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REVIZORA/OFFICE OF THE AUDITOR GENERAL**

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

Prishtina 28 July 2009

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List of Abbreviations

AG	Auditor General
TAK	Tax Administration of Kosovo
KCB	Kosovo Consolidated Budget
CPO	Commitment Payment Order
IFAC	International Federation of Accountants
KJC	Kosovo Judicial Council
LPFMA	Law No. 03/L-048 on Public Financial Management and Accountability
LPP	Law No. 02/L-99 for fulfilment and amendment of the law on Public Procurement in Kosovo no.2003/17
STA	Single Treasury Account
MFE	Ministry of Finance and Economy
BRN	Business Registration Number
IAU	Internal Audit Unit
EO	Economical Operator
INTOSAI	International Organization of Supreme Audit Institutions
KFMIS	Kosovo Financial Management Information System
KJCS	Kosovo Judicial Council Secretariat
IMSO	Information Management System of Subjects
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
AI	Administrative Instruction
OAG	Office of the Auditor General

I. Executive Summary

The Office of the Auditor General (OAG) has performed an audit of the Financial Statements of the Kosovo Judicial Council (KJC) for the year ended on 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 *present a fair and true view* in all material aspects, financial position of KJC for the year ended on 31 December 2008 and financial operations during the same year. As an Emphasis of Matter we would like to draw your attention to the fact that: non-financial assets are presented partially within the financial statements and Revenues from deposits are not disclosed at all. (ISSAI 400 *Unqualified Opinion with Emphasis of matter*).

Our audit has revealed some weaknesses regarding budget implementation and internal control system:

1. There are many discrepancies regarding judicial revenues between the of KJC Register and KFMIS system at the value of €33,481.
2. Lack of control regarding check -in and check- out receipts with serial number;
3. Insufficient Controls on asset management.
4. Extent and the serious deficiencies within the office of procurement are serious and must be addressed urgently. The procurement procedures are not implemented entirely.
5. Invoices paid for the goods not in compliance with contracts.
6. Use of official vehicles in non economical way in non-conformity with Legal requirements.

Our main recommendation is that the Director of KJCS should launch a revitalizing programme related to implementation of internal control systems under his stewardship and ensure improvements.

II. Introduction

The Office of the Auditor General (OAG) is under the Law 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 Judicial Council 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 recommendations

The financial statements of KJC for the year ended on 31 December 2007 were not an audit subject of the OAG.

IV. Audit Scope

This audit of the KJC relates to the 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 KJC 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 March 15th 2009 to April 30th 2009 following INTOSAI Auditing Standards.

In order to fulfil our responsibilities, we:

1. Reviewed the KJC financial statements against the approved budget for 2008;

2. Determined whether the KJC 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 KJC 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 to our audit opinion for KJC 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 *present a true and fair view* in all material aspects, the financial position of KJC for the year ended on 31 December 2008 and financial operations during the same year. As an Emphasis of Matter we would like to draw your attention to the fact that: non-financial assets are presented partially within financial statements and Revenues from deposits are not disclosed at all. (ISSAI 400 *Unqualified Opinion with Emphasis of matter*).

VII. KEY AUDIT FINDINGS AND RECOMMENDATIONS

1. Financial Outcome against Approved Budget

The overall actual expenditures for 2008 were €12,949,939. From it €10,011,864 paid in cash while €263,493 was obligations left to be paid in 2009.

Comparing to the budget 2008, KJC spent around 77% of the planned budget and at the end of the year 2008 had a surplus of €2,938,102.

From the analysis of general structure of expenditures realized on 2008 it results that the level of capital expenditures execution has been 29%.

Revenues collected from own sources for 2008 were €6,787,765 while planned €6,680,000 for the same year. The plan for own revenues was exceeded with 1.6% (For more, see “Chapter 3.1 – Revenues”).

