



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 FINANCE**  
**FOR THE YEAR 2019**

**Prishtina, June 2020**

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.

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 the *Ministry of Finance* 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 *Isuf Kryeziu - Team Leader, and Shehrije Shala, Ariana Gjonbalaj, Mehmet Muçaj and Ramadan Gashi - team members* under the management of the Head of Audit Department, *Blerim Kabashi*.

## TABLE OF CONTENTS

Executive Summary.....	4
Audit Scope and Methodology.....	6
1 Audit Opinion on Annual Financial Statements.....	7
2 Financial Management and Control .....	9
3 Progress in Implementing Recommendations .....	19
Annex I: Explanation of the Different Types of Opinion Applied by NAO .....	22
Annex II: Letter of Confirmation.....	25

---

## Executive Summary

This report summarises the key issues arising from our audit of the Ministry of Finance (MoF) 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

The Annual Financial Statements of the Ministry of Finance for 2019, namely the Statement of Cash Receipts and Payments, the Budget execution statement and the Disclosures for these statements are complete and accurate (except Article 20 Open advances – Issue A1 within the report).

Financial Management and Control in general proves a good review and assurance process in the implementation of legislation and other control processes. However, despite the fact that the MoF has established relatively good controls in relation to its statutory obligations, the inconsistent implementation of the rules has caused shortcomings in some processes, especially in the management of subsidies and personnel management.

Regarding the implementation of the recommendations, the MoF has shown a high commitment in addressing the recommendations made in the audit report for the 2018 AFS and of the six (6) recommendations made; only one had not yet been addressed. However, the same shortcomings have been noted in personnel management this year as well.

## Opinion of the Auditor General<sup>1</sup>

### Unmodified Opinion

The Annual Financial Statements of the Ministry of Finance for 2019 present a true and fair view in all material aspects.

For more details, see Chapter 1 of this report.

The Ministry of Finance has agreed with audit findings and conclusions and has committed to address all given recommendations

---

<sup>1</sup> Annex I explains different types of Opinions in line with ISSAIs.

## 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 interrelated substantive tests, as well as related governance arrangements to the extent considered necessary for the effective 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 in detail our audit findings and recommendations in each audited area. Management's responses to audit outcomes can be found in Annex II.

---

# 1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Ministry of Finance 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 of the Ministry of Finance 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 according to cash based 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 Ministry. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibility of Management for AFS**

The Secretary General of the Ministry of Finance (MoF) is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the 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) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Minister of Finance 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 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.

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.

The National Audit Office appreciates the cooperation and support from the management and personnel of the Ministry of Finance 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 the internal audit function.

### Financial Management and Control Conclusion

The MoF has consistently shown readiness in improving financial management and control in order to achieve the objectives set. Our audit results have shown that the MoF has established adequate controls over most operational and financial activities.

Controls over the overall management of the budget process, taken as a whole, are good. However, controls in the category of subsidies and asset management need to be improved, while controls in the area of revenue and expenditure management are functional and are implemented effectively.

Furthermore, in terms of compliance with legislation, our audit has detected the existence of some weaknesses, which include mainly personnel management, subsidy management and asset management.

We need to emphasise that the Internal Audit Unit (IAU) has continuously demonstrated a good quality of work through which it provides consistent evaluations regarding the functioning of controls in the organization. In this regard, the benefit from the internal audit work should be taken into account by the MoF management for the improvement of areas with shortcomings.

## 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 tables below:

**Table 1. Sources of budgetary Funds (in €)**

Description	Initial Budget	Final Budget <sup>2</sup>	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
<b>Sources of Funds</b>	<b>73,618,595</b>	<b>46,276,926</b>	<b>31,299,912</b>	<b>68</b>	<b>27,351,666</b>	<b>23,125,136</b>
Government Grant -Budget	65,778,595	40,398,134	29,222,562	72	26,958,879	22,813,721
Financing from borrowing	3,000,000	3,000,000	-	-	-	-
Financing through the investment clause	500,000	500,000	-	-	-	-
PAK revenues	4,340,000	1,933,000	1,682,082	87	-	-
External donations	-	445,792	395,268	89	392,787	311,415

In 2019, the MoF spent about 68% of the final budget or €31,299,912, including Kosovo Customs and Tax Administration of Kosovo. The Ministry of Finance (excluding Customs and TAK), during the year has spent €11,097,629. Compared to the final budget, which was €24,070,734, there was a low percentage of execution because the budget included also budget for contingencies and for development fund for North Municipalities.

