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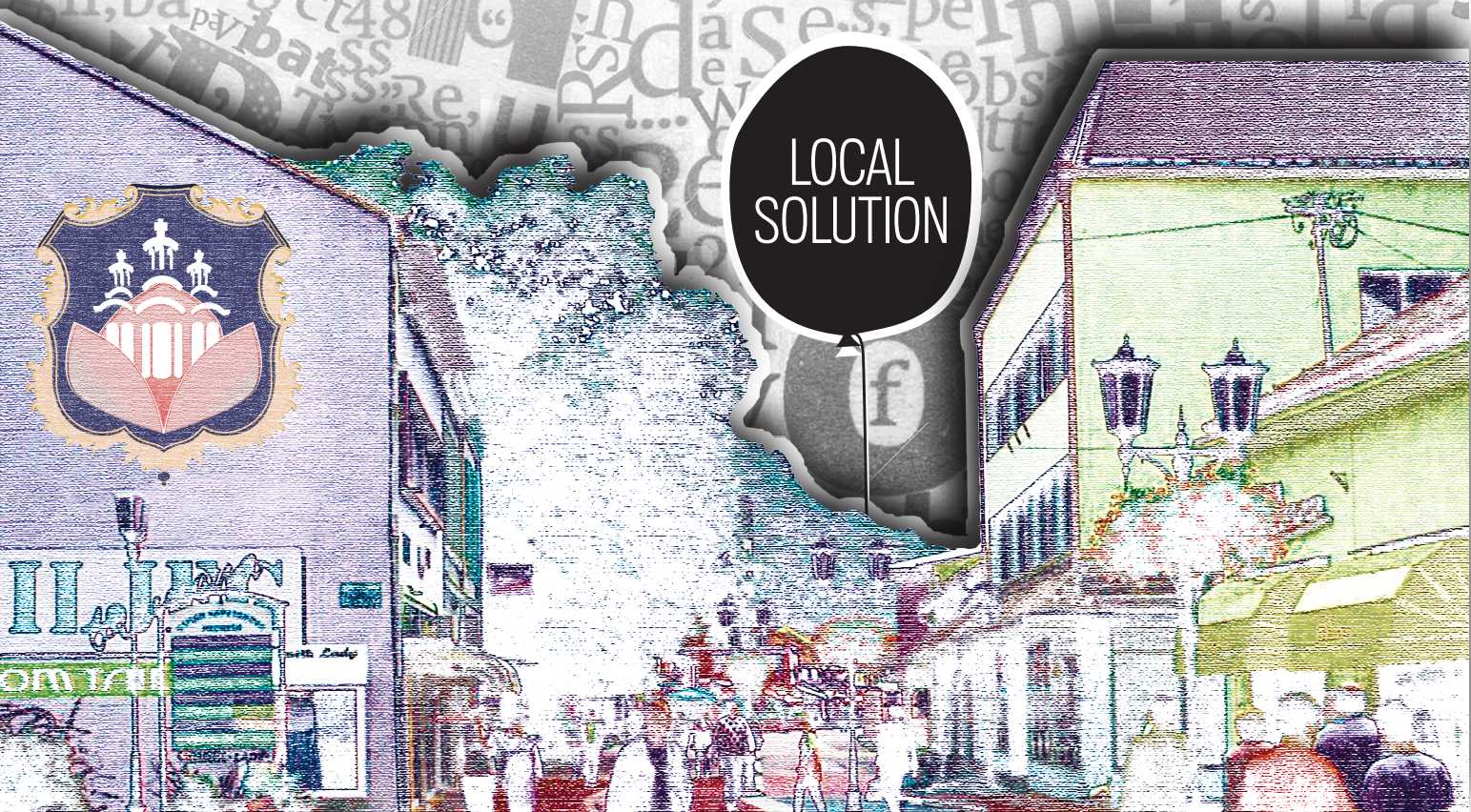
A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF

GRAČANICA GRAČANICË

MONEY AND POLITICS

● ● ADVANCING KOSOVO TOGETHER

LOCAL
SOLUTION



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Supported By:



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Project Description:

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

Disclaimer:

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

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A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF **GRAČANICA / GRAÇANICA**

INTRODUCTION

The municipality of Gracanica during 2009-2012 faced some small functional difficulties in terms of planning for capital investments and public procurement, as well as some difficulties in terms of budget expenditures. This can be seen as a normal thing considering that the municipality of Gracanica was established after the decentralization process. In the second part, respectively during 2012-2015, the operational functionality and professionalism were improved remarkably. Funds were spent more efficiently and the results are tangible.

The municipality of Gracanica has a black list of companies which cannot apply for tenders. There is only one company on this list, "Conex Group" from Prishtinë/Priština. This is based on our request for information about this black list; however we only received the name of the company, without a following explanation as to their reason for being on this list. According to our research, out of 236 projects in total, 39 of them were carried out by companies which come from the municipality of Gracanica. These 39 projects reach an amount of 1,461,559, which is around 7.3% of the total amount of realized tenders.

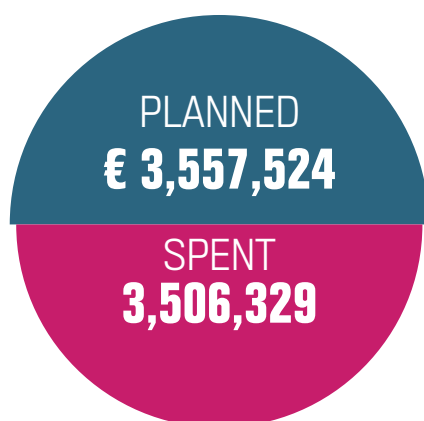
Further in this report, you can see how the Municipality of Gračanica/Graçanicë planned and used funds from capital investments and public procurement.

