



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

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**AUDIT REPORT**

**ON THE KOSOVO PROPERTY COMPARISON AND  
VERIFICATION 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 Kosovo Property Comparison and Verification 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 Senver Morina (Team Leader) and Besa Morina (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 Kosovo Property Comparison and Verification 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 20.11.2018.

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 Kosovo Property Comparison and Verification Agency.

### Opinion of the Auditor General

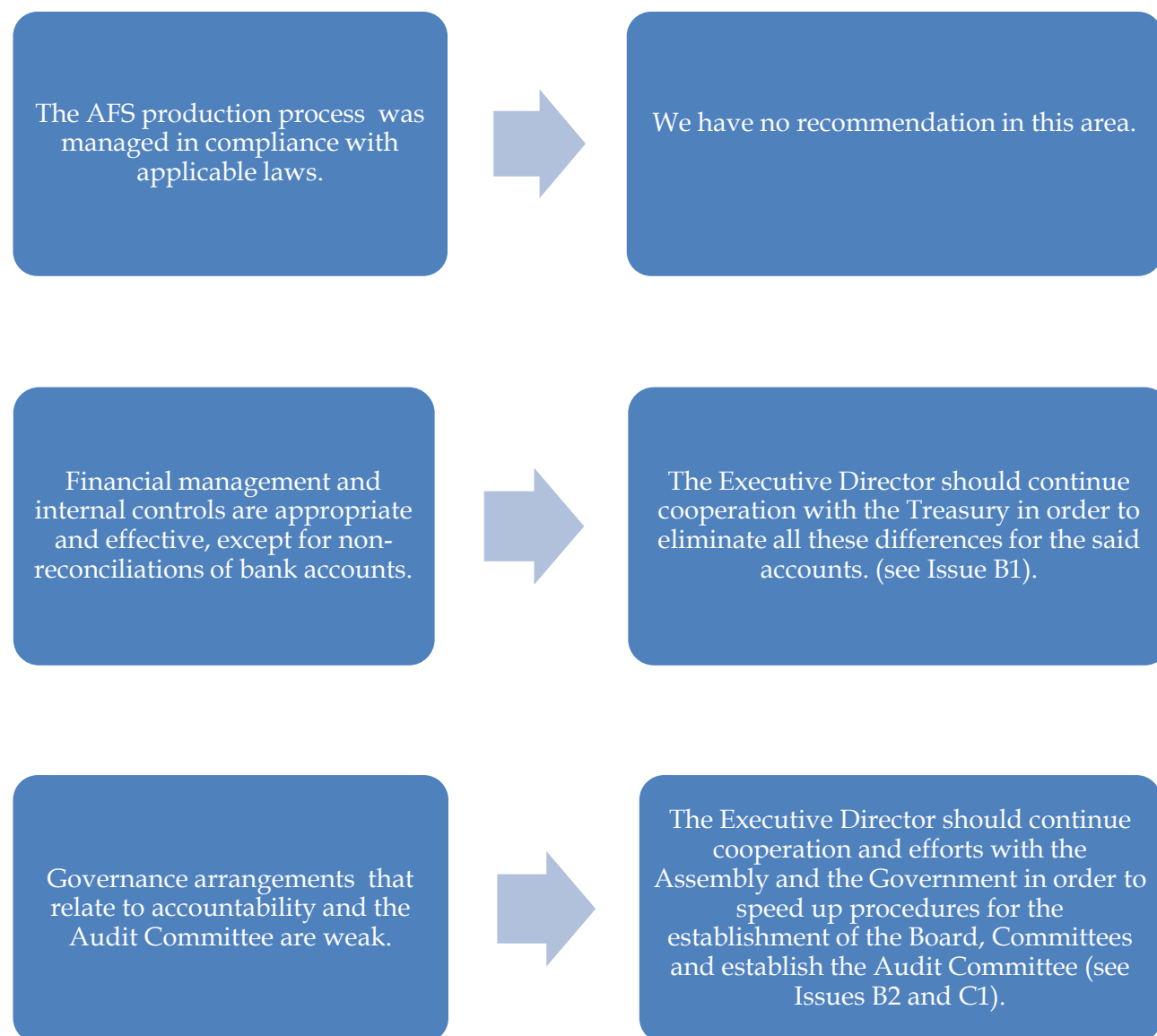
#### Unmodified Opinion

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

Executive Director has agreed with audit finding and conclusions and has committed to address a given recommendation.

