



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE PRIVATISATION AGENCY OF KOSOVO
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2018

Prishtinë, June 2019

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 Privatisation Agency of Kosovo 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 Kreshnike Haziri (Team Leader) and Shqiponja Krasniqi (team member) under the management of the Head of Audit Department Astrit Bllaca.

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Executive Summary

Report summarises the key issues arising from our audit of the Privatisation Agency of Kosovo 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 Privatisation Agency of Kosovo.

Opinion of the Auditor General

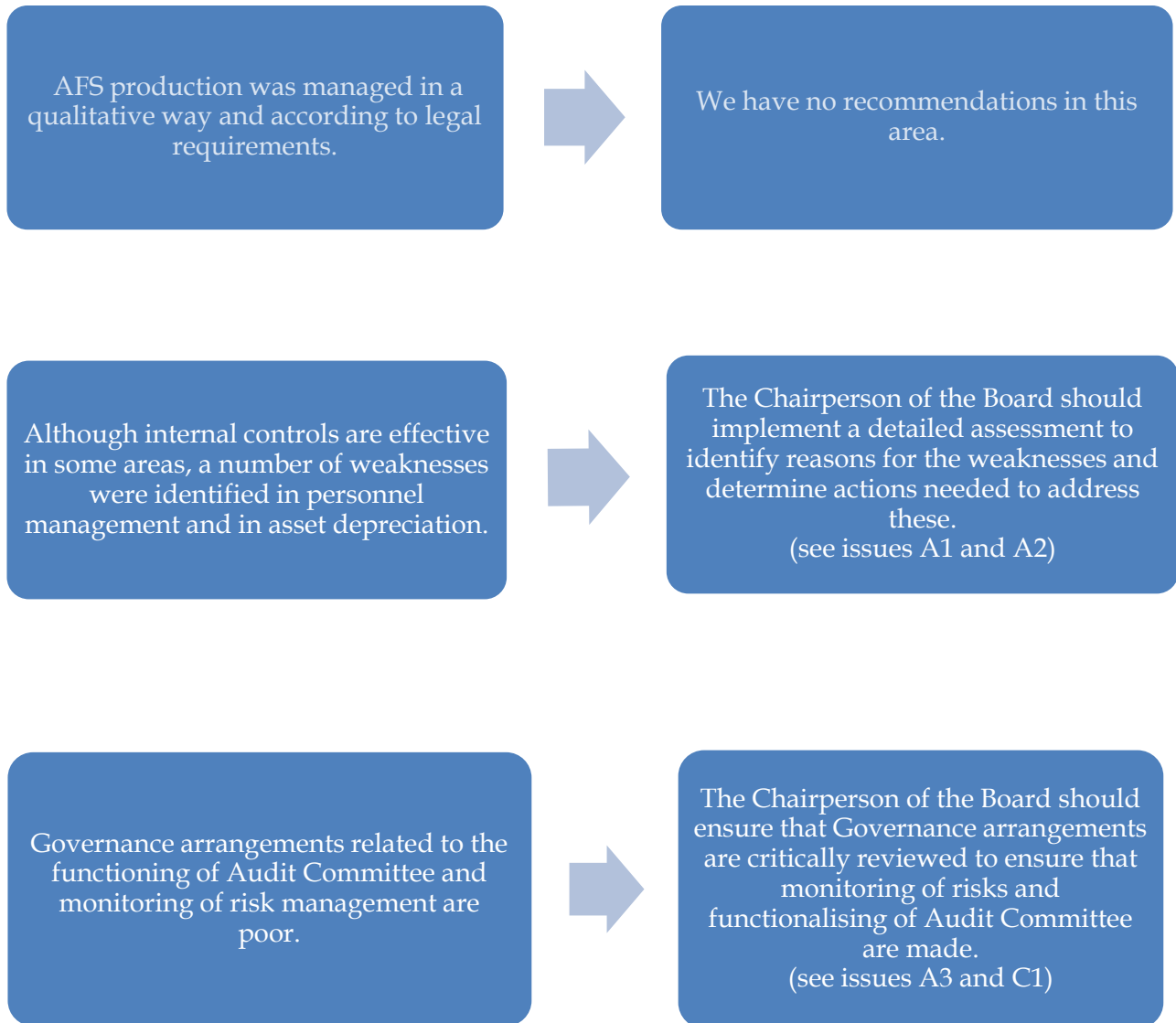
Unmodified Opinion

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.

Key Conclusions and Recommendations



Management's Response to audit 2018

Management has agreed on audit findings and conclusions and committed to address all the recommendations given.

