



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE UNIVERSITY OF PRISHTINA FOR YEAR 2021

Prishtina, May 2022

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

1 Audit Opinion

We have completed the audit of the financial statements of the University of Prishtina for the year ended on 31 December 2021 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the University of Prishtina (UP), which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as at 31 December 2021.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the annual financial statements of the University of Prishtina give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Qualified Opinion

B1 Capital assets over €1,000 were not presented in true and complete value due to the fact that capital assets register did not include all properties that are in use by the UP. These assets included three university campuses, two facilities and one parcel of land. This understated the material value of the reported assets in the AFS – Report on Capital Assets, Article 19.3.1.

For more details, see sub–chapter 2.1 Issues with impact on the audit opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Conclusion on Compliance

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

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

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

In our opinion, except for the matters described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of the University of Prishtina's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

Basis for the Conclusion

Referring to the following issues, we have concluded that there are incompliant with the applicable legislation that go beyond the level of materiality, as follows.

B2 Delays in payment of invoices amounting to €421,522;

B3 Misclassification of expenditures amounting to €195,285;

B4 Shortcomings in the bid evaluation process in procurement procedures.

For more details, see sub–chapter 2.2 Issues with impact on the compliance conclusion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P 10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of Matter

1 We would like to draw your attention to the fact that during 2021 the E-assets software for recording the year purchases totalling to €112,739 and the calculation of depreciation expenses were not functional. In lack of this software, UP had recorded and depreciated non-capital assets under €1,000 in internal registers and disclosed the same in the AFS. As the issue in question is pervasive in many budget organisation, this will be addressed in more detail in the Audit Report of the Governmental Financial Statements, which will also provide the relevant recommendation for long-term solutions.

The audit opinion has not been modified because of this issue.

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

The Mayor is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, the Mayor is responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Secretary General is responsible to ensure the oversight of the University of Prishtina's financial reporting process.

Management's Responsibility for Compliance

University of Prishtina's Management is also responsible for the use of the University of Prishtina's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.³

Auditor General's Responsibility for the audit of AFS

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

Our objective is also to express an audit opinion on compliance of respective authorities of the University of Prishtina with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Prishtina's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

³ Collectively referred to as compliance with authorities

- We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations

During the audit, we have identified areas of possible improvement, including internal control that are presented for your consideration below in the form of finding and recommendations. These intend to make the necessary corrections to the financial information presented in the financial statements, including disclosures in the form of explanatory notes and improve internal controls regarding financial reporting and compliance with the authorities in regards to public sector funds management. We will follow up these recommendations during next year's audit.

This report has resulted in 8 recommendations, of which two are new recommendations and six are repeated.

For the status of previous year's recommendations and the extent of their implementation, see Chapter 4.

2.1 Issues with impact on audit opinion

Issue B1 – Failure to record properties in the capital assets register

Finding Pursuant to Regulation MoF No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 6.3 - Capital assets must be recorded in KFMIS and disclosed in AFS under article 19.3.1, while the non- capital assets and stocks in the “e- assets” system.

Capital assets over €1,000 were not presented in true and complete value due to the fact that capital assets register did not include all properties that are in use by the UP, as follows: Building and plot of the Rectorate of UP, the University campus (buildings of the National Library, Faculty of Philosophy, Philology, Natural Sciences, Physical Education and Sports), Campus of the Faculty of Economics, Law and Education, Old campus of the Faculty of Electrical and Computer Engineering (architecture section) and the new building of the Faculty of Agriculture and Veterinary (FAV).

This issue has been addressed in our reports for several years now. We have found that failure to record these properties in assets occurred due to unresolved ownership disputes between UP and Municipality of Prishtina. However, taking into account the duration of this dispute, we consider that the UP was not sufficiently engaged in operationalization the work of the relevant commission to resolve this dispute.

Impact Failure to record all properties in the asset register leads to lack of information regarding the asset balance and also in incomplete presentation of assets in the AFS.

Recommendation B1 The rector should push the mandated commission work forward in undertaking actions and actual results to resolve the ownership dispute between UP and the Municipality of Prishtina, evaluation and recording of these properties in its registers so that all capital assets pertaining and are in use of UP are included in the asset registers and presented in the AFS.

Entity management response (Not Agree).

For more see Annex I

2.2 Issues with impact on compliance conclusion**Issue B2 – Delays in payment of the invoices****Finding**

According to Article 17.1 of Regulation No. 01/2017 on AFSSs of BOs, the CFO of a budget organization is responsible for ensuring that each valid invoice and request for payment of goods and services supplied and be paid within thirty (30) calendar days after receiving the invoice or request for payment by the concerned budget organization.