Conclusion

According to our evaluation KJC spent the budget for 2008 within the determined limits by the Assembly on the occasion of approval of the Budget for 2008. KJC has its budget unused for 23% in 2008, which gives a signal that the budget planning should be improved.

2. Financial Statements

Financial Statements of 2008 are accurate and presented in a fair and true view in all material aspects and in compliance with AI 2008/13 of KJC “Annual Reporting of Budgetary Organisations” except some non-presented disclosures within financial statements:

- Not all assets of KJC are presented. This confirmation we support based on the office notes of logistics, where only at the list of “values of real estates (buildings and land) for the year 2008” the value of objects is given in 8,625,971 € and the value of land at the €1,981,640. In financial statements the real estates are presented only at the value of €9,299.
- There are discrepancies of amounts of judicial revenues of KJC and FMISK at the amount of €33,481.

Conclusion

The way the assets have been presented is rather an Emphasis of Matter.

The non-presentation of revenues from deposits in the financial statements (section 16, note 27 of Administrative Instruction 2005/11) it has no material impact into presentation of financial statements.

Recommendation 1

We recommend the Director of KJCS to ensure:

- Full reporting of all assets and revenues from the deposits by disclosing especially in financial statements, in accordance with AI no. 2008/13.
- To conduct the monthly reconciliation of accounting registries with the financial data's of KFMIS with the purpose of identifying and correcting of discrepancies.

3. Budget Execution

3.1 Judicial revenues and deposits

The collection of judicial tax revenues is done based on an internal fees pricelist for judicial taxes. These judicial taxes are executed in District, Municipal and Penal Courts.

The Administrative Instruction, no. 2002/03, issued by Central Fiscal Authority in cooperation with Department of Judicial Administration, from the date 15.07.2002 obliges all collected revenues that pass the amount over € that should be transferred through commercial banks, while those under € to be executed cash of the Court.

The collection of judicial revenues is made from the receipts-book. The supply with receipts-books it is done by the secretariat of KJC (KJCS) with an official request of the Court's cashier, who at the same time is responsible for receipts-books. The following Table presents the judicial revenues and deposits.

Table no. 1: Revenues from judicial deposits expressed in euro

Description	Code	2008	2007	%
Judicial taxes	50021	3,350,064	2,623,168	28%
Traffic fines	50101	2,427,215	3,047,493	-20%
Court punishments	50102	1,008,111	950,688	6%
Unspecified revenues from the court	50108	2,375	25,000	-90%
Total of Judicial revenues		6,787,765	6,646,349	2%
Deposits	83020	698,752	605,667	

Audit has identified the following:

- When the receipts-books are purchased, they are not identified with the serial number within the invoice.
- The receipts-books sent by KJC are not returned after their use.
- The officials of municipal courts in Prishtina are in possession of a special type of invoicing forms that don't have the KJC logo.
- We noticed a difference during the reconciliation between the amount paid in treasury and receipts issued by courts.
- The lack of a unique regulation on Judicial Tax Fees.

Conclusion

The lack of distribution for receipts-books which should be previously counted and reconciled is an indication of uncertainty within the proper registration of decisions and deposits. The lack of proper reporting for the issued payments, make the reconciliation complicated to be carried out.

Recommendation 2

We recommend the Director of KJCS to:

- Ensure a continuous control of receipts-books at the time they were received from the supplier.
- Used and cancelled receipts-books should be sent back from court to KJC.
- All courts should be charged with receipts-books by the KJCS.
- KJC should analyze more in depth such situations and afterwards should report to us over such results before the 15 October 2009.

3.2 Procurement

KJCS, during 2008 undertook 86 procurement activities at the total amount of €1,960,020. We have audited a sample of 19 procurement activities, at the amount of €1,209,477.

Supply with printed material

KJC corrected the total amount of the winner from the monthly amount €10,782 into the monthly amount €14,382 by justifying the fact in technical errors of EO during the math's calculation of the amount and the price of items in technical specification. The corrections are done in two items which the amount invoiced during the year 2008 is €11,448 while the initial supply value for these two items was €10,843.

