

3.3. Salaries and wages – Personnel

According to financial statements the value for salaries and wages is in the amount of €895,933 or 33 % of total expenditures. During the reviews of the procedures and analysis of the audit samples there is not noticed significant weaknesses.

3.4. Obligations

In financial statements for 2008 Customs has presented overdue obligation in the amount of 70,499 € The biggest part in the amount of: 51,244 € are obligations to excises, whereas other amount belongs to unpaid invoices for goods and services.

Our audit has shown has noticed that outstanding liabilities are presented in financial statements in compliance with legal regulations applicable in Kosovo.

3.5. Managing of assets

OAG's Recommendation regarding the application of the provisions of MFE's Administrative Instruction no. 2005/11 Managing and Registration of Government Assets" dealing with taking off from use of the assets, we can say that it has started to be applied partially by the customs in 2008.

During 2008, thirty seven (37) customs vehicles are taken off from use and were transferred in the ownership of MPS that would afterwards manage these vehicles.

Regarding the alienation of these assets it has been applied the OAG's recommendation Article 11.3 of Administrative Instruction 2005/11, after the request is previously adopted by the Minister of MFE relating to alienation of assets. Whereas during review of some procedures we have noticed that:

Finding:

Document of transfer of assets from customs to MPS was not in compliance with Article 12 of AI 2005/1, since the form for loading and unloading of the vehicles haven't had the columns where the initial price of purchase is displayed as well as the remained value of these vehicles (accumulated depreciation).

Conclusion:

Transfer of assets from customs to another organization failing to present financial values of assets testifies inappropriate evidences related to this process.

Recommendation no. 13:

We recommend the Director of KC to ensure appliance of all provisions of Administrative Instruction 2005/11 related to assets management.

4. Internal audit

We have also assessed the functioning of internal audit for 2008. Internal Audit Unit composed by three (3) auditors has conducted in total nine (9) audits of different domains as:

- Registration of Assets in the Professional Standards Unit;
- Audit of the system after application of new Administrative Instruction on preservation and storage of goods;
- Audit on the use of human resources;
- Audit on risk assessment;
- Audit on Representations Sector;
- Audit of Procurement;
- Audit of non-Financial situations – Inventory;
- The information technology and communication.

After the review of IAU's activities we have understood that this unit has impinged on many areas trying to help improving the identified weaknesses through its recommendations. However, we think that internal audit has not sufficiently fulfilled its function, especially in the audit of the procedures for collecting of revenues.

Conclusion:

Taking into consideration that KC bears key responsibilities regarding the collection of revenues for entire Kosovo budget, this in particular enhances the importance of internal audit, by adding value to more effective functioning of revenue collection.

Recommendation no. 14

We recommend the director of KC to ensure that IAU in regular basis of Annual working plan includes the audit of revenues.

Annex 1

Different types of Audit Opinions applied by OAG in the Annual Audit Report 2009 (extract from ISSAI 400)

§ 9. An audit opinion is normally in a standard format, relating to the financial statements as a whole, thus avoiding the need to state at length what lies behind it but conveying by its nature a general understanding among readers as to its meaning. The nature of these words will be influenced by the legal framework for the audit, but the content of the opinion will need to indicate unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse (paragraph 14) or a disclaimer (paragraph 15) of opinion.

10. **An unqualified opinion** is given when the auditor is satisfied in all material respects that:

- (a) the financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
- (b) the statements comply with statutory requirements and relevant regulations;
- (c) the view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- (d) there is adequate disclosure of all material matters relevant to the financial statements.

11. **Emphasis of Matter.** In certain circumstances the auditor may consider that the reader will not obtain a proper understanding of the financial statements unless attention is drawn to unusual or important matters. As a general principle the auditor issuing an unqualified opinion does not make reference to specific aspects of the financial statements in the opinion in case this should be misconstrued as being a qualification. In order to avoid giving that impression, references which are meant as "emphasis of matter" are contained in a separate paragraph from the opinion. However, the auditor should not make use of an emphasis of matter to rectify a lack of appropriate disclosure in the financial statements, nor as an alternative to, or a substitute for, qualifying the opinion.

12. An auditor may **not be able to express an unqualified opinion when** any of the following circumstances exist and, in the auditor's judgment, their effect is or may be material to the financial statements:

- (a) there has been limitation on the scope of the audit;
- (b) the auditor considers that the statements are incomplete or misleading or there is an unjustified departure from acceptable accounting standards; or
- (c) there is uncertainty affecting the financial statements.