The National Audit Office appreciates the cooperation of the management and personnel of the KPCVA 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 Kosovo Property Comparison and Verification Agency (KPCVA), 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 Kosovo Property Comparison and Verification Agency for the year ended on 31<sup>st</sup> 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 31<sup>st</sup> 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 Executive Director 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 Executive Director is responsible to ensure oversight of KPCVA'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 KPCVA 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 on implementation of recommendations;
- Requirements of Financial Management and Control (FMC) procedures.
- Final Procurement Plan; and
- Reports on Outstanding Liabilities.



In the context of the AFS and other external reporting requirements, we have no issues to raise.

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.

## 2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

## 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

In the context of financial systems, controls over the expenditures and revenues are generally appropriate, and are being implemented effectively, except for non-reconciliation of bank accounts.

### 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 <sup>1</sup> | 2018 Outturn     | 2017 Outturn     | 2016 Outturn     |
|--------------------------|------------------|---------------------------|------------------|------------------|------------------|
| <b>Sources of Funds</b>  | <b>2,864,609</b> | <b>2,729,373</b>          | <b>2,611,935</b> | <b>1,698,144</b> | <b>1,853,112</b> |
| Government Grant -Budget | 2,864,609        | 2,729,373                 | 2,611,935        | 1,697,143        | 1,711,257        |
| External donations       | -                | -                         | 0                | 0                | 140,402          |
| Trust deposits           | -                | -                         | -                | 1,001            | 1,453            |

The final budget compared to the initial budget was reduced by €135,236. This decrease is a result of Government's Decisions for budget savings.

In 2018, KPCVA has spent 95% of the final budget with a percentage as in 2017. Budget execution remains at a satisfactory level, and below are given explanations for the current position.

<sup>1</sup> 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     |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Spending of funds by economic categories</b> | <b>2,864,609</b> | <b>2,729,373</b> | <b>2,611,935</b> | <b>1,698,144</b> | <b>1,853,112</b> |
| Wages and Salaries                              | 1,230,441        | 1,121,422        | 1,121,422        | 1,132,216        | 1,259,690        |
| Goods and Services                              | 1,163,645        | 1,163,645        | 1,068,990        | 494,212          | 505,109          |
| Utilities                                       | 88,523           | 75,633           | 53,582           | 68,221           | 69,702           |
| Capital investments                             | 382,000          | 368,673          | 367,943          | 3,495            | 18,611           |

Explanations for changes in budget categories are given below:

- The final budget for wages and salaries compared to the initial budget was reduced by €109,019 as a result of government savings. This budget reduction for this category has occurred as a result of 52 unfilled vacant positions. The final budget for this category was spent at 100%;
- The final budget for goods and services did not change from the initial one, this budget was spent at 92%. KPCVA has transferred assets in the amount of €600,000 in the form of expense out of the account of goods and services to the deposits account. In the KFMIS, this figure is presented as an expenditure in the category of goods and services (cash outflow), but this expenditure really did not occur as funds were transferred to the deposits account. This transfer is also foreseen under Article 11, clause 2 of the Budget Law for 2018;
- The final budget for Utilities was reduced by €12,890 as a result of budget savings with Government decision. Despite budget reductions, KPCVA had managed to spend only 71% of the final budget. This has happened due to some changes that have taken place in regional offices such as: reduction of telephone expenses, virtualization of servers, and the change of heating system from the electricity one to the fuel system; and
- The final budget for capital investments compared to the initial budget was reduced by €13,327 as a result of budget savings by the Government decision. The final budget for capital investment was spent around 100%.

### 3.1.1 Revenues

Revenues collected by the Agency in 2018 were in the amount of €16,643. They relate to administrative fees by 10%, for administration of properties, namely the amount collected from rent.

