



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

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AUDIT REPORT
FOR THE ELECTION COMPLAINTS AND APPEALS PANEL FOR
THE YEAR ENDED 31 DECEMBER 2018

Prishtina, May 2018

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

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

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 internationally recognized public sector auditing standards and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Election Complaint and Appeals Panel 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 Shefkije Beka Gërvalla (Team leader) and Mexhit Ferati (Team member) under the management of the Head of Audit Department Shkëlqim Xhema.

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Executive Summary

This report summarises the key issues arising from our audit of the Election Complaint and Appeals Panel for 2018, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2018 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures that were necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in the External Audit Plan dated 01/02/2019.

Our audit focus has been on:



The level of work undertaken to carry out the audit was determined depending on the quality of internal controls implemented by the Management of Election Complaint and Appeals Panel.

Opinion of the Auditor General

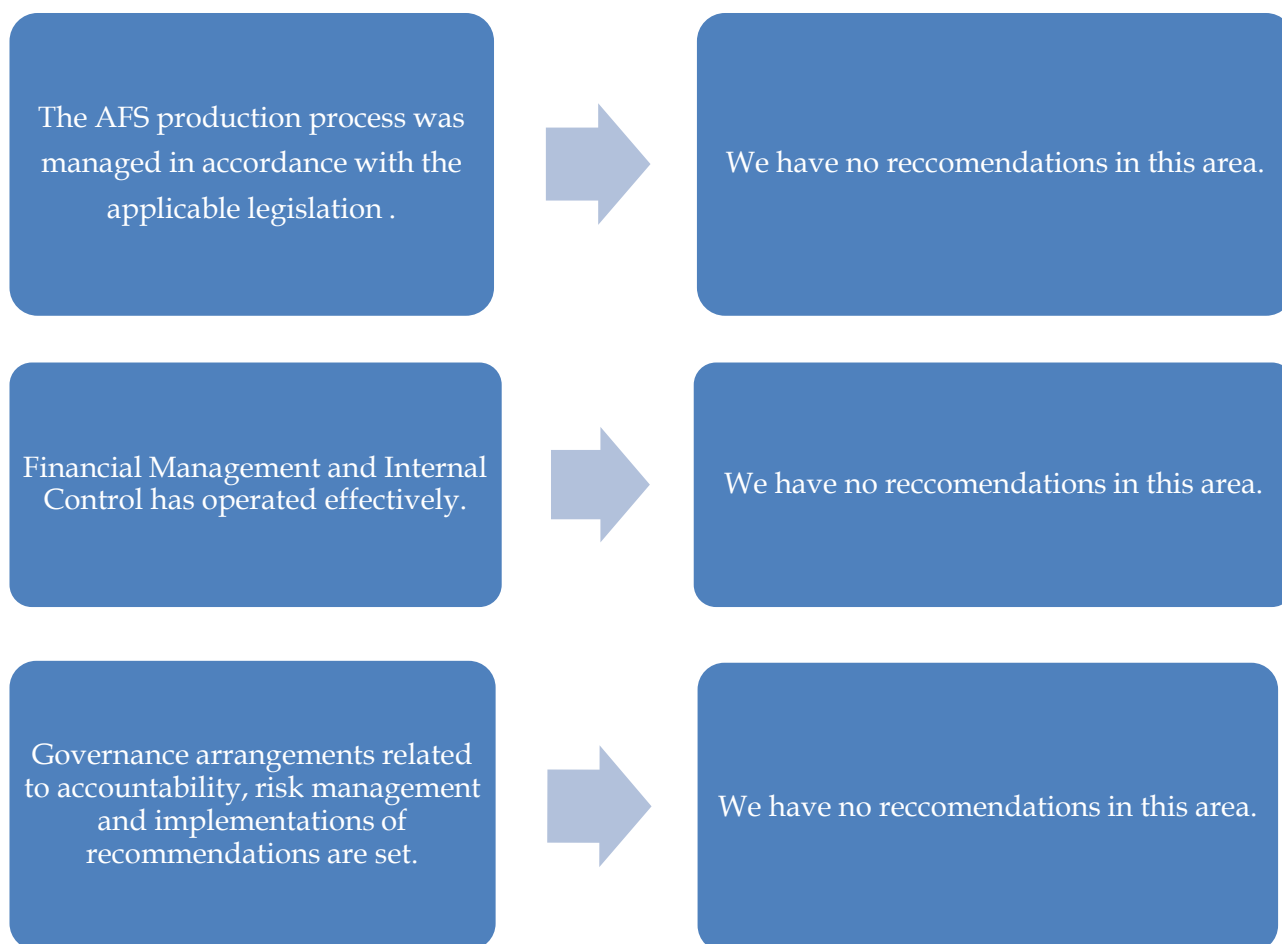
Unmodified Opinion

The Annual Financial Statements for 2018 *present a true and fair view* in all material aspects.

