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Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY OF ENVIRONMENT, SPATIAL PLANNING AND INFRASTRUCTURE FOR THE YEAR 2023

Prishtina, June 2024

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1 Audit Opinion

We have completed the audit of the financial statements of the Ministry of Environment, Spatial Planning and Infrastructure for the year ended on 31 December 2023 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 Ministry of Environment, Spatial Planning and Infrastructure (MESPI) which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including a summary of important accounting policies and other reports² for the year ended as of 31 December 2023.

In our opinion, except for the effects of the matter/s described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Ministry of Environment, Spatial Planning and Infrastructure 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 The register of capital assets presented in the AFS was overstated by €39,019,617 as a result of errors in the registration of capital assets and the non-application of depreciation for completed projects, as well as the register of non-capital assets was understated by €380,558 as a result of non-registration of assets non-capital;
- B2 The contingent liabilities presented in the AFS were understated by €16,534,867;
- B3 Expenditures were misclassified in the amount of €7,810,603, affecting the overestimation/underestimation of inadequate categories;
- B4 MESPI had made payments in the amount of €398,164 for 62 employees for whom there was no evidence of continuity at work:

For more detailed information see subchapter 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.

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

² Other reports as required in Regulation no.01/2017 on Annual Financial Report, Article 8

Conclusion on Compliance

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

In our opinion, except for the effects of the matter/s described in the Basis for Conclusion on Compliance paragraph, transactions carried out in the process of execution of the Ministry of Environment, Spatial Planning and Infrastructure's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Conclusion

- B5 The Ministry, despite the rules, has applied the threshold or ceiling plus/minus thirty percent (30%) for positions in contracts with a unit price. This has resulted in exceeding the value of these positions by €1,192,115 (in common value);
- B6 In eight (8) contracts, changes were made to the contracted quantities by increasing/decreasing the realized quantity without prior approvals and as a result the quantities were exceeded in four (4) to 86 positions or in the amount of €5,881 to €698,506 (without the contract value was exceeded);
- B7 In two cases, we have identified changes to the contractual conditions by not applying the legal provisions;
- A1 In two cases, we identified shortcomings in the bid evaluation process.

For more detailed information see subchapter 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.

Responsibilities of Management and Those Charged with Governance for the AFS

The Secretary General 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 Secretary General 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 (amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Minister is responsible to ensure the oversight of the Ministry of Environment, Spatial Planning and Infrastructure's financial reporting process.

Management's Responsibility for Compliance

The Ministry of Environment, Spatial Planning and Infrastructure's management is also responsible for the use of the Ministry of Environment, Spatial Planning and Infrastructure'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 The Ministry of Environment, Spatial Planning and Infrastructure's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation

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 Ministry of Environment, Spatial Planning and Infrastructure's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 recommendations⁴

During the audit, we noted areas for improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations.

The areas that require more focus are the issues impacting the financial opinion that are mainly related to an incorrect presentation of the disclosures, namely the state of assets, liabilities and contingent liabilities. As far as the field of expenditures is concerned, cases of bad classification of expenditures and the compensation of employees in the absence of evidence of continuity in work have also been identified this year.

Regarding compliance with applicable legislation and regulations, special focus should be given to the management of road maintenance contracts, avoiding exceeding the allowed spending values and changing contractual conditions. Additional actions are also necessary in the management and implementation of capital projects related to delays in their realization.

In the context of payments, expenditures should be prevented through court decisions that are mainly related to expropriation disputes, which are continuously causing the ministry additional costs for interest and court costs. Concrete measures should also be taken in the better management of accounts receivable, namely providing efficient mechanisms for assessment and collection of debts that contribute to the increase of revenues.

The findings and recommendations are intended to make the necessary correction of the financial information presented in the financial statements, including disclosures in the form of explanatory notes and to improve internal controls related to financial reporting and compliance with the authorities related to the management of funds in the public sector.

This report resulted in 15 recommendations, of which three (3) are new recommendations and 12 are repeated recommendations. We will follow up (review) these recommendations during next year's audit.

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

⁴ Issue A and Recommendation A - means new issue and recommendation
Issue B and Recommendation B - means repeated issue and recommendation
Issue C and Recommendation C - means partly repeated issue and recommendation

2.1 Issues with impact on audit opinion

Issue B1 - Shortcomings in the asset registration process

Finding

Article 10 of Regulation No. 02/2013 on Management of Non-Financial Assets determines that "All non-financial assets after acceptance into the ownership and supervision of the budget organization, regardless of whether they are paid or partially paid, should be registered in the accounting registers and be subject to stocktaking and of assessment". Article 11.3 defines that "After the end of the investment process, the capital non-financial asset will be classified as a non-financial asset in use. From the moment the asset is ready for use, depreciation will also be applied". Further, Article 6.3 of this regulation defines: "Capital assets should be registered in KFMIS, while non-capital assets and stocks should be registered in the "e-property" system.

We have identified some shortcomings regarding the registration of assets, which have influenced the register of capital assets to be overstated by €39,019,617 as a result of errors in the registration of capital assets, as well as the register of non-capital assets to be understated by €380,558 as a result non-registration of non-capital assets.

Identified shortcomings include:

- The "R6 Highway Pristina - Hani i Elezit" project was registered in the register of capital assets as a completed project on 25.09.2020, while the report on the completion of this project was made in October 2019. Consequently, the net value in the asset book was overstated for the effect of not applying the depreciation of €32,805,672. Until 2023, this property was registered as an investment in the following, and a recommendation was given for the same in the previous year.
- In four (4) cases⁵, payments in the amount of €1,695,430 for various capital projects were not registered in the register of capital assets, which caused undervaluation of capital assets for the same value.
- The Ministry continues to keep as future investments three (3) capital projects with a total value of €8,144,161, which have been completed, and their technical acceptance has been made. As a result of their registration in the inadequate class and not applying depreciation, the property was overvalued in the net effect by €1,438,875.
- A payment for the purchase of non-capital assets (below €1,000) continues to be incorrectly recorded in the register of capital assets, overestimating the register for the net value of the asset by €221,000. This issue was also addressed in the previous year's report; and
- 11 payments for the purchase of IT equipment and other equipment in the amount of €159,588 were not registered in the e-property system, causing undervaluation of non-capital assets for this value (of which 6 payments were from 2022).

