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 HEALTH INSURANCE FUND FOR YEAR 2023

Prishtina, June 2024

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

1 Audit Opinion

We have completed the audit of the financial statements of the Health Insurance Fund for the year ended on 31 December 2023 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities[1].

Qualified Opinion on the Annual Financial Statements

We have audited the annual financial statements of the Health Insurance Fund (HIF), which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports[2], for the year ended as of 31 December 2023.

In our opinion, except for the effects of the matter/s described in the Qualified Opinion section of our report, the annual financial statements of the Health Insurance Fund, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Qualified Opinion

C1 HIF had overstated the register of contingent liabilities by €545,200, as it included four cases that should be considered as outstanding liabilities and two cases that were already paid and do not constitute any type of liabilities.

For more see subchapter 2.1 Issues with impact on the audit opinion

We conducted our audit 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 Financial Statements section of our report. NAO is independent from the auditee, in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion on Compliance

We have also audited whether the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

[1] Compliance with authorities – compliance with all the public sector laws, rules, regulations, and relevant standards and good practices

[2] Other reports are required under Article 8 of Regulation no.01/2017 on Annual Financial Report

In our conclusion, except for the effects of the matter/s described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of HIF's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Compliance Conclusion

A1 The Health Insurance Fund issued promissory notes based on a single proforma invoice in 20 cases amounting to a total of €869,472, thus overlooking the requirement in the Administrative Instruction for two proforma invoices;

A2 In seven (7) cases amounting to a total of €163,165, we found that cases completed with the required documentation since 2019 had not been paid on time.

For more see subchapter 2.1 Issues with impact on the audit opinion

We conducted our audit 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 Financial Statements section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

The Deputy Director of HIF is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, the Deputy Director of HIF is responsible for establishing internal controls which he determines are 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 of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Deputy Director of HIF is responsible to ensure the oversight of the Health Insurance Fund's financial reporting process.

Management's Responsibility for Compliance

The Health Insurance Fund's management is also responsible for the use of the Health Insurance Fund's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.[3]

Auditor General's Responsibility for the audit of AFS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our objective is also to express an audit opinion on compliance of respective the Health Insurance Fund's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation.

As part of an audit in accordance with the Law on NAO and ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Insurance

[3] Collectively referred to as compliance with authorities

Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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.

2 Findings and recommendations[4]

During the audit, we have identified areas of possible improvement, including internal control, which are presented below in the form of findings and recommendations for your consideration. These findings and recommendations are intended to correct the financial information presented in the financial statements, including disclosures in the form of explanatory notes, and to improve internal controls related to financial reporting and compliance with authorities regarding to the management of public funds, unpaid obligations and contingent liabilities.
The report has resulted in five (5) recommendations, three (3) of which are new, and two (2) are partly repeated. We will follow up on these recommendations during next year's audit.

For an update on the status of last year's recommendations and the extent to which they have been implemented, please refer to chapter 4.

2.1 Issues with impact on the audit opinion

Issue C1 – Overstatement of contingent liabilities register

Finding

According to Article 3 of Financial Rule No. 02/2013/MF on Reporting of Arrears by Budget Organizations, "the Chief Financial Officer of a budget organization shall be responsible for recording all invoices and other Obligations in the KFMIS in accordance with the FMC Rules within three (3) business days after such invoice or obligation is received or incurred." Additionally, according to Article 18 of the Regulation MF - No. 01/2017 on Annual Financial Statements of Budget Organizations "Budgetary organizations in accordance LPFMA shall report all contingent liabilities".

In six (6) cases of €545,200, the HIF had overstated contingent liabilities by including cases that met the criteria to be accounted for as outstanding liabilities and cases that had already been paid and did not constitute any liabilities. The details of these cases are presented below:

- In the register of contingent liabilities with promissory notes for emergency and regular cases, the Health Insurance Fund presented four (4) cases totaling €339,200 of patients who had completed their medical treatments and submitted medical and financial reports. Two (2) of these cases were reviewed and approved by the Board for Medical Treatment Outside Public Health Institutions (MTOPHI), while the other two (2) were not approved, despite meeting the necessary

[4] Issue A and Recommendation A means new issue and recommendation
Issue B and Recommendation B means repeated issue and recommendation
Issue C and Recommendation C means partly repeated issue and recommendation

administrative and financial requirements for approval; and
- The contingent liabilities register included two (2) cases totaling €206,000 that had already been paid and do not represent any type of liabilities.