Servicing, Supply and maintenance of IT equipment

KJC did not receive all equipment as stipulated in the technical specification.

The working reports prepared by the EO, when carrying out the services at the court office or KJCS did not specify the serial number of replaced equipment and it was not signed by the user of the computer.

Purchase of computers, UPS and printers

The committee, received 120 computers plus UPS and printers on 18.12.2008, it concluded that, at the technical specification. The committee recommend procurement office that it should require the equipment as offered in the contract.

The procurement office did not follow the Committee's advice. Instead it calculated the purchases due to the delivery delay at the amount of €782.

On 19.12.2008 paid an invoice of €86,147 to the EO, for the goods provided. The reason was that the committed means could not be transferred into the next year to conduct this payment.

Recommendation 3

We recommend the Director of KJCS to ensure:

- KJC should not allow the correction of prices that have material impact on the value of tender.
- KJC to register the serial number of replaced equipments and to sign the working report by computer user.
- Adherence of the deadline of supply and technical specification of equipment.
- Rise of the issue of responsibility on why the payment is done for the goods that was not supplied as per contract requirements and technical specification. In the next audit we will observe especially the implementation of this recommendation.

3.3 Capital Investments

KJC has amended the total value of EO from the amount of €366,282 to the amount €376,172 by justifying technical errors of EO during the calculation of quantity and the price of items in technical specification.

Corrections were made for supply of material and construction of facade. The price before the correction was $35\text{m}^2 \times \text{€}80 = \text{€}2,800$, whereas after the correction by the evaluation committee it is $35\text{m}^2 \times \text{€}380 = \text{€}13,300$. The difference is €10,500, respectively after the discount of 22% it is €8,190.

The dynamic plan for the execution of works at the construction building in Podujeve was 114 calendar days. The contract foresees that works starts on 21.07.2007 and to finish after 114 days while the technical acceptance of works is done on 21.04.2008, respectively 111 days later. The contract foresees that contracting authority will have the right that after each day that goes beyond the deadline of actual contract should get the penalty of 0,05% on daily basis from the contractor.

We did not noticed that KJC had calculated the penalties or reduced the payment for the contractor. The damage can be estimated at €21,552 based on the stipulation in the contract.

Our physical examination of building constructed and interviews, come to a conclusion that there are weaknesses if the quality construction of this building; as the water leakage from the roof because of atmospheric falls and wall cracking in the upper floor.

Conclusions

The contracting authority, by acting in violation with the LPP article 57.2 and non-observance of contract has damaged to the KCB at the value of €29,742.

Recommendation 4

We recommend the Director of KJC to ensure:

- that KJC should not allow correction of prices which have material impact at the tender value.
- that KJC should undertake measures towards the contractor who has not respected the contract as in the timely manner as well as in quality of works.
- review of the case and propose adequate measures for all breaches that belong to this contract by both contracting parties.

3.4 Other expenses

We have found these irregularities:

Cocktail on the occasion of end year 2007, for KJC”

This purchase of services with the minimal value is in contradiction with public procurement procedures. Contracting the services and invoicing is done on 27.12.2007 while the request for purchase and commitment of means are done 16.06.2008 whereas the payment is done on 26.09.2008 through the CPO with no. 32800175 in amount of €810

Salary based on the decision of Independent Oversight Body

KJC has taken a decision to terminate the contract of some employees at the judicial system of Kosovo, who submits claims to the Independent Supervisory Committee. This authority took a decision in the favour of the claimers and returns them to their work places and obliges the employer to enable the execution of all the rights as stipulated in employment contract. The council executes the salaries of these employees (12 salaries as fixed by the contract) through CPO without deducting the tax on personal income or pension contributions (CPO no. 32800235, €4,188).