Furthermore, Regulation No. 02/2013 on Management of Non-Financial Assets has defined capital and non-capital assets, as well as defined capital expenditures as "Payment for the acquisition of fixed capital assets, for strategic or emergency stocks, for land or intangible assets, or non-refundable payments in order to enable the receivers to acquire (buy) these assets, to compensate the receivers for damage or destruction of capital assets, or to increase the financial capital of the receivers, in the amount of more than €1,000 and a longer term of use for more than a year". Administrative instruction 04/2019 for the definition of capital projects defines asset capitalism as "Registration of the asset in the property register and the accounting register with the invested value (excluding unauthorized expenditures)".

In this regard, we have identified that, as a result of the registration of expenditures as capital assets which did not meet the criteria of capital expenditures, the register of capital assets was overstated by €6,249,500. Accordingly, this happened in the following cases:

- In 11 cases in the amount of €3,338,277, which were related to the expenditures for the interest applied for delays in making compensations for the value of expropriated land based on judicial/executive decisions. Capitalization of interest in the asset register was a phenomenon for all cases where the payment of expropriations was made based on judicial/executive decisions; and
- Likewise, two payments in the amount of €2,991,223, through court decisions, were related to compensation for damage and lost profit caused by the expropriation process. The same do not belong to the category of assets.

This situation was due to the carelessness and non-functioning of internal controls in the asset management process as well as the lack of knowledge related to the capitalism of expenditures in the asset registration process.

Impact

Errors in the registration of assets, not registering them in the right class, as well as the capitalism of expenditures that do not meet the criteria of capital expenditures have influenced the overestimation/underestimation of the asset registers, as well as represent an unfair and inaccurate presentation of assets in AFS.

Recommendation B1 The Minister should increase controls on the registration of assets and ensure that the relevant departments cooperate with the asset officer to identify all completed projects, so that the assets are recorded as assets in use and their depreciation is calculated. Further, to ensure that the asset register is complete, the assets are correctly registered and reflect their correct value in the registers. Also, to ensure that all expenditures which do not meet the criteria of capital expenditures, and which are registered as capital assets should be deleted from the asset register. With increased focus, all payments recorded in the asset register related to the process of expropriations carried out over the years based on judicial/executive decisions should be handled.

Entity's management answer (Agree)

Issue B2 - Incorrect disclosure of contingent liabilities in AFS

Finding According to Article 18 of Regulation No. 01/2017 on Annual Financial Reporting, "Budget organizations in line with the LPFMA report all contingent liabilities".

Contingent liabilities disclosed by the ministry are mainly related to judicial disputes for expropriations. Therefore, for the presentation of their value in the AFS, the ministry for the year 2023 has used the assumed method, calculating about 50% of the estimated value according to the final decision of the Government on expropriations. We identified that the contingent liabilities presented in the AFS were understated by €16,534,867 as a result of the following shortcomings:

- In 35 cases, the value of complaints and court claims was lower than the value presented in AFS, overestimating contingent liabilities by €2,841,038; and
- In 13 cases, the value of complaints and court claims was higher than the value presented in the AFS, and this resulted in an underestimation of the value of contingent liabilities for €19,375,905.

On the other hand, in four (4) cases in the amount of €1,225,777, we failed to assess the value presented in the AFS, since the evidence was incomplete.

This happened as a result of the lack of officials who keep the evidence related to contingent liabilities as well as shortcomings in the operation of internal controls during the processing of cases for reporting contingent liabilities in AFS.

Impact The presentation of contingent liabilities in incorrect values affects that the stakeholders or users of the AFS are not informed correctly and correctly regarding the disclosure of these liabilities, at the same time it affects poor planning of the budget for the following year.

Recommendation B2 The Minister should ensure that contingent liabilities are presented in accurate amounts, and that complete evidence is kept with supporting evidence related to Issues that are in court proceedings.

Entity's management answer (Agree)

Issue B3 - Inadequate classification of expenditures

Finding According to Article 18 point 3 of Financial Rule No. 01/2013 Expenditure of public money, expenditures should have adequate codes, defined by the accounting plan, also with the accounting plan of the Treasury, the relevant codes and categories of expenditures that BO should apply are defined.

We have identified that, from the category of capital investments, the ministry paid expenditures that did not meet the criteria of capital expenditures and belong to the nature of goods and services, as a result, the category of capital investments was overstated by €6,249,500. Respectively, this had happened due to the realization of the payments related to the expenditures for the interest applied for the delays in making compensations of the value of the expropriated land based on judicial/executive decisions, as well as the payments related to the compensation of damage and lost profit caused by the process of expropriations.

Furthermore, due to the payments executed by the Treasury according to court decisions, the expenditures were misclassified in the amount of €1,561,103. Accordingly:

- From the category of capital investments, €1,051,065 were paid for goods and services. Because the payments were related to the compensation of damages caused by the ministry to the economic operator as well as the payment of interest expenditures and other procedural expenditures, and
- From the category of goods and services, €510,038 were paid for capital investments, as a result of the execution of payments for expropriations.

Inadequate classification of expenditures was the result of internal controls not functioning well.

Impact Payments made from inadequate economic categories affect the unfair presentation of expenditures by providing inaccurate information to AFS readers. Also, overestimating/underestimating the economic categories for the value of these expenditures.

Recommendation B3 The Minister should ensure that all the necessary actions are taken so that payments and registration of expenditures are made in the relevant economic codes, to enable their fair reporting in the AFS in accordance with the accounting plan.

Entity's management answer (Agree)

Issue B4 - Lack of evidence for work attendance

Finding

Article 9, paragraph 2 and 3 of the Regulation (GRK) No. 07/2022 on the working hours and vacations of public officials stipulates that: "Each public official is obliged to be recorded in the work attendance book or in the electronic register, depending on which one the institution uses, and not registering in the work attendance books or in the electronic register, is counted as absent from work.

MESPI still has not settled the issue of the staff (62 employees of the Serbian community) who are paid but do not have continuity of work. Although this situation is being repeated, the ministry has not yet managed to take concrete measures in the systematization, engagement and monitoring of this category of employees. The budget spent on their salaries for 2023 was €398,164.

For the ministry, this issue is quite challenging for their systematization in defined workspaces, due to the fact that they do not have defined work objectives, therefore they do not develop any activity in the ministry.

