



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 PRIVATIZATION AGENCY OF KOSOVO

FOR THE YEAR 2019

Prishtina, June 2020

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

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

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

The Auditor General has decided on the audit opinion on the Annual Financial Statements of *Privatisation Agency of Kosovo*, 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 the Team Leader, *Burbuqe Idrizi*, and team members *Albana Kadriu-Zogjani* and *Jehona Krasniqi*, under the management of Audit Department Director *Faruk Rrahmani*.

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Executive Summary

This report summarises the key issues arising from our audit of the Privatisation Agency of Kosovo (PAK) 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 Annual Financial Statements for 2019 present a fair and true view in all material aspects, with the exception of the lack of information about the situation of stocks.

In general, PAK has established effective controls in financial management and control processes, but additional actions are still needed in some areas. Significant shortcomings have been identified in personnel management, procurement and asset management.

In regard to implementation of recommendations, progress has been made considering that three out of the four prior year audit recommendations were implemented while one still remains unaddressed.

Opinion of the Auditor General¹

Unmodified Opinion

For more details, refer to Section 1 of this report.

Management's Response on 2019 audit

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

The National Audit Office appreciates the cooperation of the management and personnel of the PAK 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 PAK's operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

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 to effectively 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 a detailed description of the audit findings and recommendations in each audited area.

1 Audit Opinion on the Annual Financial Statements

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

Unmodified opinion

In our opinion, the Annual Financial Statements (AFS) 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 (IPSAS) according to cash basis of 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 Privatisation Agency of Kosovo. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for AFS

The General Director of the Privatization Agency of Kosovo is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Cash Basis of Accounting. In addition, the Management is responsible for establishing internal controls, which the management determines as 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 set forth in 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 Board of Directors and the Managing Director 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 selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

2 Financial Management and Control

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

Financial Management and Control Conclusion

PAK spent 93% of the final budget for 2019, which means an overall good achievement. In the context of financial systems, controls over expenses are generally appropriate and are being implemented effectively.

The areas with most significant shortcomings are noticed are staff engagements with Special Service Agreements without simplified recruitment procedures, in the area of procurement from the setting of criteria to bid evaluation processes, and management of assets under €1000 through the e-asset system.

2.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 outturn	2018 outturn	2017 outturn
Sources of Funds	8,276,049	7,473,049	6,975,898	6,282,977	6,876,167
Government Grant -Budget	6,276,049	5,473,049	4,975,898	0	652,960
Dedicated revenues ³	2,000,000	2,000,000	2,000,000	6,282,977	6,223,207

The final budget compared to the initial budget was decreased by €803,000. This reduction is a result of budget cuts with Government decision no. 02/113 on budget savings and the fact that the renovation of the facility for PAK offices would not be financed from the PAK budget.

In 2019, PAK spent 93% of the final budget or €6,975,898, with an improvement of 5% compared to 2018. Budget execution remains at a satisfactory level.

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

Description	Initial Budget	Final Budget	2019 Outturn	% of Outturn 2019	2018 Outturn	2017 Outturn
Spending of funds by economic categories	8,276,049	7,473,049	6,975,898	93%	6,282,977	6,876,167
Wages and Salaries	5,394,049	5,394,049	5,225,577	97%	4,619,829	4,390,281
Goods and Services	2,714,000	1,911,000	1,624,097	85%	1,446,103	2,349,684
Utilities	98,000	98,000	63,598	65%	74,069	80,913
Subsidies and Transfers	40,000	40,000	39,996	100%	52,540	41,379
Capital Investments	30,000	30,000	22,630	75%	90,436	13,910

² Final budget – the budget approved by the assembly, which was subsequently adjusted for by the Ministry of Finance.

³ Dedicated revenues according to Budget Law on Funding Own Activities.

