



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 MINISTRY OF COMMUNITIES AND RETURN FOR THE YEAR  
2023

**Prishtina, June 2024**

## TABLE OF CONTENT

1 Audit Opinion.....	3
2 Findings and recommendations .....	6
3 Summary on budget planning and execution .....	13
4 Progress in implementing recommendations .....	16
Annex I: Letter of confirmation .....	20
Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report .....	21

# 1 Audit Opinion

We have completed the audit of the financial statements of the Ministry of Communities and Return 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 authorities<sup>1</sup>.

## Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Ministry of Communities and Return (MCR) 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 reports<sup>2</sup> 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 Communities and Return 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 value of the capital assets presented in the AFS was overstated by €775,419 as a result of not transferring the assets to the respective municipalities.
- A1 MCR has paid expenditures in the amount of €214,750 in the inadequate economic category.
- B2 During 2022, MCR made payments in the amount of €108,799 to 20 employees for whom there is no evidence of attendance 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.

## 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.

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

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

In our conclusion, transactions carried out in the process of execution of the Ministry of Communities and Return'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**

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 Communities and Return's financial reporting process.

### **Management's Responsibility for Compliance**

The Ministry of Communities and Return's management is also responsible for the use of the Ministry of Communities and Return's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.<sup>3</sup>

### **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 Communities and Return's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation

---

<sup>3</sup> Collectively referred to as compliance with authorities

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 Communities and Return'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.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

## 2 Findings and recommendations<sup>4</sup>

During the audit, we have noted areas for potential 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 related to the inadequate classification of expenses and the payment of officials under the Brussels Agreement in the absence of evidence of having commuted to work. On the other hand, deficiencies related to the management of the asset register influenced their overstatement. Likewise, focus is required on handling cases of non-compliance relating to the delay in the implementation of the project for the construction of houses, while the process of inventorying the assets has also been associated with deficiencies.

This report has resulted in five (5) recommendations, of which one (1) recommendation is new, while four (4) are repeated.

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

### 2.1 Issues with impact on audit opinion

#### Issue B1 – Overstatement of capital assets

##### Finding

Article 12 of Regulation MF No. 02/2013 on Management of Non-Financial Assets by Budget Organizations determines the method of registration, categorization and transfer of ownership on the occasion of the purchase or construction of assets through co-financing. Further, Article 13 of this regulation stipulates that “All transactions created during the purchase or construction of non-financial assets for other budgetary organizations must be registered in the books of financing organization in category of investment. At the moment when the non-financial asset has passed all the rules and procedures of delivery, the budget funding organization will close the following investment category. Further, according to Article 6.1, each budget organization shall put in place and update a register of non-financial assets under its management. Moreover, Article 22 of the same regulation defines the asset depreciation method, the rate and the calculation based on the nature of the asset.

The value of capital and non-capital assets presented in the AFS was overstated by €775,419 as a result of not transferring assets to the beneficiary and incorrect categorization.

The issues that have influenced this situation are disclosed as follows:

---

<sup>4</sup> 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

- For the project “Construction of the system for the purification of polluted waters in the settlements of Gazivode and Velibreg,” one (1) tested transaction in the amount of €417,236 stands in the Ministry's register, classified as the following investment, while the technical acceptance of the project was made on 04.11.2022. The transfer to the beneficiary was not carried out, on which occasion the records were overstated by the same amount;
- For the project “Construction of the sports hall” in the village of Biti-e Epërme- Municipality of Shtërpce, three (3) tested transactions in the total amount of €155,318 were classified as following investment, while the technical acceptance of the project was made on 23.10. 2023. The transfer to the beneficiary was not carried out, on which occasion the records were overstated by the same amount;
- For the project "Construction of the hall near the Sveti Nikolla church” in the village of Banjske - Municipality of Vushtri, two (2) tested transactions amounting to €48,691 were classified as following investment, while the technical acceptance of the project was made on 31.08.2023. The transfer to the beneficiary was not carried out, on which occasion the records were overstated by the same amount;
- For the project “Renovation of the house of Marija Novakovic”, two (2) tested transactions amounting to €4,175 were classified as the following investment, while the technical acceptance of the project was made on 06.05.2022. The transfer to the beneficiary was not carried out, on which occasion the records were overstated by the same amount;
- For the project “Supporting durable solutions for collective centre residents in Kosovo”, two (2) tested transactions amounting to €149,999 were recorded as assets in KFMIS. The payments were related to the payment of rent and technical support. Consequently, the asset register was overstated for the same amount.