In three cases of tested payments in the amount of €421,522, we found that invoices were not paid within the legal deadline of 30 days. Payment of €5,188 for “Waste” had a 34 days delay, payment of €100,119 for “Rehabilitation of roads FAV” a delay of 171 days and payment of €316,214 for “Supply with equipment and different materials in the Faculty of Mechanical Engineering FME” a delay of 53 days.

This issue has been addressed in the previous years’ reports and as such is being repeated year after year due to weaknesses in internal controls with regards to timely payment of invoices.

Impact

Delays in the execution of payments may lead to the University being subject to lawsuits and also paying additional costs of procedures. Delays in payments may also lead to budgetary implications for the following fiscal year.

Recommendation B2

The Rector should ensure that all received invoices are paid within the legal deadline of 30 days and the order of goods or services is made only when sufficient funds have been provided in advance or sufficient budget funds have been allocated for payment.

Entity management response (Not Agree).

For more see Annex I

Issue B3 – Misclassification of expenditures**Finding**

Financial Rule No. 01/2013 Public Funds Expenditure, Article 18, paragraph 3 stipulates that expenditures should have adequate codes as defined in the chart of accounts. Likewise, Article 11 of the AI No. 19/2009 on the Chart of Accounts requires that Chief Administrative Officer and Chief Financial Officer should ensure that all transactions are entered into KFMIS according to the structure of the chart of accounts and the classification set out in this AI.

UP had made payments from inadequate categories thus resulting in misclassifications of €195,285, as the following:

In eight cases, misclassifications of €164,663 occurred due to payment for equipment over €1,000 from the goods and services category, instead of from the capital investments category. These misclassifications have been found in the following contracts: “Supply of equipment for milk processing in FAV”; “Supply of equipment” from GEOBIZ project”; “Supply of equipment”; “Supply of laptops”; “Supply of electronic equipment from the project”; “Supply of electrical equipment for VR/AR”; “Supply of IT equipment”; “Supply, installation and training for laboratory equipment”; “Renovations for Faculty of Civil Engineering-FCE, Faculty of Electrical and Computer Engineering-FECE,FME”.

In two other cases, contracts “Renovations for FCE, FECE and FME” and “Supply, installation, training for laboratory equipment in FME”, the misclassification amounted to €30,622 and occurred due to payment made from the category of goods and services instead of the capital investments category.

This was due to poor analysis when planning the project.

Impact

Payments made from inadequate expenditure codes lead to the overstatement of one category and understatement of other expenditure categories resulting in untrue and incomplete presentation of expenditures in the AFS.

Recommendation B3

The Rector should ensure that a proper analysis of the type of expenditures is conducted when planning the projects and that they are budgeted in accordance with the type of expenditure in order to provide fair reporting of expenditures in the AFS according to accounting standards and in compliance with the chart of accounts.

Entity management response (Agree).

Issue B4 – Shortcomings in the bid evaluation process in procurement procedures

Finding According to Article 59.4 of the LPP, a contracting authority shall regard a tender as responsive only if it conforms to all requirements set forth in the contract notice and the tender dossier.

In the tender dossier for the contract “Drainage, Sewerage, Water Supply in Faculty of Philology, Faculty of Mathematics and Natural Sciences-FMNS, Faculty of Philosophy” Lot 1 amounting to €1,734,655, the criterion of “insurance policy by licensed insurance companies operating in RKS for sites and third parties amounting to €2,000,000” was required within the technical and professional capacities. The winning EO had not submitted the Insurance Policy (specific contract drafted and issued by the insurer to cover a specific risk or a specific number of risks according to the set conditions) but only a draft contract for tender application issued from an insurance company.

This was due to the evaluation commission not taking into account the set criteria in the tender dossier when evaluating the bids.

Impact Selection of the EO which did not meet the set technical criteria undermines the achievement of the objectives set by the project. In cases of damages to third parties or material damages to the property, the company’s damages may not be compensated leading to the risk of nonfulfillment of the contract.

Recommendation B4 The Rector should ensure that the evaluation commission takes into account only EOs that meet all the set criteria in the tender dossier while evaluating the tenders in order to achieve the set objectives of the respective project.

Entity management response (Not Agree).

For more see Annex I

2.3 Findings on financial management and compliance issues**2.3.1 Internal controls on financial reporting**

The following are issues regarding the presentation of data and preparation of Financial Statements.

Issue A1- Overstatement of disclosures of carried forward revenues and grants expenditures in the AFS

Finding All budget organisations are obliged to present the Annual Financial Report (AFS) according to the Regulation no. 01/2017 and report according to the Law No. 03/L-048 on Public Financial Management and Accountability.