Explanations for changes in budget categories are given below:

- The final budget for Goods and Services in relation to the initial one was decreased by €803,000 by Government decision no. 02/113. The decrease was influenced by the agreement between the Ministry of Public Administration (MPA) and the PAK to finance the renovation of the Rilindja building for PAK offices in the amount of €400,000;

In addition, funds of €350,000 to fund activities for the reorganization of SOEs, including Trepça, was not spent, by being considered savings, and the remaining €53,000 was savings from other areas. Budget was spent at 85%;

- The final budget for Utilities was spent at 65%. This has come as a result of lower costs for utilities during this year; and
- The final budget was spent at 75%. This was due to the fact that the project was implemented at a lower cost than planned.

2.1.1 Revenues

Revenues generated by PAK in 2019 were in the amount of €1,036,000. They relate to the 5% administrative fee, which includes revenues received from any sale and the same is transferred to the Agency as a dedicated revenue

Table 3. Dedicated revenues (in €)

Description	Initial Budget	Final Budget	2019 Receipts	2018 Receipts	2017 Receipts
Dedicated revenues	2,000,000	2,000,000	1,036,000	6,493,706	6,111,946
Total	2,000,000	2,000,000	1,036,000	6,493,706	6,111,946

PAK does not plan revenues as in the case of municipalities. Dedicated revenues are planned to cover administrative and operational costs.

2.1.2 Wages and Salaries

The final budget for Wages and Salaries was €5,394,049, of which €5,225,577 was spent. According to the budget, the number of employees was 258, while at the end of the year, their number was 247. During 2019, 16 new employees were employed, while three quit their jobs and one retired.

2.1.3 Goods and Services and Utilities

The final budget for goods and services as well as utilities in 2019 was €2,009,000, of which €1,687,695 was spent. These payments relate to public information expenditures, physical security services for PAK premises, information technology, servicing, and maintenance of official vehicles and municipal services, etc.

We tested 33 samples for substantial tests in the amount of €284,701, we analysed the payment of 12 lease contracts as well as 11 procurement procedures for compliance tests, and one case for closure of the petty cash.

Issue A1 – Special Service Agreements

Finding The Law on Civil Service, Article 12 stipulates that the duration of special service agreements (SSA) should be for a period of less than (6) six months for which a simplified recruitment procedure shall be applied and potential candidates are subjected to the Law on Obligations. Such engagements are allowed only for specific work and in special and unforeseen circumstances.

During 2019, the PAK hired 68⁴ employees with special service agreements without conducting any formal recruitment procedure. We analysed 11⁵ agreements and noticed that five employees have been hired twice within a year, while two persons have been hired since 2016, respectively 2017, extending their contracts by six month continuously.

Impact Engagement of employees with special service agreements without simplified recruitment procedures restricts competition and increases the risk that staff selection will be hired in a non-transparent manner and consequently the services received will not be in line with the needs of the PAK.

Recommendation A1 The Chair of the Board should ensure that simplified recruitment procedures are developed for staff engagement for specific services, so that the process is transparent. Actions should also be taken to address the needs for regular positions in the MoF during planning and should be budgeted and paid from the category of wages and salaries.

Issue A2 – Weaknesses in the execution of procurement procedures

Finding Purchases through public procurement should be conducted in line with the requirements of the LPP⁶, and procurement guidelines complying with the criteria set out in the tender dossier and contract notice. We have found that:

⁴ Of the 68 SSAs, 21 are insurances in SOEs that are under the administration of PAK and 47 in other services (12 in administration, 7 in department of professional commissions, 9 in the direct negotiation unit, 3 department of liquidation, 4 in legal department, 1 finance, 5 marketing department, 1 in Board and 5 in SOE.

⁵ Of the 11 persons engaged, 6 are engaged in administrative services, 3 in insurance and 2 in cleaning services.

⁶ Law no. 04/L-042 on Public Procurement amended and supplemented by Law no. 05/L-068 and Law no. 05/L-092.