The National Audit Office appreciates the cooperation of the management and staff of the PAK 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 Independent Oversight Board for the Civil Service of Kosovo (IOBCSK), 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 Privatisation Agency of Kosovo 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.

Key Audit Matters

We draw your attention to the fact that compensation costs for board members in the amount of €214,156 have been budgeted and spent incorrectly from the category for goods and services instead of category of wages and salaries. Board member compensations included regular monthly payments, other compensation for oversight, extraordinary collections and compensation as members appointed to board committees/commissions. Budgeting and payment of compensation from goods and services was done by the Agency based on its internal regulation on the compensation of the board of directors. However, this regulation contradicts the 2018¹ Budget Law and Financial Rule 01/2013² on Public Funds Expenditures. As a result, the category of goods and services was overstated, while that of wages and salaries was understated by this value, thus affecting on incorrect presentation in the AFS. The issue is repeated from last year.

The Agency, after receiving the 2017 report, on 26 June 2018, made a request to the Ministry of Finance to request the transfer of funds to compensate the board from the category of goods and services in the category of wages and salaries to implement our recommendation. Since there was no budget review for 2018, payments continued to be processed in the same manner.

¹ Article 12, paragraph 4 - Public Funds Expenditures from the category of expenditures "Goods and Services" is not allowed for the payment of employees, whether in the form of a daily allowance or as a in kind contribution, including meals or gifts.

² Article 33 - Budget Organisations shall ensure that all persons in employment relationship are paid from the payroll list.

However, during our audit we found that for 2019 there are no such payments from the category of goods and services, since for 2019, compensation for board members is planned and paid from the appropriate category of wages and salaries. Therefore we have no recommendations for the AFS.

Responsibility of Management for AFS

The Managing 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 Managing Board and the Managing Director is responsible to ensure the oversight of the Agency'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

The Agency 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 on Public Funds Expenditures and 02/2013 on the Management of Non-financial Assets;
- Action Plan on implementation of recommendations;
- Requirements of Financial Management and Control (FMC) procedures.
- Compliance with Financial Rule 02/2013 on Reporting Outstanding Liabilities; and
- Annual procurement plan.

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 can be considered to be 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

Regarding financial management and control, the PAK has designed a reporting system to be made from the department directors to the management and there are controls over the agency's expenditures and revenues.

In the context of financial systems, controls over spending in general are appropriate and are being implemented effectively.

3.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ³	2018 Outturn	2017 Outturn	2016 Outturn
Sources of Funds	7,796,736	7,152,829	6,282,977	6,876,167	6,312,889
Government Grant -Budget	550,000	15,000	0	652,960	9,515
Own Source Revenues ⁴	7,246,736	7,137,829	6,282,977	6,223,207	6,303,374

The final budget is lower than the initial budget by €643,907. This decrease relates to Government decisions on budget savings. In 2018, PAK spent 88% of the final budget or €6,282,977, with a decrease of 3% compared to 2017.

However, budget execution remains at a satisfactory level and explanations on the current position are given below.

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	7,796,736	7,152,829	6,282,977	6,876,167	6,312,889
Wages and Salaries	4,728,736	4,619,829	4,619,829	4,390,281	4,402,591
Goods and Services	2,830,000	2,280,000	1,446,103	2,349,684	1,745,292
Utilities	98,000	98,000	74,069	80,913	73,594
Subsidies and Transfers	40,000	55,000	52,540	41,379	78,809
Capital Investments	100,000	100,000	90,436	13,910	12,603

Explanations for changes in budget categories including reasons and impact are given below:

- The final budget on wages and salaries in relation to the initial budget was decreased by €108,907 with the Government decision on budget saving dated 18.12.2018, this budget was fully executed;

³ Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

⁴ Receipts used by the entity for financing its own budget.

- The final budget for goods and services in relation to the initial budget was decreased by €550,000. After the end of the second quarter, the PAK has estimated that the funds of €535,000 for the purpose of financing the activities to be undertaken after the settlement of the final status of Trepça will not be spent and as such were considered as saving funds, and at the request of the PAK, dated 19.10.2018, the Ministry of Finance with Government decision no. 04/70 has decreased the budget to the value presented. Also, through internal transfers, €15,000 has been transferred for subsidies and transfers. Despite the decrease of budget for goods and services during the year, only 63% of the budget was spent. The absence of the board for decision-making on planned expenditures affected the low level of spending;
- The final budget for utilities had no changes compared to the initial budget and expenditures in this category were 76%. Stability in central heating has reduced electricity costs;
- The initial budget for the category of subsidies and transfers was €40,000, on 18.07.2018, PAK submitted a request for transfer of funds within the PAK budget programme, where €15,000 was transferred from the category of goods and services. Expenditures for this category were 96% of the final budget; and
- The final budget for capital investments did not change from the initial budget; this budget was spent at 90%.