In comparing the notes of KFMIS with the UP annual financial statements for 2021 we have found errors in regards to the presentation of disclosures as follows:

Article 21 (Report on unspent own source revenues) the presented amount of the revenues to be carried forward to 2022 was €250,930 whilst it should have been €247,151. This item was overstated by €3,779.

Article 24 (Report on unspent donor funds) the presented amount of expenditures for the current year was €571,420 whilst it should have been €556,566. This item was overstated by €4,314.

According to responsible officers these disclosures are based on initial Treasury's notes and the same have not been rectified with the new ones despite our given recommendation for improvement.

Impact

Untrue presentation of carried forward revenues and grant expenditures led to the overstatement of these items and unfair presentation of information in the financial statements.

Recommendation A1

The Rector should ensure that the identified errors in the financial statements are corrected within the set legal deadline in order for the AFS to present the true balance of all items.

Entity management response (Agree).

2.3.2 Goods and Services and Utilities

The final budget for goods and services and utilities was €5,442,504 of which €4,397,254 or about 81% were spent. We tested 29 samples as part of substantive and compliance testing in the amount of €891,816, as well as five samples for procurement procedure testing.

Issue B5 – Shortcomings in processing of payments

Finding Financial Rule no. 01/2013/ MF on the Public Funds Expenditure, Article 22 stipulates that the commitment of funds should be processed first, a purchase order is issued, and upon receipt of goods a receipt report is made, and the invoice is received.

In three cases amounting to €433,892, purchase orders were processed after the receipt of invoice. These occurred in payments for facilities' security, cleaning of buildings and supply with equipment and other materials in FME.

This issue has been addressed in the previous years' reports and as such is being repeated year after year due to poor internal controls.

Impact Failure to implement the proper procedures during the payment process prompts the UP not to fulfil the invoiced liabilities on time, consequently increasing the outstanding liabilities, which will be a burden for the following year's budget.

Recommendation B5 The Rector should strengthen internal controls and require for implementation of procedures from the responsible officials, starting from the initiation of expenditures up to the final payment execution.

Entity management response (Agree).

2.3.3 Capital Investments

The final budget for Capital Investments was €4,264,402, of which €3,135,914 were spent in 2021. Those relate to facilities renovations, supply with laboratory equipment for academic units etc. We tested 12 samples of €1,505,657 as part of substantive testing, and five samples as part of compliance testing.

Issue A2- Failure to conduct special procurement procedure**Finding**

Pursuant to the LPP, Article 28, technical specifications, section 2, the contracting authority shall establish technical specifications in a manner that is both consistent with the purpose of the procurement and directed at providing the greatest possible access to all potentially interested economic operators and tenderers. Further, the CPA's notice dated 06.07.2021 towards the contracting authorities specified that CA should apply a single source procedure (no framework contract).

In the procedure "Renovations in UP" amounting to €68,224 we found that except renovations (works), the contract also included supplies with furniture and inventory. According to the CPA instructions a single source procedure (no framework contract) should have been applied for these supplies.

This occurred due to failure to comply with the CPA instructions when initiating this procurement procedure.

Impact

Failure to contract supplies in accordance with CPA instruction results in incompliance with the authorities and leads to the risk of contracted prices being higher as a result of not being subject to specific competition for these supplies. Consequently, the UP budget will be damaged.

Recommendation A2

The Rector should establish effective controls in the procurement field in order that the procurement procedures are implemented according to the applicable rules and in compliance with the recommendations of the respective authorities.

Entity management response (Not Agree).

For more see Annex I

2.3.4 Capital and non-capital assets

The amount of capital assets presented in AFS is €23,244,653, that of non-capital assets is €2,695,358, and of stock is €105,684. We tested 70 samples of €13,355,058 as part of substantive and compliance testing, as well as performed a general testing on assets.

Issue B6 – Failure to reconcile inventory reports with the asset register

Finding Pursuant to Regulation MoF No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 19, sections 4.3 and 4.7, inventorying report shall be prepared before the preparation of AFSs so that the Inventorying Committee is able to compare the inventory balance with the balance in the non-financial assets registers.

The commissions established in the academic units to carry out the inventory process had not compared the inventory balance with the balance in the non-capital assets registers. In addition, no general inventory report was drafted, only individual reports from the units.

This occurred due to poor controls in the field of asset management.

Impact Failure to reconcile the inventory balance with the balance in the non-financial assets registers leads to untrue and incomplete reporting of the assets value in the AFS.

