



**REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVA**

**ZYRA KOMBËTARE E AUDITIMIT  
NACIONALNA KANCELARIJA REVIZIJE  
NATIONAL AUDIT OFFICE**

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**AUDIT REPORT**

**ON THE ANNUAL FINANCIAL STATEMENTS OF THE  
PROCUREMENT REVIEW BODY FOR THE YEAR ENDED 31  
DECEMBER 2017**

**Prishtina, April 2018**

The National Audit Office of the Republic of Kosovo is the highest institution of economic and financial control which, according to the Constitution and domestic laws, enjoys functional, financial and operational independence. The National Audit Office undertakes regularity and performance audits and is accountable to the Assembly of Kosovo.

Our Mission is through quality audits strengthen accountability in public administration for an effective, efficient and economic use of national resources.

We perform audits in line with internationally recognized public sector auditing standards and good European practices.

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.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Procurement Review Body, in consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Laureta Matoshi-Pozhegu (Team Leader) and by Liridona Berisha-Kelmendi and Mimoza Morina (Team Members), under the management of the Head of Audit Department, Ramadan Gashi.

## TABLE OF CONTENTS

Executive Summary .....	4
1 Audit Scope and Methodology .....	6
2 Annual Financial Statements and other External Reporting Obligations .....	7
3 Financial Management and Control .....	10
4 Progress in implementing recommendations.....	16
5 Good Governance .....	17
Annex I: Explanation of the different types of opinion applied by NAO .....	19
Annex II: Progress in implementing the recommendations of prior and previous years ..	22
Annex III: Letter of confirmation.....	28

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## Executive Summary

### Introduction

This report summarizes the key issues arising from our audit of the 2017 Annual Financial Statements of Procurement Review Body, which determines the Opinion given by the Auditor General. The examination of the 2017 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions (ISSAIs). Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in our External Audit Plan dated 07/02/2018.

Our audit focus has been on:



The level of work undertaken by the National Audit Office to complete the 2017 audit is a is determined depending of the quality of internal controls implemented by the Management of the Procurement Review Body.

The National Audit Office acknowledges the Senior Management and Staff of Procurement Review Body's for cooperation during the audit process.