Impact

Payments of employees in the absence of proof of continuity in work and in the absence of commitment to the performance of official duties, are considered unjustified payments and damage the ministry's budget.

Recommendation B4

The Minister should analyse the created situation, ensuring that all possibilities for finding a solution are evaluated, and actions are taken that are in accordance with the legal requirements.

Entity's management answer (Agree)

2.2 Issues with impact on the compliance conclusion

Issue B5 - Exceeding item payments for unit price contracts

Finding

Article 54.15 of Regulation No. 001/2022 on Public Procurement, determines that whenever the Contracting Authority does not know the indicative quantities, contracts with unit prices, the CA should determine the weights based on the importance of each "category of services" or each "item" so that the Contracting Authority to determine which is the offer with the lowest price, in these cases the plus/minus thirty percent (30%) threshold or ceiling does not apply.

In 10 cases, we have identified that the ministry has used framework public contracts with a price per unit, specifying the indicative quantities/predicted value for one year, and, contrary to the rules, has applied the plus/minus thirty percent (30%) threshold or ceiling to the positions. This has resulted in exceeding the value of these positions from four (4) positions to 39 positions with a total value of €1,192,115.⁶ Of these, in seven (7) cases the estimated value of the contracts for one year was also exceeded.

This happened as a result of the non-functioning of controls by contract managers regarding legal compliance during the execution of contracts.

Impact

Failure to comply with the legal provisions according to the type of contracts affects overspending and at the same time brings difficulties in the realization of other projects of the ministry.

Recommendation B5

The Minister should ensure, through the responsible officials, proper controls in respect of the legal provisions, namely the terms of advance payments according to the type of contracts, so that no expenditures are created beyond their contractual planning.

Entity's management answer (Agree)

Issue B6 - Changes in bill of quantities without prior approval

Finding

Article 61.22 and 61.23 of the Rules and ROGPP state that where the contract is amended with the purpose of changing the initial terms and conditions, the contract amendment will be prepared by the procurement department, and the contract amendment will not be issued to the economic operator before receipt of approval by NAO.

We recorded eight (8) contracts in which there were changes in the contracted quantities, increasing/decreasing the realized quantity but without increasing the total price of the contract. The changes were in four (4) to 86 positions or in the value of €5,881 to €698,506. It is worth noting that, two of them, the exceedances were for the positions which were annexed to the contract or revised pre-measure.

The necessary approvals from NAO were not obtained for these changes.

These shortcomings occurred as a result of poor planning of projects and the failure of proper controls related to the supervision of these projects.

Impact

Changing the designed and contracted pre-measure in the absence of appropriate approvals risks that the realization of the works will not be in accordance with the project's requirements. This can affect the quality of the works performed and the fulfilment of the contract according to the defined objectives, as well as increases the possibility of manipulations with the positions and the amount of the initial tender.

Recommendation B6

The Minister, through the contract managers, should ensure that any deviation from the terms and conditions of the contracts require prior consents and relevant approvals in accordance with the applicable rules.

Entity's management answer (Agree)

Issue B7 - Change of contractual terms by not applying legal provisions

Finding

Article 70.24 of Regulation no. 001/2022 on Public Procurement defines that the functions of the Project/contract manager are: To issue variations or change orders if required, in accordance with the terms and conditions of the contract, as well as 71.4 defines that the change of the contract for the additional quantities of items of same will use the same or lower unit prices as in the original contract. For positions for which there are no prices in the initial CA contract, shall apply article 35.3 of the LPP⁷. While according to Article 71.5, no change in the contract will increase the total price of the contract by more than 10% of the initial price of the contract.

In two cases, we identified that the ministry acted in non-compliance with article 35.3 of the LPP by not applying the proper procedure for performing the work. Accordingly:

- For the public contract for "Summer and winter maintenance of the A7 highway (Ibrahim Rugova) Lot 2" with a unit price of €123,262, the ministry with the same operator has approved a variation order changing the terms and conditions of the contract. This change concerns the addition of 16 new positions worth €73,768 (not exceeding 10% of the value of the basic contract), for which there were no prices defined in the initial contract.

- For the contract "Summer and winter maintenance of the National and Regional roads of Kosovo for the year 2022-2023, 2023-2024 and 2024-2025, Mitrovica Region - Lot 2" with a unit price of €6,814, or €388,400 for one year, the ministry had increased the contracted quantity in one position from 1m² to 94,215m² (which was related to the cutting of grass, bushes and vegetation). This change was made based on the report of a commission established by the Secretary General to review the contract manager's request for an increase in the amount of this position. As a result, the value of the contract amendment was 24% of the original contract price.

The non-application of appropriate procurement procedures in the case of changing the contractual conditions occurred as a result of bypassing controls. In the case of adding new positions using as a reason the performance of this work with emergency. Whereas, in the case of the increase in quantities, the ministry estimates that a technical omission was made during the drafting of the budget and that it had considered as sufficient only the report of the commission, not applying the requirements of the procurement regulation.

Impact

Realization of works without the proper contract change procedure may cause higher costs than the relevant market price and poor quality of work. While the change of the designed and contracted pre-measures gives the possibility for manipulations with the positions and pre-measures of the initial tender.

Recommendation B7

The Minister should ensure that appropriate control measures are applied to ensure that the requirements of Article 35.3 of the LPP are implemented and ensure that appropriate procurement procedures are developed.

Entity's management answer (Agree)

Issue A1 - Shortcomings in procurement procedures**Finding**

Article 59.3 of the LPP stipulates that the contracting authority will consider a tender as responsible only if the tender in question is in compliance with all the requirements set forth in the contract notice and in the tender file.

For the procurement activity "Designing various projects of roads and structures for the years 2022-2024" in the tender file under "Requirements on technical and/or professional opportunities" item 4, it is requested that for Lot 2, a Graduate Engineer Communication with five (5) years of professional work experience (after graduation) in the required field. While in the List of necessary tools, facilities, technical equipment and software item 6, a set of Total Station, with measuring accuracy (1÷3)" (to be calibrated within one year, to be proven with a calibration certificate from the company licensed).

The Ministry had awarded the economic operator with a contract despite the lack of evidence proving five (5) years of traffic engineer work experience (in the evidence provided there are three references, but only one of them proves a one-year work period, while the other two are missing the time period). Also, the calibration certificate from the licensed company for the required equipment is also missing.