Payment of committee members for compensation of damage to the convicted persons without any reason

The payment for the committee member for valuating the compensation for persons convinced without a reason are done with invoices that do not contain any element of a official invoice. These invoices do not include taxes to be paid. The invoice for this service is issued for judicial council and it is not signed by the Director of KJC and it does not have a date (CPO no.32800039 dated 27.02.2008; €600). The contractor and the receiving officer are the same persons.

Intellectual services

Contracted intellectual services between the KJC and contractor, in amount of €28 are carried out without procurement procedures and the contract is signed by the director of KJC and not by procurement officer. Payment was paid with invoices that do not contain the elements of an official invoice (BRN, name of the seller, buyer, address etc). This payment for this service was not taxed and it is not possible to collect taxes from this payment by TAK (CPO no. 32800123 dated 09.06.2008).

Conclusion

The request for purchasing and commitment of funds are made after the purchase was done. Payment is done with long delay. Salaries were not paid through payroll, but with CPO and the tax on personal income and pension contribution by employee was not deducted.

Non-observance of “Financial Regulations and Treasury Guidelines - 02 Spending of public money” article 10.2. The taxes on personal income have been avoided and there is no good segregation of duties. Signing of contract by the Director of KJCS is in violation with LPP.

Recommendation 5

We recommend the Director of KJC to ensure:

- Payments of intellectual services to be done in accordance with the abovementioned regulation and to do the segregation of duties properly.
- To respect the purchase procedures as LPP foresees. Also the payments should be processed no later than 30 days from the date of receiving the invoice.
- Payments of intellectual services should be in line with LPP and with abovementioned regulation and appropriate taxes should be calculated and hold or create any possibility for collection of taxes by TAK from KJC payments.

3. 5 Petty cash

Findings

Petty cash has been used for paying for official lunches, hygienic material, IT equipment, car wash, daily newspapers. For some of these expenditures KJC already has a supply contract.

Conclusion

There were paid expenditures from petty cash that could have been planned and processed through contract agreement.

Recommendation 6

We recommend the Director of KJC to ensure:

- To establish contract agreement for all those services of supplies that can be planned.

3.6 Asset management

The value of assets evidenced into the asset registries of KJC is €10,607,610. The value of assets registered in KFMIS 2008 is €199,035 while in financial statements it is presented the value of €9,299.

Findings

The assets bought were not evidenced into the asset registry and accounts ledger as it is required by the AI 2005/11 on "Managing and registering of government assets".

During the physical examination of inventory at some offices of KJCS and at some courts it is noticed that the inventory is done at the end of the year and assets are registered (where they are found) but without any financial evaluation.

At the module of assets in KFMIS only the values of assets bought during the reporting year are presented. At the report of 2007 it is given the amount of 242,764 € and on the year 2008 it is given the amount of 199,035 € which means that accumulated values were never presented but only assets bought during the reporting year.

Conclusion

The asset presentation is not in accordance with the AI 2005/11 on "Managing and registering of government assets" and they are not presented in a right value within the financial statements for the year 2008. Non-registering of all assets with its financial values and mis-calculation of annual depreciation for assets was present.

KJC does not possess a final register on assets and the assets inventory is done partially. The reporting of financial assets evaluation is inaccurate. As a result of non-compliance, there is an increase of risk of exposure of loss, abuse and misuse of public assets.

Recommendation 7

We recommend the Director of KJC to ensure:

- To do the registering of all assets that are on the ownership of KJC and to calculate the depreciation as per norms determined in AI 2005/11 on "Managing and registering of government assets" and these values of assets should be accumulated and presented into financial statements.

3.7 Vehicle management

Usage of official vehicles in a non economic way

During the audit of expenditures for vehicles of KJC for 2008, we noticed that there are cases of high expenditures for servicing of vehicles that were used rarely during the year. The servicing expenditures compared to the km passed shows that for every **3 km** drive 1€ is spent for a service even in some cases for every **2 km** drive is spent for 1€ service. There is also a high level of expenditures in 100km drive (see the table no. 2).

