



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE KOSOVO JUDICIAL COUNCIL FOR YEAR 2023

Prishtina, Jun 2024

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

1 Audit Opinion

We have completed the audit of the financial statements of the Kosovo Judicial Council 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 on the financial statements and conclusion on compliance with authorities¹.

Qualified opinion on annual financial statements

We have audited the annual financial statements of the Kosovo Judicial Council (KJC), which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as of 31 December 2023.

In our opinion, except for the matter/s described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Kosovo Judicial Council, 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

- A1 Payments of court decisions in the amount of €270,224 were paid and registered in inadequate economic categories;
- C1 Inventory purchases during 2023 in the amount of €75,126 were not registered in the e-assets system, underestimating the non-capital asset register for this value.

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

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

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

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

Conclusion on compliance

We have also audited whether 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 conclusion, transactions carried out in the process of execution of CCK 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 the conclusion

- A2 We have identified that in two cases, KJC awarded contracts to EOs who had bid at abnormally low prices.
- B1 In eight cases with a total value of €34,599, we noticed that the invoices received were not paid on time. The delays ranged from 30 days to 109 days, after the 30-day payment deadline.

For more details see sub-chapter 2.2 Issues with impact on 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 Annual Financial Statements

The Director of the Secretariat and the Chief Financial Officer are 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, Director of the Secretariat and the Chief Financial Officer are responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Chairman of KJC is responsible to ensure the oversight of the Kosovo Judicial Council's financial reporting process.

Management's Responsibility for Compliance

Kosovo Judicial Council's management is also responsible for the use of Kosovo Judicial Council'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 Kosovo Judicial Council'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 Kosovo Judicial Council's internal control.

³ Collectively referred to as compliance with authorities

- 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 true and 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 recommendations⁴

During the audit, we noted areas for potential improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations. These findings and recommendations are intended to make the necessary correction of the financial information presented in the financial statements, including the disclosures in the form of explanatory notes and to improve internal controls related to financial reporting and compliance with authorities related to the management of expenditures and assets.

This report resulted in six (6) recommendations, of which three (3) are new recommendations, one (1) repeated recommendation and two (2) partially repeated. 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.

2.1 Issues with impact on the audit opinion

Issue A1 - Inadequate classification of expenditures

Finding According to article 18, paragraph 3 of financial Regulation No. 01/2013 Public Funds Expenditures, expenditures should have the adequate codes, as defined under the Administrative Instruction for the accounting plan. Likewise, Article 11 of AI 19/2009 on the accounting plan requires the CAO and the CFO to ensure that all transactions are registered in KFIMS according to the structure of the accounting plan and the classifications defined by this AI.

Two payments in the amount of €270,224, which were related to the compensation of damages for persons arrested or convicted without reason, were paid and registered in inadequate economic categories. Through court decisions, the Treasury had made these payments from the category of capital investments, which by nature belong to the category of subsidies and transfers.

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

This had happened because the relevant categories did not have enough funds for the execution of these payments, despite the continuous requests of the KJC for additional budget in order to cover these expenditures.

Impact

The payment of expenditures from the inadequate economic category makes it difficult to realize the budget according to the plans and affects the overestimation/underestimation of the relevant categories of Expenditures, thus reflecting in their unfair presentation in the AFS.

Recommendation A1 The chairman of the KJC should ensure that all the necessary actions are taken so that the expenditures are planned in the appropriate divisions of the budget or that funds are reallocated and that the payments are made in the appropriate category to enable their fair reporting in AFS, in accordance with the accounting plan.

Entity management response (Not agreed).

For more details, see Appendix I.

Issue C1 – Understatement of non-capital assets

Finding Article 6.3 of the MF Regulation no. 02/2013 on the Management of non-financial assets in budgetary organizations, specifies that "Capital assets must be registered in KFIMS, while non-capital assets and stocks must be registered in the "e-assets" system.

We have identified that the inventory (chairs, tables and showcases) purchased during the year 2023 in the amount of €75,126 from the administrative units of the KJC, was not registered in the register of the e-assets system.

This happened due to the carelessness of the responsible officials in the administrative units of the KJC for the registration of assets and the lack of supervision from controls at the general level of the organization.

Impact Failure to register the correct value of non-capital assets has influenced the underestimation of the asset register, causing unfair and true presentation of information in the AFS.