Table 3. Revenues (in €)

| Description  | Receipts 2018 | Receipts 2017 | Receipts 2016 |
|--------------|---------------|---------------|---------------|
| Revenues     | 16,643        | 43,774        | 20,804        |
| <b>Total</b> | <b>16,643</b> | <b>43,774</b> | <b>20,804</b> |

In relation to the previous year, we have a decrease of revenues by €27,131 because as of 18.05.2018, the Agency has suspended temporarily the process of property administration and the lease scheme, until the completion of the amendment-supplement of the Law on the Agency, through which is foreseen extension of the deadline for administration of properties. These revenues have been transferred to the Kosovo Budget.

In addition, KPCVA manages bank accounts as trust-deposit funds for the Lease Scheme and the Compensation Scheme. For the lease scheme, funds carried forward from 2017 were in the amount of €823,854, while inflow for 2018 were €171,282 and outflows €223,571.18. The balance at the end of 2018 was €771,565. For the Compensation Scheme there was no funds carried forward from the previous year, while inflows in 2018 were €600,000.

The total balance of trust deposits for both schemes at the end of 2018 was €1,371,565. During the testing we have identified as follows:

#### Issue B1<sup>2</sup> - Non-reconciliations between bank accounts in CBK and KFMIS

**Finding** The value of three bank accounts of trust funds, which are under the management of the Agency, even this year continue having the same differences with those in the KFMIS. The remaining difference was in the amount of €7,300. From these: the rent account in CBK differs from the one in the KFMIS by €1,554; deposits with €7,179 and inventory<sup>3</sup> by €1,675.

These inconsistencies were because registrations by CBK for provision and interest were not transferred to the KFMIS during 2006-2009.

**Risk** Failure to reconcile bank accounts with data in the KFMIS results in the misunderstanding of the financial position of the Agency, and with incomplete information for users of financial reports.

**Recommendation B1** The Executive Director should continue cooperation with the Treasury in order to eliminate all these differences for the said accounts.

<sup>2</sup> Issue A and Recommendation A - means new issues and recommendations

Issue B and Recommendation B - means repeated issues and recommendations

Issue C and Recommendation C - means partially repeated issues and recommendations.

<sup>3</sup> Fund from properties without owner

### 3.1.2 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 €1,121,000. The approved number of employees at KPCVA was 242, while the current number of employees at the end of the year was 190. This difference of 52 employees is a result of lack of board members, respective commissions, and lack of a new organizational structure, which has also hindered the recruitment of staff to fulfil the mission deriving from the new law.

#### Recommendations

We have no recommendations in this area.

### 3.1.3 Goods and Services and Utilities

The final budget for goods and services including utilities in 2018 was €1,239,278. Out of these were spent €1,112,572, which mainly relate to rental expenses, building security, office equipment, maintenance costs, etc. In this expense is also the transfer of funds in the amount of €600,000 in the form of expenditure from the account of goods and services to the deposits account.

#### Recommendations

We have no recommendations in this area.

### 3.1.4 Capital investments

The final budget for capital investments was €368,673, out of which were spent €367,943. Expenditures for this category were for purchasing of IT equipment.

#### Recommendations

We have no recommendations in this area.

## 3.2 Capital and non-capital assets

The net value of assets (over €1,000) of KPCVA disclosed in the AFS was €357,761, while the value of non-capital assets (under €1,000) was €49,063, and the value of stocks was €21,093. We have reviewed whether the registration process and recordkeeping is in compliance with the requirements of the MoF Regulation No. 02/2013 on Management of non-Financial Assets of Budget Organizations, inventorying process, depreciation and physical existence of assets.

#### Recommendations

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We have no recommendations in this area.

### 3.3 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2018 was €15,452. These liabilities are carried forward to be paid in 2019. In general KPCVA has good controls over the management of liabilities.

#### **Recommendations**

We have no recommendations in this area.

## 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

KPCVA in general has good controls compared to its legal liabilities. Financial management and control has proved a good process of review and assurance in implementation of legislation and other processes of control.

The Agency has constantly made efforts to improve the governance part, yet there are still challenges that the Agency continues to face and which require improvement in the area of governance, such as: consolidation of functional bodies, challenge for which do not depend directly from the Agency (Oversight Board, Property Verification and Adjudication Commission and the Property Claims Commission); update of Organizational Structure in line with the mandate and its mission, as well as establishment of the Audit Committee.