13. **Qualified Opinion.** Where the auditor disagrees with or is uncertain about one or more particular items in the financial statements which are material but not fundamental to an understanding of the statements, a qualified opinion should be given. The wording of the opinion normally indicates a satisfactory outcome to the audit subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion. It helps the users of the statements if the financial effect of the uncertainty or disagreement is quantified by the auditor although this is not always practicable or relevant.

14. **Adverse Opinion.** Where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate, an adverse opinion is given. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect on the financial statements is quantified where relevant and practicable.

15. **Disclaimer of Opinion.** Where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction which is so fundamental that an opinion which is qualified in certain respects would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.

16. It is customary for SAIs to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

Annex II: KC Comments and OAG response to comments

No. of recommendation	Kosovo Customs' Comments	OAG response
1 Findings from analytic review - (first finding)	<p>Compared to previous years, when the number of mistakes of this nature has been significantly greater during 2008 this number is significantly smaller. In percentage, this number is 0:25% from the total number of amended customs declarations, and it is justified by the customs staff since it usually comes as a result of the large work load. Letdowns of this nature are simply human errors, which are very natural when working under pressure, wherein the time for decision-making is short while dynamics and the influx of labour are high. It is important to mention that in all these cases we have revenues that are more collected in the budget than those declared by the parties. Senior management will take the necessary steps to minimize these errors to the greatest extent possible.</p>	<p>Auditor agrees that number of error is decreasing in comparison with previous periods, however, errors continue to be present, therefore we encourage KC for advances made, but we also urge on engagement to eliminate completely these errors.</p>
1. Finding from analytic review - (second finding)	<p>Number of declaration is generated automatically and in ideal conditions, it should indicate sequential number, which should not have gaps (missing numbers). The problem with skipping of numbers is noticed earlier and KC together with the Crown Agents Company has made continued efforts to identify and eliminate this problem entirely. An obvious improvement of this problem has occurred when installing version V3.5.0.34 of the TIMS system which is received during April and is installed somewhere in the beginning of the May. Attached to the notice is an evidence for receiving of improved version V3.5.0.34. OAG's report says that only in customs branch Airport are recorded 995 cases during 2008 but in fact there are only 77 such cases. If you make a comparison during the last 3 years it can be reported that during 2007 in DD Airport there were 176 cases, during 2008 there were 77 cases, while from January-May 2009 there are 36 cases</p> <p>This occurrence is present even now and we are trying to minimize it greatly but also to document it. This means that the branches are instructed that when sending the physical copies of the declarations in the archives, instead of the missing numbers to present a document with explanations and to report on a monthly basis for the gaps, since if the database misses a number due to the</p>	<p>We have analyzed the comments and KC and ascertain that in the customs station Prishtina Airport the number of gaps 997 be substituted in the draft report with number 75. However, the overall number of gaps during 2008 is 1275. Apparent improvement is noticed from the auditor, as well, but the auditor thinks that finding exists therefore he remains in his stance to recommend the KC to continue to improve the irregularities found.</p>

	skipping, that number of the declaration does neither exist in the physical copy.	
1. Finding from analytic review -(third finding)	<p>This finding has to do with the procedure that is used during the receipt of declarations and in general Customs Management is acquainted with it. Deficiency of data regarding the action of increasing of the value is as a consequence of direct processing of customs declaration, which is presented by the Customs Agent with the purpose to accelerate goods clearance procedures and creation the of trade facilities and free turnover, an objective that is incorporated in the Customs strategic framework for 2008-2010.. There are 3 years that over 90% of customs declarations are submitted electronically directly by the customs agencies.</p> <p>If this occurrence is viewed from the viewpoint of collecting the revenue or possibility of budget losses, we can freely say that the system does not allow avert from payment, and all procedures except manual controls are subjected also to various validation and profiling which are performed automatically by the system, including risk analysis, as well. Modern modes of working in electronic environments that are European and world trends progressively seeks eliminating excessive procedures which overburden and slow down the time needed for clearance of goods.</p>	KC comment expresses reasonableness and causes that have influenced the occurrence of irregularities that are identified by the auditor. The auditor takes as a base causes of occurrences, but since the auditor's finding exist, the introduced recommendation is addressed to urge the KC to be engaged in the elimination of identified irregularities.
1. Finding from analytic review -(fourth finding)	In normal conditions, this should have not occurred since the system validates the field in which assessment method is recorded. However, this may be momentary technical problem, which could take place due to interruption in communication between clients and server. The problem in question can be almost neglected since during 2008 we have had about 487,500 different labels, out of which, in only 35 cases this information is missing Expressed in percentage this is very low figure.. Technically this occurrence is difficult to eliminate, since it has to do directly with the conditions that occur at certain moments due to various of interruptions	The auditor takes into consideration KC's comment, including the assessment done in connection with occurrence of errors. But starting from the aspect of control of the system, the finding has impact in accuracy of the TIMS .
2. Acceptance of transport expenditures in the customs base	Based on Article 33 of the Customs and Excise Code, the customs value of imported goods is the transaction value, which represents real paid or payable price for sold goods for export in Kosovo. To this value, based on Article 36 of this Code, could be added expenses associated with transportation of imported goods until to the goods' displayed place in Kosovo. Add-on to the real paid or payable price, under this Article, is made only in the objective and calculable databases. This is a legal basis through which Customs include or do not include expenditures of the transporting of goods in the customs value The issue of inclusion or non-inclusion of the transport expenditures in the customs value of	Although in its comments, KC has expressed the difficulties in issuing of Administrative Instruction that would meet the requirements for determining the transport expenditures, on 27 th of April 2009 KC has issued an Administrative Instruction.. Instruction in question has entered into force on 01.05.2009. We expect to be ensured that it is constantly