If we subtract from the budget of the MoF, for purposes of measuring budget performance in relation to the execution, the budget for contingencies in the amount of €4,682,986 and the budget for the development fund in the amount of €3,972,850, it turns out that MoF executed the budget by 72%. The budget for the contingencies and the Development Fund of the North Municipalities are not foreseen for the support of the regular activities of the MoF, therefore for the purposes of evaluating budget performance at the levels of categories they will not be taken in consideration.

<sup>2</sup> Final budget – the budget approved by the Assembly, subsequently adjusted by the Ministry of Finance.

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

Description	Initial Budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
<b>Spending of funds by economic categories</b>	<b>73,618,595</b>	<b>46,276,926</b>	<b>31,299,912</b>	<b>68</b>	<b>27,351,666</b>	<b>23,125,136</b>
Wages and Salaries	16,874,241	16,577,555	16,511,716	100	16,165,796	15,034,273
Goods and Services	27,891,310	8,107,290	6,331,095	78	5,466,262	5,004,579
Utilities	588,592	455,391	287,194	63	306,571	311,315
Subsidies and Transfers	13,020,000	9,087,925	2,055,509	23	2,722,290	1,241,086
Capital Investments	15,244,452	12,048,765	6,114,398	51	2,690,747	1,533,883

Explanations for changes in budget categories of the Ministry of Finance, excluding the Customs and Tax Administration of Kosovo, are given below:

The initial budget for Wages and Salaries was €3,054,845, while the final budget was €2,902,506. The final budget was decreased by €152,339 based on Government Decision no. 03/15 dated 17.12.2019.

The initial budget for Goods and Services was €22,847,851 (including contingencies of €19,448,020) while the final budget was €3,399,831. Apart from the contingencies, there were no changes to the final budget compared to the initial one. The annual budget execution in this category was €1,998,644, which was about 59%. The amount of €3,399,831 includes the budget from the contingency programme in the amount of €682,986 which were not transferred to the Budget Organization and, at the end of the year, they remained free funds. If we subtract the budget for contingency from the final budget in the amount of €682,986, it turns out that the budget has been spent at about 74%.

The initial budget for Utilities was €123,521, while the final budget was €36,321, of which €27,200 or about 75% was spent. The final budget, compared to the initial budget, was decreased by €87,200 based on Government Decision no. 03/15 dated 17.12.2019.

The initial budget for Subsidies and Transfers was €13,020,000, of which €10,000,000 were MoF contingencies, while the final one was decreased to €9,087,925 or by €3,932,074.88. This reduction in the budget was because of the declaration in MoF as budget savings at the fiscal year closure.

The annual budget execution in this category was €2,055,509, while in the amount of €9,087,925 is included the budget from the contingency programme in the amount of €4,000,000 which were not transferred to the Budget Organization and, at the end of the year, they remained free funds, as well

as the budgeted amount of €3,000,000 in the Treasury programme for the “*Strengthening the Financial Sector*” project. The contract was signed with the International Development Association (IDA), but was not ratified by the Assembly, so the execution of this project has not begun, and the amount of €32,416 remained unspent funds at the end of the years.

The initial budget for capital investments was €8,594,452, the final budget was €8,644,151, while €4,165,844 or about 48% was spent. The final budget compared to the initial budget was increased by €49,699 (of which €43,301 was decreased by the Government Grant, while it was increased by €93,000 from PAK revenues).

The final budget of € 8,644,1515 includes the budget from the Development Trust Fund for North Municipalities €3,972,850, funds which have not been transferred to the respective municipalities and have remained as funds to be spent for the following year. If we subtract from the final budget, the budget from the contingencies in the amount of €3,972,850, then the budget expenditure rate is 89%.

## 2.1.1 Revenues

The Ministry of Finance, including Customs and TAK, for 2019 has generated net revenues of €1,638,510,109, while, only the MoF has generated €188,972, which relate to fines imposed against financial institutions and other fines, revenues from the licensing of individual and free activities. The following table shows the total revenues of the MoF.