Recommendation A3 The Rector should ensure that after completion of the inventory process, a comparison between the inventory balance and the balance in the non-capital assets registers is made prior to the preparation of the annual financial statements, in order to provide a true and fair presentation of assets in the AFS.

Entity management response (Agree).

3 Summary on budget planning and execution

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

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

Description	Initial Budget	Final Budget ⁴	2021 Outturn	2020 Outturn	2019 Outturn
Sources of funds	31,012,524	31,015,009	28,715,603	24,758,040	28,555,615

⁴ Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

Government Grants – Budget	27,014,774	27,890,615	26,337,742	21,731,875	25,004,118
Carried forward from previous year	0	578,692	574,913	582,919	494,821
Own source revenues	3,997,750	1,367,289	1,246,382	2,036,294	1,187,354
Revenues from PAK	0	0	0	0	1,585,456
Domestic Donations	0	26,790	5,573	5,000	70
External donations	0	1,151,624	550,992	401,952	283,797

The final budget is higher than the initial budget by €2,485. This was due to donations increase by €1,178,414, revenues carried forward from previous year by €578,692 and the reduction by Government's decisions by €1,754,621.

In 2021, the BO spent 93% of the final budget for 2021, or €28,715,603 with an increase of 10% compared to 2020. General budget execution remains at a satisfactory level.

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

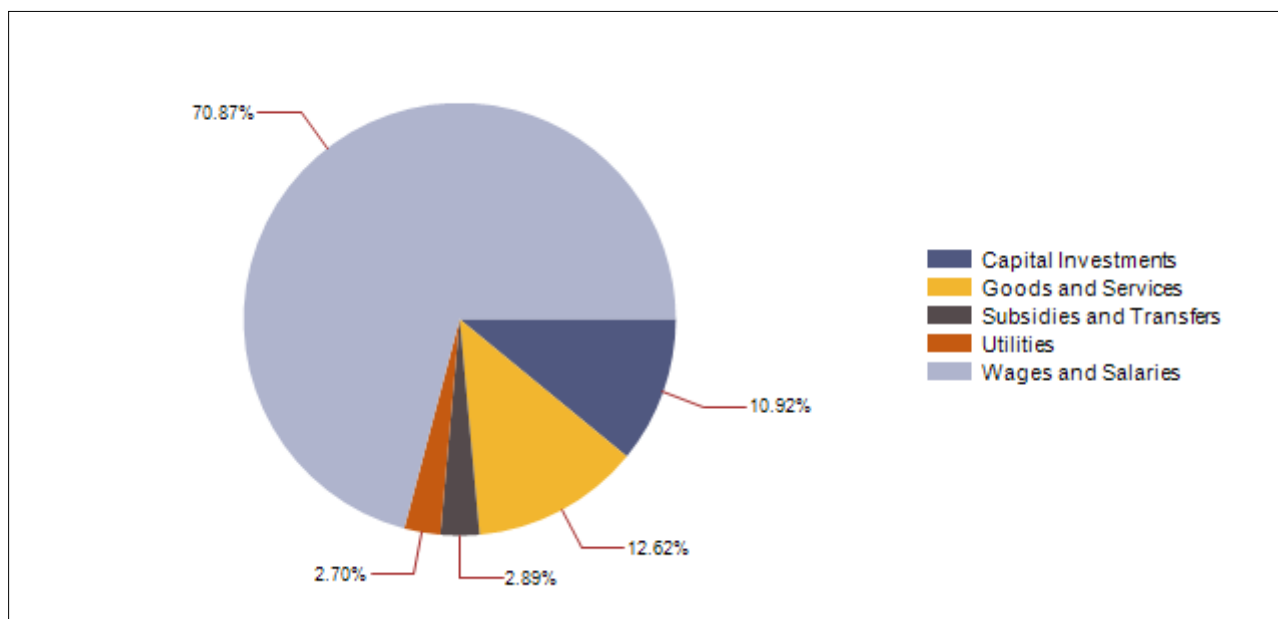
Description	Initial Budget	Final Budget	2021 Outturn	2020 Outturn	2019 Outturn
Spending of funds by economic categories	31,012,524	31,015,009	28,715,603	24,758,040	28,555,615
Wages and Salaries	21,091,143	20,356,381	20,351,336	18,575,185	20,535,259
Goods and Services	3,302,381	4,651,257	3,622,788	2,907,465	3,442,710
Utilities	1,175,000	791,248	774,465	666,103	834,172
Subsidies and Transfers	1,444,000	951,722	831,100	695,580	653,319
Capital Investments	4,000,000	4,264,402	3,135,914	1,913,706	3,090,155