Furthermore, Article 41.6 of Regulation No. 001/2022 on Public Procurement determines that in case a tender (or a position of the tender where the weighted price per unit is applied) appears to be abnormally low, the Contracting Authority should request in writing from the economic operator who submitted the tender or the position of the tender that appears to be abnormally low according to paragraph 41.3 or 41.4 of this regulation, a written statement which includes a detailed breakdown of the relevant parts of the tender and which includes an explanation for the low price using the standard form approved by PPRC "Standard letter for abnormally low tenders". According to article 41.7, the Economic Operator will respond in writing to the Contracting Authority. If not, the tender will be rejected.

For the procurement activity "Designing various projects of roads and structures for the years 2022-2024" Lot I - Extensions of existing roads and new roads with 4 lanes, weighted price per unit with an estimated value of €110,000, we have noted that in six (6) positions (such as the work on the waste water removal project, the work on the water supply project and the deployment of installations, the work on the electrical project, etc.), EO had offered at very low prices and that the submitted tender meets all the requirements of Article 41.3 of Regulation no. 001/2022 on Public Procurement to be considered an abnormally low tender. However, the ministry had not requested a written statement from the EO to explain the price offered.

This happened as a result of the carelessness of the commission during the evaluation of the offers.

Impact Failure to meet the required criteria and the lack of a declaration in the case of a tender that appears to be abnormally low, may have a negative impact on the performance of the implementation of the contract, consequently, may affect the non-fulfilment of all positions and in particular of those with low prices.

Recommendation A1 The Minister should ensure that the Responsible Procurement Officer has oversight of evaluation committees, so that, in cases where the bid contains abnormally low prices, it is ensured that the beneficiary of the contract will stand behind his bid. This should be done through confirmed actions as foreseen by the procurement rules, and that the decision to award the contract is made only after obtaining assurance that all requirements have been met.

Entity's management answer (Agree)

2.3 Findings on financial management and compliance issues

2.3.1 Capital Investments

The final budget for capital investments was €213,212,622, of which €133,316,067 or 63% had been spent. These expenditures are mainly related to road construction and stratification, payments for land expropriation, co-financing of projects based on Memorandums with municipalities, river arrangements, etc.

Issue B8 - Delay in the execution of projects

Finding In the contracts signed between the ministry and the economic operators, the time limit for the realization of the works is determined.

In five (5) cases, we noticed that the works were not carried out according to the dynamic plan as foreseen by the contract. The identified cases are:

- The contract "Construction of Transit in Malishevë" lot 1, worth €959,026, was signed on 14.06.2019. According to the contract, the start date of the works was 04.07.2019, and the completion in 180 working days. The value of the works carried out until the end of 2023, respectively for more than three years, was €142,496, or 15% of the contracted value.
- The contract "Rehabilitation of the R-108 Regional Road, Segment II" in the amount of €3,789,533 was signed on 07.09.2019. According to the contract, the start date of the works was 28.07.2019, and the completion in 705 working days or about 25 months (contract annex dated 23.09.2021 in the amount of €378,593 with a term of 120 working days). The value of the works carried out until the end of 2023, respectively for more than three years, was €2,771,478 or 66% of the contracted value.
- The contract "Construction of Highway A7.1- Dheu i Bardhë-Udhakryqi Bresic Lot 1" worth €18,468,427 was signed on 13.02.2018. According to Article 7 of the contract, the deadline for the completion of the works is 30 months from the date of signing the contract. In connection with this project, an annex contract was signed on 14.06.2019 in the amount of €1,843,392 with a deadline of 60 days for the completion of the works. The value of the works completed until the end of 2023 was €16,246,643 or 80%.
- The contract "Asphalting of the local road from the junction N25 - Grejkoc - Rrafshi Livadheve" contract worth €2,980,445 was signed on 06.05.2020 (annex contract worth €297,248 dated 03.12.2021), and the completion of the works was for 15 months. The value of the works completed until the end of 2023 was €1,403,681 or 43% of the contracted value.

- The contract "Extension of the National Road N9.1, segment Dollc-Gjakovë - Lot 1" in the amount of €4,616,601 was signed on 11.03.2019. According to the special conditions of the contract, the deadline for the completion of the works is 200 days. In connection with this project, an annex contract was also signed on 17.09.2019 in the amount of €460,273 with a deadline of 35 days for the completion of the works. The value of the works completed until the end of 2023 was €3,209,233 or 60%.

This situation was a result of the lack of analysis before the initiation of capital projects that were related to the problems of land expropriation, errors in the drafting of executive projects, where during the implementation of the works it turned out that they did not adapt to the condition of the terrain, etc.

Impact

Delays in the completion of projects affect the ministry not reaching the defined objectives, difficulties in the circulation of citizens on certain roads and at the same time can cause budgetary difficulties for the following years.

Recommendation B8

The minister should ensure that before the initiation of the projects, the expropriation process of the lands in which the realization of the projects is foreseen is carried out, as well as the compilation/preparation of the executive projects is given importance so that the realization of the works is done according to the dynamic plans.

Entity's management answer (Agree)

Issue B9 - Payments through court decisions

Finding Article 39.1 of LPFMA no. 03/L-048 obliges the Ministry to pay any valid invoice within 30 days from the date of receipt of the invoice or request for payment. Also, Article 40.1 states "When a court issues an order or decision requiring a public authority to pay any type of monetary compensation to a person and the order or decision is not subject to the right of appeal by the public authority or authority public has not exercised this right in time, the court immediately sends a copy of the order or decision to the Ministry of Justice and the relevant Ministry, for the execution of the said payment".

The payments executed through court decisions in 2023 were €4,476,111 and are generally related to the payment of expropriations. In four (4) tested cases of these payments in the amount of €1,654,803, the ministry, in addition to the main debt in the amount of €1,371,860, had paid additional expenditures for interest and court proceedings in the amount of €282,942.

This phenomenon occurred mainly as a result of numerous complaints over the years from parties dissatisfied with the assessment of properties in the final expropriation decision, this assessment was carried out by the Property Tax Department/Ministry of Finance.

Impact This situation has resulted in an increase in the cost of the ministry, creating difficulties in the implementation of approved projects for the corresponding/next year.