This occurred due to the lack of internal controls, which was caused by the large number of payments and the heavy workload required to reconcile the registers at the end of the year when the government allocated additional funds.

It is worth noting that this year, the contingent liabilities balance significantly improved compared to the previous year, when the overstatement of contingent liabilities was €4,814,162.

Impact

The inclusion of cases that do not represent any type of liability, along with cases that belong to financial liabilities, in the register of contingent liabilities results in an overstatement of this register and an understatement of outstanding liabilities.

Recommendation C1

The Steering Board and the Director of Fund should ensure that cases meeting the criteria for being accounted for as liabilities are reviewed as quickly as possible by the MTOPHI Board and removed from the contingent liabilities registers and be presented in the outstanding liabilities registers. Additionally, cases that have been paid and do not represent any liabilities should also be removed from the contingent liabilities register.

Response of the Auditee Management (Agree)

2.2 Issues with impact on compliance conclusion

Issue A1 - Issuance of promissory notes in the absence of complete applications as per proforma invoices

Finding

According to Administrative Instruction (GRK) No. 03/2017 on Medical Treatment Outside Public Health Institutions - Article 4, two proforma invoices from two health institutions where the health service can be provided must be attached to the application. This rule applies to both regular and emergency cases.

The Health Insurance Fund issued promissory notes based on a single proforma invoice in 20 cases totaling €869,472, disregarding the requirement in the Administrative Instruction for two proforma invoices. These commitments (promissory notes) covered the period from 2019 to June 2023.

In September 2023, the HIF approved the new Administrative Instruction No. 03/2023 on Medical Treatment Outside Public Health Institutions, amending/supplementing this article to require that three proforma invoices be attached to the application.

This occurred due to the urgency that these cases had, as well as the limited time for completing the documentation of 72 hours (3 days).

Impact

Issuing promissory notes in the absence of two proforma invoices is considered as non compliance with the law and could result in higher approved prices for treatments due to lack of competition, ultimately harming the organization's budget. Additionally, this may cause delays or non-approval for payment of those cases by the Board.

Recommendation A1

The Board of Directors and the Director of Fund should ensure that promissory notes are only issued when the cases are complete and meet the criteria outlined in the Administrative Instruction.

Response of the Auditee Management (Agree)

Issue A2 – Failuer to make the payments on promissory notes issued

Finding

According to Administrative Instruction (GRK) No. 03/2017 on Medical Treatment Outside Public Health Institutions - Article 5 Procedures for Emergency Cases, paragraph 6 stipulates that the payment execution can take up to six (6) months. Additionally, Article 5, paragraph 1.5 and Article 6, paragraph 6 of the same Administrative Instruction stipulate that payment procedures should be finalized within fifteen (15) days from the submission date to the Finance Division, unless there are insufficient funds available.

In seven (7) cases totaling €163,165, we observed that the cases which were completed with the necessary documentation since 2019 had not yet been paid.

This was because the responsible individuals did not take the necessary steps to handle these cases further, and in some instances, due to ambiguities in the cases.

It is important to note that with the government's approval of an additional budget of €15,000,000, the HIF was able to pay off the obligations from the MTOPHI program, significantly improving the situation in this registry.

Impact	Failure to make payments for the issued promissory notes means that the non-public health institutions may be reluctant to provide services in the future based only on promissory notes. Moreover, it may make the Health Insurance Fund subject to lawsuits, causing additional court/enforcement expenses or obligations for the following year.
Recommendation A2	The Executive Board and the Director of the Fund should take the necessary actions to ensure that liabilities are paid within the deadline. When there is uncertainty, they should take the necessary steps to clarify and reconcile the records.

Response of the Auditee Management (Agree)

2.3 Other financial management and compliance issues

2.3.1 Capital and non-capital assets

The amount of capital assets presented in AFS is €77,357, that of non-capital assets is €6,626, and of stock id €92,631.

Issue A3 - Overstatement of stocks

Finding

Article 6.3 of the Regulation MoF No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, stipulates that 'all capital assets must be registered in the KFMIS, while non-capital assets and stocks must be registered in the "e-asset" system'.

