



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
THE MINISTRY OF EUROPEAN INTEGRATION**

FOR THE YEAR 2019

Prishtina, July 2020

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

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 the International Standards of Supreme Audit Institutions, and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of *Ministry of European Integration*, in consultation with the Assistant Auditor General *Qerkin Morina*, who supervised the audit.

The report issued is a result of the audit carried out by the Team Leader, *Mjellma Dibra Morina*, and team members *Fanol Hodolli* and *Antigona Çitaku*, under the management of Audit Department Director *Zukë Zuka*.

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Executive Summary

This report summarises the key issues arising from our audit of the Ministry of European Integration (MEI) for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



Conclusions

A number of financial adjustments were required in the draft AFS of the Ministry of European Integration (MEI). We have provided some suggestions to review the descriptive disclosures and to ensure the completeness of the disclosures as follows:

- Article 14, in cash outflows in the category of Wages and Salaries as well as Goods and Services, the initial and final budget was not presented correctly; and
- Disclosure tables do not comply with source tables under Articles 13 and 14.

As a result of the recommendations made in the analytical reviews phase, adjustments were made to the draft AFS submitted for audit, except for the disclosure tables that were followed with shortcomings in the presentation of data which were not presented according to the reporting requirements.

In terms of applying the principles of financial management and control, there are areas where improvements are needed in order to achieve increased responsibility and accountability. Adjustments and implementation of sound financial management is necessary in budget management and execution in view of the needs and liabilities of this ministry.

Regarding the implementation of recommendations for 2018, one (1) of four (4) recommendations has not yet been addressed.

Opinion of the Auditor General¹

Unmodified Opinion

The Annual Financial Statements of the Ministry of European Integration for the year ended 31 December 2019 present a true and fair view in all material respects.

For more details, refer to Section 1 of this report.

¹ Annex I, explains different types of opinion according to International Standards of Supreme Audit Institutions

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters 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 appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed the Ministry's operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

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 to effectively conduct of audit. Audit findings should not be regarded as representing a comprehensive overview of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following chapters provide a detailed description of the audit findings and recommendations in each audited area.

1 Audit Opinion on the Annual Financial Statements

We have audited the AFS of the Ministry of European Integration (MEI) for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

Unmodified Opinion

In our opinion, the Annual Financial Statements (AFS) for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards (IPSAS) according to cash basis of accounting.

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 section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the auditee. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for AFS

The Secretary General of Ministry of European Integration is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Cash Basis of Accounting. In addition, the Management is responsible for establishing internal controls, which the management determines as necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements set forth in Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Minister is responsible to ensure the oversight of the Ministry'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 conducted in accordance with ISSAIs. These standards require that we 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.

The audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The selected procedures 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.

The 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.

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

The audit report is published on the NAO's website, except for information classified (as sensitive) or other legal or administrative prohibitions in accordance with applicable legislation.

We would like to extend our gratitude to the staff of the Ministry for the correct cooperation and assistance provided during the audit process.

2 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 and assets and liabilities as well as internal audit function.

Financial Management and Control Conclusion

Although compliance and implementation of controls was satisfactory, the audit process identified several issues that need to be addressed, especially in terms of implementing and complying with the requirements in favour of a management of budgetary needs and capacities. In terms of financial systems, controls on the execution of expenditures and the budget execution should be strengthened, while the increase of unpaid liabilities should also be taken into account.

2.1 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 ²	2019 Outturn	% of Outturn 2019	2018 Outturn	2017 Outturn
Source funds:	2,589,082	3,127,649	2,606,451	83.3%	2,045,560	1,337,782
Government Grant - Budget	2,589,082	2,504,634	2,450,985	97.9%	2,045,560	1,337,782
External donations	0	623,015	155,466	25%	0	0

The final budget compared to the initial budget was increased by €538,567, which is mainly influenced by external donations, of which €293,015 were carried forward from 2018 as unspent. Regarding the Government Grant, the final budget was decreased as a result of Government decisions or changes reflected to meet budget requirements. However, the budget at the end of the year resulted in a budget surplus of €521,198.

In 2019, the ministry spent 83% of the final budget or €2,606,451. Below are the explanations for the current position.