3.1.1 Revenues

Revenues generated by the Agency in 2018 were in the amount of €6,493,706. They relate to a 5% administrative fee, which includes revenues collected from any sale and the same is transferred to the Agency as dedicated revenues.

Table 3. Own Source Revenues (in €)

Description	2018 Receipts	2017 Receipts	2016 Receipts
Dedicated revenues	6,493,706	6,111,946	7,199,729
Total	6,493,706	6,111,946	7,199,729

Dedicated revenues in the amount of €6,493,706 are to cover the administrative and operational expenditures planned.

Recommendations

We have no recommendations in this area.

3.1.2 Wages and Salaries

The final budget for the category of wages and salaries was €4,619,829 and it was spent 100%. Salaries are paid through a centralised payment system managed by MPA and MoF. The staff of the Agency and its statute is regulated by Law on the Agency, Labour Law, Civil Service Law, sub-legal acts and other applicable legal provisions. The number allowed under the budget law is 258 whereas at the end of 2018 there were 236. During the testing we identified the following:

Issue A1⁵- Shortcomings in the recruitment process

Finding During the internal recruitment process for the position "Executive Officer of the Deputy Managing-Sales Director", among other criteria it was also required to have the university degree in economics, law, business administration or relevant fields.

We identified that the selection of the successful candidate was not done in accordance with the criteria set out in the internal competition and the 02/2010 regulation on civil service recruitment procedures. The selected candidate submitted a Bachelor's degree of English language.

This was due to inadequate functioning of internal controls.

Risk Selection of candidates without meeting the required criteria increases the risk of engaging incompetent persons for the respective positions and this may result in operational inefficiency and failure to achieve the organisation's objectives. It also affects the elimination of successful candidates.

Recommendation A1 The Chairperson of the Board should ensure that the selection of candidates is made in full compliance with the relevant legislation as well as with the requirements set out in the competition in order to avoid irregular recruitment.

3.1.3 Goods and Services and Utilities

The final budget for goods and services including utilities in 2018 was €2,378,000, while €1,520,172 or 64% were spent. They relate to other contractual services, rent expenses, public information spending, compensation for board members, etc.

Recommendations

We have no recommendations in this area.

⁵ Issue A and Recommendation A – means issues and new recommendations,
Issue B and Recommendation B – means issues and recommendations repeated,
Issue C and Recommendation C – means issues and recommendations partially repeated.

3.1.4 Subsidies and Transfers

The final budget for the category of subsidies and transfers was €55,000, out of which €52,540 or 96% of the budget was spent.

The budget for subsidies is spent on payment of salaries of managers and other employees of some Socially-Owned Enterprises under direct PAK Administration due to the very poor financial state of the enterprises. These payments were made based on the regulation approved by the Board of Directors on 23.05.2013 for determining the compensation methods of managers and other employees of Socially Owned Enterprises, under the mandate of the direct administration unit.

Recommendations

We have no recommendations in this area.

3.1.5 Capital Investments

PAK for 2018 in the category of Capital Investments planned a budget of €100,000, while this budget was spent in the amount of €90,436.00. Capital investment costs relate to supplying IT server equipment.

Recommendations

We have no recommendations in this area.

3.2 Capital and Non-capital Assets

According to the AFS, the net asset value (over €1,000) for 2018 was €264,285, while the net value of non-capital assets (under €1,000) was €81,259 and the stocks were €45,208. We have reviewed whether the registration process and the manner of keeping records is in compliance with the requirements of the MoF Regulation 02/2013, on the Management of Non-financial Assets of Budget Organisations, inventory process, depreciation and physical existence of assets.

The PAK has used the Treasury accounting register (KFMIS), the e-asset application and internal registers.

PAK internal registers contain complete and accurate data of non-financial assets.

During the testing, we identified the following:

Issue A2 – Depreciation of non-financial assets in the e-asset application

Finding According to Article 22 of Rule 02/2013 on Management of Non-financial Assets, the assets are required to be subject to depreciation rates. There was no depreciation of non-capital assets in the e-asset system.

The PAK requested from the MPA to make this application functional, to eliminate deficiencies and obstacles in updating and managing the data.

Risk The non-functioning of the depreciation module of the e-asset system affects the overestimation of assets from this system.

Recommendation A2 The Chairperson of the Board should ensure that appropriate controls have been established which enable asset depreciation to be made through the e-asset system.