### Opinion of the Auditor General

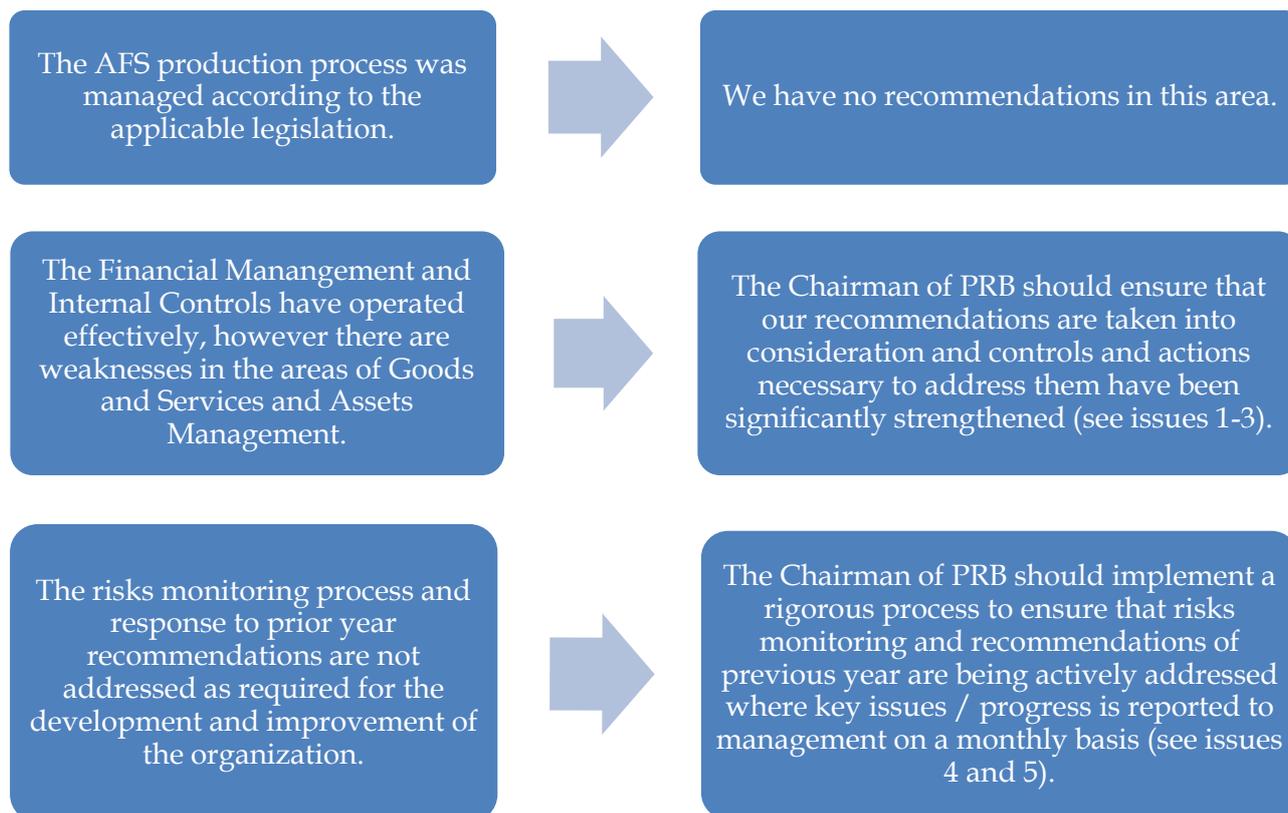
#### Unmodified Opinion

The Annual Financial Statements for 2017 *present a true and fair view* in all material aspects.

For more, please refer to Section 2.1 of this report.

Annex I explains the different types of Opinions applied by the National Audit Office.

## Key Conclusions and Recommendations



## Management response – audit 2017

The Chairman of the Procurement Review Body has taken into consideration and has agreed on detailed audit findings and conclusions and committed to address the recommendations given.

# 1 Audit Scope and Methodology

## Introduction

The National Audit (NAO) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of Financial Statements and other financial records and expression of opinions on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- All matters arising from or relating to the audit.

Audit work undertaken reflected our audit risk assessment for the PRB. We have analyzed the PRB's business to the extent to which management controls can be relied upon when determining the overall testing required to provide the necessary level of evidence to support the AG's opinion.

The following sections provide a more detailed summary of our audit finding with emphasis on observations and recommendations in each area of review. Management's responses to our findings can be found in Annex III.

Our procedures included a review of the internal controls, accounting systems and related substantive tests and related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

## 2 Annual Financial Statements and other External Reporting Obligations

### Introduction

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information recorded in the AFS. We also consider the Declaration made by the Chief Administrative Officer and Chief Financial Officer, when the draft AFS are submitted to the Ministry of Finance.

The declaration regarding presentation of the AFS incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the AFS. These assertions are intended to provide the Government with the assurance that all relevant information has been provided to ensure that an audit process can be undertaken.

### 2.1 Audit Opinion

#### **Unmodified Opinion**

We have audited the AFS of the Procurement Review Body for the year ended on 31<sup>st</sup> of December 2017, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31<sup>st</sup> of December 2017 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organizations.

#### **Basis for the opinion**

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

**Responsibility of Management and Persons Charged with Governance for AFS**

The Head of Secretariat is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

The Chairman of PRB is responsible to ensure the oversight of the PRB’s financial reporting process.

**Auditor General’s Responsibility for the audit of the AFS**

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the entity’s circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

## 2.2 Compliance with AFS and other reporting requirements

BO/Municipality is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organizations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Quarterly reports for Outstanding Liabilities;
- Action Plan on implementation of recommendations;
- Requirements of Financial Management and Control (FMC) procedures;
- Nine-month Financial Statements in time;
- Procurement Plan for 2017; and
- AFS were prepared in time and signed by the CAO and CFO.

In the context of reporting requirements, we have not identified any irregularities.

### **DECLARATION MADE BY THE MANAGEMENT OF PRB**

Given the above - the Declaration made by the Management of PRB when the draft AFS are submitted to the MoF, is accurate and fair, because no material errors were identified during the audit.