MAIN FINDINGS

1 / Public procurement

1.1 / Planned capital investments

During 2009-2015, the Municipality of Gračanica/Gračanica for capital investments and public procurement allocated planned funds as follows:



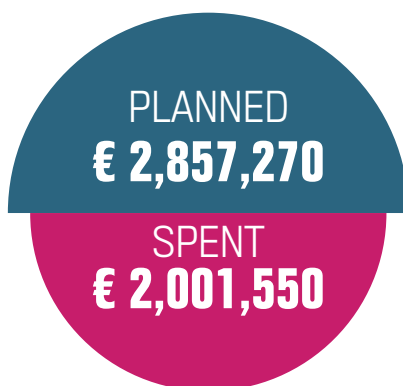
2010



2011



2012



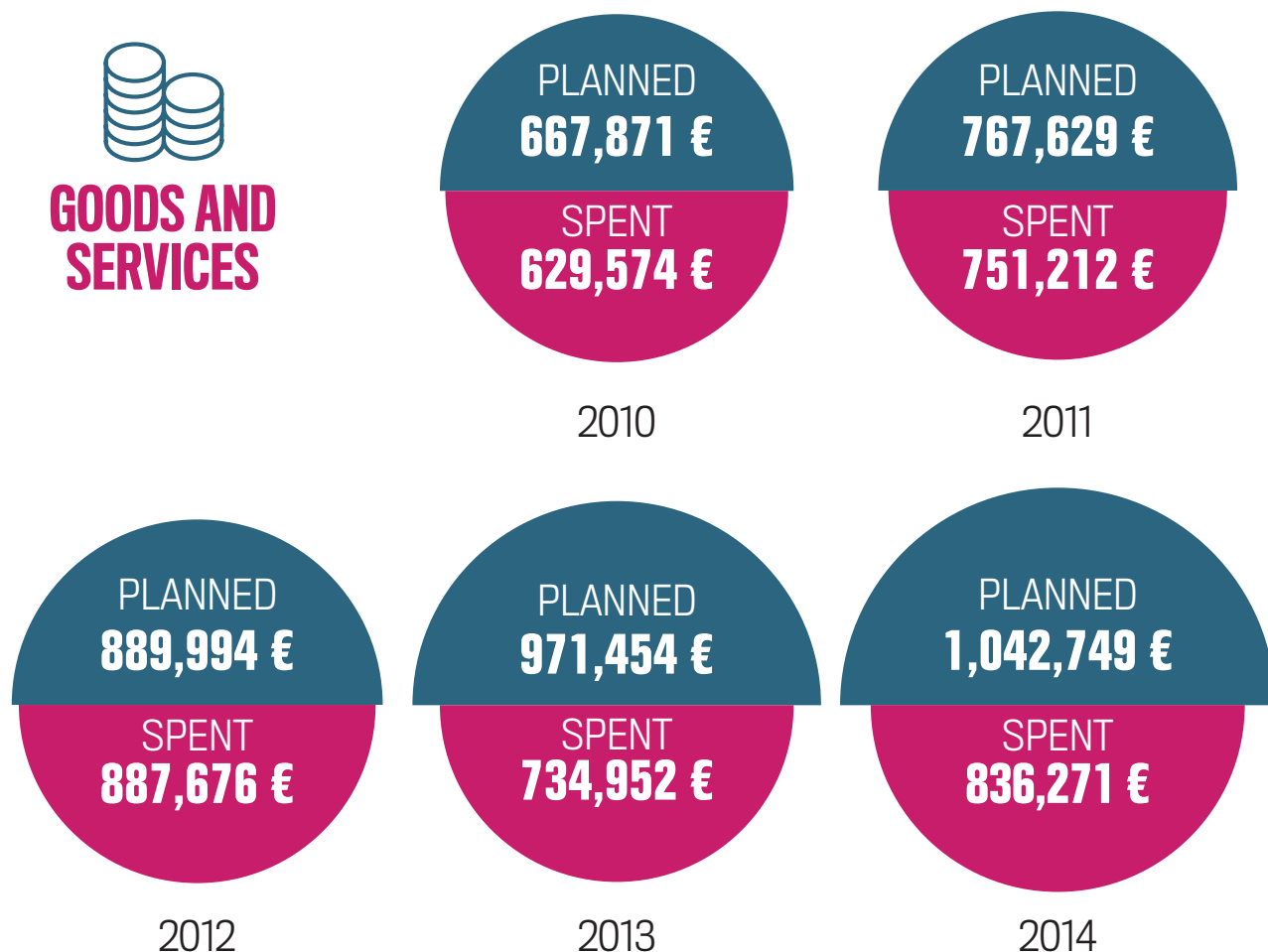
2013



2014



GOODS AND SERVICES



For 2010, the Municipality of Gracanica planned € 4,225,395 for capital investments, goods and services. The Municipality of Gracanica spent € 4,135,903, and the difference between planned and spent amount is € 89,429. This difference came as a result of poor planning

of funds at disposal, says the audit report for this year. Also, the audit report states that the planning of capital investments and public procurement was not clearly defined, while budget spending was adequate because only 2.5% of the funds were left unspent.

CAPITAL INVESTMENTS

At the beginning of the year, € 370,729 were planned for capital investments, and this changed during that year. Together with the donations for the Municipality of Gračanica/Gračanicë, this amount increased to € 3,557,524. The expenditure for 2010 was € 3,506,329. An amount of € 51,195 was not spent for capital investments.

GOODS AND SERVICES

At the beginning of the year, € 717,896 was planned for goods and services, and this changed during that year. The budget for goods and services decreased to € 667,871. In 2010 the Municipality of Gračanica/Gračanicë spent € 629,574 for goods and services, which was € 38,297 less than the planned amount. This difference was not spent.