## 4.1 Internal Audit System

The Internal Audit Unit (IAU) operates with one staff member, who is also the Director of the IAU. IAU had drafted the Strategic Plan 2017-2019 and the Annual Work Plan wherein are included units and areas with high sensitivity, which were planned to be audited. For 2018 were planned and carried out six audits. Audits covered the area of administration, transportation, assets management, human resources, finance unit and the procurement unit. For each audited unit, was prepared a management action plan, wherein actions to be undertaken were described and the period of implementation of recommendations. By the IAU were given 19 recommendations, out of which 12 have been implemented and seven are in the process of being addressed.

### Issue B2 – Failure to establish the Audit Committee

**Finding** Law on Internal Control of Public Finances no. 06/L-021, Article 20 stipulates the rules for establishment of an Audit Committee (AC), which is an independent advisory body for the head of the public sector entity, and supporter of internal auditors.

KPCVA had not established the Audit Committee for 2018. The reason for not establishing the AC was the awaiting of the Administrative Instruction MF-01/2019 on the Establishment and Functioning of the AC.

**Risk** Due to inoperable Audit Committee will results in a lack of monitoring of the IAU's work to provide support to management's decision-making and to ensure that audit recommendations are received and implemented.

**Recommendation B2** The Executive Director should ensure that the Audit Committee is established as foreseen under the Law no. 06/1-021.

## 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.

Management has implemented a number of internal controls to ensure that systems operate as intended, we have noticed that the measures applied are good and effective and provide an effective and timely response to the identified operational problems.

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**Issue C1 - Challenges in fulfilling the mission and objectives of the Agency****Finding**

According to Article 6 of Law No. 05/L-010 on KPCVA, the Oversight Board of the Agency consists of 5 members. Their appointment is based on the Law No. 04/L-274 (with amendments and supplements) where two members are appointed by the Assembly of the RK as per recommendation of the Prime Minister, and three members are appointed by the Special Representative of the European Union:

- KPCVA has operated without an Oversight Board from July 2017 until October 2018. The Board has so far has been missing two local and one international member. In October, an international member was appointed as the Chairman of the Board, but he resigned in February 2019.

According to Article 8 of Law No. 05/L-010, is required establishment of the Property Claims Commission (PCC) and under Article 9 establishment of the Property Verification and Adjudication Commission (PVAC):

- Even in 2008 was not established the Property Verification and Adjudication Commission and the Property Claims Commission within the Agency, as key bodies for full implementation of its mandate. This has happened due to non-appointments and approvals by the Kosovo Assembly of the full number of members in respective Commissions (including local and international members).

Despite the efforts, KPCVA had not managed to update the Organizational Structure, in accordance with the new mandate and mission.

**Risk**

Failure to fulfil key managerial and supervisory positions within the Agency results in reduction of administrative effectiveness and achievement of its mission and objectives. In addition, failure to update the Organizational Structure may result in deviations in the internal control system.

**Recommendation C1** The Executive Director should continue cooperation and advance efforts with the Assembly and the Government to speed up procedures for establishment of the Board and Commissions. Establishment of these bodies would ensure effective decision-making and would accelerate the process of approvals of the new organizational structure and filling vacancies under the budget.

## 5 Progress in implementing recommendations

In the audit report for 2017 are given six recommendations, for which KPCVA has prepared the plan for their implementation. By the end of our 2018 audit, two recommendations were implemented, one was in the process of implementation, two were not addressed, and one recommendation was considered as closed. For a more complete description of the recommendations and how they are addressed see Table 4.