Revenues from KC and TAK are not part of this report, as they are handled in separate reports.

**Table 3. Tax and non-tax revenues and returns (in €)**

Agencies / Department	Gross revenues	Returns	Net revenues 2019	Revenues 2018	Revenues 2017
Customs	1,179,586,032	(1,786,817)	1,177,799,215	1,130,784,498	1,111,953,000
TAK	504,281,904	(43,759,982)	460,521,921	424,739,809	365,917,000
Treasury	63,000	-	63,000	55,000	265,200
FIU	47,577	-	47,577	-	20,000
Central Administration	78,396	-	78,396	89,690	88,465
<b>Total:</b>	<b>1,684,056,909</b>	<b>(45,546,799)</b>	<b>1,638,510,109</b>	<b>1,555,668,997</b>	<b>1,478,243,665</b>

In 2019, the total net revenues in MoF, KC and TAK are €1,638,510,109, which compared to the previous year; they were increased by €82,841,112 or 5.3%. The increase was in the tax revenues of TAK for €35,782,112 and in Customs €47,014,717, while only the revenues in the MoF have increased by €44,283, compared to 2018.

In the area of revenues, we tested six (6) samples for substantial tests in the amount of €107,098, and six (6) samples for compliance tests. Our tests have not identified any irregularities in this area.

### 2.1.2 Wages and Salaries

The final budget for Wages and Salaries was €2,902,506, of which €2,850,433 were spent. The planned number of employees by budget was 347, while at the end of the year, the number was 309. We have also made expenditure comparisons between the Kosovo Financial Information System (KFMIS) and the payroll system, and we did not encounter any non-reconciliations in terms of recording and reporting expenses.

We have tested 71 samples of €42,433 as part of substantive testing, and five (5) samples as part of compliance testing. Our tests have not identified any shortcomings in this area.

### 2.1.3 Goods and Services

The final budget for Goods and Services in 2019 was €3,436,152 (Utilities €36,321), of which €2,025,844 (Utilities €27,200) were spent. They mainly relate to information technology maintenance, supply with other equipment, office supplies, fuel for official vehicles and central heating, security of other buildings and rent for buildings.

We have tested 45 samples of €748,646 as part of substantive testing, and six (6) samples as part of compliance testing. Our tests have identified the following shortcomings:

---

**Issue A1 – Open advances in KFMIS from previous years**

**Finding** According to Administrative Instruction no. 2004/07 for official travel Article 8, advances for official travel should be closed and unspent amounts should be returned to the bank account within 15 days of returning from the official trip.

Based on the process of compliance and harmonisation of records in KFMIS and accounting records between the Treasury and the Central Department of the MoF, according to data provided by responsible officials in the MoF, we have noticed that the amount of open advances in the system is €15,417.

The MoF has sent letters to the Treasury indicating the closure of advances from previous years, but they remain open in the system. From the correspondence (email), it is noticed that the MoF has made a request to the Treasury to close them, but the advances still remain open in the accounting records. The MoF, in co-ordination with the Treasury, has taken action and formed a working group in order to reconcile and close the advances that appear open in the system.

This happened due to the lack of proper co-ordination between the responsible officials in the MoF and the Treasury to close the advances in the accounting records system.

**Impact** Non-closing of advances in the system - accounting records have influenced the advance accounts to continue to remain open from year to year.

**Recommendation A1** The Minister should ensure that measures are taken to clarify the problem with advances within a short period and that all accounts of previous years are closed.

### 2.1.4 Capital Investments

The final budget for capital investments was €4,671,301, while €4,165,844 was spent from this amount. This amount does not include the budget of the Development Trust Fund for North Municipalities in the amount of €3,972,850. The expenditures relate to information technology equipment, software, other equipment and two payments of court decisions in the amount of €2,684,452.

Payments in the amount of €2,684,452 were made for the expropriation of properties at the roundabout of the bus station, the payment occurred as a result of the implementation of the enforcement order P no. 962/15 dated 13.03.2018 with the debtor, the Ministry of Finance and the creditor, Public Housing Company and by decision of the Minister of Finance no. 37/2018 dated 05.09.2018. The Ministry of Finance in the Budget Law for 2019 in Table 3.2 Capital projects for

---

Central levels has included this as capital projects “Fulfilment of Obligations according to Court Decisions”.

