



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE ANTI - CORRUPTION AGENCY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Prishtina, June 2018

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

Our Mission is through quality audits to strengthen accountability in public administration for an effective, efficient and economic use of national resources.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with internationally recognized public sector auditing standards and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Anti - Corruption Agency in Consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Faik Thaqi (Team Leader) and Nora Rashiti-Nishefci (team member) under the management of the Head of Audit Department Astrit Bllaca.

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Executive Summary

This report summarises key issues arising from our audit of the Anti - Corruption Agency for 2018, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2018 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures that were necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in the External Audit Plan dated 06.05.2019.

Our audit focus has been on:



The level of work undertaken to carry out the audit was determined depending on the quality of internal controls implemented by the Management of the Anti - Corruption Agency.

Opinion of the Auditor General

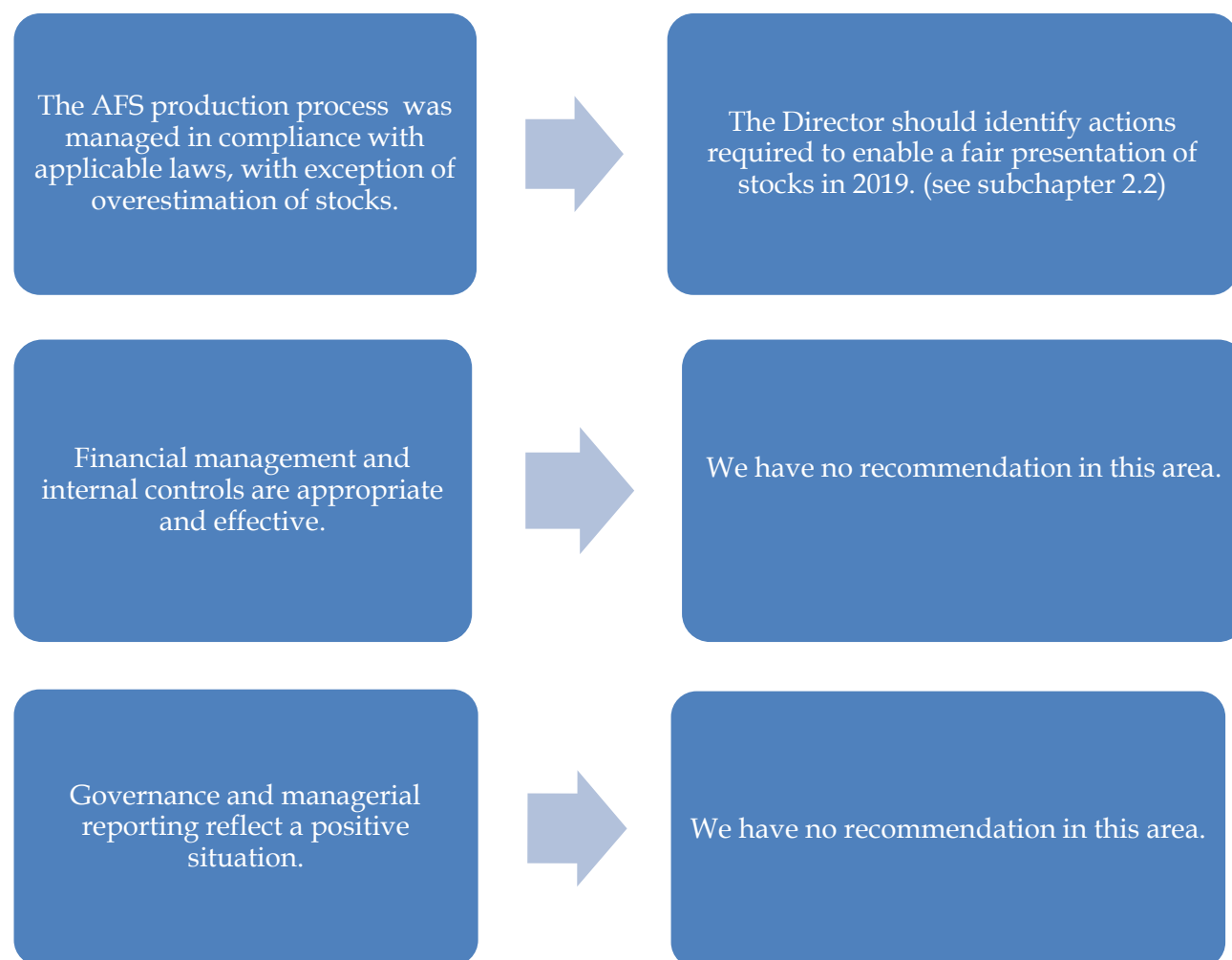
Unmodified Opinion

The Annual Financial Statements for 2018 *present a true and fair view* in all material aspects.

For more details, refer to Section 2.1 of this report.

Annex I explains different types of Opinions in line with ISSAIs.

Conclusions and Recommendations



Management's Response on 2018 audit

The Director of the Anti - Corruption Agency has agreed with audit findings and conclusions and has committed to address a given recommendation.

The National Audit Office appreciates the cooperation of the management and personnel of the Anti - Corruption Agency during the audit process.

1 Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records, as follows:

- 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;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether have been taken appropriate actions for implementation of audit recommendations.

Audit work undertaken is based on risk assessment. We have analysed the business of Anti - Corruption Agency (ACA), the level of reliance on management controls, in order to determine the level of detailed testing required to provide the necessary evidence and that support the opinion of the AG.

Our procedures have included a review of internal controls, accounting systems and related substantive tests, as well as related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following sections provide a detailed summary of our audit findings and recommendations in each area of review.

2 Annual financial statements and other external reporting obligations