AUDIT

After checking the documentation related to procurement of goods, services and capital investments, GAO found the following:

- The Municipality of Gračanica/Gračanicë did not have a final procurement plan for 2010;
- The Municipality of Gračanica/Gračanicë does not have a final list of procurement of goods for 2010;
- The documentation related to procurement cases is incomplete;

GAO RECOMMENDS THAT THE MUNICIPALITY OF GRAČANICA/ GRAČANICË:

- Creates an annual procurement plan and send it to the PPA (Public Procurement Agency);
- Finalizes the management of files/dossiers for every procurement case;
- Completes the documentation during the receipt of goods and services;

Also, there are eight cases of errors due to lack of proper documentation during the receipt of goods. In all eight cases, there are no notes of the committee, and the minutes are not signed. All these errors and omissions affected the proper use of public funds.

For 2011, the Municipality of Gračanica/Gračanicë planned € 3,035,257 for public procurement. The Municipality of Gračanica/Gračanicë spent €2,941,920, and the difference between planned and spent amount is € 93,337, and those funds were not spent. We can see that the planned and the spent budget for 2011 were smaller than the budget of 2010. The planned budget was € 1,190,138 less, whereas the spent budget was € 1,193,983 less.

- For 2011, the Municipality of Gračanica/Gračanicë planned €3,035,257
- for public procurement. The Municipality of Gračanica/Gračanicë spent
- €2,941,920, and the difference between planned and spent amount is
- €93,337, and those funds were not spent.

CAPITAL INVESTMENTS

At the beginning of the year, € 1,486,688 were planned for capital investments, and this changed during that year. Together with the donations for the Municipality of Gračanica/Gračanicë, this amount increased to € 2,267,628. The expenditures for 2010 were € 2,190,708. An amount of € 76,920 was not spent for capital investments.

GOODS AND SERVICES

At the beginning of the year, € 545,289 were planned for goods and services, and this changed during that year. The final budget for goods and services in 2011 reached € 767,629 compared to the planned budget, which enabled the municipality to plan procurement for that amount. The Municipality of Gracanica spent € 751,212 for goods and services, which was € 16,417 less than the planned amount.

AUDIT

the final planned budget for 2011 was € 5,671,059. For this year, the Municipality of Gracanica spent € 4,757,254, or 84% of the planned budget. 16% of the budget was not spent due to poor planning, according to the audit report for this year.

RECOMMENDATIONS OF THE GAO FOR 2011:

- Annual budget plan should be designed according to sustainable assessments, by analyzing expenses and realization of projects as soon as possible; The procurement procedures should take place as early as possible;
- Conduct monthly analysis of budget spending where possible, and in line with that, design plans for quarterly budget allocations;

According to GAO for 2011, the Municipality of Gračanica/Gračanicë is facing same problems as those of the previous year in terms of documentation; in "Supply with medical equipment for Gracanica Hospital" and "Supply with laboratory equipment for health centers". There are shortages related to the lists of procured equipment; therefore, it is not clear if the equipment is adequate. In "Construction of drinking water fountain for Donja Gusterica", despite continuous delays in carrying out the works, the Municipality did not impose any penalty;

For 2012 the Municipality of Gračanica/Gračanicë planned € 4,442,734 for public procurement. The Municipality spent € 4,113,377, and the difference between planned and spent amount is € 329,357. When you look at the budget for this year, the difference is only 7.4% which means that the budget realization was at the level of 93%, which is relatively okay, according to the findings of the GAO report for this year.

- The final planned budget for 2011 was € 5,671,059. For this year, the
- Municipality of Gracanica spent € 4,757,254, or 84% of the planned budget.
- 16% of the budget was not spent due to poor planning, according to the
- audit report for this year.

CAPITAL INVESTMENTS

At the beginning of the year, € 1,905,858 were planned for capital investments, and this changed during that year. The final planned budget for 2012 was € 3,552,740. An amount of € 3,225,701 was spent in 2012, while € 327,039 remained unspent. These unspent funds were added to capital investments for next year.

GOODS AND SERVICES

At the beginning of the year, € 603,671 were planned for goods and services, and this changed during that year. The final budget for goods and services in 2012 reached € 889,994, compared to the planned budget. From the total amount of the funds at their disposal, the Municipality spent € 887,676 and only € 2,318 was not spent.

AUDIT

According to the GAO, the Municipality in 2012 spent 90% of the budget, which represents a relatively good performance.

According to the GAO findings, in 2012 the Municipality of Gračanica signed several contracts with different parties without carrying out any control for possible breach of contract. Such situations risk the implementation of said tenders.

For 2013 the Municipality planned € 3,828,270 for public procurement. The Municipality spent € 2,654,805, and the difference between planned and spent amount is € 1,173,919. This difference came as a result of inadequate planning of funds at their disposal, says the audit report for this year.

CAPITAL INVESTMENTS

At the beginning of the year, €2,350,630 were planned for capital investments. The final budget for capital investments for 2013 was € 2,857,270. An amount of € 1,919,853 was spent in 2013. The final budget for capital investments increased for € 506,640. Although there was an increase of the budget for capital investments, only 67% of the funds available were spent.

GOODS AND SERVICES

At the beginning of the year, € 938,650 were planned for goods and services, and during that year this amount increased to € 971,454. An amount of € 734,952 was planned for goods and services, while € 236,502 remained unspent.

AUDIT

The budget spent in the category of goods and services was 76%. Compared to the previous year, there were more funds this year, while € 152,724 less were spent. These parameters show that the budget is not drafted according to proper needs and analysis. These are the comments of the GAO which show that compared to previous results the Municipality could have had a much better performance.

According to GAO findings, in 2013 the Municipality faced the following problems: In "Supply with flowers and other maintenance materials" in the amount of € 12,245, the Municipality of Gračanica committed the funds with delay. In another case; "Supply with construction materials for persons with housing problems", the Municipality of Gračanica chose an economic operator without consulting the procurement department. These problems may represent a risk in the implementation of tenders, says the GAO.