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries compared to the initial budget was decreased by €734,762. This was due to the budget reduction following the Government's decision. Budget outturn for this category was 100%;
- The final budget for Goods and Services and Utilities compared to the initial budget was increased by €965,123. This was due to revenues from designated donor grants and carried forward own source revenues. Budget outturn for this category was 81%;
- The final budget for Subsidies and Transfers compared to the initial budget was decreased by €492,278. This was a result of Government's decisions for budget cuts due to failure to implement the planned projects, such as students' participation in international competitions and participation in universities' sports Olympiads due to Covid-19 pandemic.
- The final budget for Capital Investments compared to the initial budget was increased by €264,402 due to the increase of designated donor grants and based on

Government's decisions. Budget outturn for this category was €3,315,914 or 74%. For 2021 the University of Prishtina had planned 29 capital projects, of which three new ones. Out of the planned projects in budget €0 are spent in 14 of them.

Chart 1. Expenditures by economic categories in 2021



Planned Revenues by UP were in the amount of €3,230,683, whilst the outturn for 2021 totalled to €1,493,536. They relate to revenues from student participation, sale of services, (super expertise) and sale of goods.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2021 Receipts	2020 Receipts	2019 Receipts
Total of revenues	2,564,218	3,230,683	1,493,834	2,614,636	2,995,888
Non-tax revenues	2,564,218	3,230,683	1,492,249	2,614,636	2,994,512
Other revenues	0	0	1,585		1,376

4 Progress in implementing recommendations

Our audit report on 2020 AFS of the University of Prishtina resulted in 16 recommendations. UP prepared an Action Plan stating how all recommendations will be implemented, but did not submit the Progress Report on the implementation of recommendations as required in Rules of Procedures for audit and action plan implementation.

By the end of our 2021 audit, nine recommendations have been implemented, one recommendation is no longer applicable and six recommendations have not been addressed yet, as shown below in Chart 2. For a more thorough description of the recommendations and how they are addressed, see Table 4.

Chart 4. Progress in implementing prior year's recommendations

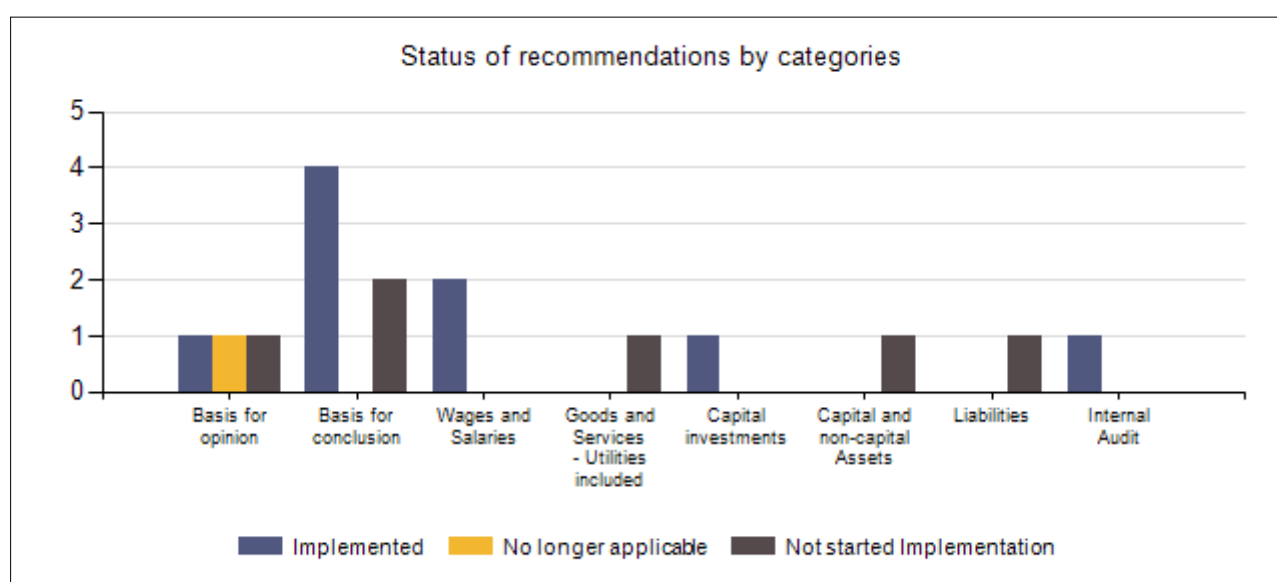


Table 4. Summary of prior year's recommendations

No.	Audit area	Recommendations of 2020	Actions undertaken	Status
1	Basis for Opinion	The Rector should ensure that the necessary actions are taken to ensure that payments are made to appropriate codes according to the type of the expenditure, to provide fair reporting of expenditures in the	The same issue was found in 2021 too.	Implementation not started