We have tested 17 samples of €4,165,844 as part of substantive testing, and five (5) samples of €441,352 as part of compliance testing. Our tests have not identified any shortcomings in this area.

---

#### **Issue A2 – Supply with computers for the CPA needs**

**Finding** According to Article 59.4 of the LPP, A contracting authority shall regard a tender as responsive only if it conforms to all requirements set forth in the contract notice and the tender dossier. Notwithstanding the foregoing, in the contract notice dated 14.05.2019 “Supply of computers for the needs of the Central Procurement Agency" it was requested that, among other things, economic operators should provide colour catalogue together with the technical specification for the equipment provided.

Despite this request, the economic operator provided/offered the colourless catalogue. We have discussed with the responsible persons regarding this issue in the MoF, but no reasonable explanation has been given for non-compliance with this request.

**Impact** Such shortcomings during the evaluation process increase the risk of awarding economic operators with contracts who do not meet the pre-determined criteria. This may affect the contract execution process to be characterised by eventual weaknesses (non-compliance with the terms of the contract).

**Recommendation A2** The Minister should ensure that, during the procurement processes, the relevant Department and other persons involved in the process (evaluation commission) should fully comply with the criteria set out in the contract notice.

### **2.1.5 Subsidies and Transfers**

The final budget for Subsidies and Transfers was €5,087,925, of which €2,055,509 were spent. Those relate to subsidies for public entities, non-public entities and other transfers, such as the transfer to help the Republic of Albania after the earthquake.

We have tested 33 samples (all payment transactions executed) of €2,055,509 as part of substantive testing, and five (5) samples of €883,000 as part of compliance testing. Our tests have identified the following shortcomings:

---

**Issue A3 – Spending of funds from the unforeseen expenditures fund****Finding**

Article 29 of Law no. 03/L-48 on the Public Financial Management and Accountability stipulates that if an event occurs that requires urgent or unforeseen expenditures, a budget organization may apply to the Minister of Finances for additional funds to cover such expenditures. Such an application must state the circumstances giving rise to the request, explain why those circumstances could not have been foreseen, and identify the proposed uses of the requested funds.

We have noticed that from the five (5) tested payments in the amount of €883,000, in three of them, as a result of the Government's<sup>3</sup> decision to transfer funds from unforeseen expenses (reserve) to subsidies and transfers, the procedures required to apply for additional funding to the MoF have not been complied with.

Furthermore, the occurred expenditures did not fall within the type of urgent and unforeseen category of expenditures. They should have been planned through regular budget of the MoF and the respective budgetary organizations. The expenditures were related to allocation of funds amounting €180,000 to support the production of film "Lojë Jete", €143,000 for allocation of funds to Kosova Judo Federation, and €50,000 for a case to cover the overseas medical treatment expenses.

**Impact**

Spending of funds from the unforeseen expenses fund, determined for urgent cases, for projects which should be planned into the regular budget, as well as in the absence of the required procedure for application to the MoF poses risk to the MoF of facing lack of budget to address unforeseen (urgent) situations.

**Recommendation A3** The Minister should, in co-operation with the relevant BOs, identify and assess the requirements for projects directed to the MoF and OPM and, based on the assessment made for these projects, they should be planned in the regular budget of relevant budget organizations. The Minister should also ensure that the funds from the reserve should be allocated only for unforeseen (urgent) cases, in accordance with the procedure required by the LPFMA.

---

<sup>3</sup> (a) Prime Minister's Decision no. 09/89 dated 12.02.2019; (b) Prime Minister's Decision no. 02/77 dated 04.12.2019; and  
(c) Prime Minister's Decision no. 002/88 dated 05.02.2019

---

## 2.2 Capital and non-capital assets

The amount of non-financial capital assets over €1000 presented in the AFS was €9,096,031, of which €3,888,799 are the assets of Customs and €2,120,164 of the Tax Administration of Kosovo, while the net amount of non-capital assets under €1,000 was €804,222.97, of which €362,322 are assets of KC and €347,643 are assets of TAK. We have reviewed whether the registration process and the way of keeping evidence is in accordance with the requirements of Regulation MoF no. 02/2013, on the Management of Non-financial Assets by Budget Organizations.