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	2019 Outturn	% Outturn 2019	2018 Outturn	2017 Outturn
Spending of funds by economic categories	2,589,082	3,127,649	2,606,452	83%	2,045,560	1,337,782
Wages and Salaries	733,120	784,832	756,679	96%	682,958	584,749
Goods and Services	1,330,962	1,790,617	1,309,061	73%	820,421	693,413
Utilities	10,000	30,000	18,512	62%	7,181	5,442
Subsidies and Transfers	515,000	522,200	522,200	100%	535,000	49,988
Capital Investments	0	0	0	0	0	4,190

Explanations for changes in budget categories are given below:

MEI declared savings from the category of Wages and Salaries as well as municipal expenditures. Whereas, movements were applied to the category of municipal expenditures as well as subsidies and transfers, through budget transfers, to meet the ministry's budgetary needs.

2.1.1 Wages and Salaries

The final budget for Salaries was €784,832, of which €756,679 was spent. The number of employees according to the budget was 106, while at the end of the year their number was 86. During 2019, five new officials were employed.

We examined 29 samples for substantive tests in the amount of €30,534, as well as nine (9) samples for compliance tests.

We have not identified any irregularities in this area.

2.1.2 Goods and Services

The final budget for Goods and Services and Utilities in 2019 was €1,820,617, of which €1,327,573 was spent. They mainly deal with international consulting services, rent, contracting services, travel expenses abroad and others. In this category, we tested 70 samples of €296,673 as part of substantive testing and nine (9) samples as part of compliance testing.

Issue A1 – International consulting services

Finding In the contract for international consulting services for the needs of MEI signed on 28.03.2019, according to Article 1.2 of this contract, the services that will be performed by EO for the needs of the ministry are specified in ten points.

We tested six payments amounting to €172,000 related to international consulting services. Two of these payments were an obligation from the contract dated 17.08.2018 in the amount of €180,000 and four others relate to the contract dated 28.03.2019, in the amount of €168,000 to the same operator. Services were received by the relevant admissions committee. Based on the summary reports from the economic operator which are attached to the invoice, we could not find evidence that the contracted services on the basis of which the monthly payments were executed, were received. Based on the summary reports, the main activities were media monitoring to address issues related to Kosovo, while this was not the only service according to the contract specifications. From the tested payments related to consulting services, we have noticed that these are registered under code 14320 as public information expenses and not under the relevant code 13440 various intellectual and advisory services.

According to the competent officials, the detailed information regarding the services may be confidential, although they denied that this contract was classified.

Risk The lack of clear and sufficient evidence about the acceptance of services under the contract increases the risk of payments for services not accepted.

Recommendation A1 The Minister should scrutinise the regularity of these payments and ensure that the services paid according to the certain specifications have been accepted, in order to achieve the contracted objective.

Issue A2 - Spending through irregular procedures**Finding**

According to Article 5 of the annex contract signed on 28.03.2019 with number 550-1-2019 for the facility used for the needs of MEI, the ministry is obliged to perform the obligations of electricity, water, waste and telephone consumption, as well as heating costs. However, there is no agreement between the parties on the calculation and form of spending. Treasury Rule 01/2013, Article 21 states that due to their nature, some purchases do not require a procurement process. These costs include municipality costs.

From the tests, we identified two payments: (a) payment for electricity for January €314, and payment for cleaning €310, and (b) Payment for electricity for August €600, for cleaning €200 and air conditioning €1,500 for expenses related to the facility taken in use. The payment of electricity from MEI was spent by the operator who is the lessor of the facility. The invoicing was based on the total electricity expenditure according to the regular invoice by KEDS for the entire facility; in one case by proportioning it according to the area used by MEI - 1/3, while in the second case, the payment was made on a 'lump sum' basis. The same was done with the costs of cleaning the facility and air conditioning, although there is no evidence of the flow of obligation (contract or invoice for the service) from third parties, while the ministry had a contract for cleaning the areas within it. All these expenses are related to the use of the facility through rent for the needs of the ministry. Such obligations were not foreseen in the legal agreement between the leasing EO and the ministry.

According to officials, non-compliance with legal requirements by applying irregular procedures of sharing of liability was the only solution for these costs, which could not have been foreseen at the time the facility was taken in use.

Risk

There is a risk that liabilities will not be accurately assessed and, in fact, irrational expenses will be incurred according to the services accepted.

Recommendation A2 The Minister should ensure that the legal requirements are complied with for both municipal expenditures and those that require a legal agreement with the operator, ensuring the value accepted for money. In such cases, clear criteria should be set regarding the assessment and calculation of expenditures.

Issue A3 – Compensation of salary from the category of goods and services**Finding**

According to the Law on Civil Service 03/L-149 Article 44 'Right to payment' - The job of Civil Servants shall be compensated according to a payment system that shall be regulated with a special law³. According to AI 2005/08 for the classification of economic expenses, the category of Wages and Salaries consists of payments made to employees as compensation for the services they provide, including taxes and personal contribution fund.

