



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 DIASPORA AND STRATEGIC INVESTMENTS FOR THE YEAR 2019

Prishtina, April 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 Republic 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 Local Government Administration (MLGA) 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 Edona Abazi-Demolli - Team Leader, Florim Maliqi - Team Member, under the management of the Head of Audit Department Blerim Kabashi.

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Executive Summary

This report summarises the key issues arising from our audit of the Ministry of Diaspora and Strategic Investment 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

Examination of Annual Financial Statements (AFS) takes into account compliance with the reporting framework as well as the quality and accuracy of the information presented in the AFS. Our conclusion is that the process of the preparation of AFS has been managed in accordance with applicable legislation. AFS of MDSI present a true and fair view in all material aspects.

Although internal controls have functioned effectively, some areas still require improvements. Weaknesses have been noted in the legality of decision-making, the treatment of open advances and the non-reporting of subsidies used by beneficiaries.

Despite the progress, some of prior year's key recommendations have not been addressed, and as a result, some weaknesses continue to be present. Regarding the recommendations for better budget planning and closing of advances, the appropriate actions have not been taken, and the same issues were repeated this year.

Opinion of the Auditor General¹

Unmodified Opinion

The Annual Financial Statements of MDSI for the year ended on 31 December 2019 give a true and fair view in all material respects.

For more details, see Section 1 of this report.

Management's Response on 2019 audit

The Minister has agreed with audit findings and conclusions and has committed to address all given recommendations.

The National Audit Office appreciates the cooperation of the management and personnel of the Ministry during the audit process.

¹ 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 opinion of the Auditor General.

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 Sections provide in detail our audit findings and recommendations in each audited area.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Ministry of Diaspora and Strategic Investments 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 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 under the cash basis 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 of Diaspora and Strategic Investments. 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 Diaspora and Strategic Investments 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 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 compliance with requirements from the 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.

Responsibility of the Auditor General 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.

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, assets and liabilities, and the internal audit function.

Financial Management and Control Conclusion

In the context of financial systems, controls over expenditures are generally appropriate and are effectively implemented, except for the management of advances which require more attention.

Improvements are needed in regard to well-analysed budget planning (especially in Goods and Services, and Utilities), better management of subsidies, by obtaining a final reporting from beneficiaries, and timely closure and justification of advances.

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 ²	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds:	2,435,747	1,963,987	1,740,704	88.6%	1,675,692	1,314,023
Government Grant-Budget	2,435,747	1,963,987	1,740,704	88.6%	1,675,692	1,314,023

The final budget is lower than the initial budget by €471,760. This decrease was effected by Government decisions.

In 2019, the MDSI spent 89% of the final budget or €1,963,987, in a slight increase of 3% compared to 2018.

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

Description	Initial budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories:	2,435,747	1,963,987	1,740,704	88.6%	1,675,692	1,314,023
Wages and Salaries	851,535	619,970	619,970	100%	625,709	479,350
Goods and Services	1,439,712	1,202,417	988,062	82.2%	915,122	715,636
Utilities	14,500	11,600	7,622	65.7%	9,013	8,787
Subsidies and Transfers	130,000	130,000	125,050	96.2%	125,848	110,250

Explanation for changes in the budgetary categories are given as follows:

- The final budget in the category of Wages and Salaries was executed 100%. However, there is a decrease of the initial budget in this category by €231,565 through Government Decision no. 03/115 dated 17.12.2019. This was due to the lack of development of recruitment procedures according to the Human Resources plan, and an information from the MPA in September about the suspension of and no further development of such procedures by the BO;

² Final Budget – budget approved by the Assembly subsequently adjusted by the Ministry of Finances.

- In regard to Goods and Services, a lower budget execution can be seen. Although by Government Decision no. 02/113 dated 05.11.2019 there was a budget cut by €185,295 and by Government Decision no. 03/115 dated 17.12.2019 there was a budget cut by €52,000, totalling €237,295, the spending from this category was executed by 82.2%.
- Low level of budget execution is especially noticed in the category of Utilities (65.7%). The initial budget of this category was decreased by €2,900 through Government Decision no. 02/113 dated 05.11.2019.