The overstatement of asset records and the identified deficiencies have come as a result of the carelessness and poor functioning of internal controls in this area.

#### **Impact**

Failure to transfer ownership of assets to the beneficiary municipalities, as well as the recording of assets that do not meet the criteria for capitalization, affects the incorrect presentation and overstatement of the value of assets in the AFS.

#### **Recommendation B1**

The Minister must ensure that appropriate measures are taken to ensure the full transfer of asset ownership to the municipalities and, at the same time, update the asset register by removing the following investments that already belong to other beneficiaries and also removing from asset registers operating expenses so that the assets are presented correctly and accurately in the AFS of 2023. Moreover, to ensure that a thorough analysis of the asset register is applied, the balance carried over to the following year reflects correct information.

#### **Entity management response (Agree)**

## Issue A1 - Inadequate classification of expenses

**Finding** According to Article 18, point 3 of Financial Rule No. 01/2013, expenditures must be realized and recorded with appropriate codes, as defined by the accounting plan. Also, Article 11 of Administrative Instruction (AI) 19/2009 on the Chart of Accounts requires the Chief Administrative Officer and the Chief Financial Officer to ensure that all transactions are entered into the KFMIS according to the structure of the chart of accounts and the classifications set out in this UA.

During 2023, the Ministry has executed expenses in the amount of €214,750 from the category of capital investments for the supply of construction material to individual beneficiaries, while these expenses by nature pertained to the category of subsidies and transfers.

The misclassification was influenced by inadequate budgeting of expenses.

**Impact** Payments made from inadequate expenditure codes have influenced the overstatement of capital investments and the understatement of subsidies, consequently resulting in an inaccurate and incorrect presentation of expenditures in the AFS.

**Recommendation A1** The Minister must ensure that the necessary actions are taken by the responsible officers so that the payment and registration of expenses are done pursuant to the appropriate economic categories and thus enable their correct reporting in the AFS in accordance with the accounting plan.

**Entity management response (Agree)**



**Issue B2 - Compensation of employees without full attendance at work****Finding**

Article 9 of Regulation (GRK) No. 10/2022 on Working Hours and Leave of Public Officials, defines that “All public servants shall be present during working hours. Each public servant shall be recorded in the attendance book or in the electronic register.”

With decision no. 06/39 dated 22.07.2015, the ministry was obliged to systemize 20 employees of the serbian community in order to integrate them into the system of the Republic of Kosovo. These employees had never worked for MCR since the signing of the agreements. Consequently, according to the confirmations from the relevant officials, there was no evidence of attendance in the work for the same. The expenses for their salaries for the year 2023 amount to a total of €108,799.

This phenomenon has continued to be present over the years, despite being continuously reported in our audit reports. The Ministry has not yet managed to undertake concrete measures in the systematization, engagement, and monitoring of this category of employees.

**Impact**

Payments of employees in the absence of evidence of attendance at work and in the absence of commitment to the performance of official duties are considered irregular payments and damage the Ministry's budget.

**Recommendation B2**

The Minister must undertake all actions to ensure working conditions and regular attendance at work of these employees, by exercising continuous monitoring as provided by the legal acts.

**Entity management response (Agree)**

## 2.2 Findings on financial management and compliance issues

### 2.2.1 Capital Investments

The final budget for capital investments was €2,738,420, of which €1,147,880 have been spent. They are mainly related to financial support for the supply of construction material, the construction and renovation of residential buildings for non-majority communities, as well as transfers to international organizations for the construction and renovation of houses for returnees, as well as payments to compensate for inflation.