According to the data we obtained from the Municipality of Gračanica/Gračanicë, the expenditures for 2013 were € 2,001,550, and this amount is different from the amount provided by the GAO.

This report used the figures provided by the GAO.

For 2014, the Municipality planned € 3,471,092 for public procurement. An amount of € 2,503,403 was spent, while the difference between planned and spent amount was € 967,689. This difference came as a result of inadequate planning of funds at disposal, says the audit report for this year.

CAPITAL INVESTMENTS

At the beginning of the year €2,054,539 were planned for capital investments. The final budget for capital invest-

ments for 2014 was €2,428,343. The expenditure for 2014 was €1,677,159. Despite an increase in the amount of €373,804 from own and other sources, only 69% of funds were spent. The remaining 31% was not spent due to poor planning and management inefficiency, says the GAO.

GOODS AND SERVICES

At the beginning of the year, €880,150 were planned for goods and services. During the year, this amount was €1,042,749. The budget spent in the category of goods and services was €836,271.

According to the GAO for this year, the Municipality faced similar problems regarding the implementation of efficient control of projects. In 5 cases amounting €368,935 there was no adequate plan for contract management. Another weakness is that registers records as very poor and do not contain adequate information concerning the tenders. In the GAO report, there are minutes which contain inaccurate records of minutes. As a result, 8 payments for washing of streets amounting €91,635, and 8 payments amounting €35,516 for road maintenance were made from capital investment budget. Unlike other years, we can conclude that the Municipality of Gracanica did not have many irregularities and difficulties in project implementation, while the above-mentioned problems occurring as a minor setback in the implementation of appropriate procedures and procurement requests made manifest.

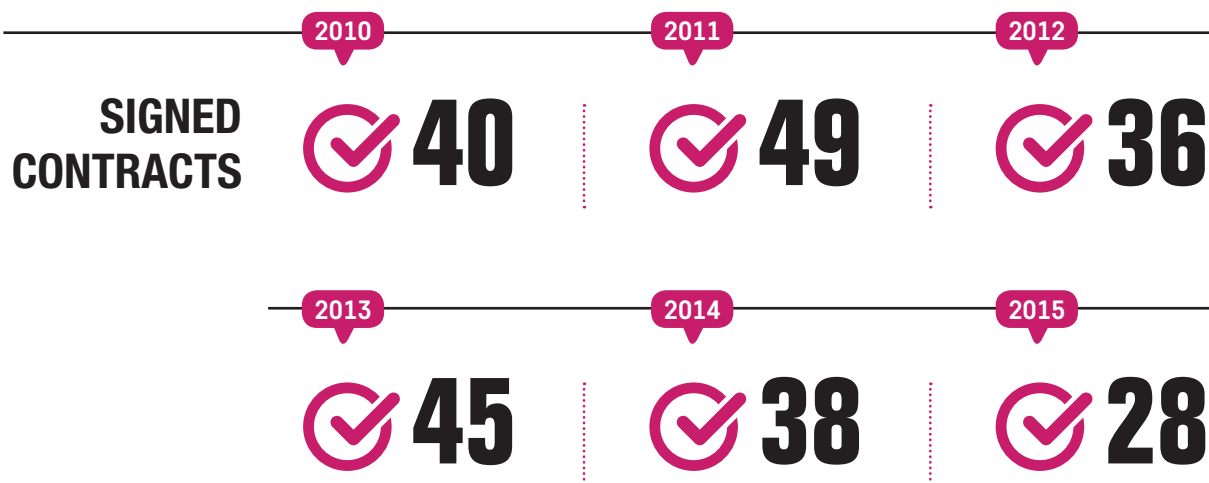
CONTRACTS SIGNED BY THE MUNICIPALITY OF GRAČANICA/ GRAČANICĚ THROUGH PUBLIC PROCUREMENT PROCEDURES

Transparency and cooperativeness of the Municipality Gracanica still is not at a satisfactory level. The request for access to public documents which was submitted to the Municipality of Gracanica asking the number of planned and realized contracts through procurement procedures during 2010-2015 was not met with a response.

A physical copy of the request was submitted to the municipality on April 13, 2016

On April 22, the research team received an electronic reply saying that the administration will need more time to prepare the requested documentation, and these documents will be sent to CSD. Unfortunately, this did not happen, and on April 27, the research team was told that they are waiting the requested information from another institution, and that they will forward this information to CSD, without mentioning the name of the institution.

According to the data obtained from the Public Procurement Regulatory Commission (PPRC) portal, the Municipality of Gracanica signed 236 contracts of high and medium amount through public procurement.



According to our research and the data presented on the table above, the high and medium tenders are as follows:

- In 2010 the Municipality realized 40 tenders out of which 31 belonged to the category of “works” and 9 belonged to the category of “supply”
- In 2011 the Municipality realized 49 tenders out of which 32 belonged to the category of “works”, 10 belonged to the category of “supply” and 7 belonged to the category of “services”.
- In 2012 the Municipality realized 36 tenders out of which 28 belonged to the category of “works”, 4 belonged to the category of “supply” and 4 belonged to the category of “services”.
- In 2013 the Municipality realized 45 tenders out of which 37 belonged to the category of “works”, 5 belonged to the category of “supply” and 3 belonged to the category of “services”.