Table no. 2 - Fuel expenditures, servicing and **km** passed during the year 2008

N0	Type of the vehicle and plate	Fuels in litters	Km passed	Expenditures in 100/km	Servicing of vehicles in €	Used by
1	Hyundai Ter. 000-KS-168	505	3,477	14.5	1,174	KJCS
2	Lada Niva 135-KS-812	291	1,856	15.7	826	Dist. Court Prishtina
3	Lada Niva 600-KS-604	293	1,104	26.5	619	Municipal Court Prishtina
4	Lada Niva 328-KS-164	832	5,940	14	1,625	Municipal Court Prishtina
5	Lada Niva 273-KS-267	1,517	6,312	24	1,970	Municipal Court Prishtina
7	Lada Niva 668-KS-657	812	6,657	12.2	2,573	Municipal Offence Court in Rahovec

Conclusion:

The table indicates the high level of expenditures for servicing the vehicles in comparison with the mileage and fuel consumption. Therefore, we conclude that the use of these vehicles is non-economic.

Recommendation 8

We recommend the Director of KJCS to:

- undertake measures towards reducing these expenditures or sell the vehicles causing enormous expenditures.

4. Internal Control Systems

Internal Control is an integral process that is affected by an entities management and personnel and is designed to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- Executing orderly, ethical, economical, efficient and effective operations;
- Fulfilling accountability obligations;
- Complying with applicable laws and regulations;
- Safeguarding resources against loss.

Findings

Our conclusions are that there are more measures taken when it comes to the occurred occasions within the Operational activities of KJC. We also, have found that the control and assurance of the IT application programmes is weak. To support our conclusions, we will illustrate this by giving the following examples:

- weak management of logistics department;
- there is no clear segregation of duties and responsibilities;
- there is no discharge of officials from unused and cancelled receipts-books;
- non-implementation of SMIL software program;
- proceeding of documentation for received assets and submission to assets officer for registration into assets register; and
- non-reconciliation of accounting registers with Treasury in terms of revenues.

Conclusions

Internal controls are weak to provide a reasonable assurance that the designed systems and policies set by the management are functioning in proper way and fulfil the objectives aiming to support the management towards prevention of material errors, losses and possible fraudulence.

Recommendation 9

We recommend the Director of KJC to ensure:

- Strengthen overall controls.

5. Internal Audit

The Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an Organizations operations. It helps the Organization accomplish its objectives, by bringing a systematic, disciplined approach for evaluation and improvement of the effectiveness of risk management, control and governing process.

KJCS has an IAU composed by two auditors and the head of auditing unit.

From the reports review of IAU, we have noticed that:

IAU has already prepared the audit plan for 2008 which is approved by Management.

IAU has prepared 19 final reports for the period of Jan-Dec 2007 (no audits carried out on the activities developed in 2008) where the findings and recommendations are presented and should be implemented by management to improving KJCS internal control.

The reports seem to have a clear structure and help management, but they have not covered the areas with the high risk and do not include the period we are reporting for.

In IAU work plan for 2008 does not include the audit of procurement procedures.

Conclusion

The internal audit activities are not based on risk assessment.

IAU is increasing its professional capacities and it is in a good way to be consolidated in its function.

Recommendation 10

We recommend the Director of KJC to ensure:

- That IAU to plan and carry out its annual activities based on the risk assessment during current year.
- Given recommendations given by IAU should be addressed.

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 SAI to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