Recommendation B9 The Minister, in cooperation with the actors involved in the expropriation process, should identify the weaknesses in this process and take measures to avoid numerous court disputes in order not to damage the ministry's budget with additional costs.

Entity's management answer (Agree)

Issue B10 - Shortcomings in payments for expropriations**Finding**

Article 16.2 of Law No. 03/L-205 on amendment and supplements of Law No. 03/L-139 on Expropriation of Immovable Property defines "The Expropriating Authority pays or requires the applicant or the expected Beneficiary - if any - to pay the amount of compensation determined in the Final Decision, to the Owner of affected or Interest Owners. The compensation requested in the Final Decision will be: 2.1. The amount determined in the relevant assessment act plus; 2.2., interest in that amount which has been accumulated starting from the date of entry into force of the Final Decision until the date of payment. This interest accrues at the rate of seven percent (7%) simple annual interest and is capitalized on an annual basis.

In three (3) tested cases in the amount of €3,159,932, there were delays in the payment of expropriations from 9 months to 6 years after the date of the final decision. It should be noted that, except for cases based on judicial/executive decisions or judicial reconciliations, the ministry had never paid the legal interest for the delays in compensating the owners of the expropriated lands. The total value of the payments made during the year 2023 that were not made according to judicial/executive decisions is €9,041,973 (including here the payments made in the trust account at CBK).

The Ministry has not taken any action even though this issue has been raised in previous years.

Impact

The non-application of interest in expropriation payments is contrary to the law and damages the beneficiaries, respectively the owners of the expropriated lands.

Recommendation B10

The Minister should ensure a sufficient budget to fulfil the financial obligations of the expropriations as well as ensure that the compensation is done in harmony with the applicable legislation. Further, the minister should form a commission which will analyse the legal basis regarding payments and simple annual interest related to expropriations.

Entity's management answer (Agree)

2.3.2 Capital and non-capital assets

The value presented in the AFS of capital assets is €1,977,579,295 of non-capital assets is €154,256 and of stocks €41,982.

Issue A2 - Assets recorded under the wrong class in the asset register

Finding

Article 5 of Regulation No. 02/2013 on Management of Non-Financial Assets has determined the general classification of assets. While article 6.1 defines that "Each budget organization should create and update the register of non-financial assets under its management. The register should be kept separately for each asset and in an aggregated form according to the categories classified on the basis of the accounting plan".

We have evidenced that payments in the amount of €361,558,271 (of which €43,661,587 were paid in 2023 alone) for the expropriation of lands by the ministry, over the years have been registered as 'future investment' in the register of capital assets. According to the accounting plan, the same should not be registered as investments in the future. As a result, there is no asset registration in the 'Land' asset class.

The Ministry justifies the registration of payments for the expropriation of land as future investment as a result of delays in the process of transferring ownership to the Ministry for the expropriated lands, as well as due to the connection between the expropriations and the capital projects for which the expropriation of land took place. Despite this, due to the fact that land should not be recorded as an investment at all going forward, there appears to be a lack of consultation of the asset regulation and chart of accounts around the asset class.

Impact

The non-registration of assets in the correct class has influenced the unfair reflection of assets according to classes, thus the undervaluation of the 'Land' class.

Recommendation A2

The Minister should ensure that all expropriated lands for which the owners' compensation has been completed, and the registration conditions have been met, are registered in the asset class 'Land', as provided for in the accounting plan.

Entity's management answer (Agree)

Issue A3 - Shortcomings in the process of stocktaking and evaluating non-financial assets

Finding Article 19.4.3 of Regulation 02/2013 on Management of Non-Financial Assets determines that at the end of each year, the stocktaking status should be compared with the status of the non-financial assets' registers. Whereas Article 21 of this regulation has determined the requirements for the assessment of non-financial assets.

The stocktaking process of non-financial assets was carried out after the AFS reporting date. Consequently, the difference between accounting and stocktaking status is not known. The reporting of assets in AFS was done according to the accounting register. Likewise, the assessment of non-financial assets was not done at all according to the requirements of the regulation.

This situation was mainly due to the lack of knowledge on the part of the commission related to the requirements of the regulation for asset management, as well as the lack of internal guidelines related to the stocktaking and assessment process of assets.

Impact Not comparing the results of the stocktaking with the state of the asset registers and not assessing the assets, makes it impossible to obtain certainty regarding the accuracy and completeness of the asset registers.

Recommendation A3 The minister should ensure that the commission for the stocktaking of assets has the appropriate preparation and knowledge regarding the assets and the stocktaking process, as well as after this process all changes are reflected in the asset register. Also, to create the commission which will carry out the evaluation of the assets according to the requirements of the guide for the management of non-financial assets.

Entity's management answer (Agree)

2.3.3 Receivables

MESPI in the AFS of 2023 disclosed accounts receivable in the amount of €4,640,514. These are related to uncollected obligations of water companies, invoices for fuel pumps, entrances and exits of business facilities, etc.

Issue B11 - Failure to take actions for debt collection

Finding

Article 4 of Administrative Instruction 1/2014 on the Determination of Fees for Land Use of National and Regional Roads defines that "Land Use Fees for the installation of installations and connections on national and regional roads, the use of land that is leased and placement of temporary facilities, is done according to the established rates". Further, Article 6 - Transitional Provisions provides that with the entry into force of this Administrative Instruction, the Ministry will modify all land use contracts pertaining to National and Regional roads within a period of six (6) months. Also, according to the agreements signed with the users of public properties, the deadlines for the collection of receivables are determined.

In three (3) cases of testing accounts receivable with a total value of €222,407, we have identified that the Ministry had invoiced contractors over the years but had not collected any debt. Contracts for the use of the road strip were concluded in three cases in 1999 and 2000, while the contracted operators had not made payments since contracting.

Moreover, with the entry into force of AI 1/2014 in 2014, the Ministry had billed contractors with the new rates but had not taken measures to modify their contracts according to the legal deadline set out in the new administrative guide.

Regarding this issue, it was also recommended in the previous years of the audit. According to the documents provided, the ministry had tried in several cases to collect the debts through enforcement procedures and the court, but as a result of outdated contracts and debts, invoices not signed by the receivers, it was not possible to collect the debt.