## 2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

## 3 Financial Management and Control

### Introduction

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organizations. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

### Financial Management and Control Conclusion

The PRB has good controls in relation to its statutory obligations. The Financial Management and Effective Control have proven good review processes and assurance in implementation of legislation and other control processes. However, a challenge for the Institution remains payments for Goods and Services and Assets Management.

#### 3.1 Budget Planning and Execution

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

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

Description	Initial Budget	Final Budget <sup>1</sup>	2017 Outturn	2016 Outturn	2015 Outturn
<b>Sources of Funds</b>	349,695	329,695	292,014	307,925	291,838
Government Grant -Budget	349,695	329,695	292,014	307,925	291,838

The final budget in relation with the initial budget<sup>2</sup> was lower by €20,000. This change is a result of the Government Grant reduction for the project Complaints Management System (software) by Government decision no. 08/151 dated 02.08.2017.

In 2017, the PRB has spent €292,014 or 89% of the final budget, with a decrease by 10% compared to 2016. However, the budget execution remains at an unsatisfactory level.

<sup>1</sup> Final Budget – the budget approved by the Assembly subsequently adjusted for by the Ministry of Finance.

<sup>2</sup> Initial Budget – The budget planned presented in the Budget Law.

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

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
<b>Spending of funds by economic categories</b>	<b>349,695</b>	<b>329,695</b>	<b>292,014</b>	<b>307,925</b>	<b>291,838</b>
Wages and Salaries	210,240	210,240	192,229	195,264	185,026
Goods and Services	114,355	114,355	96,409	108,638	105,469
Utilities	5,100	5,100	3,376	4,023	1,343
Capital Investments	20,000	-	-	-	-

Explanations for changes in budget categories are given below:

- For the category of Wages and Salaries there were no changes between initial and final budget. The surplus of funds at the end of year (€18,011) was a result of suspension of two officials during 2017 as well as disciplinary actions undertaken for other officials, and this has affected the overall level of budget execution in this category; and
- The execution of budget for the category of Goods and Services was 84% of the final budget. Unexecuted funds at the end of year were €17,946.

## 3.2 Revenues

Revenues in 2017 mainly consist of deposits received as a result of confiscation decisions, whereas in this year no fines were imposed and paid by the contracting authorities. While deposits<sup>3</sup> at the end of year (2017) were in the amount of €366,351.

The main source of revenues in the PRB are from complaints which is decided in favor of contracting authorities and fines imposed.

**Table 3. The Revenues of PRB transferred to the Kosovo Budget (in €)**

Description	2017 Receipts	2016 Receipts	2015 Receipts
Revenues from Deposits	37,231	116,895	78,500
Revenues from Fines	-	-	30,000
<b>Total</b>	<b>37,231</b>	<b>116,895</b>	<b>108,500</b>

The PRB collects revenues from the confiscations of economic operators' deposits to which the complaints are referred as ungrounded by the decision of review panels, then the same ones go to the budget of the Republic of Kosovo. These revenues in 2017 were in the amount of €37,231,

<sup>3</sup> Deposits are revenues from complaints of economic operators, if the complaint of the EO is approved then funds are reimbursed.

compared to previous year we have a decrease in collection of about 68% (2016 - €116,895), as a result that some complaints were filed in December, therefore the duration of the decision-making is subject to the legal provisions of the applicable LPP.

#### **Recommendation**

We have no recommendations in this area.

### **3.3 Wages and Salaries**

Wages and Salaries are paid through a centralized payment (payroll) system managed by MPA and MoF. Key controls that confirming the accuracy and completeness of payments are payroll lists signed by unit leaders.

The final budget for Wages and Salaries was €210,240, while €196,427 or 93% was spent, which is a satisfactory level of budget execution.

The approved number of employees in the PRB was 23 (twenty-three), while the current number of employees at the end of year was 21 (twenty-one) employees. We have reviewed payroll lists and compared the data presented by Treasury, KFMIS and their presentation in AFS. Based on this, we conclude that Wages and Salaries were managed in accordance with applicable legislation.

#### **Recommendation**

We have no recommendation in this area.

### **3.4 Personnel Management**

We tested the compatibility of personnel files, recruitment procedures, retirement process, maternity leaves, restrictions and measures undertaken by the PRB. From the tests it was verified that all changes have been made in accordance with the applicable legal requirements. For our samples we have not noticed any issue to report.