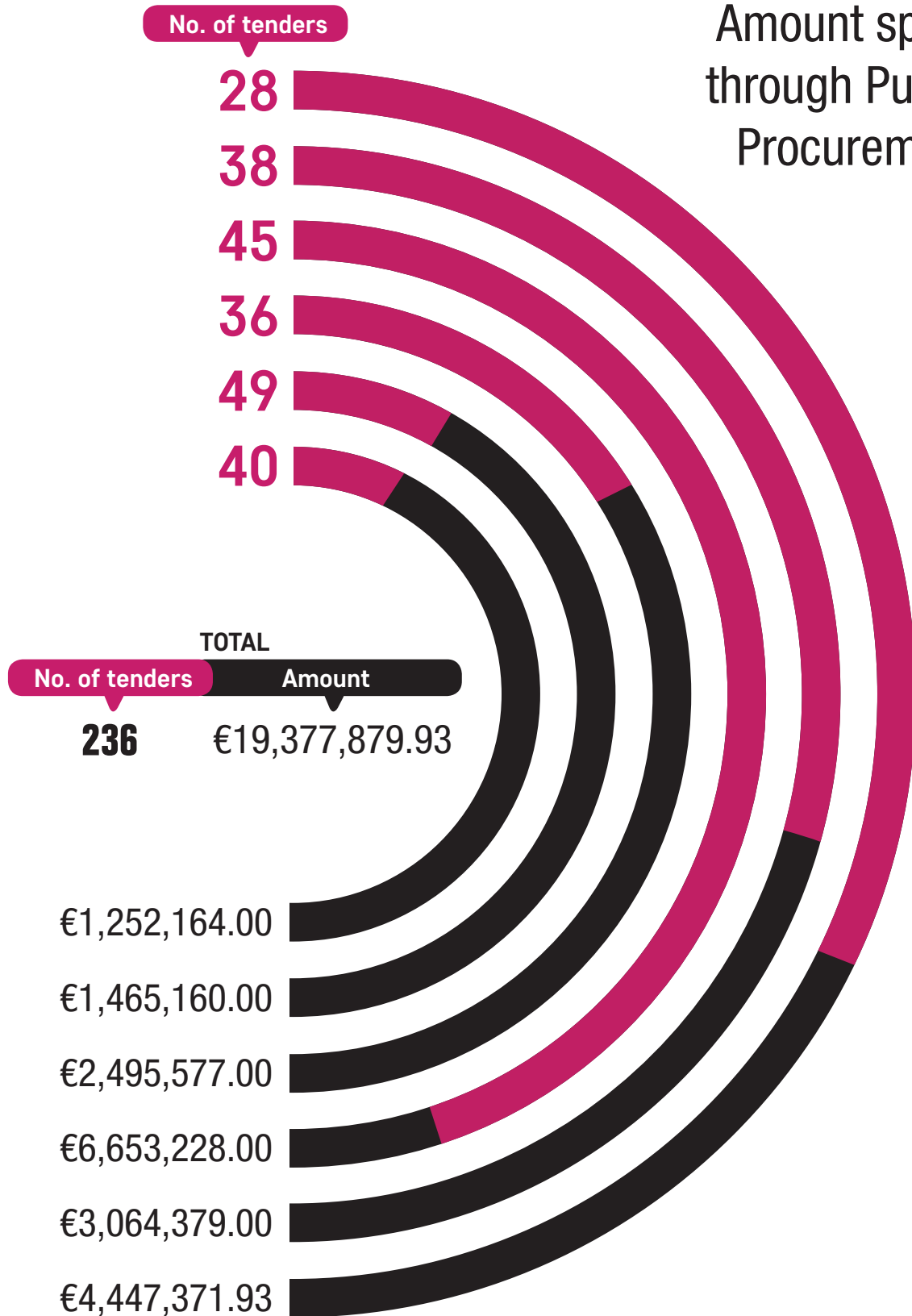
- In 2014 the Municipality realized 38 tenders out of which 30 belonged to the category of “works” and 8 belonged to the category of “supply”. In 2015 the Municipality realized 28 tenders out of which 13 belonged to the category of “works”, 13 belonged to the category of “supply” and 2 belonged to the category of “services”.

From the data presented above, we can conclude that during 2010-2015, the Municipality of Gracanica realized 236 tender procedures. 171 tenders belong to the category of “works”, 49 belonged to the category of “supply” and 16 tenders belonged to the category of “services”.

According to 236 analyzed tenders, 81 of which were in consortium with two or more companies, the Municipality during 2010-2015 spent € 19,377,880 as shown in the following table:

Year	No. of tenders	Amount
2010	40	€ 4,447,371.93
2011	49	€ 3,064,379.00
2012	36	€ 6,653,228.00
2013	45	€ 2,495,577.00
2014	38	€ 1,465,160.00
2015	28	€ 1,252,164.00
Total	236	€ 19,377,879.93

Amount spent through Public Procurement



According to our research:

- In 2010 the Municipality realized 31 tenders in the category of “works” with an amount of € 3,911,116.93, and 9 tenders in the category of “services” with an amount of € 546,225.
- In 2011 the Municipality realized 32 tenders in the category of “works” with an amount of € 2,218,819.00, 10 tenders in the category of “services” with an amount of € 355,008, and 7 tenders in the category of “services” with an amount of € 490,552.
- In 2012 the Municipality realized 28 tenders in the category of “works” with an amount of € 6,485,900.00, 4 tenders in the category of “supply” with an amount of € 131,370, and 4 tenders in the category of “services” with an amount of € 35,958.
- In 2013 the Municipality realized 37 tenders in the category of “works” with an amount of € 2,144,783, 5 tenders in the category of “supply” with an amount of € 233,658 and 3 tenders in the category of “services” with an amount of € 117,136.
- In 2014 the Municipality realized 31 tenders in the category of “works” with an amount of € 1,257,606, 8 tenders in the category of “supply” with an amount of € 207,554. In 2015 the Municipality of Gračanica realized 13 tenders in the category of “works” with an amount of € 751,942, 13 tenders in the category of “supply” with an amount of € 469,178, and 2 tenders in the category of “services” with an amount of € 31,044.