#### Issue B3 – Delays in the execution of works

##### Finding

Based on the contract for the project “Construction and renovation of houses for returnees and families in need” between MCR and EO, the subject of which was the construction of 150 houses and renovation of 50 buildings, the duties and responsibilities of the parties in relation to the implementation of the contract are determined. The contract was a 3-year contract and was concluded on 22.10.2023. The special conditions of the contract stipulate that the contractor shall submit the Work Program for approval within 45 days according to the dynamic plan set by KCA.

Construction of 50 houses as well as renovation of 50 houses for returnees and families in need from non-majority communities were planned to be implemented in 2023. While, in 2023, MCR had submitted 30 requests to begin with the construction of houses and one (1) request for house renovation. The foreseen deadline for the implementation of the contract had ended without finalizing the planned work.

Even though the number of houses for construction and renovation was much lower than contracted, none of these houses had been finalized, namely the technical acceptance had not been carried out.

Out of the 31 agreed houses, only eleven (11) were in the final stage of construction but not completed; another ten (10) houses were in the rough construction stage; while for another ten (10) houses, MCR had requested not to begin with construction at all due to delays in the start of work by the EO and the deadline for the completion of the contract.

From the testing of five (5) samples, we have identified that the works for the construction of houses with a total value of €92,042 were not completed within the predetermined deadline. Referring to the contract manager's report, the delays ranged from 60 to 97 working days. During the examination in the field (April 2024), it was found that these houses were not yet completed.

Although the contract managers had reported to the MKK in a timely manner that the implementation of the project was not going according to the dynamic plan, the MCR had not terminated the contract with the EO. The MCR had sent two belated warnings to the EO, and in November 2023 it made a decision to confiscate the performance security, which was not executed since the Commercial Court had set the temporary security measure.

This had happened due to improper planning of the projects as well as the lack of timely measures against the EO.

**Impact** Delays in the completion of projects affect MCR's failure to reach the defined objectives and, at the same time, can cause budgetary difficulties in the incoming years.

**Recommendation B3** The Minister must ensure that a more realistic planning of the projects is done by taking as a basis, among other things, the circumstances that can affect their implementation. Also, in cases where there is a delay in the implementation of the project, take preventive actions pursuant to the contract and the law.

**Entity management response (Agree)**

## 2.2.2 Capital and non-capital assets

The value of capital assets presented in the AFS is €1,769,717 of non-capital assets is €36,763, and of stocks is €13,388.

### Issue B4 - Shortcomings in the inventorying process and non-harmonization of registers

**Finding** According to Article 18.1 of Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, "Stocktaking is carried out with the purpose of verifying the accuracy, quality, and physical condition of non-financial assets." Article 17.2 stipulates that "the Reception/Logistics officer shall not have the right to be one of the members of the Non-Financial Assets Evaluation and Stocktaking Commission as well as to decide on issues related to asset alienation.

Inventorying of assets for the year 2023 was carried out in MCR, but in this process, only the assets in use by the officials who were physically located in the MKK offices were included. The process of inventorying did not include all non-financial assets owned and controlled by the Ministry. Moreover, the inventory report has not been harmonized with the general asset register.

This had happened due to not taking sufficient measures in accordance with the requirements of the regulation related to the duties of the inventory commission.

**Impact** The identified shortcomings do not prevent the comparison of the results and affect the identification of assets that are not owned by MCR and assets that should be removed from the registers by enabling the update of the register with accurate and complete information with respect to assets in its possession.

**Recommendation B4** The Minister must ensure that the asset inventory commission has full information on all assets in use and owned by the Ministry, and following the inventorying, the reconciliation with the asset register must be done to correct potential errors in the asset register in order for the presentation of assets in the AFSs of 2024 to be correct.

**Entity management response (Agree)**



### 3 Summary on budget planning and execution

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

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

Description	Initial budget	Final budget <sup>5</sup>	2023 Expenditures	2022 Expenditures	2021 Expenditures
<b>Sources of funds</b>	<b>4,393,340</b>	<b>7,419,142</b>	<b>5,479,908</b>	<b>2,871,886</b>	<b>4,101,464</b>
Government Grants – Budget	4,393,340	7,419,142	5,479,908	2,871,886	4,101,464
External donations	0	0	0	0	0

The final budget compared to the initial budget had increased by €3,025,802, or around 69%. This change comes as a result the Government's decision to increase the budget for subsidies and transfers.