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

Annex I explains different types of Opinions in line with ISSAIs.

Conclusions



Management's Response on 2018 audit

The Head of the Secretariat of Election Complaint and Appeals Panel has agreed with conclusions.

The National Audit Office appreciates the cooperation of the management and personnel of the Election Complaint and Appeals Panel during the audit process.

1 Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records, as follows:

- 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;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether have been taken appropriate actions for implementation of audit recommendations.

Audit work undertaken is based on risk assessment. We have analysed the ECAP's business, the level of reliance on management controls, in order to determine the level of detailed testing required to provide the necessary evidence and that support the opinion of the AG.

Our procedures have included a review of internal controls, accounting systems and related substantive tests, as well as related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement 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 a detailed summary in each area of review.

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 presented in the AFS, including the declaration made by the Chief Administrative Officer and Chief Financial Officer.

The declaration on presentation of AFS includes a number of assertions relating to the compliance with the reporting framework and the quality of information within the AFS. These assertions intend to provide assurance to the Government 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 ECAP for the year ended on 31st of December 2018 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 31st of December 2018 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 and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

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 for AFS

The Head of ECAP's Secretariat and Chief Financial Officer are 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 Head of Panel and the Head of the Secretariat are responsible to ensure the oversight of ECAP'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

ECAP 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 Organisations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations;
- Final Procurement Plan;
- Report on Outstanding Liabilities; and
- Requirements of Financial Management and Control (FMC) procedures.

In the context of the AFS we have no issues to raise. Given the above - the Declaration made by the Chief Executive Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance can be considered full and correct in all material aspects.

2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

3 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 as well as assets and liabilities.

Financial Management and Control Conclusion

In the context of financial systems, controls over revenues and expenditures in general are appropriate and are being implemented effectively.

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 ¹	2018 Outturn	2017 Outturn	2016 Outturn
Sources of Funds	217,906	209,805	190,195	257,473	190,810
Government Grant -Budget	217,906	209,805	190,195	257,473	190,810

The final budget is lower than the initial budget by €8,101. This decrease is a result of the Government² Decision for budget savings, whereas the category of Wages and Salaries is lower by €3,007, and Utilities by €5,094.

ECAP has spent 91% of the final budget in 2018 or €190,195, with an improvement of 4% compared to 2017.

¹ Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

² Government Decision on Budget Savings No. 02/70 dated 19.10.2018, and No. 07/80 dated 18.12.2018

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

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
Spending of funds by economic categories	217,906	209,805	190,195	257,473	190,810
Wages and Salaries	136,473	133,466	133,466	162,324	127,486
Goods and Services	73,613	73,613	56,250	84,591	58,407
Utilities	7,820	2,726	478	7,018	4,917
Capital Investments	-	-	-	3,540	-

Explanations for changes including reason for influence in budget categories are given below:

- The final budget for Wages and Salaries budget by compared with the initial budget was reduced by €3,007, as a result of Government's Decision for budget savings. Execution of budget in this category is 100%;
- The final budget for Goods and Services compared to the initial budget didn't have changes. On 05.10.2018 ECAP has stated savings in the amount of €10,000, but the Government has not changed the budget for this category and therefore the budget in this category was not in a good level (76%); and
- The final budget for Utilities compared to the initial budget was reduced by €5,094, as a result of Government's Decision for budget savings. The budget spent in this category was €478 or 18% of the budget, because MPA has met its obligations on energy expenditure.

3.1.1 Revenues

Revenues generated by ECAP in 2018 totalled €154,050. These relate to impose of fines for complaint submitted by political subjects or other individuals, and ascertainment by Election Panel that the violation has occurred. Collected Revenues are transferred into the Budget of Kosovo (BRK).

Table 3. Own Source Revenues (in €)

Description	2018 Receipts	2016 Receipts	2015 Receipts
Own source revenues	154,050	459,245	1,624
Total	154,050	459,245	1,624

Recommendations

We have no recommendations in this area.

3.1.2 Wages and Salaries

The final budget in the area of Wages and Salaries was €133,466, and this budget was fully spent (100%).

The planned and current number of staff was 20. Of them, 10 members of Panel are paid with secondary salaries while 10 other staff members of Secretariat with primary salary.