We have observed that the Health Insurance Fund mistakenly recorded two assets, "Workstation AIO HP PC" at its original value of €2,249, and "Switch 48 port CISCO" at its original value of €16,072, twice. They were entered in both the asset register in KFMIS for items over €1,000 and in the stock register, causing an overstatement of stocks by €18,320. These assets were not utilized in 2023.

This occurred becuase the asset officials were familiar with the appropriate rules.

Impact

The double reporting of assets results in the overstatement of assets, leading to the incorrect and inaccurate presentation of information in the AFS.

Recommendation A3

The Steering Board and the Director of Fund should take all necessary actions to ensure that the asset registers are reported correctly and accurately in the AFS.

Response of the Auditee Management (Agree)

Issue C2 – Failure to reconcile the asset registers with inventory reports

Finding

Article 19 of the Regulation MoF No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, stipulates that 'The inventory report should be prepared before the AFSs are prepared, so this allows the possibility for the inventory commission of comparing the situation of inventory with the condition in the non-financial registers.

The inventory commission had completed the property inventory. However, they had not reconciled the inventory report with the asset register before preparing the Annual Financial Statements.

This situation was caused as a result of poor functioning of controls over assets management.

Impact

Failure to reconcile the inventory status with the the asset registers could result in untrue and incomplete reporting of the assets in the AFS.

Rekomandimi C2

The Board of Directors and the Director of Fund should ensure that after completing the inventory process, a comparison is made between the inventory status and the asset registers before preparing the annual financial statements. This is necessary to ensure the accurate and complete presentation of assets in the AFSs.

Response of the Auditee Management (Agree)

3 Summary information on budget planning and implementation

This chapter gives a summarised information on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is highlighted in the following tables and charts:

Table 1. Expenditures by sources of budgetary funds (in €)

Description	Initial Budget	Final Budget[5]	2023 Outturn	2022 Outturn	2021 Outturn
Sources of Funds	**8,938,806**	**23,921,198**	**22,711,153**	**6,128,439**	**10,145,805**
Government Grant - Budget	8,938,806	23,921,198	22,711,153	6,128,439	10,145,805

The final budget is higher than the initial budget by €14,982,392. This increase is a result of the Government's decision to allocate additional funds and transfer funds from the goods and services category to the subsidies and transfers category to pay off obligations from the issuance of promissory notes.

In 2023, HIF spent 95% of the final budget, an improvement of 18% compared to 2022.

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

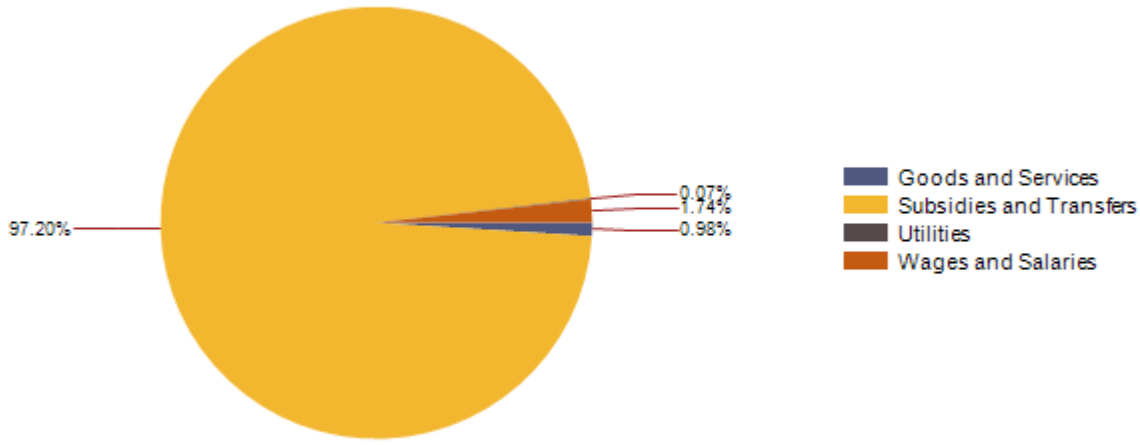
Description	Initial Budget	Final Budget	2023 Outturn	2022 Outturn	2021 Outturn
Spending of funds by economic categories	**8,938,806**	**23,921,198**	**22,711,153**	**6,128,439**	**10,145,805**
Wages and Salaries	413,806	396,198	396,198	341,756	340,712
Goods and Services	500,000	255,000	223,486	187,452	216,242
Utilities	25,000	25,000	16,298	16,880	18,989
Subsidies and Transfers	8,000,000	23,245,000	22,075,171	5,582,351	9,400,993
Capital Investments	0	0	0	0	168,870