COMPANIES THAT WON THE MOST TENDERS IN THE MUNICIPALITY OF GRAČANICA/GRAČANICĚ

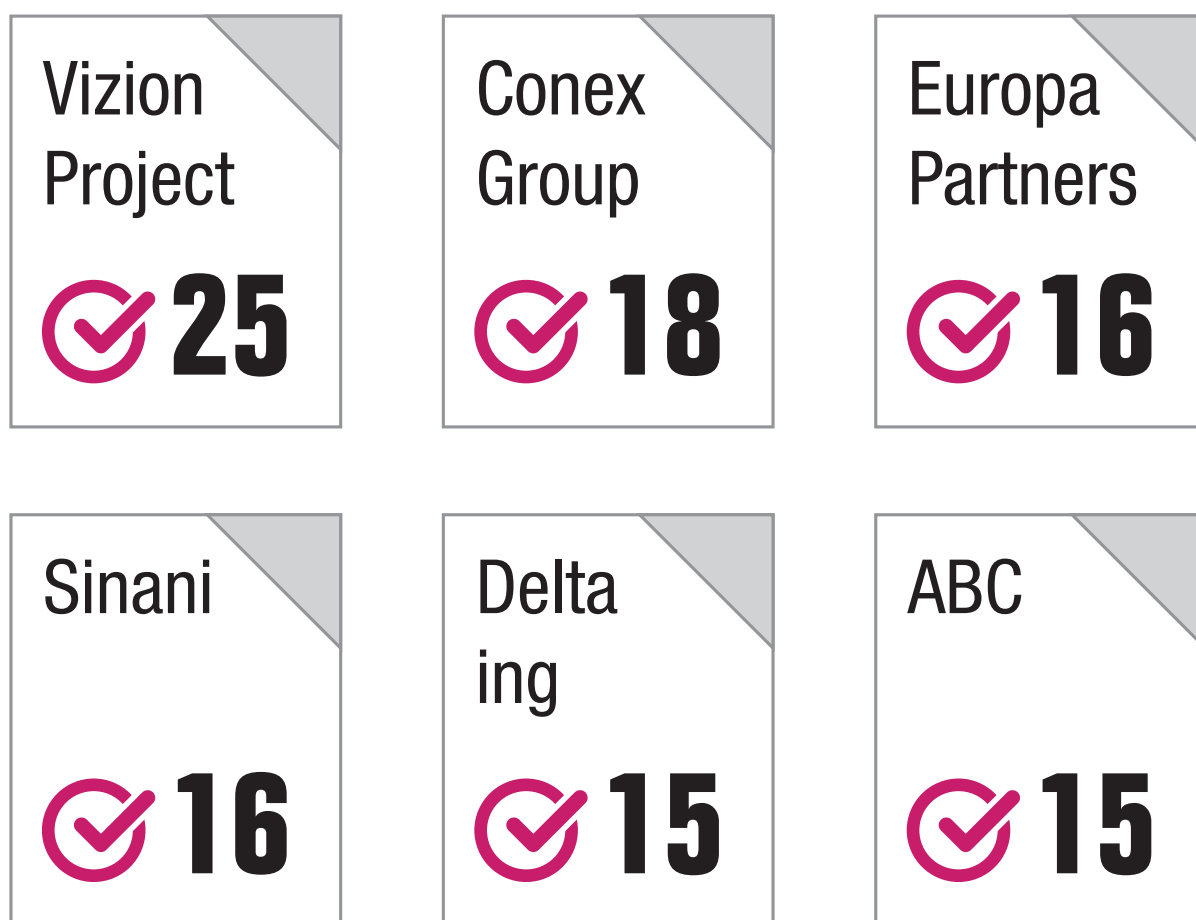
According to the data of this research, 5 companies won 107 tenders or 45.33% of the tenders in the Municipality of Gračanica/Gračanicë.

- 1 “Vizion Project” from Prishtinë/Priština, is the company that won the highest number of tenders. This company won 25 tenders. Only 1 tender belongs to the category of “services” with an amount of € 18,013 while 24 tenders belong to the category of “works” with a total amount of € 1,251,443.
- 2 The second company with the highest number of tenders is “Conex Group” from Prishtinë/Priština. This company won 18 tenders. All tenders belong to the category of “works” with a total amount of € 2,267,394.
- 3 The third company on this list is “Europa Partners” from Prishtinë/Priština. This company won 18 tenders. All tenders belong to the category of “works” with a total amount of € 886,040.
- 4 The fourth on this list is “Sinani” from Prishtinë/Priština with 16 tenders. All tenders belonged to the category of “works” with a total amount of € 916,748.
- 5 Two companies are ranked on the 5th positions as per the highest number of tenders. Each company won 15 tenders. These companies are “Delta ing” from Prishtinë/Priština, and “ABC” from Podujevë/Podujevo. All tenders belonged to the category of “works”. The total amount of the tenders won by “ABC” company is € 1,911,622 while “Delta ing” got € 455,361.

From the total amount of the contracts (€ 19,377,880), five companies got € 13,597,861, or around 70% of the total amount of the contracts.