Recommendations

We have no recommendations in this area.

3.1.3 Goods and Services and Utilities

The final budget of Goods and Services (including Utilities) in 2018 was €76,339, out of which €56,729 were spent. Those relate to supply with computers, travel expenditures, cell phone expenditures, maintenance, training services and other expenditures.

Recommendations

We have no recommendations in this area.

3.2 Capital and non-capital assets

Net value of ECAP assets disclosed in the AFSs was €18,294. Out of which the value of the Capital Assets was (over €1,000) was €2,419 and non-Capital Assets (under €1,000) was € 15,875. The value of the stocks at the end of the year was €26,147.

We have tested if the process of registration and evidence keeping is in compliance with the requirements of Financial Rule No.02/2013 o management of non - capital assets in budget organisations, inventory process, depreciation and physical presence of the assets.

Recommendations

We have no recommendations in this area.

3.3 Receivables

The value of the Receivables at the end of 2018 was €21,940, out of which € 9,700 fines imposed to the political subjects during local elections held on 22 October 2017, while the amount of €12,240 is for the fines carried forward from previous years.

ECAP is using means for collection of fines (from 2010-2014) by sending them to the private enforcement agent.

Recommendations

We have no recommendations in this area.

3.4 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2018 was €625, out of which €595 belong to the category of Goods and Services and €30 from the category of Utilities. These liabilities are carried forward to be paid in 2019. This liabilities resulted from reception of invoices in delay.

Recommendations

We have no recommendations in this area.

4 Good Governance

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

A key tool 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, and submitted to the Ministry of Finance.

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

Overall Governance Conclusion

Governance in ECAP regarding financial reporting and accountability and risk management reflects a positive situation. ECAP has implemented recommendations of the previous year and prepared the risk list with all measures, by identifying all significant risks that might affect the organisation in achieving its objectives.

4.1 Internal Audit System

According to the AI No. 23/2009 on establishment and functioning of the Internal Audit Unit (IAU), ECAP does not meet the criteria for establishment of this unit.

In relation to this, in September 2018 ECAP has asked the IAU at MoF to carry out internal audit services. This unit has audited ECAP, and based on this report ECAP has taken into account given recommendations and in October 2018 has prepared the plan for implementation of recommendations.

Recommendations

We have no recommendations in this area.

4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

The ECAP has prepared a risk register along with the strategic plan, identifying significant risks that could have an impact on the organization in achieving its objectives. The officer who will monitor the risks is also assigned. The internal reporting process in the organization works according to the organizational structure. In this regard, the management maintains regular meetings, reporting and discussing all activities.

Recommendations

We have no recommendations in this area.

5 Progress in implementing recommendations

Our Audit Report on the 2017 AFS of ECAP resulted with two recommendations. ECAP prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2018 audit, both recommendations were implemented.

Recommendations

We have no recommendations in this area.

Table 4 Summary of prior year recommendations and of 2018

No	Audit area	Recommendations of 2017	Actions taken	Status
1	Capital and non-Capital Assets	The Head of Secretariat should increase control over asset management, by ensuring that asset depreciation is done in accordance with regulation in force as well as accurate reporting of their value in AFS.	ECAP in communication with MAP has settled the issue of asset depreciation.	Implemented.
2	Management Reporting, Accountability and Risk Management	The Head of Secretariat should ensure that direct responsibility for risk management in the respective sectors is delegated and secure effective monitoring and quarterly reporting on the implementation of the requirements in this area.	A risk monitoring officer that monitors and reports them has been assigned.	Implemented
No	Audit Area	Recommendations given in 2018.		
There are no recommendations for 2018.				

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

Annex I: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

Form of opinion

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

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

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

Modifications to the opinion in the auditor's report

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

Determining the type of modification to the auditor's opinion

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

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

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

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

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

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

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

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

158. An Emphasis of Matter paragraph should:

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

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

Annex II: Letter of confirmation



Republika e Kosovës – Republika Kosova
Paneli Zgjedhor për Ankesa dhe Parashtresa
Izhorni Panel za Žalbe i Predstavke



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2018 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 Pasqyrave Financiare të Panelit Zgjedhor për Ankesa dhe Parashtresa për vitin e përfunduar më 31 dhjetor 2018 (në tekstin e mëtejshëm "Raporti"); si dhe
- pajtohem me përmbajtjen e Raportit.

Z. Mulë Dësku

Kryesuesi i Sekretariatit të Panelit Zgjedhor për Ankesa dhe Parashtresa

Data: 27 mars 2019, Prishtinë,