3.3 Receivables

Receivables in 2018 were €2,281 and they are related to fixed and mobile telephony expenses. A part of the expenses incurred for fixed and mobile telephony is covered by PAK, while the limit exceeded is covered by users themselves. Receivables are created by the failure of employees to timely pay debts.

Recommendations

We have no recommendations in this area.

3.4 Outstanding Liabilities and Contingent Liabilities

Outstanding liabilities in 2018 were €56,386, which pertain to the category of goods and services €49,713 and €6,673 for municipal expenditures. All liabilities are as a result of delay of receipt of invoices, the same are reported according to the regulation for their management. Also, the agency in its records has contingent liabilities in the amount of €213,085, compared to the previous year €187,055, there is an increase of 8%. The largest portion in the amount of €212,057 relates to PAK employees suspended from work.

Recommendations

We have no recommendations in this area.

4 Good Governance

Effective governance arrangements are essential for the PAK to successfully manage challenges it faces and to ensure provision of better services to the benefit of taxpayers and other service users.

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

The agency is determined to eliminating weaknesses in governance, particularly with regard to accountability, risk management and quality of management reporting. Effective response to external audit recommendations proves the agency's commitment to improving its governance. Despite management's determination there are still weaknesses that affect the Agency. The Audit Committee was not established in 2018 even though the board was operational since May 2018. Delays in compiling the risk list weaken the Agency's commitment in updating and managing the risks it may face.

The Strategic Plan 2017-2023 which contains the exit strategy and the strategy report sets out the cost that the Agency will pay for its implementation. The assessment of this strategy has not suffered any changes or updates during 2018.

4.1 Internal Audit System

The Internal Audit Unit (IAU) operates with four members of staff - the Head of IAU, two auditors and one administrative officer. Audits are carried out according to the strategic and annual plan and include areas with more sensitivity and risk. In addition to the Strategic Plan, IAU has also prepared an annual work plan setting out some audit areas for 2018. The IAU for 2018 carried out 10 planned audits (4 audits for the PAK, 4 for TF, one on request and an audit for following-up the implementation of recommendations). Audit reports contain conclusions and recommendations that identify some of the shortcomings in the PAK's internal control system.

Issue A3 – Lack of audit committee

Finding According to the Law No. 06/L-021 on Public Internal Financial Control, Article 20 for the Public Sector Audit Committee, all public sector entities are required to establish an Audit Committee in accordance with the provisions established by this Law.

The Agency did not establish an Audit Committee for 2018. The reason for not establishing the AC was the absence of the board until the end of May and the pending of the Administrative Instruction MF-01/2019 on the establishment and functioning of AC.

Risk Failure to functionalise the Audit Committee results in a lack of IAU monitoring of the work to provide support to management in decision-making and to ensure that audit recommendations are received and implemented.

Recommendation A3 The Chairperson of the Board should ensure the establishment of the Audit Committee as foreseen by Law No. 06/L-021.

4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the 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 way. 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 Organisation.

Although, a range of internal controls are applied by Management to ensure that systems operate as intended, we have noticed that the measures applied are very effective to provide an effective and timely response to the identified operational problems. The Agency's accountability and reporting lines are functional through regular meetings and reporting.

Issue C1 – Weaknesses in drafting and risk management

Finding The Agency for 2018 has compiled the risk register and was submitted in October 2018, which is in contradiction with the FMC requirement for the drafting period. The register drafted did not contain an update of the risks from the previous years or actions taken to prevent, mitigate or eliminate the risks.

According to the persons responsible, the delay was caused because of waiting from the MoF for the changes to take place in the risk list format.

Risk Delay in drafting the risk list impacts on reducing management's ability to respond to challenges throughout the fiscal year. Because of lack of update of the risk register with all appropriate measures and actions, the threats exposed to the agency will remain unaddressed.

Recommendation C1 The Chairperson of the Board should ensure that the drafting of the risk list is made on time as required by the FMC requirements. Also, the Chairperson of the Board should ensure that direct responsibility for risk management is delegated to the respective sectors.

5 Progress in implementing recommendations

Our Audit Report on the 2017 AFS of the Privatisation Agency of Kosovo resulted in eight (8) recommendations. PAK prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2018 audit, six (6) recommendations have been implemented; one (1) was in process; and one (1) is considered as closed. For a more thorough description of the recommendations and how they are addressed, see Table 4.