Based on the decision for early retirement of the official starting from 03.08.2019, Article 3, it was determined that the execution of the salary for early retirement is 70% of the basic salary (amount of €505, and payments to be made from category of goods and services). Payments executed from this category for salary compensation during 2019 amount to €1,808. In addition, tests show that the execution of payments from this category was followed by shortcomings given that for three months no work⁴ experience was calculated which resulted in €100 paid less for each for these three months. The correction of the amount was made in January 2020.

The removal of the official from the payroll was done on the grounds that the personnel plan for 2019 did not allow the appointment of another official for the same position.

Risk

Removal of an employee from the payroll may affect the employee's rights to compensation salary as well as the possibility of initiating court disputes.

Recommendation A3 The Minister should ensure that an internal control assessment has been made to ensure that there is sufficient competence of staff in handling and enforcing regulations to compensate civil servants, and that such case will not be repeated in the future.

³ Law no. 03/L-147 on Salaries of Civil Servants

⁴ With reference to Article 5 of Law 03/L-147 Basic salary, according to this law, is the result of the price of work, respectively the value for simple work and the multipliers set for each group and subgroup, as well as the increased amounts of work experience, for each full year, in a certain percentage.

Issue A4 – Acceptance commissions without decisions

Finding According to AI 02/2013 on Management of Non-financial Assets by Budget Organizations, Article 8, para 4, the CAO by decision forms the Commission for the Acceptance of Non-Financial Assets who has the responsibilities to verify the quantity, quality, type and value of non-financial accepted and documented assets with minutes that are in accordance with the contract or purchase order. According to the Guideline for Public Procurement, point 61.15 The CAO shall nominate a staff member from the Requesting Unit, with appropriate skills and experience, as a Project Manager.

From the tested payments, we have noticed that in no case has it been practiced to issue decisions for the appointment of commissions for the acceptance of goods. The commissions have been appointed by e-mail following the request of the Contract Manager to the Secretary-General. From the communication, it was difficult to identify which contract was in question or other details about the competence and responsibility of the commission, and in some cases, these communications were not found at all. Whereas, we noticed that for the procedure for flower supply, the contract manager was not appointed.

According to officials, this practice used is accepted as a good practice that offers you flexibility in communication.

Risk The appointment of commissions by not following the formal procedure increases the risk that the goods are not accepted by the competent officials and in accordance with the contract.

Recommendation A4 The Minister should ensure that written decisions are issued for the appointment of acceptance commissions and the appropriate procedures are followed clearly emphasising the responsibilities of the commission.

2.1.3 Subsidies and Transfers

The final budget for Subsidies and Transfers was €522,200, of which €522,200 was spent in 2019. They related to the transfer of funds in the amount of €500,000 for the “Young Cell Scheme Scholarship Programme” in accordance with the Memorandum of Understanding between MEI and the British Council, and based on the Financing Agreement between Kosovo and the European Union. Whereas, the amount of €15,000 has been executed regarding the participation in the project "Europe for Citizens". €7,200 euros were transferred to support the Kosovo Philharmonic at the Peace Concert in Paris.

Of the five (5) samples tested for substantive purposes in the amount of €522,200, and five (5) samples for compliance tests, we did not identify any irregularities to report.

2.2 Capital and Non-capital Assets

The net value presented in the AFS of capital assets is €2,389, non-capital assets is €110,774, and stocks are €36,112. We tested seven (7) samples of €67,911 as part of substantive testing and 5 samples as part of compliance testing.

Issue A5 – Non inventory of non-financial assets

Finding MoF Rule No. 02/2013 – on Management of Non-financial Assets by Budget Organizations, Article 13 paragraph 4 defines the responsibilities of the commission for inventory of non-financial assets.

The Commission for inventory of assets at the end of the year proposed on 19.12.2019 was established on the decision dated 15.02.2020, meanwhile it was completed on 23.01.2020. The commission did not complete the work and did not conduct the inventory of assets for 2019 according to legal requirements.

The process was initially postponed because a commission member in coordination with the director of department refused to be a commission member. Meanwhile, even after completing the decision with a new member, according to the ministry, the commission has not continued its work due to other commitments of the chair of the commission.

Risk Non-inventory of assets affects non-compliance with the asset register and increases the risk that assets are misused, lost or alienated and the value of the organization's assets reflected in the AFS is inaccurate.

Recommendation A5 The Minister should ensure that the causes affecting the delays in the asset inventory process are addressed, which would enable fair reporting of the financial value of assets according to legal requirements.