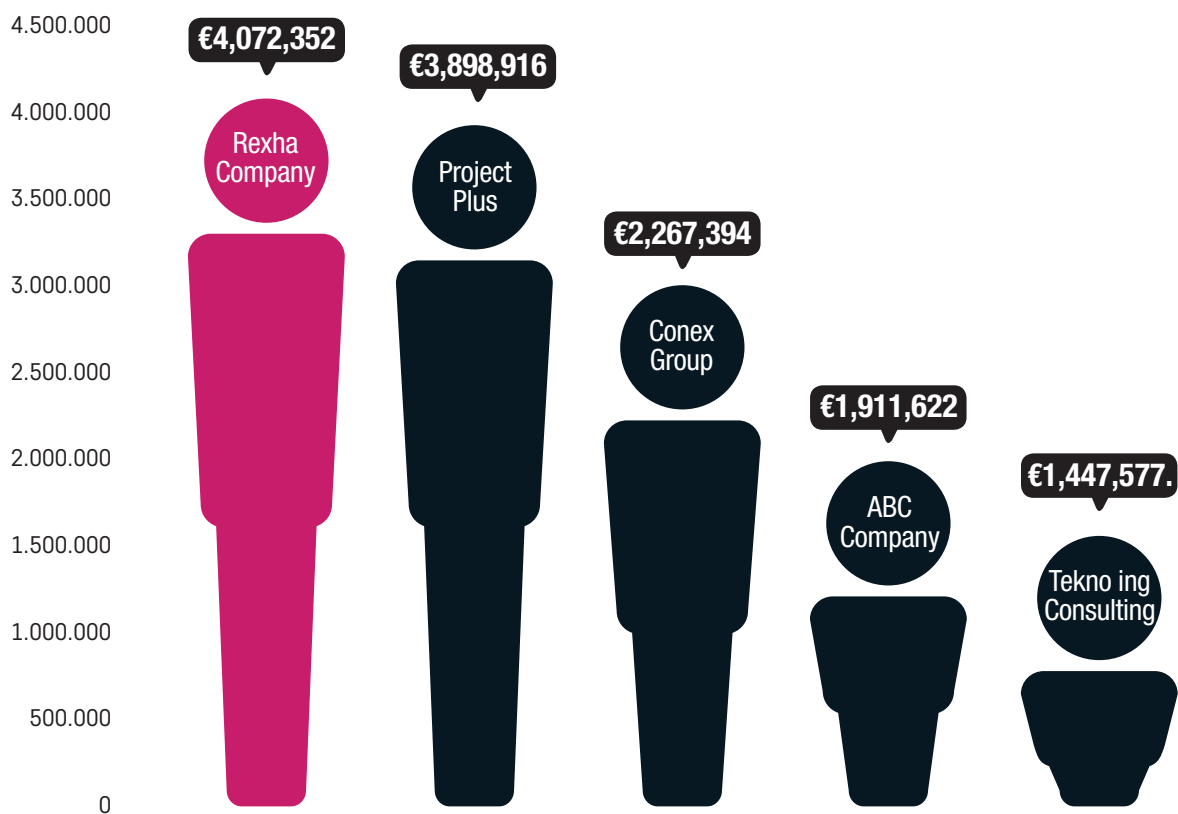
Although “Vizion Project” won the highest number of tenders, the company with the highest amount of realized tenders is “Rexha Company”. During 2010-2015 “Rexha Company” got € 4,072,352 from public tenders. Other companies from the top five are: Project Plus” with € 3,898,916, “Conex Group” with € 2,267,394, “ABC Company” with € 1,911,622 and “Tekno ing Consulting” with € 1,447,577.

Companies tha won most tenders



- During 2010-2015 “Rexha Company” got € 4,072,352 from public tenders.
- Other companies from the top five are: Project Plus” with € 3,898,916,
- “Conex Group” with € 2,267,394, “ABC Company” with € 1,911,622 and
- “Tekno ing Consulting” with € 1,447,577.

Amount spent through Public Procurement



GENERAL AUDIT OFFICE FINDINGS IN THE MUNICIPALITY OF GRAČANICA/GRAČANICĚ

2010

After checking the documentation in the Municipality for 2010, GAO emphasizes the following:

- The Municipality did not have a final procurement plan for 2010;
- The Municipality does not have a final list of procurement of goods for 2010;
- The documentation related to procurement cases is incomplete;

While checking on some procurements of goods and services, the auditor found some shortages in the procurement procedures such as:

- Lack of proper documentation while receiving goods;
- Lack of delivery notes attached to invoices;

The said shortages are a result of insufficient controls in the field of procurement. Poor control is particularly noticeable in annual procurement planning and in the registration of procurement activities. Due to no annual procurement plan, the Municipality carried out ad hoc activities. As a result of this, there was a certain inefficiency of use of public funds.

2011

Some processes are not properly defined, such as the monitoring process, the delegation of duties and the verification process. The lack of rules and internal procedures and the mistakes in the implementation of procedures caused shortages in the procedures of control as well.

The GAO recommendation from the previous year regarding the documentation during the receipt of goods was not addressed. As a result of that, there were specific irregularities in terms of the realization of public procurement.

In the process of review and monitoring, GAO found the following:

- Lack of documentation;
- Delays in carrying out the works are key remarks of GAO for the Municipality

GAO found substantial shortages in field control which, as a result, produced delays in carrying out the works. In order to have more success in this sector, GAO recommends to the Mayor that:

- Annual procurement plans are drafted and submitted in time;
- Measures for internal control of procurement are taken, so that all procurement activities are implemented in line with LPP.
- Management and project control are strengthened, in order to implement works and services within the contracted timeframe.

2012

The recommendation for annual procurement plans was addressed this year, and the Municipality drafted and submitted the plans on time. In light of this, the procurement sector seems to have done a better job in 2012. One comment of the GAO was that in 4 cases, the Municipality signed contracts without committing the necessary funds.

In relation to this, GAO recommended the Mayor to commit enough funds prior to the realization of procurement.

2013

GAO tested 8 samples of public procurement in the Municipality. In some tenders, there were delays in the execution of payments, while other tenders lacked documentation.

Failure to follow common procedures and delays in the execution of payments increase the risk of inefficient spending of public procurement budget. These cases show that the Municipality is still facing difficulties.

GAO recommends the Mayor to carry out internal analysis and see why some specific procurement requirements are not addressed in all procurement cases, and carry out broad controls in order to make sure that the shortages are identified and addressed effectively.