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information presented in the AFS, including the declaration made by the Chief Administrative Officer and Chief Financial Officer.

The declaration on presentation of AFS includes a number of assertions relating to the compliance with the reporting framework and the quality of information within the AFS. These assertions intend to provide assurance to the Government that all relevant information has been provided to ensure that an audit process can be undertaken.

2.1 Audit Opinion

Unmodified Opinion

We have audited the AFS of the Anti - Corruption Agency for the year ended on 31st of December 2018, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2018 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

Basis for the opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

Responsibility of Management for AFS

The Director of the Agency and the Chief Financial Officer are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

The Director of the Agency is responsible to ensure oversight of ACA's financial reporting process.

Auditor General's responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

2.2 Compliance with AFS and other reporting requirements

From ACA is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action plan for addressing of recommendations;
- Requirements of Financial Management and Control (FMC) procedures; and
- Final Procurement Plan for 2018.

In the context of the AFS we have identified the following incompliances.

- *At Article 19.3.3* - Stocks were presented in the amount of €49,091. Out of these, the amount of €41,194¹ is non-capital asset that was depreciated and was out of use. This was because assets were placed in the warehouse and upon their registration as stocks, was placed the original purchase value.

Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the **draft** AFS are submitted to the Ministry of Finance is considered correct, with exception of presentation of stocks.

In the context of external reporting requirements, we have no issue to raise

¹ Computers in the amount of €15,614, furniture €6,881, other equipment €6,202, landline telephones €4,098 and IT equipment €8,399.

2.3 Recommendations related to the Annual Financial Statements

For the above-mentioned issue is given the recommendation:

Recommendation A1 The Director of the Agency should ensure that is established a commission that handles assets out of use under the Article 9 - alienation of assets, of the Regulation 02/2013 on Management of Non-Financial Assets in Budget Organizations, and should fair presentation of the value of stocks in the AFS of 2019.

3 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources as well as assets and liabilities.

Financial Management and Control Conclusion

ACA has good controls in relation to its statutory obligations. Financial management and control reflects qualitative review and assurance in implementation of applicable legislation.