#### **Recommendation**

We have no recommendation in the area.

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## 3.5 Goods and Services and Utilities

The final budget for Goods and Services and Utilities in 2017 was €119,455. Out of which €99,785 were spent or 84%, compared with previous year we have a decrease of execution by 16%. These expenditures are mainly related to representation expenses, official travels, trainings and other administrative expenditures.

The PRB had signed 12 (twelve) planned contracts for services and supplies for 2017. Procurement procedures for the PRB have been transferred to the responsibility of the Central Procurement<sup>4</sup> Agency.

Our tests disclosed the following issues.

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### Issue 1 - The supply with scratch cards for mobile phones

**Finding** The PRB for its staff uses monthly scratch cards from Kosovo Telecom JSC "Vala" which is invoiced every month. We have noticed that for this service there was no agreement or contract signed with Kosovo Telecom JSC, where is determined the price of minutes / SMS spent, quantity, the amount of payment per month and the time set for payment. During 2017, the total of funds spent for this service were in the amount of €6,555.

**Risk** The supply with scratch cards for mobile phones without agreement / contract may lead to the receiving of services, in poor level of quantity and quality from the service provider.

**Recommendation 1** The Chairman of PRB should ensure that appropriate controls are in place on these payments, and before the expenditure is made, first an agreement / contract is signed, specifying the type of service, price, quantity, time of supply and payments. Further on, the PRB as another opportunity, can use the MPA contract for the use of mobile telephony services signed with Kosovo Telecom "Vala".

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<sup>4</sup> LPP no. 04/L-04, article 21a, which determines that for the purpose of economizing the procurement activities for Independent Agencies which respond to the Assembly of Republic of Kosovo with fewer than 50 (fifty) employees, the procurement procedures are carried out by the CPA.

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**Issue 2 – Payment for unused airplane ticket**

- Finding** During the audit, we have noticed a case where a ticket was paid in the amount of €394 for an official which was scheduled for an official travel to Slovenia, but at the last moment, the travel was canceled for this official. This has happened for subjective reasons, without any serious reason from participating group of official travel (except one notification through phone for the officer to not take part in this travel, despite the confirmation of participation in the agenda and booking of the ticket), moreover it is worth mentioning that the planned meeting was held and one member of the group was participating in Slovenia.
- Risk** Non-cancellation of official travel and payment execution without using the service, increases the risk that this form of payment may be considered improper and could cause financial damage to the PRB.
- Recommendation 2** The Chairman of the PRB should ensure proper controls on these expenditures, in such situations, eventual cancellations should be made in the right time, so that the PRB officials co-ordinate with EO to cancel the booked tickets in order to avoid such expenditures without using the service. Expenditures are to be executed in accordance with financial rules.

### 3.6 Capital and Non-Capital Assets

The capital asset over €1,000 presented in AFS was in the amount of €2,996, assets under €1,000 were in the amount of 29,129, while stocks 3,156. Further, 87% of the capital assets registered in the accounting register in KFMIS and 13% of non-capital assets registered in e-Asset register were in zero amount.

We tested purchases of 2017, regularity in assets registration, as well as physical examination to verify the existence of assets.

Our audit on assets management identified weaknesses presented below.

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### Issue 3 – Shortcomings in assets management

**Finding** The PRB had established commissions for assets evaluation<sup>5</sup> and inventory<sup>6</sup>, which had evidenced some assets that were out of use and appear in assets register, by recommending the management to remove from e-Assets register. In two (2) out of nine (9) tested samples, we noticed that despite the recommendation of the evaluation commission, these assets were not removed from the assets register, as required by Article 9 of Regulation 02/2013.

The e-Assets system had not calculated the depreciation of some IT equipment's as well as some other equipment's, and for this the PRB had not undertaken necessary actions to correct this problem. According to the assertion of assets officer, the depreciation should be carried out by the MPA automatically, but this is not applied correct. Furthermore, we have handled this issue by giving recommendations in the previous year.

**Risk** Keeping in assets register certain assets that are out of use and not depreciating all assets, it turns out that the e-Assets system can generate inaccurate information and increase the risk that assets are overestimated and their presentation in AFS is incorrect.