Recommendation C1 The chairman of the KJC should ensure that the purchases of non-capital assets are registered in the relevant asset registers, in order to enable a complete asset, register and fair reporting to the AFS.

Entity management response (Not agreed).

For more details, see Appendix I.

2.2 Issues with impact on the compliance conclusion

Issue A2 - Awarding the contract at abnormally low prices for certain positions

Finding

According to 41.9 of Regulation 001/2022 on Public Procurement, in case a tender appears to be abnormally low, the Contracting Authority must consider the elements of the tender including the elements of sub-totals for salaries as well as compensations, materials, fixed costs and profits. Also, Article 41.6 provides that the CA must request in writing from the economic operator who submitted the tender or the tender position that appears to be abnormally low, a written statement which includes a detailed breakdown of the relevant parts of tender and which includes an explanation for the low price using the standard form approved by the PPRC "Standard Letter for Abnormally Low Tenders".

We have identified that in two cases, KJC awarded contracts to EOs who had bid at abnormally low prices. This was done in the absence of a written statement which included an explanation for the low price according to the standard form approved by the PPRC "Standard letter for abnormally low tenders", as required by the procurement rules in these cases. The details of these cases are presented below:

- In the procedure "Renovation of the building of the Basic Court Mitrovica - South" in the amount of €1,274,867, the winning EO had bid at a price of €1 for the following positions: two (2) lifts/elevators, 15 fire-resistant doors with access control, one (1) fire-resistant Trezor door, 121 aluminum doors of different dimensions, 41 aluminum windows of different dimensions, one (1) automatic pump for water removal, table with stainless steel construction and water-resistant knauf and the renovation of the metal emergency stairs.
- In the procedure "Supply of inventory for courtrooms and stationery offices for courts and KJCS," with an indicative value of €2,790 and a total value of €500,000, the winning EO had bid at abnormally low prices in two positions, such as: meeting tables for 22 people, at a price of €40/piece, and meeting tables for 8 people, at a price of €35/piece.

This had happened due to insufficient controls in the tender evaluation process, since the offers were evaluated as a total and not for subtotals or positions.

Impact Abnormally low prices for certain positions may have been decisive in the contract award, affecting the elimination from competition of the EOs that bid at market prices. The lack of additional clarifications from the EO may affect the non-fulfilment of the contract for the respective positions.

Recommendation A2 The chairman of the KJC should ensure effective controls to the evaluation commissions and the procurement office when evaluating tenders, so that the evaluation is done in accordance with the procurement rules to enable sound competition and full implementation of the contract.

Entity management response (Not agreed).

For more details, see Appendix I.

Issue B1 - Delay in payment of liabilities

Article 39 of the LPFMA specifies that the CFO of the budget organization is responsible for ensuring that every valid invoice and request for payment, for goods and services supplied and/or work performed for the budget organization, is paid within thirty (30) calendar days after receipt of the invoice or request for payment from the relevant budget organization.

In eight cases with a total value of €34,599, we noticed that the invoices received were not paid on time. The delays ranged from 30 days to 109 days, after the 30-day payment deadline.

This happened due to the non-approval of the transfer of funds to the relevant category in order to cover the debts by the Ministry of Finance, Labour and Transfers (MFLT) at the end of the year and due to the lack of controls in debt management.

Impact The delay in the payment of obligations may make KJC subject to lawsuits by economic operators, causing additional judicial/enforcement Expenditures or obligations for the following year.

Recommendation B1 The Chairman of the KJC should ensure that all invoices received are paid within 30 days from the receipt of the invoice, in order to properly manage public funds.

Entity management response (Not agreed).

For more details, see Appendix I.

2.3 Findings on financial management and compliance issues

2.3.1 Common issues for certain economic categories

The following are common issues related to economic categories: goods and services and capital investments.

Issue A3 – Failure to use the contract management and contractor performance evaluation module

Finding Article 70.2 and 70.24.f. of Regulation 01/2022 on Public Procurement, provides that the performance evaluation of contractors will be done in the electronic procurement system by contract managers through the module for evaluating the performance of contractors, during and upon completion of the implementation of public contracts and contracts. The contract manager's responsibilities are to ensure that all contract management records are prepared, maintained and archived in the contract management module of the e-procurement system. Among the important requirements of this module is that the contract manager must record copies of all invoices for works, services or supplies, including work papers that verify the accuracy of payments requested and details of payments made, authorized by the contract manager. in the electronic procurement system

During the testing of the procurement procedures, we identified that in six contracts, the e-procurement module was not used for managing contracts and evaluating the performance of contractors by contract managers.