Asset management in the MoF becomes independent in its four units: the Central Administration, the Treasury, the Central Procurement Agency (CPA) and the Financial Intelligence Unit (FIU).

As a result of the examination of assets, we have identified the following shortcomings:

---

### Issue A4 – Shortcomings in asset management

#### Finding

According to the MoF regulation no. 02/2013, on the Management of Non-financial Assets, Article 16, para. 2 - The non-financial assets official will properly record all assets in the assets register and in the accounting records based on documents proving that the assets is owned and supervised by the budget organization.

In the Financial Intelligence Unit (FIU), we noticed that assets purchased in 2019 in the amount of €4,384 (three laptops for €1,022 and two portable OHPs for €658) were not recorded in the asset register. We have also noticed in FIU that the assets purchased in 2019 in the amount of €11,894 were not properly recorded in the asset register and in the accounting records (two purchased Servers are registered in the value without the value added tax (VAT) from €5,506, while the value for VAT of €440 per unit or € 881 for two servers had to be recorded. For this value, assets in accounting records have been understated.

#### Impact

Non-recording of assets and deficient records in the asset register, and in the accounting records, increase the risk against losses or misuse, while the value of the organization's assets reflected in the AFS may not be fair.

**Recommendation A4** The Minister should, in co-operation with the FIU, review the existing controls on asset management. Controls in this area need to be strengthened so that assets are properly recorded and protected against loss and misuse.

## 2.3 Liabilities

### 2.3.1 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2019 was €29,533 (of which €27,470 were from Customs, while the amount of €1,063 belongs to MoF. These liabilities are carried forward to be paid in 2020.

We have tested five (5) as part of substantive testing, and five (5) samples as part of compliance testing. From the samples tested, we did not identify any irregularities.

### 2.3.2 Contractual obligations

Based on the information provided by the responsible officials in the MoF they are as follows:

- MoF-Central Administration, Treasury and FIU, contractual obligations at the end of 2019 were €445,064; and
- CPA - Centralised procurement and special procurement, contractual obligations at the end of 2019 were €55,488,919 (of which centralized procurement €54,982,592 and special procurement €506,327.

## 2.4 Internal audit function

The MoF has a functional internal audit system that constitutes an important segment of controls in general. The Internal Audit Unit (IAU) operates with six (6) members: the Head of IAU, five (5) auditors and one assistant. IAU is organised in two divisions: the one for audits in the MoF and the Audit Division outside the MoF, in entities that have not established the IA Unit. The IAU has drafted a strategic and annual plan. In the annual plan, 20 audits were planned during 2019 and all of them were carried out according to the audit plan for 2019.

Through these reports, IAU provided information to management on how effective internal controls and their operation are. The internal audit approach was based on risks and on day-to-day organization's operations. The Audit Committee has held regular meetings and reviewed all IAU reports.

### 3 Progress in Implementing Recommendations

Our Audit Report on the 2019 AFS of MoF resulted in six (6) key recommendations. The MoF prepared an Action Plan stating how all recommendations will be implemented. On 27.09.2019, MoF prepared and submitted to NAO the periodic report on the progress of the implementation of recommendations.

At the end of our 2019 audit, four (4) recommendations have been implemented; one (1) recommendation was addressed as closed, and one (1) is under implementation. For a more thorough description of the recommendations and the way they have been addressed, see Table 4 (or Table of recommendations).