The explanations for the changes in the budget categories are as follows:

· The final budget for salaries and wages was reduced by €17,608 compared to the initial budget. The budget realization for this category was 100%;
· The final budget for goods and services was reduced by €245,000 compared to the initial budget. This decrease was requested by HIF to transfer the funds to the subsidies and transfers category. The budget realization for this category was 88% of the final budget;

· The final budget for utilities had no changes compared to the initial budget. The budget realization for this category was 65%;
· The final budget for subsidies and transfers increased by €15,245,000 compared to the initial budget. This increase was due to the transfer of funds from the goods and services category in the amount of €245,000, and the allocation of additional funds through government decisions in the amount of €15,000,000 for the payment of obligations arising from the issuance of promissory notes. The budget realization for the subsidies category was 95% of the final budget.

Chart 1. Expendiures by economic categories, for year 2023



The revenues generated by HIF in 2023 were in the amount of €57,171. These revenues relate to funds that were returned to the budget of the Republic of Kosovo as a result of payment settlements with private hospitals for Medical Treatment Outside Public Health Institutions, related to unspent initial payments.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2023 Receipts	2022 Receipts	2021 Receipts
Total Revenues	**96,262**	**96,262**	**57,171**	**128,723**	**57,201**
Non-tax Revenues	96,262	96,262	57,171	128,723	57,201

4 Progress in implementing recommendations

Our audit report for the 2022 AFS of the Health Insurance Fund resulted in seven (7) recommendations. HIF prepared an Action Plan outlining how all recommendations would be implemented. By the end of our 2023 audit, four (4) recommendations had been implemented, one (1) recommendation was no longer applicable as it has been merged, and two (2) recommendations had been partially implemented.
It is important to note that the Health Insurance Fund has taken concrete actions to significantly improve the situation compared to the previous year in terms of fulfilling obligations related to the issuance of promissory notes.
For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