2.1.1 Wages and Salaries

The final budget for Wages and Salaries in 2019 was €619,970, which was completely spent.

The MDSI's planned number of employees was 97, whereas according to AFS at the end of 2019 the number of employees was 81, of which 22 staff to Minister's Cabinet and the other 59 is administrative staff.

We have conducted substantive testing of 18 samples in amount of €21,712, and compliance testing of 9 samples.

Issue A1 - Self appointment of the Secretary General as a chair of the recruitment panel

Finding Law No. 05/L-031 on General Administrative Procedure, Article 29 - cases of exclusion from the procedure, para. 1.7 - An official shall not be involved in any administrative proceeding if acting as a superior organ in resolving of an appeal against his own decision;

When testing the internal recruitment procedures, we noticed in one case that the Acting Secretary General, through a decision, appointed the selection panel for the position of the Head of Division for the promotion of strategic investments, where he had appointed himself as Chair of this panel.

This decision was made because there was no Director of the Department for the position in question.

Impact Duties of the Chair of Selection Panel exercised by the Chief Administrative Officer her-/himself may constitute a conflict of interest, because should the candidates complain, he/she may affect the epilogue of complaints for the decisions taken by her-/himself.

Recommendation A1 The Minister should ensure that in every process where the establishment of the Panel is needed, not to appoint as Chair of such Panel an officer who is involved in the administrative procedure, and at the same time, participates in reviewing complaints as a superior body to make a decision by her-/himself.

2.1.2 Goods and Services

The final budget of Goods and Services in 2019 was €1,202,417 of which €988,062 or 82% were spent. They mainly relate to spending for other contractual services, advances for official travels, public information, luncheon, fuels for vehicles, supply with school books for schools in diaspora, travels abroad, etc.

We have conducted substantive testing of 78 samples in amount of €294,664, and compliance testing of 7 samples.

Issue B1 - Failure to timely close advances as per requirements of AI 2004/07³

Finding

According to AI no. 2004/07 for Official Travel, funds taken as an advance for official travel must be justified within 15 days after returning from the travel. Any delay beyond this period is legally unreasonable and let alone delays for years.

Open advances at the end of 2019 were €17,443. One of these advances in the amount of €6,014 had remained open since 2017, while six (6) open advances in the amount of € 7,423 were from 2018 and five (5) open advances in the amount of € 4,005 were from 2019, and as such, had to be closed before the end of that specific year.

Of 9 samples we tested, we noticed that in one sample of advance in amount of €1,041 for official travel to Italy which occurred on 28 October 2019, based on the documentation evaluated justifying the expenses, for the part of the advance in the amount of €370, the beneficiary provided no evidence for the expenses incurred. This amount should have been returned to the MDSI account, however until the end of the audit, these funds had not been returned.

The amount of unjustified advances reported in the AFS that were not closed over the years had occurred due to negligence of the relevant officers to return unjustified funds and lack of controls by officials in charge to approve such expenses.

Impact

Failure to justify the expenses and to timely close the advances constitutes a violation of the regulations for public money spending and increases the risk that the money given has been used for other purposes.

³ Head of the Department for drafting and harmonizing legislation, Head of the department for conservation and the cultivation of education and culture in the diaspora, and the Higher education officer.

Recommendation B1 The Minister should ensure that all of the above advances are justified within the period set forth in financial regulations. Otherwise, unjustified amounts should be deducted from the salary of recipients of advances. In addition, the management should strengthen controls so that advance spending are reconciled/justified within the set legal deadlines and with no delays.

Issue A2 - Lack of performance security

Finding According to the Tender Dossier, Section II- Tender Data Sheet, para 14.1, before signing the contract with the economic operator, the performance security should be carried out with a specified period of time.

During the audit, we noticed that in the contract 'Bus and minibus transportation services' LOT 1 with a value of €18,700 and LOT 2 with the value of €13,500, the EO was awarded the contract without providing the performance security by the latter. This security was accepted by the Ministry after the audit completion.