Annex II: Comments of KJC and responses of OAG

Comments of KJCS	Responses of OAG
<p>1. With regard to addressing of recommendations for avoiding of the findings from audit that was carried out, we suggest that there should be emphasized as judicial institution in the figure of Kosovo Judiciary Council as supreme managing institution of Kosovo Judiciary respectively secretariat of KJC, and not be addressed to natural person.</p>	<p>Responsibility on managing of the institution is vested on the person with the highest position within the organization, and recommendation falls directly on the person that manages institution that is an object of auditing from OAG.</p>
<p>2. Regarding the conclusion that remaining of unused budget of 23% is a signal that budget planning should be improved, I am informing you that non-realization of some capital projects has have impact on this percentage of general non-utilizing of the budget as a result of the external influences in municipal institutions that have delayed the procedures of issuing of construction permits as well as problems concerning the managing of the property from KPA.</p>	<p>Also from the comment of KJCS the finding is affirmed, while the justifications might exists but we are reporting on real state of affairs, therefore finding and recommendations of OAG remains the same.</p>
<p>3. Assets in the amount of 10.607.610€is emphasized issue which is not presented in the financial statements for which, KJC respectively Logistics Department has evidence for these assets, but Treasure Department in MFE that have prepared the software program for assets, as a consequence of not being informed timely and fully regarding personnel in charge for managing of the assets they are not registered in the software system “Free balance”. Therefore based in the auditors recommendations we will avert this issue in the future in cooperation with Treasury Department.</p>	<p>From the comment of KJCS the finding is affirmed, therefore the finding and recommendation of OAG remains the same.</p>
<p>4. Deposits of the Courts in the amount of e 698,752 € are in the account of trust opened from Treasury Department for which we have all proofs, evidences as well as amounts of deposits that are in trust in a single Treasury account at the MFE, but which are nor revenues from the deposits. In the absence of sufficient information (consultations) from the Treasury Department, we have not disclosed this in the Financial Statements the thing that we are going to do in the future.</p>	<p>Budget organization when preparing the PF should portray also revenues from deposits as required by Administrative Instruction 2008/13. The OAG’s finding and recommendation remains the same.</p>
<p>5. Regarding to monthly harmonization of the accounting records with financial records of KFMIS we conduct this harmonization with Treasury</p>	<p>The OAG’s finding and recommendation remains the same. The difference between the revenues of</p>

<p>Department quarterly as required by LPFMA.</p>	<p>the Treasury and KJC books proves that there exists inefficient internal control system.</p>
<p>6. Payments based on the decision of the independent supervising council for some former employees in the Kosovo Judicial System, whom the contracts are terminated due to redundancy of 148 positions with the budget of 2007 and precisely for this reason payments are made from the category of goods and services since we neither had allocated funds nor positions to pay them from category of the salaries and wages (list of salaries-payroll).</p>	<p>The OAG's finding and recommendation remains the same. In compliance with paragraph 3 of the chapter "Taxation" of IA of MFE no. 2005/9 "Payments for employees with contracts" and Article 17.3 of the regulation No. 2004/52 interlinked with Article 8 point (b) and (c) On Personal Income Taxation "Employer that is not main employer of the employee withholds the amount equal to 20% of the salaries for each taxation. Treasury Department have paid these in gross amount (without withholding) that is in contradiction with Article 17.4 of the regulation 2004/52</p>
<p>7. Supply with printing materials with procurement no: 33300/07/67/111. Contracting Authority is based in Article 57.2 of LPP. The subject has two copies (one copy is opened in the presence of general auditors and procurement office and it is ascertained that it is identical with the original)</p>	<p>Contracting authority cannot select EOs which in their technical specifications has made the correction of the prices, wherein as a consequence the material value of the tender is increased. The OAG's finding and recommendation remains the same.</p>
<p>8. Servicing, Supply and maintenance of IT equipments, with the procurement number 33300/08/023/221. Contracting authority is supplied with the equipments and services according to the necessity. Since it is a servicing and substitution of the unpredictable equipments, it happens that we could not be supplied with all of them. Your recommendations are applicable regarding serial number of replaced equipments and signature from the user of the computer. Procurement office is based on the working report signed by the contract executor. In the future, recommendation will be accurately applied.</p>	<p>From KJCS comments, the finding is ascertained and the ascertainment as well as recommendation of OAG remains the same.</p>
<p>9. Purchasing of computers (PC), UPS and Printers with procurement no. 33300/08/022/121. Contracting authority unanimously has acted in favour of the Courts.</p>	<p>The OAG's finding and recommendation remains the same. Contracting authority has paid the invoices for the goods that were not in conformity</p>