Chart 2. Progress in implementing previous year's recommendations

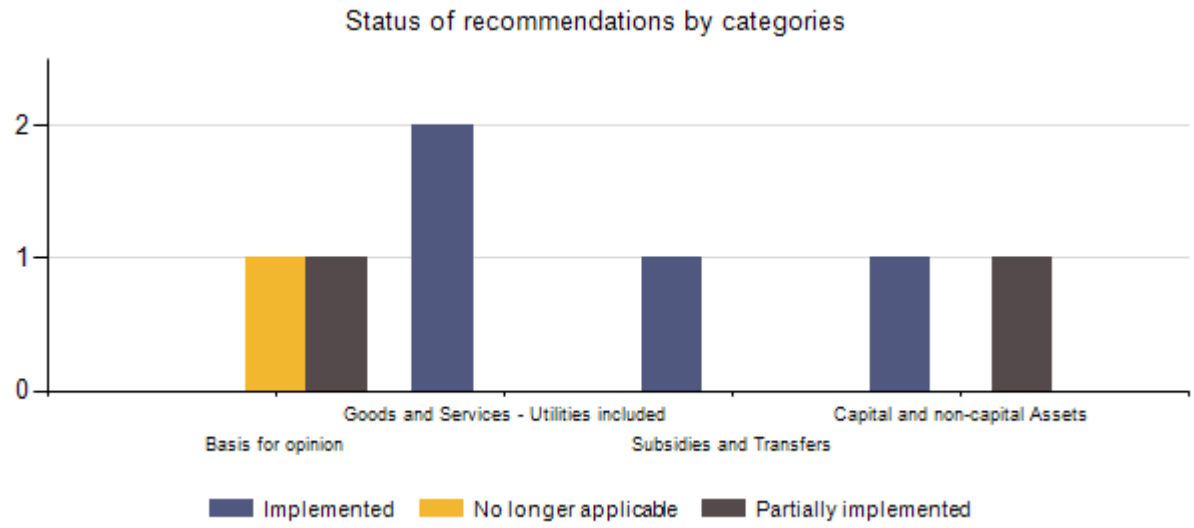


Table 4 Summary of previous year's recommendations

No.	Audit area	Recommendations of 2022	Actions taken	Status
1.	Basis for opinion	The Steering Board and the Director of Fund should ensure a thorough review of the contingent liabilities register and compare it with all Board decisions. They should remove any cases from this register that have already been paid and those for which there are financial obligations. This is necessary to ensure that the value of the register reported in the AFS is accurate and complete. Coordination with the Ministry of Health is also necessry to identify all	This recommendation has been merged into the recommendation regarding the issue overevaluation of the contingent liabilities register.	It is no longer applicable

		cases belonging to the HIF. This will ensure the completeness and accuracy of financial information, and their accurate reporting in the AFS.		
2.	Basis for opinion	The Steering Board and the Director of Fund should ensure that an analysis of the contingent liabilities register is carried out to identify all cases where the criteria for recognizing liabilities have been met. These cases should be reviewed as quickly as possible by the MTOPHI Board and recorded in the registers of outstanding liabilities, in order to accurately report them to the AFS.	Even in 2023, the contingent liabilities register includes cases that have already been paid and cases that belong to financial liabilities. However, compared to the previous year, we have clearly improved the situation.	Partially implemented
3.	Goods and services and utilities	The Steering Board and the General Director should enhance internal controls, to ensure that payments adhere to procedures and to prevent the risks of delays or outstanding liabilities.	During the year 2023, payments were made in accordance with the current legislation.	Implemented
4.	Goods and services and utilities	The Steering Board and the General Director should ensure the establishment of an effective control system to ensure that all outstanding invoices are properly logged and recorded.	During the year 2023, the invoices received were properly logged.	Implemented
5.	Subsidies and transfers	The Steering Board and the Director of Fund should establish effective mechanisms to ensure that the beneficiary parties are complying with the obligations for the full justification of subsidized expenses.	Upon the entry into force of IA 03/2023, the beneficiary parties must first submit their invoices, and after that the HIF will process the subsidy.	Implemented
6.	Assets	The Steering Board and the Director of Fund should ensure that any equipment currently not in use is assessed for potential use within the organization. If the equipment does not meet the internal needs, alternative solutions should be sought for managing these assets.	In 2023, HIF began replacing the computers based on staff's requests.	Implemented

7.	Assets	The Steering Board and the Director of Fund should take all necessary actions to implement the e-asset system by recording and maintaining assets under €1,000 and stocks. They should also ensure that the reconciliation of the inventory report with the asset accounting registers is completed before the preparation of the AFSs.	During 2023, the reconciliation of the inventory report with the asset accounting registers was not completed, while regarding the e-assets, it was completed.	Partially implemented

Vlora Spanca, The Auditor General

Emine Fazliu, Assistant Auditor General

Blerina Krasniqi, Audit Director

Burbuqe Idrizi, Team Leader

Jehona Krasniqi, Team member

Mimoza Morina, Team member

Annex I: Letter of confirmation

REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO
ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE
12-06-2024

Njësia Org. Org. Jedin. Org. Unit	Shif.klasif. Klasif. Kod Class. Code	Nr. Prot. Br. Prot. Prot. No.	Nr.i faqeve Br. Stranica No. Pages
05	47	829	1

REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA
REPUBLIC OF KOSOVO
FONDI I SIGURIMIT SHËNDETËSOR FOND ZA ZDRAVSTVENO OSIGURANJE
HEALTH INSURANCE FUND
Njësia Org. Org. Jedinica Org. Unit: FSSH
Nr.Prot. Broj Prot. Prot. No.: 1379
Nr. i faqeve Br.stranica No. pages: -1-
Data Datum Date: 12.06.24
PRISHTINË - PRIŠTINA - PRISTINA

Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria –Vlada - Government
Ministria e Shëndetësisë – Ministarstvo Zdravlja – Ministry of Health
Fondi për Sigurime Shëndetësore – Fond Zdravstvenog Osiguranja – Health Insurance Fund
Bordi Drejtues – Upravni Odbor – Steering Board

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Fondit për Sigurime Shëndetësore, për vitin 2023 (në tekstin e mëtejmë "Raporti");
- pajtohem me gjetjet 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 zbatimin e tyre.