This was due to the fact that the Procurement Department has not been attentive to the implementation of this legal requirement and has signed contracts with no performance security.

Impact Lack of performance security risks implementation of projects according to the terms set forth in the contract, and prevents the ministry's management from eventual punishment of the operator should the contract not be fulfilled.

Recommendation A2 The Minister should apply accountability measures for non-compliance with legal requirements and ensure that before signing contracts with EOs, the procurement office has completed the procurement file with all required documentation, including the performance security under terms specified in Tender Dossier.

2.1.3 Subsidies and Transfers

The final budget of Subsidies and Transfers in 2019 was €130,000 of which €125,050 or 96% of budget were spent.

MDSI had prepared and submitted the annual plan to the Office of Good Governance, at the Office of the Prime Minister, for financing Non-Government Organisations (NGOs) wherein it planned to support activities related to preserving identity and strengthening ties with diaspora, and diaspora involvement in country's social and economic development. The payments mainly relate to financial support to NGO and natural persons.

We have conducted substantive testing of 10 samples in amount of €20,300, and compliance testing of 7 samples. From testing we identified the following issues:

Issue A3 – Failure to report subsidies used by beneficiaries

Finding Regulation on Subsidies no. 04/2017, on the Criteria, Standards and Procedures of Public Funding of NGOs, Article 14, requires that following the completion of the project beneficiaries of subsidies must submit reports as evidence on the funds method of use and justification.

During the testing of seven (7) samples, we noticed that in six (6) cases the beneficiaries have not reported in accordance with the terms of the contract. Furthermore, MDSI did not appoint responsible officials for monitoring implementation of projects.

Of seven (7) tested cases, five (5) projects financed under the contract were planned to be completed during the period June-September, whereas in two cases; the projects would end in November 2019.

The reason why beneficiaries of subsidies did not report was because officers responsible for monitoring were not appointed and the sector responsible for addressing this request of NGOs was not sufficiently engaged in.

Impact Failure to appoint monitoring officers and no correct stipulation of deadline for submission of reports on use of funds by beneficiaries increases the risk of funds having been used for other purposes. This can impact on mismanagement of public money and potentially damage the public funds.

Recommendation A3 The Minister should appoint the officials responsible for monitoring implementation of projects, and on the occasion the agreements with beneficiaries of subsidies are concluded, the terms and conditions of reporting should be clearly defined. Otherwise, the Minister should not allocate the remaining subsidies until the reports on the previously allowed expenses are submitted.

Issue A4 - Non-compliance with subsidy criteria

Finding According to public calls, the general criteria for financial support to NGOs and natural persons, in order to qualify for public financial support the applicant must meet the following criteria; the certificate confirming that they have no tax liabilities to TAK, the evidence from the Basic Court confirming that they are not under investigation, the evidence that they are established as NGOs and equipped with fiscal numbers.

In financial support for NGOs, we tested four (4) samples, of which two (2) for foreign NGOs (exercising their activity abroad) and two (2) local NGOs. From the tested samples, we identified the following shortcomings:

Financial support in amount of €4,000 for the project *"History of the Albanian people over the years"* – the beneficiary did not provide the fiscal number as evidence, respectively the equivalent documentation according to the legislation of the respective state for foreign NGOs.

Financial support in amount of €2,100 for the project *"Organization of the cup competitions in Vienna"* – the beneficiary did not provide evidence on registration as an NGO according to the requirements of applicable legislation on freedom of association in Non-Governmental Organizations in the country where it operates nor on possession of fiscal number.

Financial support in amount of €2,100 for the project *"Youth Camp for the Diaspora"* and financial support in amount of €2,000 for the project *"Diaspora 2019 – Skënderaj"* – in both cases, before signing the contract, local NGOs had not provided the certificate issued by the Basic Court confirming that the responsible managers are not under investigation for any criminal offense, and one NGO had not provided evidence or the certificate to prove that it has no debts to TAK.