	goods cannot depend on the will of the customs but in the conditions envisaged by the contract between the seller and the buyer. Therefore, there are no legal bases to introduce for this issue a written instruction through which modes of defining and measuring of transport expenses would be unified.	applied and it complies with our recommendation during the audit in 2009.
3. Findings from testing of samples (first finding)	The comment is the same as the one in the third finding of the recommendation no. 1, since these samples are parts from the above-mentioned customs declarations. For more information, refer to comments for the third of the recommendation no. 1	The same also go for OAG comment
3. Findings from testing of samples (second finding)	Based on Chapter 3 of the Customs and Excise Code, the customs value of imported goods is the transaction value, which represents real paid or payable price for goods sold for export in Kosovo. Conform to Customs and Excise Code, Chapter 3, Customs has no right to give a similar assessment for all companies in relation to accepted deduction rates (discount), since each transaction is unique and depends on the contracts between sellers and buyers, this percentage varies.. Customs subject to evidence offered by the Companies evaluates and accepts the rate of a discount presented.	KC has not convinced us with its comments for this finding. We insist that the application of deductions to the value of goods in the clearance cases should be justified by clear evidences
3. Findings from testing of samples (third finding)	We asses that introduction of the copy of invoice do not pose a reason for rejecting of the clearance, when our procedures are moving towards full elimination of accompanying documentation (papers) aiming the appliance of exclusively electronic procedures (known as "paperless" procedures.)	Method of evaluation of the goods based on transaction relies on invoice document. Auditor during the audit has taken into account trends of transfer to electronic procedures. However, while procedures of using source documents in hard copy are trendy, then the auditor's finding is valuable and our recommendation should be applied.
3. Findings from testing of samples (fifth finding)	Acceptance or non-acceptance of the origin of goods from countries that are signatories of the CEFTA agreement as well as the use of the tariff preferences that arise from this agreement is conditioned by observance to conditions specified with this agreement. Goods with the value up to 6000 Euros should use declaring format of the country of origin, while goods that have value over 6000 Euros should be accompanied by EUR Certificate that in the concrete case is not presented by the party	KC has brought sufficient evidence and through them has managed to convince us to accept their comment.
3. Findings from testing of samples (sixth finding)	OAG have not provided more detailed records concerning the number of SCD at which has been detected occurrence in question. To give any relevant comment, the physical dossier of SCD should be controlled.	In quantitative terms, we have to do with individual samples described in the report.. However, the findings has to do more with the fact that in the system do