Table 4 Summary of prior year recommendations and of 2018

| No | Audit area                                    | Recommendations of 2017  | Actions taken   | Status                |
|----|---|--|---|-----------------------|
| 1  | Budget planning and execution                 | Acting Deputy Director should ensure that is carried out an assessment of causes related to obstacles encountered in the process of implementation of capital projects, and that such practices are not repeated. Performance of capital projects should be monitored on monthly basis and timely address identified obstacles that hinder implementation of capital projects. | KPCVA has implemented on time capital projects planned for 2018.                                | Implemented.          |
| 2  | Revenues                                      | The Acting Deputy Director should continue further cooperation with the Treasury, for the purpose of fully eliminating these differences for the accounts in question.   | KPCVA has not implemented the recommendation yet, despite the constant efforts.                 | Not Implemented       |
| 3  | Personnel management                          | The Acting Deputy Director should ensure that all actions are taken to make a sustainable solution and in accordance with legal requirements. A management practice with Acting should overcome as it has a decisive impact on the functioning of controls and achievement of objectives.  | Due to lack of Board, was not possible to take actions to fill vacant positions.                | Implemented           |
| 4  | Progress in implementing recommendations      | The Acting Deputy Director should review and analyse the causes of unimplemented recommendations, and determine a new timeframe with the staff responsible for implementing the recommendations with initial focus on the most important areas. Implementation should be monitored continuously.   | KPCVA out of six recommendations given, three are not implemented yet.                          | Recommendation closed |
| 5  | Internal audit system                         | Management of the Agency should establish the AC within a short period of time so that the work of IAU is monitored and is effective through the implementation of recommendations.  | KPCVA had not taken any actions for establishment of the Audit Committee.                       | Not Implemented       |
| 6  | Management reporting, accountability and risk | The Acting Deputy Director should continue cooperation and further efforts with the Assembly and Government to speed up the procedures for the establishment of the Board, Commissions and Executive Director. The establishment of these bodies would ensure  | In the absence of the board, it was not possible to take action to implement the recommendation | Partially implemented |

|        |  |   |   |  |
|--------|--|---|---|--|
|        | managem<br>ent   | effective decision-making and would speed up the process of approving the new organizational structure and filling in the jobs according to the budget.   | n. KPCVA has approved the Strategy and the Action Plan for 2018-2020. |  |
| N<br>o | Audit<br>Area  | Recommendations given in 2018.  |   |  |
| 1      | Revenues   | The Executive Director should continue cooperation with the Treasury in order to eliminate all these differences for the said accounts.   |   |  |
| 2      | Internal<br>audit<br>system  | The Executive Director should ensure that the Audit Committee is established as foreseen under the Law no. 06/1-021.  |   |  |
| 3      | Managem<br>ent<br>reporting,<br>accountab<br>ility and<br>risk<br>managem<br>ent | The Executive Director should continue cooperation and advance efforts with the Assembly and the Government to speed up procedures for establishment of the Board and Commissions. Establishment of these bodies would ensure effective decision-making and would accelerate the process of approvals of the new organizational structure and filling vacancies under the budget. |   |  |

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

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## 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.

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*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 1705<sup>19</sup> 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



AGJENCIA KOSOVARE PËR KRAHASIM DHE VERIFIKIM TË PRONËS  
KOSOVSKA AGENCIJA ZA UPOREĐIVANJE I VERIFIKACIJU IMOVINE  
KOSOVO PROPERTY COMPARISON AND VERIFICATION AGENCY



Per verifikim të pronës private • Za verifikaciju privatne imovine • For private property verification

REF00591/19

## LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2018 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

|   |           |           |           |
|---|-----------|-----------|-----------|
| REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO |           |           |           |
| ZYRA KOMBËTARE E AUDITIMIT                              |           |           |           |
| NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE |           |           |           |
| 30.05.2019  |           |           |           |
| Nr. Prot.   | Nr. Prot. | Nr. Prot. | Nr. Prot. |
| Br. Prot.   | Br. Prot. | Br. Prot. | Br. Prot. |
| Br. Prot.   | Br. Prot. | Br. Prot. | Br. Prot. |
| Br. Prot.   | Br. Prot. | Br. Prot. | Br. Prot. |
| 05  | 42        | 820       | 1         |

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Agjencisë Kosovare për Krahasim dhe Verifikim të Pronave për vitin e përfunduar 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 zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

z. Naser Shala

Drejtore i Sekretarisë Ekzekutive të Agjencisë Kosovare për Krahasim dhe Verifikim të Pronave

Data: 30.maj.2019, Prishtinë,