In 2023, MCR had spent €5,479,925 or around 74% of the final budget, with a lower performance compared to 2022 where the budget realization was 86%.

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

Description	Initial budget	Final budget	2023 Spending	2022 Spending	2021 Spending
<b>Spending of funds by economic categories</b>	<b>4,393,340</b>	<b>7,419,142</b>	<b>5,479,908</b>	<b>2,871,886</b>	<b>4,101,464</b>
Wages and Salaries	802,823	828,625	828,625	700,827	726,367
Goods and Services	273,517	273,517	222,503	201,869	230,858
Utilities	17,000	17,000	4,089	3,940	4,160
Subsidies and Transfers	300,000	3,561,580	3,276,810	62,924	73,329
Capital Investments	3,000,000	2,738,420	1,147,880	1,902,326	3,066,749

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

The final budget in ratio to the initial budget in the category of salaries and wages had an increase of €26,000 by Government's decision. The final budget was 100% spent. This realization was affected by the adoption of the Law on Salaries.

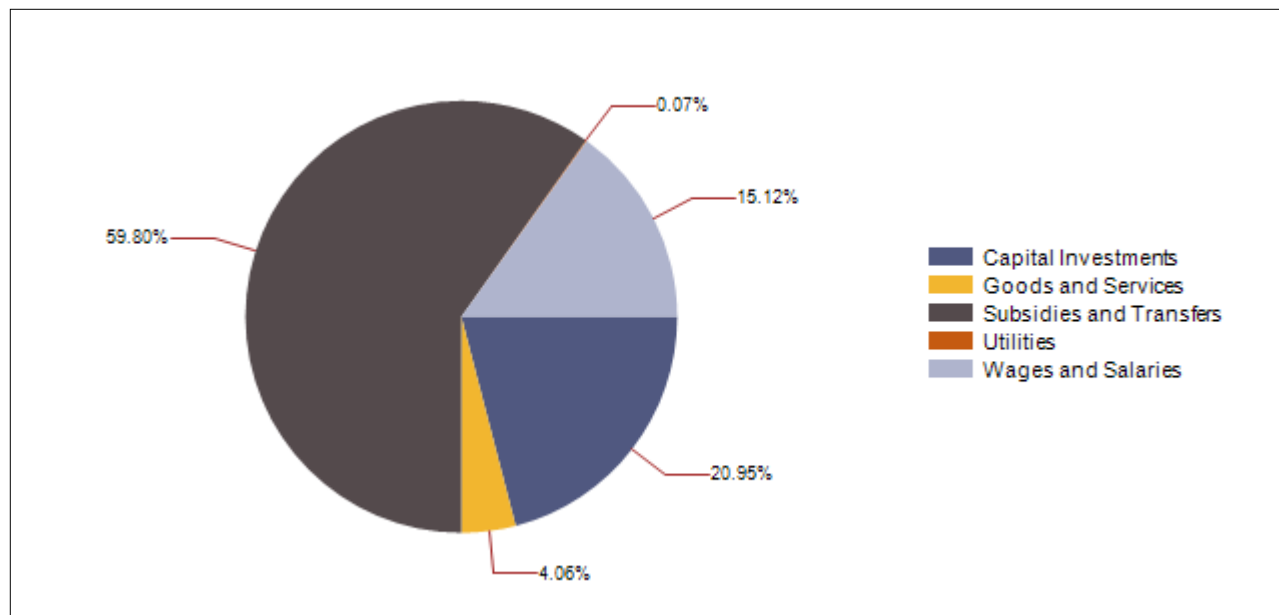
The final budget for goods and services was realized around 78% while there were no budget movements during the year for this category;

The final budget for utilities by the end of the year was realized around 24%. The low expenditure in this category was the result of the payment of utilities by MLGA.