		AFS, according to accounting standards, and in accordance with the chart of accounts.		
2	Basis for Opinion	The Rector should ensure that adequate records are kept regarding outstanding liabilities so that the entries in the AFS are true.	We have not found such issue in 2021 samples.	Implemented
3	Basis for Opinion	The Rector should ensure that academic units have true and complete records of non-capital assets, and that all non-capital assets are recorded and reported through the e-assets system.	This recommendation is no longer applicable due to operational issues of e-assets software.	No longer applicable
4	Basis for Conclusion	The Rector should analyse the above-cases and establish effective controls in the field of procurement, so that the evaluation of bids is done in full compliance with the requirements set in the tender dossiers, and to ensure that all legal possibilities are used for obtaining the cheapest bids and selection of EO, which meet the set criteria.	The same issue was found in 2021 too.	Implementation not started
5	Basis for Conclusion	The Rector should ensure that after completion of the inventory process, a comparison between the inventory balance and the balance in the non-capital assets registers is made prior to the preparation of the annual financial statements, in order to provide a true and fair presentation of assets in the AFS.	The same issue was found in 2021 too.	Implementation not started
6	Basis for Conclusion	The Rector should ensure that controls will be reviewed in both the maintenance of files by providing security in data storage, as well as strengthen controls in the procurement office regarding the	We have not found such cases in the tested procedures.	Implemented

		security and transparency of tender procedures.		
7	Basis for Conclusion	The Rector should increase the controls in supervising the implementation of the projects, so that the approval of stages and requests for payment is done only after full assurance has been obtained regarding the quantity and quality of work performed in accordance with the contracted conditions. At the same time, he should ensure that the paid and unfinished works of the project concerned are finished as soon as possible in accordance with the contracted conditions. On the contrary, all legal measures should be taken against the EO and the project supervisor for the omissions that occurred.	We have not found such cases in the tested samples.	Implemented
8	Basis for Conclusion	The Rector should ensure that all payments for compensation are documented by evidence to confirm performance of work after the regular working hours. Otherwise, in cases where there is no evidence that employees have worked after the regular working hours, compensation should be immediately terminated and measures to return the paid funds should be taken in lack of relevant evidence.	There are no longer payments in regards to compensation of KD and AKM project administrative staff.	Implemented
9	Basis for Conclusion	The Rector should ensure that there will be no compensation for participation in the staff commissions who according to the regulation are not entitled to compensation and look into the possibility of returning of these funds.	We have not found such cases in the 2021 audit.	Implemented

10	Wages and Salaries	The Rector in cooperation with the Steering Committee of UP should reconcile the internal regulations in accordance with the Statute of the University so that the compensations are in accordance with the functional positions.	Withdrawals of the SP operating allowances have been implemented	Implemented
11	Wages and Salaries	The Rector should review all identified cases of staff engagements in secondary work without obtaining prior approvals, and take appropriate action against all staff not complying with the internal regulations.	In the tested samples all employees have approvals for secondary work	Implemented
12	Goods and Services and Utilities	The Rector should strengthen internal controls and require for implementation of procedures from the responsible officials, starting from the initiation of expenditures up to the final payment execution.	The same issue was found in 2021 too.	Implementation not started
13	Capital Investments	The Rector should strengthen the controls in the chain of responsibility of the tendering process and the implementation of capital projects, in order to prevent possible amendments to contracts without applying the appropriate procurement procedures and without obtaining required approvals according to the procurement rules.	We have not found such cases in the tested samples	Implemented
14	Assets	The Rector should take concrete actions regarding the regulation of the ownership issue between the UP and the Municipality of Prishtina, for the assets which are in dispute, in order for all capital assets that belong to the UP to be included in the asset registers and presented in the AFS	The management had established a commission for property issues of the University of Prishtina in order to identify and register the properties,	Implementation not started

			however this issue has not been resolved yet.	
15	Outstanding liabilities	The Rector should ensure that all received invoices are paid within the legal deadline of 30 days and the order of goods or services is made only when sufficient funds have been provided in advance or sufficient budget funds have been allocated for payment.	The same issue was found in 2021 too.	Implementation not started
16	Internal Audit	The Rector should review the capacity of current resources within the IAU, and, if deemed necessary, create opportunities for engagement of additional staff in order to meet legal requirements and achieve maximum benefit from internal audit services. The Rector should also ensure that the IAU will focus on the activities of the current year.	During 2021, audits were implemented according to the plan.	Implemented