2.3 Liabilities

2.3.1 Outstanding liabilities

The statement of liabilities at the end of 2019 was €80,452⁵. These liabilities are carried forward to be paid in 2020.

Issue A6 – Increased outstanding liabilities

Finding According to Article 39 of the Law on Public Financial Management and Accountability, the budget organization must pay each valid invoice within the time limit of 30 calendar days from the date of receipt of the invoice.

Outstanding liabilities in the 2019 AFS were in the amount of €80,452, which is a significant increase from the previous year (€21,894). On the other hand, 63% of liabilities reported for 2019 exceeded the payment deadline of 30 days. The tests show that the ministry entered into contractual liabilities beyond budgetary capacity.

In one case, the ministry signed a framework contract⁶ (3 years) in the amount of €881,389 committing funds of only €10,000 related to the signing of the contract. While the contract does not specify the approximate requirements in years, according to the declaration of needs and availability of funds. From this contract, the estimated value for 2019 was €300,000, while payments in the amount of €127,560 were executed. In the absence of funds, a part of the obligations from the invoice received on 20.11.2019 (€15,888), from this EO, remained as unpaid obligation. The ministry has entered into contractual obligations without providing the commitment of funds according to the planned amounts and planned contractual progress. This situation is due to the non-implementation of internal control procedures, in which case it resulted in the entering into obligations without sufficient funds in the budget plans.

Risk Increased obligations may affect the budget balance of the ministry. The ministry may be subject to direct payments from the MoF and court decisions.

Recommendation A6 The Minister should ensure that his organization does not enter into obligations beyond budgetary capacity, and that all invoices are processed in a timely manner for payment so that the value of outstanding liabilities at the end of the year (except those that are not overdue) should be avoided.

⁵ This amount has been presented by the audited entity

⁶ Public information services for the needs of MEI

2.4 Internal Audit Function

The Internal Audit Function is established by the Statute of the Internal Audit Unit (IAU). The IAU operates with one auditor, while the same was transferred to another organization in June. Meanwhile, in October, the position was filled with an internal competition, in which case the Certifying officer was transferred to the position of Director of Audit. The positioning of the IAU in the organizational structure serves its mission defined by statute. The Internal Audit Plan has foreseen five audits. During 2019, they managed to carry out an on-demand audit and an audit according to the audit plan.

The IAU has drafted an annual report on its activities.

Issue B1 – Challenges in the internal audit system

Finding

According to the Rules for the functioning of the Audit Committee (AC) for the public sector, it is stated that the Audit Committee should hold meetings at least four (4) times a year. On the other hand, according to the Law on Public Internal Financial Control 06/L-021, Article 26, expresses restrictions on the work of internal auditors, while according to paragraph 1.3, they do not perform audit engagements to provide assurance regarding functions, activities and structures for which they have provided advisory services or in which they have been employed during the past two (2) year period.

In the 2018 audit, a recommendation was made regarding the non-functioning of this committee since July 2018. The same situation appears for 2019.

The non-functioning of the Audit Committee during 2019 was also affected by the staff movements of the Director of Internal Audit (DIA) and the functioning of the IAU. In this situation, the Certifying Officer moved to the position of Director (DIA) through internal competition. Given the limitations in the implementation of the task as well as the conflict of interest, testing and evaluation of the implementation of financial activities will be left out of the audit plan according to the criteria set by legal provisions.

Risk

Lack of functional audit committee weakens the monitoring of internal audit work and its relationship with management in order to improve internal control. The transfer of the certifying officer to DIA makes it impossible to implement the audit tasks objectively, not excluding the financial systems of the ministry.

Recommendation B1 The Minister should ensure that the audit committee is functionalised as soon as possible in accordance with the legal requirements to increase and monitor the role and effectiveness of internal audit. Actions should also be taken to ensure the inclusion of financial controls in the audit plan. This may be achieved in consultation with the CHU/IA ensuring the avoidance of restrictions and conflict of interest.

3 Progress in implementing recommendations

Our audit report on the 2018 AFS of the Ministry of European Integration has resulted in four key recommendations. The ministry prepared an Action Plan stating how all recommendations will be implemented.

MEI has not submitted the Progress Report on the implementation of the recommendations (30 September and 15 March) as required by the Rules of Procedure on the implementation of audit and action plans.

At the end of our 2019 audit, two (2) recommendations have been implemented; one (1) was in process and one (1) has not yet been addressed. For a more thorough description of the recommendations and how they are addressed, see Table of recommendations.