Impact

Failure to take concrete measures to collect debts may affect the non-fulfilment of the budget plan due to non-realization of revenues.

Recommendation B11

The Minister should ensure the renewal of contracts with the users of public properties in accordance with the relevant legislation, as well as create effective mechanisms for the collection of debts.

Entity's management answer (Agree)

2.3.4 Internal Audit Function

The internal audit function is established by the Statute of the Audit Unit (IAU). This unit operates with 5 auditors (director and 4 auditors). IAU had prepared the annual audit plan. Out of seven (7) planned audits, five (5) audits were carried out, as well as six (6) audits at the request of the management. These reports resulted in 74 recommendations, of which 47 were implemented, 22 were in process and five (5) were not implemented.

Issue B12 - Non-functional audit committee

Finding Article 4.1 of AI MF-NO. 01/2019 on the Establishment and Functioning of the Audit Committee in the Public Sector Entity determines that every public sector entity that has established the Internal Audit Unit at the level of the main body according to the legislation in force, establishes the Audit Committee.

In October 2022, the Ministry revoked the decision to establish the Audit Committee, as it had not held any meetings and was not functional as required by the relevant instruction. Even during 2023, no actions have been taken regarding the establishment of the audit committee.

This situation is the result of the lack of actions taken by the ministry to establish the new committee as required by legal provisions.

Impact Such a situation weakens the impact of internal control processes related to governance and risk assessment, as well as makes it impossible to supervise the work of internal audit and its relationship with management in terms of improving internal control.

Recommendation B12 The Minister should ensure that the Audit Committee is operationalized as soon as possible in accordance with the legal requirements, in order to implement the supervision and support to the IAU, ensuring the independence of this unit.

Entity's management answer (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 budget funds (in €)

Description	Initial budget	Final budget ⁵	2023 Expenditures	2022 Expenditures	2021 Expenditures
Sources of funds	251,684,838	249,580,044	158,165,293	127,999,741	143,815,760
Government Grants – Budget	187,622,875	185,500,841	144,758,446	113,850,439	137,304,739
Funding through borrowing	25,861,963	25,861,963	804,621	1,801,248	3,107,767
Funding through borrowing-Investment Clause	38,200,000	38,200,000	12,592,573	12,077,653	3,401,670
Domestic Donations	0	3	0	0	0
External Donations	0	17,238	9,653	270,401	1,583

The final budget in relation to the initial budget has been reduced by €2,104,793. This change has come as a result of new allocations and budget cuts by government decisions.

In 2023 MESPI had spent €158,165,293 or 63% of the final budget, i.e. with an increase of 5% compared to the previous year. This relatively low percentage of realization has been largely influenced by the non-spending of the funds allocated from the Borrowing and Investment Clause. In 2023, of the €25,861,962 funds planned by the Borrowing, only €804,621 or about 3% were spent, while only €12,592,573 or 33% were realized from the €38,200,000 planned by the Investment Clause. Therefore, the implementation of the budget generally remains at an unsatisfactory level and the expenditure for the current position is detailed below.

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

Description	Initial budget	Final budget	2023 Spending	2022 Spending	2021 Spending
Spending of funds by economic categories	251,684,838	249,580,044	158,165,293	127,999,741	143,815,760
Wages and Salaries	4,083,931	4,425,818	4,418,972	3,618,297	3,685,246
Goods and Services	29,415,559	29,813,300	19,063,632	17,243,070	14,961,967
Utilities	481,490	484,490	244,868	250,641	219,050
Subsidies and Transfers	1,643,814	1,643,814	1,121,754	1,172,636	1,283,507
Capital Investments	216,060,044	213,212,622	133,316,067	105,715,097	123,665,991

The explanations for the changes in the economic categories of the budget are given below:

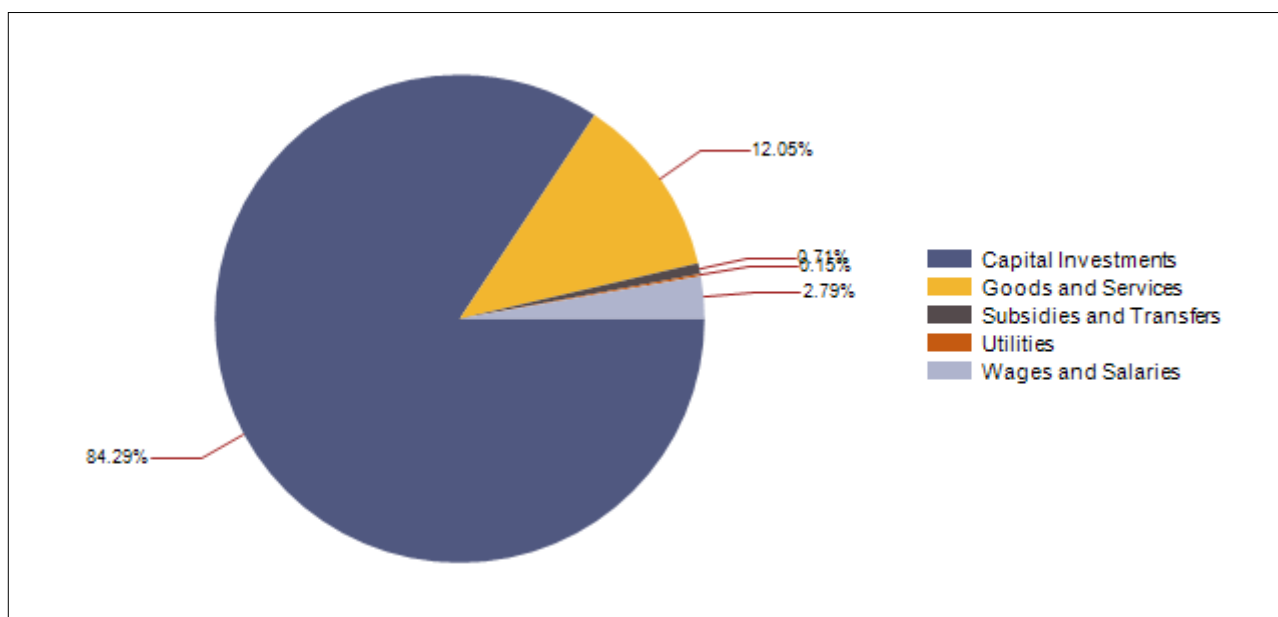
The final budget for wages and salaries in relation to the initial budget was increased by €341,888. This increase was the result of the implementation of Law No. 08/L-196 on Wages in the Public Sector as well as allocations from designated donor funds in the "Kosovo Environmental Protection Agency" (KEPA) program. Budget execution for this category was 100%.