Vlora Spanca: Auditor General

Naser Arllati: Assistant Auditor General

Blerina Krasniqi: Head of Audit

Arta Birinxhiku: Team leader

Abdurrahmon Bërbatovci: Team member

Annex I: Letter of confirmation/ Comments of BO regarding the audit report (if any)



UNIVERSITETI I PRISHTINËS
"HASAN PRISHTINA"
UNIVERSITY OF PRISHTINA

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REPUBLIKA E KOSOVËS - REPUBLICA KOSOVA - REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
13.05.2022			
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LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2021 dhe për
 zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Universitetit të Prishtinës për vitin 2021 (në tekstin e mëtejshëm "Raporti");
- pajtohem pjesërisht/ me gjetjet dhe rekomandimet. Bashkëngjitur kësaj letre të konfirmimit gjeni komentet dhe dëshmitë e ofruara nga shërbimet përkatëse lidhur me çështjet në B1, B2, B4 dhe A2, si në përmbajtjen e Raportit, si dhe kërkojmë nga ju t'i merrni parasysh të njëjtat gjatë përgatitjes së Raportit final.
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Me respekt,



Prof. dr. Naser Sahiti

Rector i Universitetit të Prishtinës

Issue B1	Comments from the BO	KNAO view
Capital assets over €1,000 were not presented in true and complete value due to the fact that capital assets register did not include all properties that are in use by the UP, as follows: Building and plot of the Rectorate of UP, the University campus (buildings of the National Library, Faculty of Philosophy, Philology, Natural Sciences, Physical Education and Sports), Campus of the Faculty of Economics, Law and Education, Old campus of the Faculty of Electrical and Computer Engineering (architecture section) and the new building of the Faculty of Agriculture and Veterinary (FAV).	According to the progress report, the UP commission established by the decision of the UP Rector dated 07.12.2020 held its first meeting on 15.12.2020 at 9:00 in the meeting hall at the UP Rectorate. Members of this meeting discussed on the work plan that should be implemented continuously. In this meeting it was agreed to discuss with all UP relevant institutions to collect property documentation related to the UP properties. The second meeting of the commission was held on 23.12.2020 in the hall of the UP Rectorate, where it was discussed about the challenges in finding documentation, which was not submitted by any academic unit after the commission's request addressed to all secretaries of the faculties. Initiation of the UP property registering and the need to carry out an elaborated documentation on expropriation which may serve to transfer UP property on its behalf. In lack of documentation, but also due to pandemic issues, the commission did not meet until 01.04.2022 where it held its third meeting in the hall of the UP Rectorate. The initiative to form a technical measuring group of three members and two other members to carry out the geodetic measurements, compile cadastral plans and carry out the respective property elaboration was discussed in this meeting. This group of 5 members, who must be from the respective faculty and at least one from the measurement group and one from the elaboration implementation group, should be equipped with a cadastral license. The Commission has agreed to request from the UP an allocation of funds for financing this working group according to UP rules. The Commission discussed the progress of work in the future and agreed to consider the possibility of discussion between the management of UP and the Municipality of Prishtina to have an	Your reasonings on this matter do not change the situation. You can disclose your efforts in addressing this issue in the implementation of recommendations plan. The finding remains unchanged.

	understanding in solving UP property problems. In addition, based on individual expertise, it was decided to discuss with the Committee on Legislation in the Assembly of Kosovo, respectively in the public debate on the Law on Public Property between the two readings in the Assembly, which could solve the problem of UP properties. The Commission has decided to start the properties' registration and measuring, right after the budget approval, following this order: 1. Facilities of technical faculties; 2. Facilities of the Faculty of Architecture; 3. Facilities of the Faculty of Law and the Faculty of Economics; 4. Facilities of the Faculty of Philology and other parts of the Rectorate. As of the reporting date, the commission has not incurred financial costs for UP.	
Issue B2	Comments from the BO	KNAO view
In three cases of tested payments in the amount of €421,522, we found that invoices were not paid within the legal deadline of 30 days. Payment of €5,188 for "Waste" had a 34 days delay, payment of €100,119 for "Rehabilitation of roads FAV" a delay of 171 days and payment of €316,214 for "Supply with	The case "Supply of equipment and different materials in FME" amounting to €316,214.00, with a delay of 53 days. This invoice was submitted to the procurement office on 24.12.2020, where on the same day the free balance system was closed and €316,214.00 remained unspent. The same was presented as a liability in 2021. Once the budget was approved, a request for re-commitment of funds has been submitted and after accepting the commitment of 2021, the payment has been made immediately.	The respective invoice was paid in March 2021. The free balance system has been operational since January 2021. The reasonings do not change the situation. The finding remains unchanged.