This had happened due to the lack of sufficient knowledge of the contract managers and on the other hand as a result of not carrying out the work responsibly by the contract supervisors.

Impact The lack of evaluation of the performance of the contract through the electronic procurement system affects ineffective and transparent management of contracts and does not provide opportunities for the management to receive information on the performance and realization of the contract in real time.

Recommendation A3 The chairman of the KJC should ensure that the contract managers administer and implement the contracts through the contract management module in the electronic procurement system to ensure adequate evaluation of the performance of the contractors and information on the progress of the contract implementation.

Entity management response (Agree).

2.3.2 Capital and non-capital assets

The net capital asset presented in the financial statements is €18,784,161, while the non-capital asset is €2,162,813. Putting the e-assets system into operation and registering non-capital property remains a challenge for the KJC, as a result, the following deficiencies have been identified.

Issue C2 - Failure to use e-assets for consumables/stocks and failure to reconcile asset records with inventory reports

Finding Rule MF-02/2013, article 6, point 3 determines that non-capital assets and stocks must be registered in the "e-assets" system. Likewise, Article 19 of the same regulation stipulates that the commission for the inventory of assets should draw up a general report on the inventory of assets and compare the state of the inventory with the state in the registers of non-financial assets.

KJC during 2023, did not use the e-proprietary system for receiving and distributing consumables/stocks. He had also failed to harmonize the property registers with the inventory reports in all courts and branches, with the exception of the KJC Secretariat.

This had happened due to the general lack of property officers in the KJC units and the lack of supervision at the general level of the organization.

Impact Failure to record consumables/inventories and failure to reconcile the state of assets with the accounting register increases the possibility of errors in record keeping potential write-offs, misuse, loss or misappropriation. All this affects that the value of the property reflected in the AFS is not accurate and fair.

Recommendation C2 The head of the KJC must strengthen controls in asset management by putting the e-asset system into full operation and ensure that the asset registers are harmonized with the inventory reports in order to safeguard against possible misuse of assets and reporting her right to AFS.

Entity management response (Agree).

3 Summary on budget planning and execution

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

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

Description	Initial budget	Final budget ⁶	2023 Expenditures	2022 Expenditures	2021 Expenditures
Sources of funds	34,155,572	32,888,599	30,781,798	29,552,128	28,028,490
Government Grants – Budget	32,491,332	30,815,636	29,930,965	27,809,641	26,363,280
Carried forward from previous year	0	122	0	4,410	0
Own source revenues	1,664,240	1,664,240	594,026	1,586,628	1,644,349
External donations	0	408,601	256,806	151,449	20,861

The final budget is lower than the initial budget by €1,266,973. This change was the result of the increase from the revenues carried over for €122, the increase with donations for €408,601 and then the decrease from the budget cuts for €1,675,696.

In 2023, KJC spent 94% of the final budget or €30,781,798, which is the same percentage of realization as in 2022.

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	34,155,572	32,888,599	30,781,798	29,552,128	28,028,490
Wages and Salaries	25,697,572	24,704,033	23,561,547	23,888,963	23,277,174
Goods and Services	4,428,000	5,329,444	5,092,450	3,874,613	3,491,931
Utilities	400,000	400,000	325,475	317,140	328,195
Subsidies and Transfers	500,000	500,122	497,006	499,878	457,501
Capital Investments	3,130,000	1,955,000	1,305,320	971,534	473,689

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

·In Wages and Salaries, the final budget was reduced by €993,539. This change is the result of the governing decision no. 69/2023, dated 27.12.2023 for budget savings in the amount of €1,300,696 and the increase from donor grants of €307,157. The realization in this category was €23,561,546 or 95%. The budget savings had occurred from the non-filling of the work positions that were planned with the budget.