<p>CA has applied precisely the Article 32.3 of the contract 055/2008.</p> <p>As it was last day for payments for 2008, Economic Operator brought the goods exactly in this day. Due to huge demands and the needs for computers for the Courts, receipt commission in cooperation with KJCS management has accepted the goods (computers) with the quantity and printers in regular state of affairs in conformity with contract.</p> <p>According to chronological paperwork, CA is supplied with the required goods with the exception of the small defect due to which its bank guarantee is legally blocked.</p> <p>Since there are no mechanisms that AK execute the bank guarantee, AK continues with further procedure and has turned to District Economic Court which shall decide legally for the damage caused, calculated in symbolic amount.</p>	<p>with the contract thus acting in contradiction with the Law no. 03/L048 on Public Finances Managing and Rule 2 of the Treasury, Article 7.</p>
<p>10. Construction of the object in Podujevo with Procurement no: 33300/07/45/511, procurement on 2007. Contracting Authority is based in Article 57.2 of LPP. Payments are made in 2007.</p> <p>Dynamic plan is not respected due to the climatic, conditions in the subject there is a notification dated on 30.11.2007 from the company addressed to KJCS signed by supervising body.</p>	<p>The OAG's finding and recommendation remains the same</p> <p>Contracting authority should not allow corrected prices, which have material impact on the value of the tender.</p> <p>Contracting authority should undertake measures against employer who has not respected the contract either in the timeframe or in the quality of the works.</p>
<p>Registering of the assets is made in all the Courts and in KJC in the last months of 2008. But financial value of all equipments and inventory is not given by the commission that has performed registering of the assets. This happened since most of inventory and equipment are old from the time before the war and it is a problem to give them a financial value. This situation has have impact in the impossibility to include in SIMFK the financial value of the movable property of KJC as envisaged by <i>Administrative Instruction 2005/11</i> of MFE (<i>Managing and Registering of the Government Assets</i>). Otherwise, for all equipment and inventory records exeunt that that is responsible for them and their whereabouts.</p>	<p>From KJCS comments, the finding reported for managing of the assets in affirmed, therefore the ascertainment as well as recommendation of OAG remains the same.</p>
<p>11. KJC is in disposition of a considerable number of vehicles that have over 8 years and very week model of (Lada Niva 1.7). These vehicles are depreciated</p>	<p>From KJCS comments, the finding is affirmed, and the ascertainment as well as recommendation of OAG remains the</p>

<p>nearly completely and practically they have huge maintenance and fuel expenditures. Some of them were sold whereas some others are in the selling process. KJCS is scrutinizing the opportunity to removing from use all of these vehicles that have high expenditures, beyond permitted technical criteria</p>	<p>same.</p>
<p>12. According to the draft report from the AP office for ZAB in KJCS, it seems that in general it has understood out work.</p> <p>Relating to the finding for the working plan for 2008 by the General Auditor that the domain of audit is not included in procurement procedures, we have cases when we perform extraordinary audit though it is not regular plan and program, but this is carried out when a risk appeared, we try to prevent it in order to increase the values and to improve the operations of the SKGJK, at the same time based on risk assessment</p> <p>Whereas regarding high-risk assessment we are very real and we are performing balanced assessments of all relevant situations and we are not influenced by the other interests or the others during the formulation of the judgments. We think that we assess risks righteously.</p> <p>IAO will apply precisely given recommendations bring about a systematic and disciplined approach in order to assess and improve the effectiveness of the process of managing of risks and controls.</p>	<p>Ascertainment and recommendation of OAG remains the same.</p> <p>That the IAU plan and carry out its annual activities also for the actual year (period) base on the methodology that is based on risk assessment</p> <p>Appliance of recommendations given by IAU.</p> <p>That the IAU has as much as possible independency on fulfilling its function.</p>