



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

**AUDIT REPORT ON THE
ANNUAL FINANCIAL STATEMENTS OF THE
ELECTION COMPLAINTS AND APPEALS PANEL FOR
THE YEAR 2019**

Prishtina, June 2020

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

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with the International Standards of Supreme Audit Institutions, and good European practices.

“ETIKA Co” Shpk, has conducted the audit of the Annual Financial Statements of the Election Complaints and Appeals Panel for the year ended December 31, 2019, on behalf of the Office of the Auditor General

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Election Complaints and Appeals Panel in consultation with the contract manager, Mujë Gashi, who supervised the audit.

The report issued is a result of the audit carried out by ETIKA Co shpk, Faruk Prebreza, team leader, and Parim Kryeziu, team member.

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Executive Summary

This report summarises the key issues arising from our audit of Election Complaints and Appeals Panel (hereafter ECAP) for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



Conclusions

The process of preparing the Annual Financial Statements was managed in accordance with legislation in force.

Financial Management and Control in ECAP in general had good controls in relation to its statutory obligations, however, we have noticed weaknesses as far as the controls relating to the registering of assets in relevant registries.

On its last years report, ECAP did not have recommendations.

Opinion of the Auditor General¹

Unmodified opiniuon

The Annual Financial Statements for the year ended December 31, 2019, present a fair and true view in all material aspects.

For more details, see Chapter 1 of this report.

Management's Response on 2019 audit

The Head of Secretariat has agreed with the finding and conclusion of the audit, and as well as he committed that will address all of the given recommendation.

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

¹ Annex I explains different types of Opinions in line with ISSAIs.

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed the Election Complaints and Appeals Panel operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

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

The following chapters provide in detail our audit findings and recommendations in each audited area. Management's responses to audit outcomes can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Election Complaints and Appeals Panel (Hereafter ECAP) for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

1. Unmodified Opinion

In our opinion, the Annual Financial Statements for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards according to cash based accounting.

Basis for the Opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the ECAP. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for AFS

The Head of Secretariat of ECAP 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 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) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Head of Secretariat of ECAP is responsible to ensure the oversight of the Agency'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 conducted in accordance with ISSAIs. These standards require that we obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may

arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

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

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

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

The audit report is published on the NAO's website, except for information classified (as sensitive) or other legal or administrative prohibitions in accordance with applicable legislation.

2 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources and assets and liabilities as well as the internal audit function.

Financial Management and Control Conclusion

ECAP in general had good controls in relation to its statutory obligations, The financial management and control have proven a good review and assurance process in implementing the financial management and control requirements

However, we have noticed weaknesses as far as the controls relating to the registering of assets in relevant registries.

2.1 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 tables below:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds	218,588	271,102	243,316	90%	190,195	257,473
Government Grant - Budget	218,588	271,102	243,316	90%	190,195	257,473

The final budget is lower than the initial budget by €52,514. This increase arises as a result of Government decisions, for the reasons of announcing of early elections for mayor in the municipalities; North Mitrovica, Zubin Potok, Leposavic and Zvecan, as well as due to the announcement of early elections for the Assembly of the Republic of Kosova.

In 2019, the ECAP has spent 90% of the final budget or €243,316, with a decrease of 1% compared to 2018, where expenditures were at 91%. However, how the budget was realized by categories explanations are given in the following table.

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

Description	Initial Budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories	218,588	271,102	243,316	90%	190,195	257,473
Wages and Salaries	137,155	163,869	163,869	100%	133,466	162,324
Goods and Services	73,613	99,413	79,071	80%	56,250	84,591
Utilities	7,820	7,820	376	5%	478	7,018
Capital investments	-	-	-	-	-	3,540

Explanations on changes in budget categories including reasons and the impact they had are given below:

- The final budget for Wages and Salaries compared to the initial budget was increased by €26,714, following the decisions of the Government for additional engagements during the election process for the ECAP members;
- The final budget in the category of goods and services in relation to the initial one was increased through the decision of the Government in the amount of €25,800 as an additional budget for the engagement of 15 non-permanent officials during the process of Early Elections for the Assembly of the Republic of Kosova held on 6th October 2019 and as well as for the supply of complaint forms for the Election process; and

² Final budget - the budget approved by the Assembly subsequently adjusted by the Ministry of Finance.

- In the category of utilities, the final budget in relation to the initial one there were no changes. The final budget for this category was spent only 5%, since expenditures are carried out by the MPA.

2.1.1 Revenues

Revenues generated by the ECAP in 2018 were in the amount of €94,450. These are revenues from the imposition of fines for complaints made by political entities or other individuals as well as the conclusion by the election panel that the violation occurred.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2019 Receipts	2018 Receipts	2017 Receipts
Revenues	-	-	94,450	154,050	459,245
Total	-	-	94,450	154,050	459,245

These revenues are transferred to the Budget of the Republic of Kosovo (BRK). We did not find any significant shortcomings to report.