- In six procurement procedures, there were delays in initiating the evaluation process from 3 to 32 days⁷ beyond the legal deadline allowed, which is contrary to Article 41.2 of the Rule and Operational Guidelines for Public Procurement specifying that the process of tender evaluation will begin no later than 5 days after the completion of the tender opening process; and
- In the tender dossier "Engagement of the PRB for the liquidation process for all SOEs/assets under the administration of PAK", a financial turnover of €10,000,000 has been requested during the last 3 years. The estimated value of the contract was €4,000,000. According to the LPP⁸, the CA's requirement for minimum annual turnover should not be higher than the double of the estimated contract value. Therefore, the financial turnover of €8,000,000 should have been requested.

Impact

Failure to comply with procurement rules regarding the evaluation of tenders directly affects delays in the supply of necessary goods/services. Setting high criteria regarding financial turnover can affect the limitation of potential EO for tender participation.

Recommendation A2 The Chair of the Board should ensure that the management of procurement processes in the evaluation of tenders is carried out according to the deadlines prescribed so that the supply can be executed in a timely manner, while the criteria set in the tender dossier should not exceed restrictions set by procurement rules.

Issue A3 – Awarding a contract without meeting the criteria**Finding**

Article 59 paragraph 4 of the LPP states that the Contracting Authority shall consider a tender responsive only if the tender in question complies with all the requirements set out in the contract notice/tender dossier.

⁷ "Supply with toner" start of the bid evaluation process was done with 3 days delay, "Registration of assets -" with 12 days delay, "Supply with hygienic material" with 13 days delay, "Supply with IT equipment with 19 days delay, "Engagement of the service provider for providing professional liability coverage for the Directors of the Board and PAK officials" with 32 days delay, and "Engagement of the PRB for the liquidation process" with 21 days delay.

⁸ Article 44 of Law 05/L-068

In the tender dossier "Asset registration - visual documentation of assets in the administration of the Agency" it was requested in the technical/professional opportunities section that the EO provides contracts implemented for the last three years and a minimum of three references for contracts completed successfully before contract notice as evidence. We have noticed that the OE awarded with a contract submitted only two references for the contracts implemented and one reference for the contract that was still being implemented, which means that there were not three references.

This situation was reflected by the negligence of the members of the evaluation commission and the supervision of the evaluation process by the procurement department.

Impact Contract award without meeting the required criteria and elimination of other operators for other criteria may affect favouring and, as a result, the value for the money spent may not be achieved.

Recommendation A3 The Chair of the Board should ensure, through the procurement manager, that the requirements set out in the tender dossier are fully complied with in the bid evaluation process, ensuring that only operators meeting the criteria are awarded a contract.

Issue A4 – Non application of adequate procedures and segregation of tasks

Finding Article 35 of LPP para. 2.1 (iii) stipulates that for reasons of extreme urgency brought about by objectively verifiable events that were not reasonably foreseeable by the concerned contracting authority, such CA can use the negotiated procedure without publication. This is for the reason that the CA cannot afford the time required to conduct any other procedure provided for by the present law. We found that:

- The negotiated procedure without publication was applied in the tender "*Engagement of an international law firm for legal representation of the PAK in the Permanent Court of Arbitration in The Hague*" referring to reasons of extreme urgency. This procedure from the notification to the PPRC to the signing of the contract lasted about nine⁹months, and in doing so we noticed that it was not urgent and neither the procedure nor the exclusion of the regular deadlines was justified; and

⁹ The notice to the PPRC was made on 11.04.2019, the bid invitation to the companies was made on 07.05.2019, and the closing of the tender was on 24.05.2019, the evaluation started on 06.08.2019 and the contract was signed on 09.12.2019.

- In this procedure, the member of the evaluation commission was also the procurement manager, which is contrary to point 40.4 of the Operational Guidelines for Public Procurement.

Impact Non-application of adequate procedure is a limitation of the market/competition of economic operators both local and international ones. Engagement of the procurement manager as a member of the evaluation commission is a conflict of interest and a poor segregation of tasks.

Recommendation A4 The Chair of the Board, through the Procurement Manager, should ensure that accurate and complete analyses have been performed before deciding on the type of procedure to be applied. In cases where there is no emergency, the use of the negotiated procedure without publication should be avoided in order for the procurement to be transparent and competitive. In addition, the segregation of tasks should be respected to avoid conflict of interest.