3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and by economic categories. This is highlighted in the following tables:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2018 Outturn	2017 Outturn	2016 Outturn
Sources of Funds	522,667	515,527	494,041	442,656	431,925
Government Grant -Budget	522,667	515,527	494,041	442,656	430,139
External donations	0	0	0	0	1,786

The final budget compared to the initial budget was decreased by €7,140. This increase was as a result of budget movements under the Government Decisions for unspent funds.

In 2018 ACA has spent 96% of the final budget or €494,041, with an improvement of 4% compared to 2017. Budget execution remains at a satisfactory level.

² Final budget – the budget approved by the assembly, which was subsequently adjusted for by the Ministry of Finance.

Table 2. Spending of funds by economic categories - (in €)

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
Spending of funds by economic categories	522,667	515,527	494,041	442,656	431,925
Wages and Salaries	375,259	371,979	371,979	358,296	354,709
Goods and Services	108,908	108,908	92,598	81,636	74,610
Utilities	8,500	4,640	2,635	2,724	2,606
Capital investments	30,000	30,000	26,829	0	0

Explanations for changes in budget categories are given below:

- The final budget for wages and salaries was reduced by €3,280 with Government Decision no. 07/80 as unspent funds. Budget for this category was spent at 100%;
- The final budget for goods and services did not change from the initial one. The budget was spent about 85%;
- The final budget for utilities was reduced by €3,860, with Government decision. The budget for this category was spent at 57%. The reason behind the low budget execution for this category is reduction in phone expenditures; and
- The final budget for capital investments did not change from the initial one. The final budget for this category was executed at 89%.

3.1.1 Wages and Salaries

Wages and Salaries are paid through a centralised payment system that is managed by MPA and MoF. Key controls that confirm the accuracy and completeness of the payments are the payroll lists which are signed by heads of organisational units.

Expenditures for Wages and Salaries during 2018 were €371,979 or 100%. The approved number of employees at ACA was 40, and this number was complete at the end of the year.

Recommendations

We have no recommendations in this area.

3.1.2 Goods and Services and Utilities

The final budget of Goods and Services and utilities in 2018 was €113,548, out of which were spent €95,233 or 84%. Largest part of expenditures in these categories include operating costs such as official travel, mobile phone expenses, education and training costs, office supplies, building security, etc.

Recommendations

We have no recommendations in this area.

3.1.3 Capital investments

The final budget for capital investments was €30,000, out of which in 2018 were spent €26,829. These expenditures relate to the purchase of a vehicle where the Central Procurement Agency (CPA) conducted the procurement procedures.

Recommendations

We have no recommendations in this area.

3.2 Capital and non-capital assets

Capital assets over €1,000 presented in the AFS for 2018 were €56,815, assets under €1,000 in the amount of €28,564, and stocks in the amount of €49,090. ACA had established the Inventorying Commission and the Commission for the Evaluation of Non-Financial Assets. From our testing, we have identified the following irregularities:

Issue C1 Non-depreciation of non-financial assets

Finding

According to Article 6, clause 4 of the Regulation MoF no. 02/2013 on the Management of Non-Financial Assets in Budget Organizations - The Chief Administrative Officer should create an accounting register of non-financial assets where besides the information required by the LPFMA will be included also the category and depreciation of the current year and the accumulated one.

ACA has registered three³ assets since 2014 in KFMIS in incorrect codes (office supplies), and as a result these assets were not depreciated by the system. The value of these assets is €4,470, while according to calculations made the depreciation of these assets by the end of 2018 would have been €2,281.

Risk

Due to incorrect recording assets were not depreciated, which has resulted in overestimation of ACA assets.

Recommendation C1 The Director of the Agency should ensure that are done corrections in assets registration so that are applied correct depreciation rates.

3.3 Outstanding liabilities

For 2018 all liabilities owed to suppliers were paid. In general, ACA has good controls in managing outstanding liabilities. The Ministry of Public Administration pays utilities as the Ministry of Public Administration manages facility of ACA.

Recommendations

We have no recommendations in this area.