The final budget for goods and services (including municipal expenditures) in relation to the initial budget had increased by €400,741. This change was the result of the Government's allocation decisions and savings decisions. The realization of the final budget was 64%.

The final budget for subsidies and transfers was 1,643,814 and had not undergone changes in relation to the initial budget. Budget execution for this category was 68%.

The final budget for capital investments in relation to the initial budget decreased by €2,847,422. This change was the result of Government decisions for savings in the amount of €35,260,733. Also, there were new allocations in this category with Government decisions in the amount of €32,413,311. The budget execution rate was 63%. As for the unsatisfactory implementation of the budget expenditure in this category, several factors have influenced, such as the prolongation of the procurement procedures for new projects as a result of the numerous complaints of the operators in the PRB. Whereas, for the projects financed by Borrowing and Investment Clause resources, the procurement procedures were carried out in 2023, and the contracts were signed in 2024. Also, the budget for capital investments was mainly oriented towards ongoing projects which were contracted before 2023.

Chart 1. Expenditures by economic categories for year 2023



The revenues generated by MESPI in 2023 totalled to €5,071,471. Non-tax revenues are mainly related to revenues realized from driving license taxes, licenses for the transport of goods, revenues

from the use of water, licenses for the use of forests, other licenses for business, etc., while other revenues have to do with the income from the return of funds from the previous year.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2023 Receipts	2022 Receipts	2021 Receipts
Total of revenues	5,589,171	5,589,171	5,071,471	4,691,164	6,107,582
Non-tax revenues	5,589,171	5,589,171	5,001,101	4,658,223	5,929,546
Other revenues	0	0	70,370	32,942	178,036

4 Progress in implementing recommendations

The AFS audit report of 2022 resulted in 20 key recommendations. The Ministry had prepared an Action Plan that presents how it will implement the given recommendations.

By the end of our 2023 audit, five (5) recommendations had been implemented, three (3) recommendations were no longer applicable, and 12 recommendations had not been implemented.

For a more thorough description of the recommendations and how they are being addressed, see Table 4 (or Table of recommendations).

Chart 2. Progress in implementing prior year's recommendations

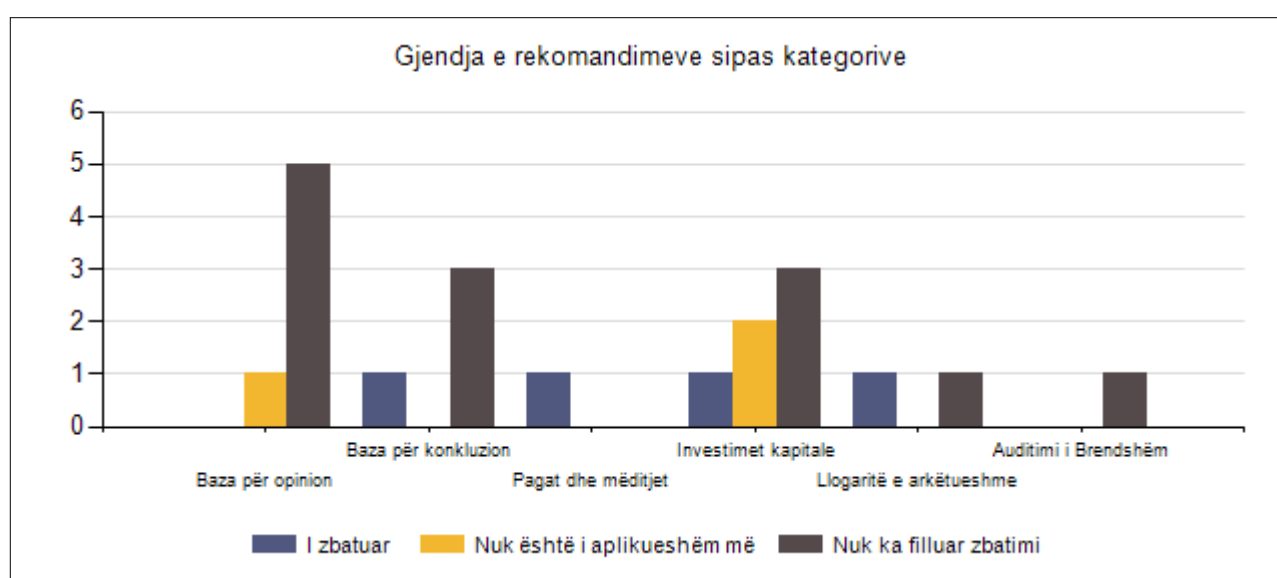


Table 4 Summary of previous year's recommendations

No.	Audit area	Recommendations of 2022	Actions taken	Status
1.	Basis for opinion	The Minister should strengthen internal control mechanisms in the field of wealth to ensure a complete and fair presentation of the state of the institution's wealth in accordance with legal requirements.	In addition, this year, some unregistered assets were identified as well as wrong registrations of non-capital assets in KFMIS. This is addressed in issue B1.	No longer applicable
2.	Basis for opinion	The Minister should ensure that contingent liabilities are presented in accurate amounts, and that complete evidence is kept with supporting evidence related to Issues that are in court proceedings.	Even this year, the disclosure of contingent liabilities was not correct.	Implementation has not started
3.	Basis for opinion	The Minister should ensure that all the necessary actions are taken so	Even this year, we have identified	Implementation has not started