2.1.4 Subsidies and Transfers

The final budget for subsidies and transfers was €40,000, of which €39,996 was spent. They mainly relate to the payment of salaries to managers and other employees of some Socially Owned Enterprises that are under the direct administration of the PAK, due to their very poor financial situation. These payments were made based on the regulation approved by the Board of Directors on 23.05.2013 for determining the methods of compensation of managers and other employees of Socially Owned Enterprises under the mandate of the direct administration unit.

We tested six samples of €1,565 as part of substantive testing and five samples as part of compliance testing.

2.1.5 Capital Investments

The final budget for capital investments was €30,000, of which €22,630 was spent. The expenses for capital investments relate to the supply of IT equipment for the server. Since it was only one payment, we tested it both as a substantial and compliance test.

2.2 Capital and Non-capital Assets

The value presented in the AFS of capital assets is €221,070, non-capital assets is €93,062, while in terms of stocks there is no financial value presented in the AFS. We tested five samples for substantial tests in the amount of €9,503, as well as five samples for compliance tests.

Issue B1 – Failure to use the e-asset system and lack of information on stocks**Finding**

According to Article 6, paragraph 3 of Regulation 02/2013 on the Management of Non-Financial Assets, capital assets must be registered in the KFMIS, while non-capital assets and stocks must be registered in the “e-asset” system. We have found that:

- Assets under €1,000 and stocks were not being recorded in the e-asset system and this system was almost non-functional. However, these evidences of assets under €1000 were being recorded in an internal software and, from our tests, we did not identify errors in the registration and in the calculation of depreciation. The reason for not using the e-asset system was that the migration of prior years' assets had not been transferred from the MPA¹⁰ to this system; and
- The value of stocks was not presented in the AFS. The inventory commission has not counted the stock at the end of the fiscal year as required by the inventory process despite the fact that the commission has been established and has made inventory of other assets. The lack of information about the stock also reflects the weaknesses of the PAK warehouse management.

Despite the fact that the director of the finance department requested information from the administration regarding the condition of stocks, this information was not provided.

Impact

Failure to use the e-asset system and non-presentation of stock value increase the risk of underestimation of assets in the AFS and may affect the exposure of assets to risk of loss or mismanagement.

Recommendation B1 The Chair of the Board should ensure the continuation of active co-operation with the MPA, to eliminate shortcomings in the e-asset system, including the migration of assets. The inventory process should also be comprehensive by inventorying the stock and presenting the stock value in the AFS.

2.3 Outstanding and Contingent Liabilities

The statement of liabilities not paid to suppliers at the end of 2019 was €83,603, where the reason for non-payment and non-presentation as liabilities was mainly the invoices received in the first months of 2020 (closing of the fiscal year). . These liabilities were carried forward to be paid in 2020.

¹⁰ PAK has held meetings with the MPA and forwarded official documents through which it had requested that all records be transferred to the "E-asset" system, but it was unsuccessful.

The statement of contingent liabilities at the end of 2019 was €312,701. Part of these contingent liabilities in the amount of €311,152 was due to the calculation of 50% of the workers' salary due to suspension from work, while the remaining part of €1,549 is related to the termination of contracts.

2.4 Internal Audit Function

The Internal Audit Unit (IAU) operates with four staff members - the Head of IAU and three auditors. The impact of Internal Audit reports should be judged by the importance given to management in addressing recommendations as well as by the support provided from an effective Audit Committee. The IAU has drafted a work plan based on its strategy.

For 2019, the IAU planned and completed eight audits. In these reports, important management recommendations were made to improve the functioning of internal control, where out of 90 recommendations made, nine were implemented, 43 were partially implemented, and 26 were not implemented, while 12 were skipped.

On 29 March 2019, PAK established the Audit Committee with a three-year mandate, which consists of the Chair of the Committee and two members. The Audit Committee held four meetings.