2.1.2 Wages and Salaries

The final budget for wages and salaries was €163,869, which was spent entirely (100%). The number of employees by budget was 20, whereas by the end of the year the number of employees was 19. We have tested 35 samples for substantial testing in €29,418, and 8 samples for compliance testing. From the tested samples, we did not find any significant shortcomings to report.

2.1.3 Goods and Services

The final budget for Goods and Services including the utilities for the year 2019 was €99,413, out of which €79,071 were spent. Whereas the budget for utilities out of €7,820 had an expenditure of €376. These are mainly expenditures related to traveling's abroad, office supplies, maintenance, supply with complaint forms, fuel, utility expenditures and other expenses. For these expenditures, we tested 36 samples for substantial testing in the amount of €24,114 as well as 5 samples for compliance testing. From the tested samples, we did not find any significant shortcomings to report.

2.2 Capital and non-capital assets

The amount of capital assets presented in AFS was €1,711, that of non-capital assets was €13,883, and of stock was €22,673. We have tested two samples (over and under €1,000) for substantial testing in €5,595, and two (2) samples for compliance testing. In relation to our testing's, we have noticed the following:

Issue A 1 – Failure to register assets in the relevant registers

Finding Based on Article 6 paragraph 3 of the reg. 02/2013 on the management of non-financial assets in budgetary organizations stipulates that capital assets must be registered in the KFMIS while non-capital assets and stocks must be registered in the "e-assets" system.

During the tests we noticed that two payments in the amount of €5,595, for the access control door in the amount €3,870, whereas the other for the purchase of furniture in the amount of €1,725 were not registered in the asset registries.

According to the ECAP, weaknesses in the non-inclusion of the purchase of furniture in e-assets occurred as a result of migration of data from the old platform into the new platform of the e-asset software, which resulted in their non-transfer of data. As for the non-registration of the door, this is not recorded due to the fact that the facility where the ECAP is located is under the management of the MPA.

Impact Failure to register assets in the relevant registers reflects with an incorrect presentation of assets in the AFS of the ECAP. This increases the risk of loss and their non-efficient management.

Recommendation A1 The Head of the Secretariat of ECAP must ensure that all assets are registered in the relevant registers, so that their presentation in the AFS is complete and accurate.

2.3 Receivables

The amount of receivables at the end of year 2019 was €281,200, out of which €276,300 were fines imposed on political entities during the early elections for the Assembly of Kosova held on 6th October, 2019, while the amount of €4,900 are fines transferred from previous years. We did not find any significant shortcomings to report for this area.

2.4 Liabilities

2.4.1 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2019 was €7,670³. These liabilities are carried forward to be paid in 2020.

³ This amount is presented by the audited entity

2.4.2 Contingent liabilities

The statement of contingent liabilities at the end of 2019 was € zero⁴.

2.4.3 Contractual obligations

The ECAP has confirmed that they don't have contractual obligations due to the fact that it is a user of the contracts of the Central Procurement Agency - CPA where all of the Institutions of the Republic of Kosovo are included. We did not find any significant shortcomings to report for this area.

2.5 Internal audit function

Based on legal requirements, the ECAP does not meet the criteria for establishing a IAU. We encourage the management to review the needs of internal audit and consider the possibility of reaching an agreement with another public sector organization to utilize internal audit services. We did not find any significant shortcomings to report .

3 Progress in Implementing Recommendations

In our Audit Report on the 2018 AFS, we haven't issued any recommendation. Whereas regarding the audit of 2019, we have provided a full description of the recommendations and the method of its treatment, see the table 4:

Table 4 Summary of recommendations for 2019

No	Audit area	Recommendations of 2019
1	Capital and non-Capital Assets	The Head of the Secretariat of ECAP must ensure that all assets are registered in the relevant registers, so that their presentation in the AFS is complete and accurate.

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

⁴ This amount is presented by the audited entity

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:

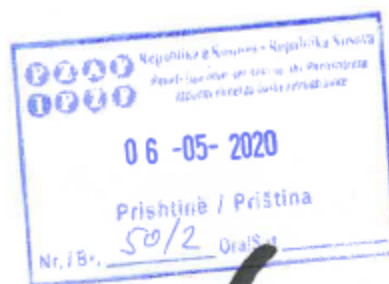
- be included immediately after the opinion;
 - use the Heading "Emphasis of Matter" or another appropriate heading;
 - include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
 -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



Republika e Kosovës – Republika Kosova
Paneli Zgjedhor për Ankesa dhe Parashtrës
Izborni Panel za žalbe i Predstavke



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit për vitin 2019 dhe për implementimin e rekomandimeve

Për: “Etika - Co” SHPK

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Auditorit për auditimin e Pasqyrave Financiare të PZAP-it, për vitin 2019 (në tekstin e mëtejme “Raporti”);
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit;
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimit, i cili rekomandim tani veç është përmbushur nga PZAP-i.



Mali Deda, kryesues i sekretariatit të PZAP-it

Data: 6 Maj 2020, Prishtinë,