**Recommendation 3** The Chairman of PRB should ensure that the management of registers is done in accordance with regulation on assets management, respectively to ensure the removal of assets out of use according to the respective commission evaluations, and to ensure that the e-Assets system applies in the norms determined of depreciation.

## 3.7 Receivables

The PRB accounts receivable register, according to the data disclosed in AFS in 2017 were €216,000, the same amount as the previous year.

The PRB during 2017 had not managed to collect any revenue in accounts receivable, as a result of complaints filed to the court by the parties, against the PRB's decisions and delays in their reviews

### Recommendation

We have no recommendation in this area.

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<sup>5</sup> Decision no. 977/17 dated 06/11/2017.

<sup>6</sup> Decision no. 843/17 dated 02/10/2017.

### 3.8 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2017 was €7,946. In general the PRB has good controls in management of liabilities. The remaining value as a liability was due to the fact that the majority of the invoices were received in December, which are related to the expenses of external experts' payments. These liabilities were carried forward to be paid in 2018.

#### Recommendation

We have no recommendation in this area.

## 4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS, has resulted in 12 (twelve) recommendations. The PRB had prepared an Action Plan stating within 30 days after receiving the audit report for AFS of 2016 of NAO, where it is presented the way how recommendations will be implemented.

At the end of our 2017 audit, five (5) recommendations have been implemented, four (4) were in process, while three (3) have not been addressed yet.

Moreover, from the 2015, four (4) recommendations were carried forward, one (1) unimplemented and three (3) others were being implemented.

For a more thorough description of the recommendations and how they are addressed, see Annex II.

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#### Issue 4 - Implementing recommendation from previous years

<b>Finding</b>	The current level of handling the recommendations is unsatisfactory because the PRB has not followed any formal process to review and monitor the way of implementing the recommendations and identifying obstacles to action in their fully address. Such an approach is necessary to manage continuous improvement throughout the organization.
<b>Risk</b>	The lack of effective monitoring of the implementation of recommendations has resulted in continued weaknesses related to Good Governance, Goods and Services as well as Assets Management.
<b>Recommendation 4</b>	The Chairman of PRB should ensure that the action plan is reviewed and updated, analyzing the causes of unimplemented recommendations, to set out a new timetable and accountability mechanisms to all responsible persons in charge of implementing the recommendations. In the initial focus should be areas of greater importance. The implementation of this plan should be monitored continuously.

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## 5 Good Governance

### Introduction

Good Governance implies basic principles of accountability, effectiveness of controls, risks management, independence of internal audit, coordination of NAO with internal audit and good governance with public assets.

A key indicator supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance related reviews have been the accountability and risks management process, while the other components are handled within the chapters or subchapters above.

### Overall Governance Conclusion

In relation to the previous year, the Management of PRB has made improvements to Good Governance arrangements and that the reporting was at an appropriate level our review of managerial controls implemented in the main financial system has highlighted a good financial reporting on expenditures and revenues.

However, a number of governance processes need to be further improved to support the effective management of PRB activities. Seriousness is required in completing the self-assessment questionnaire, since although it is completed the accuracy is required in information presented. The majority of previous year's recommendations were not implemented, at the risk management the PRB has established formal and documented procedures to identify risks, but no monitoring of them is reported.

#### 5.1 Internal Audit System

The Internal Audit is an important segment to ensure Senior Management that internal control mechanisms are properly designed and implemented.

According to AI No. 23/2009 on Establishment of the Internal Audit Unit, the PRB does not meet the criteria<sup>7</sup> for the establishment of IAU.

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<sup>7</sup> Over 1 million euro budget, 50 staff employed and high level of risk

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In the absence of IAU, the internal audit is carried out by the Internal Audit Department within MoF, as a result it was performed by an internal audit in PRB. However, during 2017, no internal audit was conducted by IAD for PRB despite the request made in the MoF. We encourage the management to conduct a review of need for internal audit and consider the possibility of reaching an agreement with another public sector organization to use the internal audit services.

### **Recommendation**

We have no recommendation in this area.