The final budget for subsidies and transfers in ratio to the budget was increased by the Government's decision in the amount of €3,000,000 for Measure 1.9 to support the employment of persons from non-majority communities of the Economic Recovery Package. The realization of the budget at the end of the year was around 92%. Also, by the government's decision, the amount of €261,580 in the funds saved from the community projects was transferred to the category of subsidies and transfers. While as regards the Measure 1.9, until the end of the year, funds in the amount of €2,989,861 were spent from the category of subsidies and transfers.

The final budget for capital investments in ratio to the initial budget was reduced by the government's decision on budget savings in the amount of €261,580, or around 9%. The realization of the final budget for this category was 42%. The low expenditure in this category was a result of the non-implementation of the plan for the construction and renovation of houses for non-majority communities.

**Chart 1. Expenditures by economic categories for year 2023**



Revenues according to the projections of the Ministry of Finance amounted to a total of €1869. MCR has no regular revenues. While the receipts of 2023 were related to the confiscation of the performance security from the EO.

**Table 3. Revenues (in €)**

Description	Initial budget	Final budget	2023 Receipts	2022 Receipts	2021 Receipts
<b>Total of revenues</b>	<b>1,869</b>	<b>1,869</b>	<b>11,645</b>		<b>2,778</b>
Non-tax revenues	1,869	1,869	11,645		
Other revenues	0	0			2,778

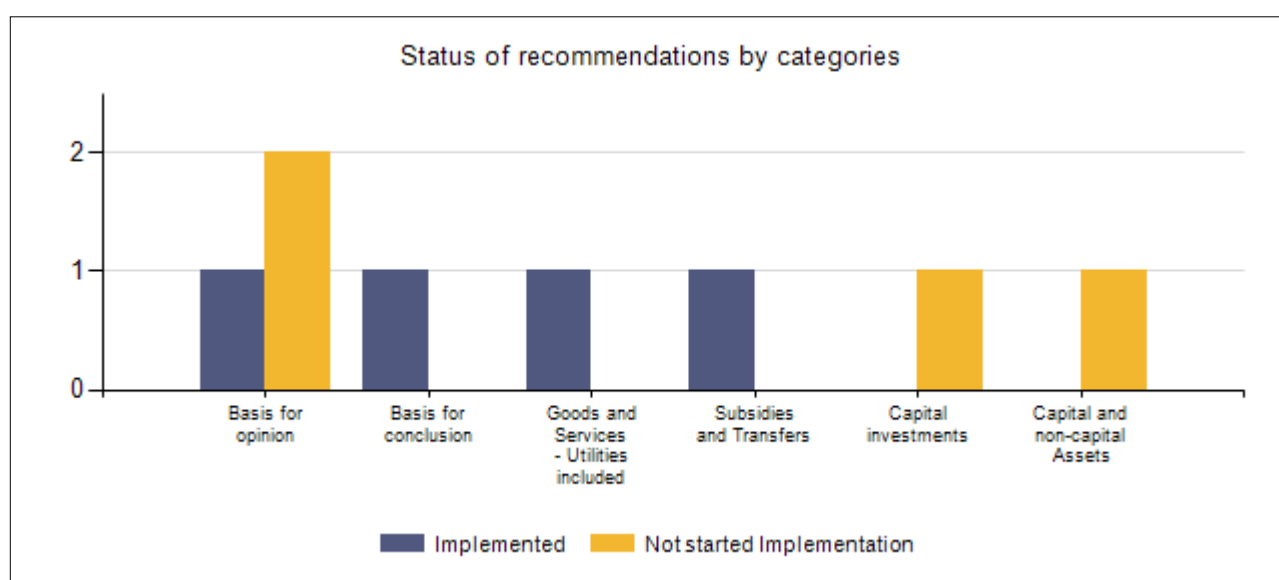
## 4 Progress in implementing recommendations

The audit report on AFSs of MCR for 2022 has resulted in eight (8) recommendations. The MCR has prepared an action plan that presents how it will implement the given recommendations. Also, MCR has submitted a report on the progress of the implementation of the given recommendations.

By the end of our 2023 audit, as shown in Chart 2 below, four (4) recommendations had been implemented and four (4) had not been implemented.