In the three (3) examined cases of financial support for projects for individual beneficiaries, we identified the following shortcomings:

Financial support in amount of €2,100 for the project *"Football Memorial Tournament 9 November"* - place of execution Roneby-Sweden;

Financial support in amount of €2,000 for the project *"Promotion and information of compatriots for investments in Kosovo"* - place of execution Germany and the Czech Republic; and

Financial support in amount of €2,100 for the project *"Mountainous cycling to recognize the Kosovo values "* - the place of execution in the region of Shala e Bajgores.

In all three cases Beneficiaries had not provided the certificate from the Basic Court that they are not under investigation, where after beneficiaries are selected, the original copy not older than 6 months is required to be submitted.

This was due to negligence and irresponsibility on the part of the Evaluation Commission to ensure that the applicants' selection process was conducted in accordance with the requirements of the public call.

Impact Non-compliance with public call requirements by the evaluation commission may result in unfair selection that is not based on legal requirements, violation of the principle of equal treatment of applicants and poor value for money in financial support practices for NGOs and individual beneficiaries.

Recommendation A4 The Minister should ensure that the evaluation commission takes into account all the criteria set out in the public call and in no case will it subsidise NGOs or natural persons without meeting all the criteria required therein.

2.2 Capital and non-capital assets

The net value of capital assets (over €1,000) of MDSI disclosed in the AFS was €5,177, non-capital assets (below €1,000) were €94,128, while the value of stocks was €18,383.

We tested two (2) samples for substantial tests (purchases of the year) in the amount of €4,194, and five (5) samples for compliance tests. Regarding stocks, we tested five (5) samples where we evaluated the registration of stocks in the warehouse and verified the system of incoming and outgoing goods from the warehouse. The following are registered as part of the stocks: textbooks for supplementary education in the Diaspora, which are later expected to be distributed according to the requirements of Albanian schools in the diaspora, cartridges, HP lasers, plastic comb binding supplies, etc.

We have also reviewed the maintenance of assets registers and the inventory process. All these processes were managed in accordance with the requirements of the MoF Regulation no. 02/2013, on the Management of Non-Financial Assets of Budgetary Organizations.

Our tests in this category did not reveal any shortcoming to report on.

2.3 Outstanding Liabilities

The statement of outstanding liabilities to suppliers at the end of 2019 was €24,507, of which €22,507 were unpaid liabilities from the category of Goods and Services, while €2,000 from Subsidies and Transfers.

For substantial testing purposes, we have tested five (5) samples totalling €1,799, as well as the monthly reporting of liabilities in the Ministry of Finance (MoF).

Outstanding liabilities for the category of Goods and Services relate to luncheons, public information expenses, other contractual expenses and the purchase of computers in the amount of less than €1000. All these invoices were received at the end of December and after the closing of the Kosovo Financial Management Information System (KFMIS). Two international payments in the amount of €6,368 were returned due to incorrect account number. These were the reasons why the invoices were not processed for payment in 2019. MDSI reported on outstanding liabilities to the Ministry of Finance on a regular monthly basis.

2.4 Contractual Obligations

The statement of contractual obligations at the end of 2019 was €23,218 which belong to the category of Goods and Services.

2.5 Internal Audit function

The Internal Audit Unit (IAU) operates with one staff member who is also the Head of IAU. The IAU has drafted the Strategic Plan 2019-2021 and the Annual Work Plan, which includes the units and areas that present the highest sensitivity and which were planned to be audited. For 2019, four audits were planned and carried out. The audits covered the area of administration, human resources, procurement unit and finance unit.

For each audited unit, a management action plan has been prepared outlining the actions to be undertaken and the period for implementing the recommendations. IAU made 12 recommendations, of which four (4) were implemented, seven (7) are under implementation one (1) is not implemented. The Audit Committee has been established within the MDSI, where regular quarterly meetings are held and the minutes of these meetings are taken. The status of recommendations and the steps to be taken for implementation thereof are discussed in detail in these meetings.