3 Progress in implementing recommendations

Our Audit Report on the 2018 AFS of the PAK resulted in four (4) recommendations. The PAK prepared an Action Plan stating how all recommendations will be implemented.

PAK has submitted the Progress Report on the implementation of the recommendations (30 September 2019 and 15 March 2020) according to the requirements deriving from the Rules of Procedure for the implementation of the audit and action plans.

At the end of our 2019 audit, three (3) recommendations have been fully implemented and one (1) has not been implemented. For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

Table 4 Summary of prior year recommendations and of 2019

No.	Audit area	Recommendations of 2018	Actions taken	Status
1	Wages and Salaries	The Chairperson of the Board should ensure that the selection of candidates is made in full compliance with the relevant legislation as well as with the requirements set out in the competition in order to avoid irregular recruitment	During the testing of the two external recruitment files and the internal recruitments, we did not notice such shortcomings.	Implemented
2	Assets	The Chairperson of the Board should ensure that appropriate controls have been established which enable asset depreciation to be made through the e-asset system	The e-asset system is not being used despite the efforts made by PAK for the MPA to migrate the assets of prior years and start using them.	Not Implemented
3	Internal Audit System	The Chairperson of the Board should ensure the establishment of the Audit Committee as foreseen by Law No. 06/L-021.	On 29.03.2019, PAK established the Audit Committee with a three-year mandate.	Implemented
4	Management Reporting, Accountability and Risk Management	The Chairperson of the Board should ensure that the drafting of the risk list is made on time as required by the FMC requirements. Also, the Chairperson of the Board should ensure that direct responsibility for risk management is delegated to the respective sectors	The list was compiled in early March 2019.	Implemented
No.	Audit area	Recommendations of 2019		
1	Goods and Services	The Chair of the Board should ensure that simplified recruitment procedures are developed for staff engagement for specific services, so that the process is transparent. Actions should also be taken to address the needs for regular positions in the MoF during planning and should be budgeted and paid from the category of wages and salaries		

2	Goods and Services	The Chair of the Board should ensure that the management of procurement processes in the evaluation of tenders is carried out according to the deadlines prescribed so that the supply can be executed in a timely manner, while the criteria set in the tender dossier should not exceed restrictions set by procurement rules
3	Goods and Services	The Chair of the Board should ensure, through the procurement manager, that the requirements set out in the tender dossier are fully complied with in the bid evaluation process, ensuring that only operators meeting the criteria are awarded a contract.
4	Goods and Services	The Chairman of the Board, through the Procurement Manager, should ensure that accurate and complete analyses have been performed before deciding on the type of procedure to be applied. In cases where there is no emergency, the use of the negotiated procedure without publication should be avoided in order for the procurement to be transparent and competitive. In addition, the segregation of tasks should be respected to avoid conflict of interest
5	Assets Management	The Chair of the Board should ensure the continuation of active co-operation with the MPA, to eliminate shortcomings in the e-asset system, including the migration of assets. The inventory process should also be comprehensive by inventorying the stock and presenting the stock value in the AFS

**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

REPUBLICA E KOSOVES - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO
AGJENCIA KOSOVARE E PRIVATIZIMIT - KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
PRIVATISATION AGENCY OF KOSOVO

II

Nr. 2469
Br. No.
No. I Fq. 1
Br. Str.
No. Pg.

Data: 10 JUL 2020
Datum: 10 JUL 2020

Prishtinë / Pristina

AGJENCIA KOSOVARE E PRIVATIZIMIT
KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
PRIVATISATION AGENCY OF KOSOVO

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit
për vitin 2019 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Agjencisë Kosovare të Privatizimit, për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

z. Valon Tolaj

Drejtor i Agjencisë Kosovare të Privatizimit,

Data: 10 korrik 2020, Prishtinë

REPUBLICA E KOSOVES - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO
ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

DATE PRANUAR/DORËZUAR: 10.07.2020
DATUM PRANILJA/DORËZAVLJENJE: 10.07.2020
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