		exist such a weaknesses which enables non-inclusiveness of the certain amounts during calculation of customs tariffs.
4. Customs warehouses	Kosovo Customs has planned the purchase a new electronic system that would enable better and easy supervision of the customs warehouses Furthermore, a requirement is announced for increasing of the number of customs staff, who will work in this sector. For us it is important the fact that so far we have no loss in revenues, despite financial difficulties that some companies (especially manufacturing) have, as a consequence of the global financial crisis. After adopting the new Customs and Excise Code on 11 th of November 2008, all authorizations issued for customs warehouses are being re-examined, as per the new criteria.	We encourage KC for steps undertaken to implementing recommendations as quickly as possible..
5. Revenues from excise and tabacoo products	Kosovo Customs has issued Administrative Direction no. 30 dated on 11.08.2003, and complemented with UA11/2004 dated on 4 December 2004 and the AI 05/2006 dated on 23 rd of June 2006.. With this instruction are determined also the procedures and forms relating to licensing of importers or manufacturers of the tobacco products. Find attached copies of these administrative instructions along with accompanying documentation. Within the excise sector, the review of applications is carried out and in cooperation with other relevant sectors of the Directorate of Law Enforcement, the verification of data is carried out and upon completion, the Director-General is recommended on licensing or its refusal for entities that apply.	KC has brought sufficient evidence and through them has managed to convince us to accept their comment.
6. Suplly with goods and services	Repeating of the tenders was not influenced in any case from „inadequate managing or planning “of procurement activities and procurement but it was as a result of irresponsive bids of Economic Operators as per Article 30.A.4 of the Law 2003/17.	We think that the supply, in particular, with item of expendable materials and other office items demanded through tenders, encounter the plenteous market in Kosovo. There is not a specific supply that would be difficult to procure. Based on these reasons we think that our recommendation is essential for Customs.
7. Services of workmanship and reparations	Contracting Authority has not made qualification that contract winner Economic Operator has tendered with prices not normally law, but the prices of the winner Operator were lower than prices of other bidders.. Since the evaluation criterion was the lowest price, EO with lower prices has been declared the winner, so the bid in question is not addressed in conformity with Article 59 of Law 2003/17.	The auditor’s findings particularly has to do with non-inclusion of item’s technical specification that are ought to be purchased in case of various repairs to the object , as well as giving the opportunity

	<p>The fact that there were no stumbles and obstacles in the realization of this contract show that prices were approximate prices with market prices. In the tender dossier- technical specifications has not been possible to foresee what kind of material needs to be bought or where malfunctions may occur. Therefore, it was impossible to schedule- foresee in different types of repairs all the needed materials. In Article 9, obligations of the contractor, of this contract, inter alia it is stated that:</p> <p>Supply with material remains as obligation Contracting Authority. If the Contracting Authority does not provide the material, the material would be paid to contractors based on the presented invoices. Contractor has worked based on the request of Contracting Authority, and accomplished jobs are certified with the form of acceptance of works depending on the venue and the branch where this need have appeared. Also, each form of certification of the works is signed by our officials in accord to the venue where works are accomplished. In the certification form at the table details or remarks, we have not had records from the signatory of the works performed. And at the end of the standard form of acceptance of works the section writes: The person who signed above certifies that the works listed above are completed, thus being certified also by demand unit respectively by the project manager of this procurement, where each pay order that is issued by customs is signed as proof that works are executed.</p>	<p>that these articles can be purchased by EO itself, the thing that has happened. In this case, the risk is assessed to be the possibility that EO abuse customs Money We continue to support and encourage our finding and urge KC on the implementation of the recommendation.</p>
<p>8. Servicing and maintenance of vehicles</p>	<p>In the final planning of KC' procurement for 2008 for this procurement activity it is planned to conclude an annual contract in the amount of €170,000.00, whereas for commencing of this activity the commitment of funds is made in the amount of €20,000. Demand unit of The Logistics Sector - Transport, does technical specification and initiation of this procurement activity. As we explained during the joint meetings, although the purchased vehicles were under guarantee for 2 years from the manufacturer, this guarantee does not apply for changing the oil, filters, tires, balancing of tires, filling of the climate and other expendable parts. Therefore it has been required that also these parts of these vehicles be included in the technical specification i.e. for possible repairs could have not been foreseen only 8 vehicles that were out of guarantee but it was needed to include also vehicles that were under the guarantee and which needed regular servicing (changing of oil, filters etc.)</p> <p>By the fact itself that the contract notice has been open and published in the daily press and PPRC, dated on 27.10.2008 and the opportunity of economic operators to compete has been open for this tender, therefore the bidders have offered</p>	<p>KC has provided justification regarding our finding, but has not provided evidence contrary to the finding, therefore our findings remains.</p>