Table 4 Summary of recommendations of the previous year and of 2019

No.	Audit area	Recommendations of 2018	Actions taken	Status
1	AFS	The Minister should ensure that, when submitting statements in the AFS, complete notes on all items, including amounts of unjustified advances and additional explanations on them are presented. In addition, all necessary measures should be taken to justify advances that have remained open.	Although the 2019 audit did not identify such cases, the case identified in 2018, still remains an unjustified advance.	Recommendation partly implemented
2	Subsidies and Transfers	The Minister should avoid interventions in awarding subsidies without respecting the criteria and requirements of the regulation and should also ensure that the funds foreseen for subsidies are provided in accordance with the objectives and activity of MEI.	During 2019, no subsidies were allocated to NGOs.	Recommendation implemented
3	Outstanding liabilities	The Minister should ensure enhanced controls on the reporting of obligations so that accurate values are reported for the months in which the obligations have been	The audit process did not identify such cases.	Recommendation implemented

		incurred and the same are submitted in the AFS.		
4	Internal Audit System	The Minister should ensure that the Audit Committee is functionalised in the shortest time possible in accordance with legal requirements in order to increase and monitor the internal audit role and effectiveness.	During the year, there were staff movements in DIA and the recommendation has not yet been addressed.	Recommendation unimplemented
No.	Audit area	Recommendations of 2019		
1	Goods and Services	The Minister should scrutinise the regularity of these payments and ensure that the services paid for have been received.		
2	Goods and Services	The Minister should ensure that the legal requirements are complied with for both municipal expenditures and those that require a legal agreement with the operator, ensuring the value accepted for money.		
3	Goods and Services	The Minister should ensure that an internal control assessment has been made to ensure that there is sufficient competence of staff in handling and enforcing regulations to compensate civil servants, and that such case will not be repeated in the future. He should ensure a sound compensation of employees; salaries.		
4	Goods and Services	The Minister should ensure that written decisions are issued for the appointment of acceptance commissions and the appropriate procedures are followed clearly emphasising the responsibilities of the commission.		
5	Capital and non-capital assets	The Minister should ensure that the causes affecting the delays in the asset inventory process are addressed, which would enable fair reporting of the financial value of assets according to legal requirements.		
6	Outstanding liabilities	The Minister should ensure that his organization does not enter into obligations beyond budgetary capacity, and that all invoices are processed in a timely manner for payment so that the value of outstanding liabilities at the end of the year (except those that are not overdue) should be avoided.		
7	Internal Audit Function	The Minister should ensure that the audit committee is functionalised as soon as possible in accordance with the legal requirements to increase and monitor the role and effectiveness of internal audit. Actions should also be taken to ensure the inclusion of financial controls in the audit plan. This may be achieved in consultation with the CHU/IA ensuring the avoidance of restrictions and conflict of interest.		

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

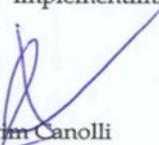
157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not 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

	<p>REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/REPUBLIC OF KOSOVA Qeveria e Kosovës / Vlada Kosova / Government of Kosovo Ministria e Integritimit Evropian / Ministarstvo Evropske Integracije Ministry of European Integration SEKTORI I ARKIVËS - SEKTOR ARHIVE - ARCHIVE SECTOR</p> <p>Nr. i faqeve / Stranica / Pages: — Data / Datum / Date: 09 / 07 / 2020 Njesia Org. / Org. Jedin. / Org. Unit: 02 Nr. Prot. / Prot. No: 458-1-2020 PRISHTINE/A</p>
<p>Republika e Kosovës Republika Kosova-Republic of Kosovo <i>Qeveria-Vlada-Government</i></p> <p><i>Ministria e Integritimit Evropian</i> <i>Ministarstvo za Evropske Integracije-Ministry of European Integration</i></p>	
<p>LETËR E KONFIRMIMIT</p> <p>Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 dhe për zbatimin e rekomandimeve</p>	
<p>Për: Zyrën Kombëtare të Auditimit</p> <p>Të nderuar,</p> <p>Përmes kësaj shkrese, pas diskutimit më datën 09.07.2020 konfirmoj se:</p> <ul style="list-style-type: none">• kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Raportit/Pasqyrave Financiare të Ministrisë së Integritimit Evropian për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejshëm "Raporti");• pajtohem me të gjeturat dhe rekomandimet 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.	
<p> z. Florim Canolli</p> <p>U.D. Sekretar i Përgjithshëm i deritanishëm i Ministrisë së Integritimit Evropian</p> <p>Data: 09.07.2020, Prishtinë</p>	