Table 4 Summary of prior year recommendations and of 2018

N o	Audit area	Recommendations of 2017	Actions taken	Status
1	AFS	The Chairman of the Board should ensure that an analysis is undertaken to determine the causes of the Emphasis of Matter by undertaking specific actions to eliminate errors in the classification of expenditure. The Agency should amend the internal rules for remunerations to the Agency's Board of the Directors, and then all expenditures are budgeted and recorded in line with the Chart of Accounts based on the requirements of the Budget Law.	Compensation for B.D in the budget request for 2019 has been budgeted in the economic category W.S and as such has been approved.	Implement ed
2		The Chairman of the Board should ensure fair and complete presentation of information into the financial statements including the final budget and disclosures of assets and liabilities. Further on, effective processes should be in place to confirm that 2018 AFS production plan formally addresses all compliance related issues. The Declaration made by the Chief Administrative Officer and Chief Financial Officer should not be signed unless all necessary checks have been applied.	During the preparation of the Financial Statements for 2018, all remarks have been taken into account and as such have been implemented.	Implement ed
3	Personnel Management	The Chairman of the Board should undertake additional actions to terminate covering management positions with Acting. Duration of the function as Acting cannot be longer than the defined legal period, as it has a decisive influence on the functioning of the controls and achievement of the objectives.	The remaining Acting positions are for suspended employees and until the end of the court process it will not be possible to implement the recommendation.	Implement ed
4	Common Issues on Goods and Services and Capital Investments	The Chairman of the Board should ensure effective cooperation between the units that process the requests and the procurement department during the planning process. This should include the time needed when procurement processes related to the budget allocated to the Agency are developed.	It is being cooperated with each unit to identify their needs during the preparation of procurement plan.	Implement ed

5		The Chairman of the Board should ensure that contract execution should precede a detailed contract management plan in order to avoid project implementation shortcomings.	Each contract contains a detailed contract management plan.	Implemented
6	Capital and Non-Capital Assets	The Chairman of the Board should ensure that the stock records are regularly updated, including accurate records for all purchases and outflows so that their records are complete and accurate at any time. Exact stock records, in addition to the reporting needs for the annual financial statements, are also needed for the internal management needs.	Stocks have been identified and listed in the AFS.	Implemented
7	Progress in implementing recommendations	The Chairman of the Board should ensure that the implementation of the action plan gains the required pace and is monitored on a continuous basis and is reported on a regular monthly or quarterly basis with respect to the progress achieved in this regard. Recommendations left uncompleted that are not implemented under deadlines should be revised in the short term and proactive actions taken against the barriers presented during the implementation.	Although there is progress in addressing recommendations, PAK is making efforts to implement recommendations entirely.	Closed
8	Management Reporting, Accountability and Risk Management	The Chairman of the Board should ensure that direct responsibility for risk management in the relevant sectors is delegated and ensure effective monitoring and quarterly reporting on the implementation of requirements in this area.	It is being worked on delegating responsibilities and accountability for risk management and reporting for implementation of our recommendation.	Partially implemented

N o	Audit area	Recommendations of 2018
1	Wages and salaries	The Chairperson of the Board should ensure that the selection of candidates is made in full compliance with the relevant legislation as well as with the requirements set out in the competition in order to avoid irregular recruitment.
2	Capital and non-capital assets	The Chairperson of the Board should ensure the registration and depreciation of assets in accordance with Regulation no. 02/2013 - On Management of Non-Financial Assets by Budget Organizations.
3	Internal audit system	The Chairperson of the Board should ensure the establishment of the Audit Committee as foreseen by Law No. 06/L-021.
4	Management Reporting, Accountability and Risk Management	The Chairperson of the Board should ensure that the drafting of the risk list is made on time as required by the FMC requirements. Also, the Chairperson of the Board should ensure that direct responsibility for risk management is delegated to the respective sectors.

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: Confirmation Letter

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO
 AGJENCIA KOSOVARE E PRIVATIZIMIT - KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
 PRIVATISATION AGENCY OF KOSOVO

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Nr. 5991
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 No. Pg. _____

Data: 18 JUN 2019
 Datum: 18 JUN 2019
 Date: 18 JUN 2019

Prishtinë / Pristina

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO
 ZYRA KOMBËTARE E AUDITIMIT
 NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

DATE: 18.06.2019

Numri Org.	Shik. Klasif.	Nr. Prot.	Nr. i Fq. e
Org. Unit.	Klasif. Kod	Prot. No.	Str. Stranica
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AGJENCIA KOSOVARE E PRIVATIZIMIT
 KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
 PRIVATISATION AGENCY OF KOSOVO

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, konfirmojmë se:

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

Valon Tolaj

Drejtor Menaxhues - Agjencia Kosovare e Privatizimit

Data: 17 qershor 2019, Prishtinë,