	<p>prices according to their forecasting, as well. The process is conducted in an open procedure and in the notice of the highest public procurement bodies, as well as in appliance of respective legislation.</p> <p>Economic operator, which bidders with prices not normally law, takes over obligations that derives from the signed contracts and must respond in the realization of these positions.</p> <p>Requirement and form for servicing are not signed by responsible persons due to the fact that: The request for servicing is sent electronically by the Unit - Sector of Transport Unit which is in need to service vehicles. Servicing form, based on the request for servicing, is field in and dispatched by Transport Unit electronically to Economic Operator with whom the contract is signed, therefore this standard form cannot be signed. Regarding the form and request for servicing it needs to be clarified that all invoices that are paid to EO for servicing and maintenance are in compliance with motioned records in the servicing form. The lack of signatures on the documents ‘request for servicing and forms’ is because these two forms are standard and are dispatched electronically, whereas servicing and repairs are carried out from the Economic Operator on the basis of form for servicing wherein the invoice match the same and each time before conducting payment of the invoice we compare prices in invoices with the description of prices in the contract. .</p>	
<p>9. Service of publishing of notices through press</p>	<p>The levelling of the prices per EO has been required in order to have identical prices for the same forms of publications in both newspapers, aiming avoidance of different payment for similar publications.</p> <p>Since EO voluntarily and without pressure has accepted levelling through declaration in written form, it can not be considered that, at any way, the procurement rules have been violated or the right of EO. The benefits, however, are on the side of the Kosovo Consolidated Budget. Regarding the requests from the list of documents required, the minimum requirements are met from this list</p>	<p>The auditor continues to support its conclusion, as it is based on the legal basis applied in Kosovo.</p>
<p>10. Supply with Tables, instruction and logo of the vehicles</p>	<p>Due to the transition process, it has been to conduct the increase of the value of quotations and in the same time the need of splitting two activities because of their notably different natures of supplies, since the tender was repeated several times and was not realized. Procurement has acted in conformity with the technical specification received from the demand unit. Conform to these requirements there have been developed procurement procedures, as well.</p> <p>Changes in the transition have not provided much opportunity to preliminarily have precise planning of a type or quantity of supplies There is used logic that</p>	<p>We have in consideration presented reasons by KC. However, the reasons are not grounds to change our opinion. We believe that our recommendation has its importance that in other cases such actions be avoided..</p>

	potential items be included in the specification and contract and depending on the needs to require realization since the quotations have enabled suppliers with per unit prices.	
11. Tender "Office space for rent"	<p>Office space (m2) is taken as correct based on the documentation itself presented to EO (drawings and project) and the declaration under oath of EO itself. Find attached drawings and project</p> <p>Within the object, there has not been a very strict separation of the use of Logistics warehouse since they have used the other spaces, as well. Evidenced measurements should have had a professional accuracy with exact descriptions of the dimensions. In connection with this matter there would be made detailed measurements of this space cited by OAG and Contracting Authority, the contractor as well as one another authority (possibly a representative of the OAG or a representative of an official body) on the basis of accurate documentation would proceed the result effecting to application of recommendation of the OAG..</p>	It can be noticed that KC admits that the contract and payments are made only based on documentation, without making the physical measurements of the space rented. We encourage KC to apply the recommendation..
12. Supply with uniforms and shoes	<p>Changes in supplies with uniforms and shoes in relation to planning have come as a consequence of the phase transition, increasing the number of employees and as a consequence of non-realization to this tender for more than two years in the previous period. Customs staff has been out of uniform supplying with uniforms for more than three years. Also seeing the difficulties of supply in the previous period, a uniform supply is conducted for all items (winters and summers) realizing the supplies in quantity for a longer period time. In the final planning of procurement of KC for 2008, for these procurement activities there is made a commitment of the funds in the amount of €287,000.</p> <p>Commitment of additional funds for this procurement activity is made from the funds of transition phase (Kosovo's independence, change the status, and transfer of competencies from UNMIK to Kosovo Customs) and the transfer of funds from one code to another code with the request of semi-annual reviewing of the budget for 2008 dated on 10.07.2008.</p> <p>It has been planed that supply with uniforms be conducted in the amount of €287,000 but, it has been done in a higher figures in the amount of €611,487.</p> <p>Except the transition phase when we have had allocation of additional funds for this project, for a long period Kosovo Customs has not been supplied with the uniforms. When planning of the budget is done for this projects is was not known in which year the transitional phase will occur. Relevant documents in the form of a copy are attached to this document.</p>	The findings of the auditor have to do with bad management of the supply in the early phases, as quoted also by KC itself, for more than two years. Our recommendation has an aim to urge KC to plan and realize timely such supplies in order that the functions of supplies be efficient in appropriate time.

13 Managing of assets	No comments	
14. Internal audit	<p>The Internal Audit Unit (IAU) based on annual Plan (Strategic Plan) foresees continual auditing of revenues by auditing relevant sectors which are linked directly with the collection of revenues.</p> <p>Considering that the customs revenues contributes Customs Branches and some other sectors, in the annual plan we have nor envisaged to include all the procedures for revenue in a single audit, we have assessed to audit selectively the procedures for collecting of revenues</p> <p>In 2008, IAU has audited Sector of External Audit, warehouse, Procurement, reports that also possess the Office of the Auditor General, and now we are auditing all Customs Branches and Customs crossings stations. In our Strategic Plan, we have priority exactly the auditing of the borders and by this functioning of the system in general.</p>	<p>The Audit of the revenues is very important so that the answer IAU that it has taken steps to develop audits for procedures and revenue collection at the border is encouraging for OAG.</p>