equipment and different materials in the Faculty of Mechanical Engineering FME” a delay of 53 days.		
Issue B4	Comments from the BO	KNAO view
In the tender dossier for the contract “Drainage, Sewerage, Water Supply in Faculty of Philology, Faculty of Mathematics and Natural Sciences-FMNS, Faculty of Philosophy” Lot 1 amounting to €1,734,655, the criterion of “insurance policy by licensed insurance companies operating in RKS for sites and third parties amounting to €2,000,000” was required within the technical and professional capacities. The winning EO had not submitted the Insurance Policy (specific contract drafted and issued by the insurer to cover a specific risk or a specific number of risks according to the set conditions) but only a draft contract for tender application issued	In the tender dossier “Drainage, Sewerage, Water Supply in Faculty of Philology, FMNS, Faculty of Philosophy” Lot 1 within the technical capacity the criterion of “insurance policy by licensed insurance companies operating in RKS for sites and third parties is required. First of all, we would like to inform you that in the tender dossier this criterion was not defined whether this insurance policy should be submitted before signing the contract or with the financial offer. All four (4) EO have submitted a draft contract between EO and insurance companies. Regarding the EO contracted by UP, the procurement office has requested clarification from the Insurance Company Presigg about this document, which confirmed that the document was issued as per the EO request and they take full responsibility for this document. The procurement office has requested from the EO clarifications about this draft contract where as evidence the EO has submitted two documents with which it confirms there are mortgaged plots and other equipment amounting over two million euros for this document, as well as submitted the agreement for providing insurance coverage as follows: Casco Insurance; TPL insurance; Performance Security; Contract warranty; Insurance against fire and additional hazards; Personal accident insurance;	The tender dossier requested as a criterion the “insurance policy.” Any other documents provided are not relevant, based on the specific request of DT. The finding remains unchanged.

from an insurance company.	Public and civil liability insurance; CAR insurance; All Risk Insurance etc. CA has used this document in regards to the works that have been done at the facility of FMNS, where during the execution of works a part of the building was damaged, the EO has been obliged to restore to the previous condition, according to this agreement.	
Issue A2	Comments from the BO	KNAO view
In the procedure "Renovations in UP" amounting to €68,224 we found that except renovations (works), the contract also included supplies with furniture and inventory. According to the CPA instructions a single source procedure (no framework contract) should have been applied for these supplies.	In the procedure "Renovations in UP" amounting to €68,224 we found that except renovations (works), the contract also included supplies with furniture and inventory. According to Administrative Instruction section 15, Types of contracts – The main purpose of the work contract is: execution; design and execution or implementation by any means of a civil engineering work, construction or activity, including construction, restoration, repair or demolition of civil engineering facilities, premises, structures, or any part thereof. According to the Administrative Instruction section 15.2, there are mainly three types of contracts from which the CA can select when contracting the potential EO. The selection of the type of contract depends on: a. category and nature of the item (supply contract) b. the service to be provided (service contract) or c. works to be executed (work contract). According to Administrative Instruction section 15.3 although it is possible for a public contract to be a combination: Supply / Service; Work / Service; Work / Supply; combination in Supply / Work / Services. The basic method of dealing with this segregation is always the model of simple cost. Any element of the contract that has the highest estimated costs the contract should be classified under that type of contract. This should also be applied if the contract is divided	There may be many reasons provided by you as to why you have applied this form, but this is not in accordance with the respective LPP criteria and CPA guidelines. The finding remains unchanged.

	into "Lots; that will be the total value of the full contract (all "lots"). 15.4 Therefore, the following rules determine the type of combined contracts. Meanwhile, according to the rules of Combined Contracts, there may be Work Contracts which may include both supply of products and performance of works. In this specific case of the renovations procedure in UP Lot 1: "Renovation of the Faculty of Civil Engineering, Faculty of Electrical and Computer Engineering, Faculty of Mechanical Engineering" at the inventory items, we inform you that the furniture are custom-made and could not have been purchased in stores. These furniture are fixed as designed in the project and produced with materials that are quite different from the fixed furniture. I take full responsibility to say that had this part of renovations been divided as a separate procedure, the likelihood of the project failing would have been greater, because neither the renovation company nor the supply company would have not been held account if the furniture was to be damaged during the renovation or if works were to be hampered during the supply.	
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Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements⁵ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁶. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

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

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

(Extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

Limitation of scope occurs when an auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

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

Modifications to the opinion in the auditor's report

The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement

⁵ Financial statements in the public sector include also the statement(s) of budget execution

⁶ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

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

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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