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

**Chart 2. Progress in implementing prior year's recommendations**



**Table 4 Summary of prior year's recommendations**

No.	Audit Area	Recommendations of 2022	Actions taken	Status
1.	Basis for opinion	The Minister must ensure that the appropriate measures are taken to ensure the full transfer of asset ownership to the municipalities and at the same time to have the asset register updated by removing the following investments which already belong to other beneficiaries, as well as to remove from asset registers, operating expenses so that the assets are presented correctly and accurately in the AFS of 2023. Moreover, to ensure that a proper analysis of the asset register is	We have identified new cases of non-transfer of assets during 2023.	Implementation has not started



		applied, so that the balance carried over to the following year provides correct information.		
2.	Basis for opinion	The Minister must undertake all actions to ensure working conditions and regular attendance at work of these employees, by exercising continuous monitoring as provided by the legal acts.	Even during the current year, the situation is the same.	Implementation has not started
3.	Basis for opinion	The Minister must ensure through the finance manager that the monthly reporting of unpaid invoices reflects their correct status in order to disclose the correct value of the obligations in the AFS.	The recommendation was taken into account and during the current year the reporting was not forwarded with irregularities.	Implemented
4.	Basis for conclusion	The Minister Must ensure through the responsible persons that the evaluation commission performs the evaluation in full compliance with the requirements deriving from the legal acts in force.	No such cases were faced during this year's audit.	Implemented
5.	Goods and services and utilities	The Minister must ensure that the use of official vehicles of the Ministry is based on the decision of the Government. In specific cases, the Minister must address a reasonable request for approval to the Government for the use of vehicles outside regular working hours. Also, to have full information regarding their use for official purposes	On 22.11.2023, the Government has changed the Decision on the amendment and supplementation of Government's Decision on the use of official vehicles.	Implemented
6.	Subsidies and transfers	The Minister must ensure that the officials for monitoring the projects financed by subsidies and transfers have sufficient knowledge about their monitoring by providing financial and narrative reporting on the expenses incurred by the beneficiaries.	No such cases were faced during this year's audit.	Implemented

7.	Capital investments	The Minister must ensure that a more realistic planning of the projects is done, by taking as a basis, among other things, the circumstances that may affect their implementation. Also, through the relevant managers, to ensure proper supervision during their implementation.	Delays in the implementation of projects were faced also during this year's audit.	Implementation has not started
8.	Assets	The Minister must ensure that, following the inventorying, the reconciliation with the asset register must be done to correct potential errors in the asset register, in order for the presentation of assets in the AFS of 2023 to be correct.	Challenges related to inventorying and harmonization of asset registers had followed the Ministry this year as well.	Implementation has not started

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

Vlora Spanca, Auditor General

Zukë Zuka, Assistant Auditor General

Mjellma Dibra, Head of Audit

Neslihane Mati, Team leader

Fatbardha Jashari, Team member

Valbona Tolaj, Team member

## Annex I: Letter of confirmation

	
<p>Republika e Kosovës Република Косово / Republic of Kosovo Qeveria / Влада / Government Ministria për Komunitete dhe Kthim / Министарство за заједнице и повратак / Ministry of Communities and Return</p>	
<p><b>LETËR E KONFIRMIMIT</b></p>	
<p>Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 dhe për zbatimin e rekomandimeve</p>	
<p>Për: Zyrën e Kombëtare të Auditimit</p>	
<p>Të nderuar,</p>	
<p>Përmes kësaj shkrese, konfirmoj se:</p>	
<ul style="list-style-type: none"><li>• kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Ministrisë për Komunitete dhe Kthim, për vitin 2023 (në tekstin e mëtejshëm "Raporti");</li><li>• pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit;</li><li>• 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.</li></ul>	
<div style="display: flex; align-items: center; justify-content: center;"><div style="margin-left: 20px;"></div></div>	
<p>Z. Nenad Rasic Ministër i Ministrisë për Komunitet dhe Kthim,</p>	
<p>Data: 05.Qershor,2024</p>	

## 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 <sup>5</sup> 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 authorities<sup>6</sup>. 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 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:

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

<sup>6</sup> Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

- 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.