3 Progress in Implementing Recommendations

Our audit reports on the 2019 AFS of MDSI resulted in four main recommendations. MDSI prepared the Action Plan presenting how the recommendations will be implemented.

MDSI submitted the report on progress in implementing recommendations on 30 September 2019 under requests deriving from the Rules of Procedure on implementation of Audit and action plans.

The MDSI management has undertaken actions to address the issues raised, however the full implementation remains a challenge.

At the end of the 2019 audit, one recommendations was implemented, one was under implementation, one was closed unimplemented and one is unimplemented yet. 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 recommendations for previous year and for 2019

No.	Audit area	Recommendations of 2018	Actions undertaken	Status
1	Budget Execution	The Minister should ensure that budget planning precedes a proper analysis of the needs and opportunities for budget execution. Further on, he/she should ensure that budget performance is systematically monitored on monthly basis. In addition, corrective actions should be taken to addresses causes and obstacles that have impact on low level of budget execution.	Management has not taken steps to address this issue. This situation remains the same also in 2019	Recommendation closed unimplemented. This is because the budget performance has not marked significant improvements yet. But through NAO policies, this part will not be followed by new recommendations
2	Goods and Services, and Utilities	The Minister should ensure that in all cases were officers have not justified travel expenditures in accordance with the rules, the unjustified amounts will be withheld from their salaries. This will lead to increased staff responsibility in performing legal obligations for justification of expenditures and closing of advance payments, in accordance with the applicable rules.	Although management has undertaken some measures to address this issue, three cases remain still unclosed. This situation regarding the delay in closing the advances remains the same in 2019.	Recommendation unimplemented . Ref Issue B-1.
3	Internal Audit System	The Minister should increase the responsibility of all administrative units in addressing of all IAU recommendations.	Of 10 recommendations in 2018 from IA, which were unimplemented, only one is under implementation and one is unimplemented. Whereas of 12 recommendations	Recommendation partly implemented

			of 2019, 4 were implemented, 7 are under implementation and one is still unimplemented.	
4	Management Reporting, Accountability and Risk Management	The Minister should ensure that the list of risks is continuously monitored to reduce the impact of risks at acceptable levels and to take the appropriate measures/actions to put exposed threats under control.	Measures were undertaken taken to monitor the list of risks on a quarterly basis.	Recommendation closed implemented. This is because the through NAO policies, this part will not be followed by new recommendations.
No.	Audit area	Recommendations of 2019		
1	Wages and Salaries	The Minister should ensure that in every process where the establishment of the Panel is needed, not to appoint as Chair of such Panel an officer who is involved in the administrative procedure, and at the same time, participates in reviewing complaints as a superior body to make a decision by her-/himself.		
2	Goods and Services	The Minister should ensure that if advances are not closed within the period set forth in regulations, the unjustified amounts should be deducted from the salaries. This will impact on increase of staff's accountability in performing legal obligations to justify expenses and close advances, pursuant to the applicable legislation.		
3	Goods and Services	The Minister should apply specific controls and ensure that before signing contracts with EOs, the procurement office has received the procurement security under terms specified in Tender Dossier. This will contribute to contract performance pursuant to terms and conditions provided.		
4	Subsidies and Transfers	<ul style="list-style-type: none"> The Minister should appoint the officials responsible for monitoring implementation of projects, and on the occasion the agreements with beneficiaries of subsidies are concluded, the terms and conditions of reporting should be clearly defined in order to ensure the funds provided meet the aimed objectives; and The Minister should ensure that the Evaluation Commission takes into account all the criteria set out in the public call and in no case will it subsidise NGOs or natural persons without meeting all the criteria required therein. 		

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 of confirmation



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

Ministria e Punëve të Jashtme dhe Diasporës- Ministarstvo Inostranih Poslova i Dijaspore–Ministry of Foreign Affairs
and Diaspora

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 Ministrisë së Diasporës dhe Investimit Strategjik, për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejme "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.

Glauk Konjufca

Ministër - Ministria e Punëve të Jashtme dhe Diasporës,

Data: 17.Prill.2020, Prishtinë,