## **5.2 Management Reporting, Accountability and Risk Management**

The Management has implemented a number of internal controls to ensure that financial systems function properly. It is important that they include proper management reporting to enable an effective and timely response to identified operational problems.

From our review of managerial controls implemented in this area, we can conclude that management has established an adequate organizational structure, delegated duties and responsibilities and was informed about processes developed within the PRB. Departments and divisions prepare regular monthly working reports and are sent to the Director of Secretariat.

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### **Issue 5 - Weaknesses in Managerial Controls and Risk Management**

**Finding** We have identified non-effective controls in the category of Goods and Services and Assets Management.

The PRB has drafted the strategy and general risk register according to FMC requirements, in which has identified challenges and difficulties faced during the daily activities. Although the PRB every three months has written document on the foreseen risks, there is no update or concrete monitoring report on these risks.

**Risk** The lack of effective risk management and controls will affect non-addressing the deficiencies in time, thereby reducing effectiveness and affecting non-fulfillment of targeted objectives and plans.

**Recommendation 5** The Chairman of PRB should consider the reasons for not effectively applying the controls in the above mentioned areas and to provide continuous updating and monitoring of the risks list.

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

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## 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.

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*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 1705<sup>19</sup> 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 emphasized 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 emphasized.

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: Progress in implementing the recommendations of prior and previous years

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
Good Governance	The Chairman of PRB should prioritize the implementation of all audit recommendations and ensure that the action plan is managed proactively, which should contain details regarding the accountable staff and the timeframe for the implementation of each recommendation. The implementation of the action plan should be reviewed on a monthly basis.		In 2017, this recommendation is partially addressed.	
Good Governance	The Chairman should ensure that the self-assessment checklist is used proactively to promote organizational improvement and to have a review process by the Chairman on a quarterly basis evidenced based.		Partially addressed. The questionnaire is filled but still we do not have a monitoring report.	
Good Governance	The Chairman should ensure that risk management requirements are re-evaluated within the next 3 months addressing the need to update the risk register as a "live" document and identify responsible officers. Actions taken to reduce the impact of the risks identified should be reviewed by the Chairman every quarter.	Recommendation addressed in 2017.		
Good Governance	The Chairman should ensure a review to determine the form of financial reporting required to support effective management of the activity and ensure that an appropriate solution is made as soon as possible.	Recommendation addressed in 2017.		

3. Budget Planning	The Chairman should ensure improvement of systematic monitoring of budget performance, which examines the weaknesses in controls at the level of economic codes, reflects realistic cash flow assessments and identifies unnecessary budget items.			Unaddressed recommendation even in 2017.
3.4 Procurement	The Chairman of PRB to ensure that the payment of received invoices is made within the prescribed legal deadline.		Partially addressed recommendation, since in 2017 we encountered delays in payments.	
3.4 Procurement	The Chairman to ensure that all framework contracts contain approximate quantities of goods expected to be purchased during the duration of contract.	In 2017 all procurement processes for PRB are carried out by the CPA.		
Revenues	Existing records in the KFMIS do not identify the depositor (source document) and transactions of the same type, are described in three ways: deposits, revenue, the report of respective registration date.  Corrections in KFMIS in 2015, in the amount of €169,000, were no subject of an approval process and had no clear description of why they occurred.	Recommendation addressed.  We did not find any correction and any unclear description in 2017.		

Capital and non-Capital Assets	<p>The inventory committee had confirmed that the assets in the registers matched the physical assets and that no irregularities were found. However nothing was said about the amount of assets under €1000.</p> <p>In the e-Asset system, respectively in AFS, the remaining value of the PRB assets was overestimated for €4,000, for which neither the asset officer nor the management were aware of. The asset officer has no access to make changes to the system.</p>	<p>Recommendation addressed in 2017.</p> <p>Recommendation addressed in 2017.</p>		
Accounts Receivable	Debts from fines imposed to the Contracting Authorities had an increased by €30,000 compared to the previous year. The collection was partially weak due to complaints filed in court.	In 2017 no file had been imposed and none of the previous debts was paid.		
Audit Component	Recommendation given in 2016	Implemented	Under implementation	Not implemented
Good Governance	The Chairman of PRB should ensure that the action plan is implemented, revised, which sets out the exact timeframes for implementing the recommendations made by the AG, with the responsible staff identified, focusing primarily on the most important areas.			This recommendation has not been completed yet, this year we have noticed that there is no monitoring report on given recommendation and important areas.