³ "Mending of Veranda in the amount of €1,530, "Billbord" in the amount of €1,740 and "3D advertisement" in the amount of €1,200.

4 Good Governance

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, and coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

Governance in ACA related to accountability and the quality of managerial reporting reflects a positive situation, in general has good controls in relation to its legal obligations. Financial management and control has proved a good process of review and assurance in implementation of legislation and other control processes.

ACA has generally good controls in relation to its legal obligations. Financial management and control have proved a good process of review and assurance in implementation of legislation and other processes of control.

4.1 Internal Audit System

According to the AI No.23/2009 on establishment of the Internal Audit Unit, ACA does not fulfil the criteria for establishment of an IAU.

Recommendations

We have no recommendations in this area.

4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, oversee activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent manner. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

Governance in ACA in the area of managerial reporting and accountability, as well as risk management reflects a positive situation. In addition, ACA had drafted a strategic plan and the register of risks that may face, and the measures it can undertake to achieve its objectives.

5 Progress in implementing recommendations

Our audit report on the AFS for 2017 of ACA has resulted in two recommendations. ACA had prepared an Action Plan showing how it will implement recommendations given by the National Audit Office.

By the end of our 2018 audit, one recommendation was implemented and one was partially implemented. For a more complete description of the recommendations and how they are handled see Table 3.

Table 3. Summary of prior year recommendations and of 2018

No.	Audit area	Recommendations of 2017	Actions taken	Status
1	Capital and non-capital assets	The ACA Director should ensure that proper asset registration is carried out in order to apply the correct depreciation rates. Further on, inventory and evaluation committees should be established in accordance with the regulation on asset management, in order to carry out fair and comprehensive evaluation of all non-capital assets.	The first point of the recommendation was fully implemented, as the Management had taken actions to establish the Inventory Commissions. Whereas, the second point regarding the registration of assets in incorrect codes had not yet been implemented.	Partially implemented
2	Management Reporting, Accountability and Risk Management	The ACA Director should ensure that the requirements of FMC are met, paying specific attention to the preparation of the risk register and its management, in order to prevent the risks that hinder the achievement of the organization's objectives. The risk-based registry should be	ACA has drafted the risk plan, Action Plan and Anti-Corruption Strategy.	Implemented

		reviewed regularly on a quarterly basis to determine whether actions have been undertaken as planned, and whether any changes in risk assessments have been made. The revised risk register should be extracted after each review and updated as needed.		
No.	Audit area	Recommendations of 2018		
1	Recommendations related to the Annual Financial Statements	The Director of the Agency should ensure that is established a commission that handles assets out of use under the Article 9 - alienation of assets, of the Regulation 02/2013 on Management of Non-Financial Assets in Budget Organizations, and should fair presentation of the value of stocks in the AFS of 2019.		
2	Capital and non-capital assets	The Director of the Agency should ensure that are done corrections in assets registration so that are applied correct depreciation rates.		

**This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail*

Annex I: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

Form of opinion

147. The auditor should express **an unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor should modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705¹⁹ provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

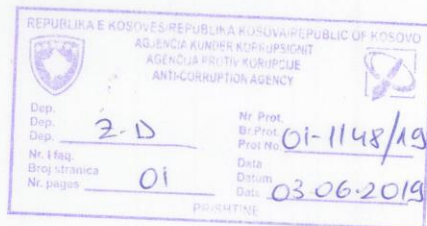
158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;

- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

Annex II: Letter of confirmation



REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/REPUBLIC OF KOSOVA

AGJENCIA KUNDËR KORRUPSIONIT

AGENCIJA PROTIV KORUPCIJE

ANTI - CORRUPTION AGENCY

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për periudhën për vitin 2018 dhe për implementimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Raportit (Pasqyrave) Financiar të Agjencisë Kundër Korrupsionit, për periudhën e përfunduar me më 31 dhjetor 2018 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

z. Shaip Havolli

Drejtore i Agjencisë Kundër Korrupsionit

Data: 31.Maj.2018, Prishtinë,