		that payments and registration of expenditures are made in the relevant economic codes, to enable their fair reporting in the AFS in accordance with the accounting plan. If the budget planning does not coincide with the nature of the expenditure and the needs of the ministry, the re-destination of funds should be done in order to provide funds for the regular payment of expenditures.	misclassification of expenditures in the Goods and Services and Capital Investments category.	
4.	Basis for opinion	The Minister should undertake all the necessary actions for the engagement of these employees by ensuring working conditions, defining clear work objectives and ensuring continuous monitoring as provided by legal acts.	The situation in relation to the previous year regarding this category of employees was the same.	Implementation has not started
5.	Basis for opinion	The Minister should ensure that the controls in the finance office are fully effective in order to make fair and accurate reporting of unpaid obligations.	No such cases have been identified this year	Implemented
6.	Basis for opinion	The Minister should ensure that the relevant departments cooperate with the asset officer to identify all completed projects, so that the assets are recorded as assets in use and their depreciation is calculated. Likewise, the projects financed and completed for the municipalities should be transferred to the beneficiary municipalities, removing them from the ministry's registers.	The same shortcomings have been identified this year as well.	Implementation has not started
7.	Basis for conclusion	The Minister should ensure, through the responsible officials, proper controls in respect of the legal provisions, namely the terms of advance payments according to the type of contracts, so that no expenditures are created beyond their contractual planning.	Even this year there was an excess of contract values.	Implementation has not started
8.	Basis for conclusion	The Minister, through the contract managers, should ensure that any deviation from the terms and conditions of the contracts require prior consents and relevant approvals in accordance with the applicable rules.	Even this year, we encountered exceeding the contracted quantities without prior approval from NAO.	Implementation has not started
9.	Basis for conclusion	The Minister should ensure that every expenditure is supported by the relevant contract, as well as ensure that appropriate procurement procedures are developed.	Even this year, we have identified cases of changing the terms of the contracts by not applying the legal provisions.	Implementation has not started

10.	Basis for conclusion	The Minister should establish increased financial controls and ensure that financial officers strictly follow all expenditure procedures, and that all invoices are paid according to established legal rules.	The issues identified during the audit resulted in immaterial impact and do not have any effect on this report.	Implemented
11.	Wages and Salaries	The minister should ensure that measures will be taken to draft and harmonize all regulations in accordance with the structural changes of the ministry in order to avoid duplicate positions and expenditures.	The regulation for internal organization and systematization of workplaces was approved in April 2024.	Implemented
12	Capital investments	The Minister should ensure that the causes of the damage that occurred are identified and, in accordance with the previous conditions of the contract, the provisions related to the responsibility for defects are implemented. Also, to ensure that the acceptance of works is based on the quality of the materials and professional work of the EO, otherwise the execution insurance shall be applied.	No such cases have been identified this year.	Implemented
13	Capital investments	The minister should ensure that before the initiation of the projects, the expropriation process of the lands in which the realization of the projects is foreseen is carried out, as well as the compilation/preparation of the executive projects is given importance so that the realization of the works is done according to the dynamic plans.	Even this year we encountered delays in the realization of capital projects. Of the seven projects highlighted in the preliminary report, four of them continue to be delayed as one project is from the current year's report.	Implementation has not started
14	Capital investments	The Minister should ensure that before the executive projects are drawn up, all the field examinations have been carried out, including geodetic measurements, the recording of the real situation on the ground, the resolution of property issues and the accurate determination of the thickness of the roads. In cases of errors with financial implications for MESPI, not only their correction should be requested but also penalties should be applied to the design company.	It was dealt with in the framework of issues B6 and B8.	No longer applicable
15	Capital investments	The Minister, in cooperation with the actors involved in the expropriation process, should identify the weaknesses in this process and take measures to avoid numerous court disputes in order not to damage the ministry's budget with additional costs.	Similar cases have been identified this year as well.	Implementation has not started

16	Capital investments	The Minister should ensure a sufficient budget to fulfil the financial obligations of the expropriations as well as ensure that the compensation is done in harmony with the applicable legislation. Further, the minister should form a commission which will analyse the legal basis regarding payments and simple annual interest related to expropriations.	This year too, the situation is the same.	Implementation has not started
17	Capital investments	The Minister should ensure continuous monitoring of the mechanisms created for the progress of this process and in cooperation with the involved institutions work towards the functionalization of this system and its application by all institutions.	The Ministry has taken several actions during the year 2023. It remains that, in cooperation with MFPT, alternatives and the possibility of this system being connected with other systems will be examined.	No longer applicable
18	Accounts receivable	The Minister should ensure that the regular monitoring of the use of Kosovo's waters is carried out and in cases where water users operate without a water permit or with an expired permit, concrete measures should be taken to stop illegal actions according to the provisions of the legal framework in force. .	The Ministry had taken measures by issuing decisions to stop the activity for operators without a water permit, as well as imposing measures with fines.	Implemented
19	Accounts receivable	The Minister should ensure the renewal of contracts with the users of public properties in accordance with the relevant legislation, as well as create effective mechanisms for the collection of debts.	Even during 2023, the ministry had not renewed the contracts and had not managed to collect the debts.	Implementation has not started
20	Internal audit	The Minister should ensure that the Audit Committee is operationalized as soon as possible in accordance with the legal requirements, in order to implement the supervision and support to the IAU, ensuring the independence of this unit.	Even this year, the audit committee was not functional.	Implementation has not started

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

Vlora Spanca, Auditor General

Zukë Zuka, Assistant Auditor General

Mjellma Dibra, Head of Audit

Ylber Sadiku, Team leader

Refiqe Morina, Team member

Ganimete Dalloshi, Team member

Annex I: Letter of confirmation

REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO			
ZYRA KOMBËTARE E AUDITIMIT			
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
DATA SHËNIM: 21-06-2024			
Niveli Org.	Klasif. Kod	Br. Prot.	Nr. ffaqve
Org. Unit	Class. Code	Prot. No.	Stranica
03	47	935	1



REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVO	
ZYRA KOMBËTARE E AUDITIMIT	
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE	
Niveli Org.	Nr. Prot.
Org. Unit	Prot. No.
01	935/24
Date:	21.06.24
PRISHTINË / A	
No. 1	

Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government

Ministria e Mjedisit, Planifikimit Hapësinor dhe Infrastrukturës
Ministarstvo Životne Sredine, Prostornog Planiranja i Infrastrukture
Ministry of Environment, Spatial Planning and Infrastructure

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 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 Ministrisë së Mjedisit Planifikimit Hapësinor dhe Infrastrukturës, për vitin 2023 (në tekstin e mëtejshëm "Raporti");
- Pajtohem me gjetjet 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 zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Izedin BYTYQI

U.D. i sekretarit të përgjithshëm në MMPHI

Data: 21. Qershor, 2024



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 statements ⁵ 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.