Bujar Kaçuri
Drejtor i FSSH-së

Data: 12.06.2024, Prishtinë

Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements [5] should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities[6]. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

For the purpose of concluding whether an opinion on the financial statements is modified or unmodified an auditor should assure himself/herself whether audit results include or not (a) detected material or pervasive misstatement(s) or potential one(s) presumed in the event of a limitation of scope.

A misstatement is a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

(extract from ISSAI 200)

Forms of opinions

Unmodified opinion

It is formulated when no misstatements or non-compliance were detected or misstatements and/or non-compliance were detected, a single one or aggregate, that do(es) not equal or exceed the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions do(es) not equal or exceed the level of lower materiality established for this class of transactions. It is also formulated if there is no limitation of scope or a limitation of scope may not lead to omission of (a) material misstatement(s) and/or non-compliance).

[5] Financial statements in the public sector include also the statement(s) of budget execution
[6] Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

Limitation of scope occurs when an auditor 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 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.

Modifications to the opinion in the auditor's report

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 and/or non-compliance, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and/or non-compliance, the auditor should modify the opinion in the auditor's report. A modified opinion may be:

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that equals or exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions equals or exceeds the level of lower materiality established for this class of transactions. It is also formulated if there is a limitation of scope that may not lead to omission of (a) material misstatement(s).

Adverse opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that pervasively exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions pervasively exceeds the level of lower materiality established for this class of transactions.

"Pervasive is a term used, in the context of misstatements and/or non-compliance, to describe the effects of misstatements and/or non-compliance on the financial statements or the possible effects on the financial statements of misstatements and/or non-compliance, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

a) Are not confined to specific elements, accounts or items of the financial statements
b) If so confined, represent or could represent a substantial proportion of the financial statements; or
c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Disclaimer of opinion

It is formulated when limitation of scope, i.e. inability to obtain sufficient appropriate audit evidence, is material and pervasive.

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

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.

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.

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.

Endnotes

[1] Compliance with authorities – compliance with all relevant laws, rules, regulations, standards and good practices in the public sector

[2] Other reports are a requirement of Article 8 of Regulation 01/2017 on Annual Financial Reporting

[3] Collectively referred to as compliance with authorities

[4] Issue A and Recommendation A - means new issues and recommendations
Issue B and Recommendation B - means repeated issues and recommendations
Issue C and Recommendation C- means partially repeated issues and recommendations.

[5] Issue C1 - Cases with protocol number 19-349, a case reviewed by the board in the amount of €29,500, a case with protocol number 23-586 paid in the amount of €50,000. Cases with decisions 148-2021 worth €130,000, 890-2023 worth €160,000, 1009-2023 a paid case worth €156,000, and 302/2023 a regular case reviewed by the board worth €19,700.

[6] Case A1 - Cases with protocol number 2603 in the amount of €7,420, 22-865 in the amount of €9,814.70, 20-428 in the amount of €26,950, 20-124 in the amount of €29,400, 21-1874 in the amount of €25,200, 21-1820 in the amount of 30,000 €, 19-2516 in the amount of €30,000, 19-2688 in the amount of €30,000, 21-1231 in the amount of €18,000, 21-1186 in the amount of €15,200, 21-856 in the amount of €19,703, 21-81 in the amount of €28,700, 21-1050 in the amount of €31,444, 21-178 in the amount of €50,000, 21-1470 in the amount of €70,000, 20-756 in the amount of €160,000, 21-962 in the amount of €113,240, 21-351 in the amount of €134,000, 2105 in the amount of €22,400, and 22-848 in the amount of €18,000.

[7] Case A2 - Decisions taken on these cases: Decision 1652/4 dated 21/08/2019 in the amount of €30,000, decision 1138/5 dated 29/10/2019 in the amount of €30,000, decision 611/2 dated 15/06 /2020 in the amount of €38,000, decision 471/2 of 12/04/2022 in the amount of €30,000, decision 541/2 of 27/05/2022 in the amount of €1,837.50, decision 2888/2 of 13/01/2020 in the amount of €20,767, and decision 2896/4 dated 23/11/2021 in the amount of €12,561

[8] Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

[9] Financial statements in the public sector also include the statement(s) of budget execution

[10] Compliance with authorities: compliance with laws, regulations, standards, or good practices.