Good Governance	The Chairman of PRB should ensure that the completion of the self-assessment questionnaire is reviewed and the addressing of areas with weakness is proactively done. A mechanism should be applied to confirm the accuracy of the questionnaire as well as to provide supporting documentation		This recommendation is in the process, since even though the self-assessment questionnaire is completed, accuracy is required in the information presented.	
Good Governance	The Chairman of PRB should consider the reasons for not applying the controls effectively in the areas mentioned above and ensure the elimination of identified weaknesses.		This recommendation is partially implemented, where we have improvement in reporting lines but still controls over payment procedures are missing.	
Budget Planning	The Chairman of PRB should ensure that budget performance is systematically monitored on a monthly basis, and that this review identifies and addresses the budget execution barriers at a planned level. Where initial budget assumptions are incorrect, this should be fully reflected in the final budget position.	This recommendation is addressed.		

Revenues	The Chairman of PRB should ensure that revenues are being managed according to legal requirements and errors are identified on time. This would help to extracting complete and accurate records in the AFS.	This point of recommendation has been addressed. Improvements are noticed and this year we can say that PRB has established functional controls on revenues.		
Goods and Services	The Chairman of PRB should review the reasons for the continuity of the deficiencies in the payment process and ensure the implementation of effective controls in this area.			This recommendation has not been yet fully addressed, we have noticed improvements but still some payments are not fully addressed.
	The Chairman of PRB in cooperation with responsible persons should ensure regular oversight of the budget execution process, so that each invoice is paid within the legally set deadline.		Partially addressed. From our audit we have verified that there are still delays, although there are improvements this year.	
	The Chairman of PRB to provide additional controls on the payment management. Source withheld tax should be stopped and declared in TAK for all situations foreseen by the applicable legislation.	Fully addressed recommendation. From our audit we have verified that tax withholding is stopped.		

Asset Management	The Chairman of PRB should ensure that it has strengthened controls on asset management. At the end of each year after inventory process, the general assets register should be reconciled with the register drafted in the inventory process. If a difference is found then clarifications should be provided for the changes introduced.		Partially addressed recommendation. In this year we have encountered in non-reconciliation of registers.	
Asset Management	The Chairman of PRB should ensure that the causes of the non-functioning of existing controls in this area have been identified, and appropriate actions are taken to ensure that all assets are subject to depreciation by applying the relevant depreciation rates.			Unaddressed recommendation even in 2017.
Asset Management	The Chairman of PRB should provide additional controls on the warehouse management. Complete records regarding the registration and transfer of stocks should be kept in order to avoid errors during the planning of purchases.	Recommendation addressed. We have verified that this year stock records have been kept.		
Asset Management	The Chairman of PRB to provide additional controls to the Transport Unit, so that vehicle management is fully complied with legal requirements. Vehicle drivers should submit regular reports related to expenditures on the use of vehicles.	Recommendation addressed. Improvements regarding the reporting on vehicle usage expenditures have been applied.		

## Annex III: Letter of confirmation



**Republika e Kosovës**  
Republika Kosova – Republic of Kosovo

ORGANI SHQYRTUES I PROKURIMIT  
TELO ZA RAZMATRANJE NABAVKE  
PROCUREMENT REVIEW BODY

REPUBLICA E KOSOVËS / REPUBLIKA KOSOVA  
ORGANI SHQYRTUES I PROKURIMIT / PROKURIMNÉ  
TELO ZA RAZMATRANJE NABAVKI / PRISHTINË - PRIŠTINA

Nr./Br. 395118  
Data/Datum 19.04.18  
PRISHTINË - PRIŠTINA

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**LETËR E KONFIRMIMIT**

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për periudhën 01.01.2017 deri më 31.12.2017 dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për Auditimin e Raportit Financiar të Organi Shqyrtues të Prokurimit për periudhën 01.01.2017 deri më 31.12.2017 (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 implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Prishtinë  
Dt: 19.04.2018

Kryetari i OSHP-së:  
Blerim DINA