Table 4 Summary of prior year recommendations and of 2018

No	Audit area	Recommendations of 2018	Actions undertaken	Status
1	Budget Process	The Minister should ensure that upon preparation of the annual budget, are performed detailed analysis, by also referring to the historical data of recent years. In addition, should be conducted analysis and prioritisation of projects for which exist all preconditions to start the same process of implementation during the year. Furthermore, requesting units should timely process the requests for implementation of projects.	The recommendation has not been implemented, and by nature or time it is ultimately unimplemented Ref. B1.4_1 LP_ Budget and Execution	Recommendation closed.
2	Wages and Salaries	The Minister should take all appropriate actions to eliminate reasons or obstacles that hinder filling of vacancies, especially key positions.	As a result of the samples examined this year, we have identified shortcomings of this type in this component Ref B3	Recommendation unimplemented - repeated. Recommendation B1 in this report.
3	Common issues on Goods and Services and Capital Investments	The Minister should ensure closer cooperation between all parties involved in the process, starting from the order up to the control activities over the execution of payments, so that they are processed according to the applicable rules.	As a result of the samples examined in this category this year, we have not identified shortcomings of this type in this component Ref. B4	Recommendation implemented
4	Common issues on Goods and Services and Capital Investments	The Minister should ensure closer cooperation between the evaluation commission and the procurement officers, in order to increase the responsibility in commissions, so that evaluations are done based on the criteria set out in the Tender Dossier, and not based on technical-professional capacities of the EOs to perform Works.	As a result of the samples examined in this category this year, we have not identified shortcomings of this type in this component Ref. B5	Recommendation implemented
5	Capital and Non-capital Assets	The Minister should ensure close cooperation between the assets officer and the commission, so that the inventory report is	We have verified the inventory reports and we have ensured that	Recommendation implemented

		completed at appropriate time, before the preparation of annual financial statements, and the condition of assets presented accurately.	the same have been done before the preparation of the AFS Ref.B7.4 the Inventory report	
6	Internal Audit	The Minister should stimulate and support the work of AC, in order to ensure that the role and mission of the AC in the Ministry is being fulfilled, and that the function of the internal audit is monitored well.	The Audit Committee has been established ref. B10.5e	Recommendation implemented
N o	Audit area	Recommendations of 2019		
1	Goods and Services	The Minister should ensure that measures are taken to clarify the problem with advances within a short period and that all accounts of previous years are closed.		
2	Capital Investments	The Minister should ensure that, during the procurement processes, the relevant Department and other persons involved in the process (evaluation commission) should fully comply with the criteria set out in the contract notice.		
3	Subsidies and Transfers	The Minister should, in co-operation with the relevant BOs, identify and assess the requirements for projects directed to the MoF and OPM and, based on the assessment made for these projects, they should be planned in the regular budget of relevant budget organizations. The Minister should also ensure that the funds from the reserve should be allocated only for unforeseen (urgent) cases, in accordance with the procedure required by the LPFMA.		
4	Capital and non-capital assets	The Minister should, in co-operation with the FIU, review the existing controls on asset management. Controls in this area need to be strengthened so that assets are properly recorded and protected against loss and misuse.		

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

## Annex I: Explanation of the Different Types of Opinion Applied by NAO

(extract from ISSAI 200)

### Form of opinion

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

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

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

### Modifications to the opinion in the auditor's report

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

---

*Determining the type of modification to the auditor's opinion*

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

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

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

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

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

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

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

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

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading “Emphasis of Matter” or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor’s opinion is not modified in respect of the matter emphasised.

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

## Annex II: Letter Confirmation

REPUBLIKA E KOSOVËS - REPUBLIKË E KOSOVËS - REPUBLIC OF KOSOVA	
QEVERIA E KOSOVËS - VLADA E KOSOVËS - GOVERNMENT OF KOSOVA	
ZYRA E Kryeministrit - UREDI PRIMEJERËS - OFFICE OF THE PRIME MINISTER	
SEKTORI I ARKIVËS - SEKTOR ARHIVE - ARCHIVE SECTOR	
Njësia Org. Org. Unit	02
Nr. Prot. Prot. No.	660
Nr. i faqeve No. pages	00
Data: Date: 12 / 05 / 20 20	
Prishtinë/à	



**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**  
**Qeveria - Vlada - Government**

**Zyra e Kryeministrit - Ured Premijera - Office of the Prime Minister**  
**Sekretari i Përgjithshëm - Generalni Sekretar - Secretary General**

### LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 dhe për zbatimin e rekomandimeve

**Për: Zyrën Kombëtare të Auditimit**

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Raportit/Pasqyrave Financiare Vjetore të Zyrës së Kryeministrit, për vitin e përfunduar me 31 dhjetor 2019 (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. Fitim Krasniqi.....  
Sekretar i Përgjithshëm i Zyrës së Kryeministrit të Republikës së Kosovës,  
Datë: 12.05.2020. Prishtinë