2014

After checking the documentation in the Municipality of Gracanica for 2014, GAO emphasizes the following difficulties:

GAO analyzed 9 contracts and 27 payments and identified common shortages related to the failure to address the requests, and lack of an efficient control in place, which was the recommendation of the previous year.

The Municipality did not have a contract management plan for five (5) contracts in the field of works.

COMPLAINTS TO THE PROCUREMENT REVIEW BODY (PRB)

During 2010-2015, the PRB received 13 complaints showing a failure to implement tender procedures and irregularities in the Municipality Gračanica/Gračanicë.

The PRB report related to allegations dealing with irregularities in the process of the realization of tenders in the Municipality during 2010-2015, show that out of 13 complaints, 2 were withdrawn after a certain period of time, and only 11 were partially approved. The partially approved complaints were those which were not approved by courts due to lack of adequate evidence. In most cases, the complaints dealt with inadequate transparency of tenders, as well as failure to fulfill the criteria set by the Municipality.

No. of complaints

13

Withdrawn complaints

2

Complaints are not credible

0

Partially approved

11

Approved complaints

0

THE FINANCING OF POLITICAL SUBJECTS

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

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

From 2019 to 2015, the Municipal Assembly of Gračanica/ Gračanicë is predominantly consisted of SLS members.

During the period from 2009-2012, the SLS declared only one external donation in the amount of € 3,000. This donation was received contrary to the requirements of Article 5 of the Regulation 2004 on Money Laundering, respectively Law no. 03/L-196 on Prevention of Money Laundering and Political Party Funding.

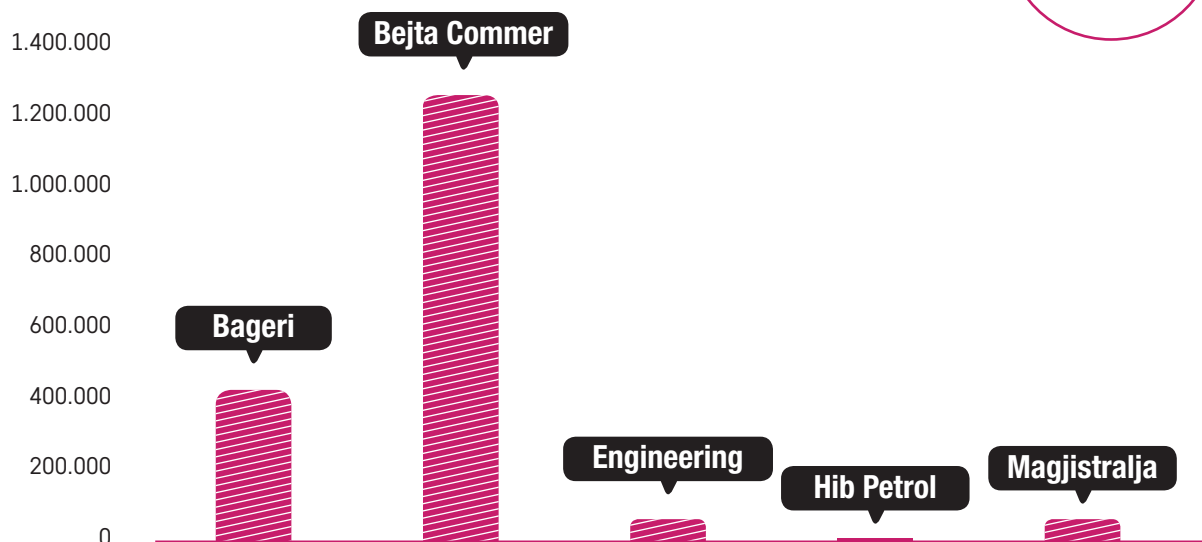
Links between business and politics

Using the data obtained from the PPRC and the data from the financial statement, we have identified five companies which financed political parties and won tenders from the Municipality.

Four companies financed the PDK, which was in coalition with the SLS for a long time on a central level. One company financed "FER" which no longer exists.

These companies won 12 tenders with the total amount of € 1,731,029.

Political party founders who won tenders form Gračanica



CONCLUSIONS AND RECOMMENDATIONS

The Municipality of Gračanica/Graçanicë faces many problems related to planning, operations, and budget reporting. The audit report, which was carefully analyzed, reflects numerous problems which affect the functional budget operation, especially in terms of budget planning and realization.

Failure to implement adequate procurement procedures and requirements, as well as poor contract management could cause financial losses and irregular payments.

While checking on some procurements of goods and services, the auditor found some shortages in the procurement procedures such as:

- Lack of proper documentation while receiving goods;
- Lack of delivery notes attached to invoices;

The said shortages are a result of insufficient controls in the field of procurement. Poor control is particularly noticeable in annual procurement planning and in the registration of procurement activities. Due to no annual procurement plan, the Municipality carried out ad hoc activities. As a result of this, there was a certain inefficiency of use of public funds.

Failure to follow common procedures and delays in the execution of payments increase the risk of inefficient spending of public procurement budget. These cases show that the Municipality is still facing difficulties.

GAO found 4 cases in the Municipality where contracts were signed without committing necessary funds. In relation to this, GAO recommended the Mayor to commit enough funds prior to the realization of procurement.

The Mayor should see why procurement requirements were not implemented in the above cases, and should make sure that these shortages do not occur again. The

Mayor should improve the budget planning and all services should be planned within the category of Goods and Services.

All these issues are related to budget planning, with a special emphasis on planning of Goods and Services with the aim of an efficient use of funds. Also, there was failure to monitor procurement procedures and meet the financial requirements, which could result in potential fictive payments.

Taking into consideration the recommendations throughout years, we consider that the external auditor recommendations should be addressed through a systematic process. This would help the addressing of such problems, and would contribute to the prevention of such problems in the future.