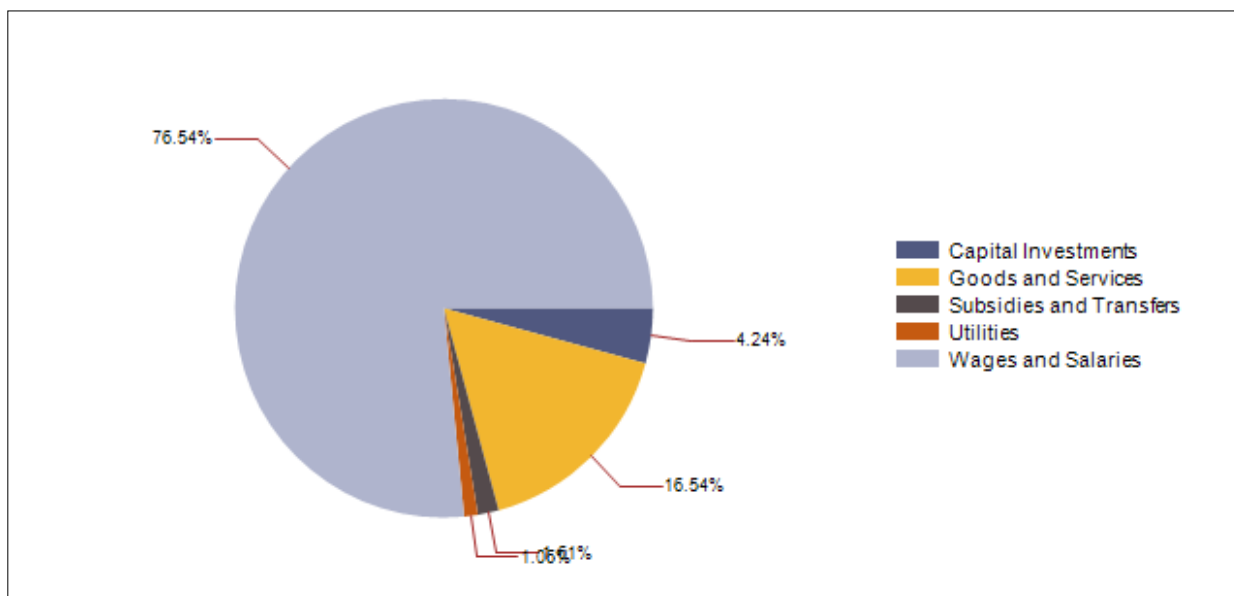
·In Goods and Services, the final budget in relation to the initial budget has increased by €901,444. This increase is the result of the transfer of funds from the category of capital investments in the amount of €800,000 at the request of the KJC and the decision of the Minister of Finance no. 198/2023 dated 05.10.2023, as well as the donors' grants of €101,444. The realization was €5,092,450 or 95%.

·In Utilities, the initial and final budget is the same, while the realization was €325,475 or 81%.

·In Subsidies and Transfers, the final budget has increased by €122 as a result of carrying over the unspent own revenues of 2022. The realization was 497,006 or 99%.

·Capital investments in the final budget were reduced by €1,175,000. The reduction of €800,000 is from the transfer of funds to the category of goods and services and €375,000 for budget savings according to government decision no. 69/2023, dated 27.12.2023. The realization was €1,305,320 or 67%. The reduction of the budget and the low level of Expenditures are the result of the non-realization of three planned capital projects. For the projects "Purchase of vehicles for the Courts and KJC" and "Design and construction of the Basic Court building in Peja", the procurement procedures have not been completed since there were complaints in the PRB, while the project "Design and construction of the object of the Central Archive of the courts and the Supreme Court", has not been completed due to the non-completion of the process for the transfer of the property from the Municipality of Pristina to the KJC.

Chart 1. Expenditures by economic categories for 2023



The revenues realized by the Kosovo Judicial Council of in 2023 were worth €10,191,248. They relate to traffic fines, fines from courts, court fees, and revenues from the issuance of licenses for professional services, fines and taxes from the Special Chamber of the Supreme Court. Compared to the previous year, we have increased revenues by €369,651 or 4%. This increase is mainly related to the increase in revenues from the issuance of licenses for professional services.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2023 Receipts	2022 Receipts	2021 Receipts
Total of revenues	10,114,242	10,114,242	10,191,248	9,821,598	9,019,139
Other revenues	10,114,242	10,114,242	10,191,248	9,821,598	9,016,883

4 Progress in implementing recommendations

The audit report for the AFSs of 2022 of the Judicial Council resulted in five (5) recommendations. KJC had prepared an action plan that presents how I will implement the given recommendations.

By the end of our 2023 audit, two (2) recommendations have been implemented, two (2) recommendations have been partially implemented, while one (1) recommendation has not yet been addressed, as shown in Chart 2, below.

For a more thorough description of the recommendation and how it is addressed, see Table 4.

Graph 2. Progress in the implementation of the previous year's recommendations

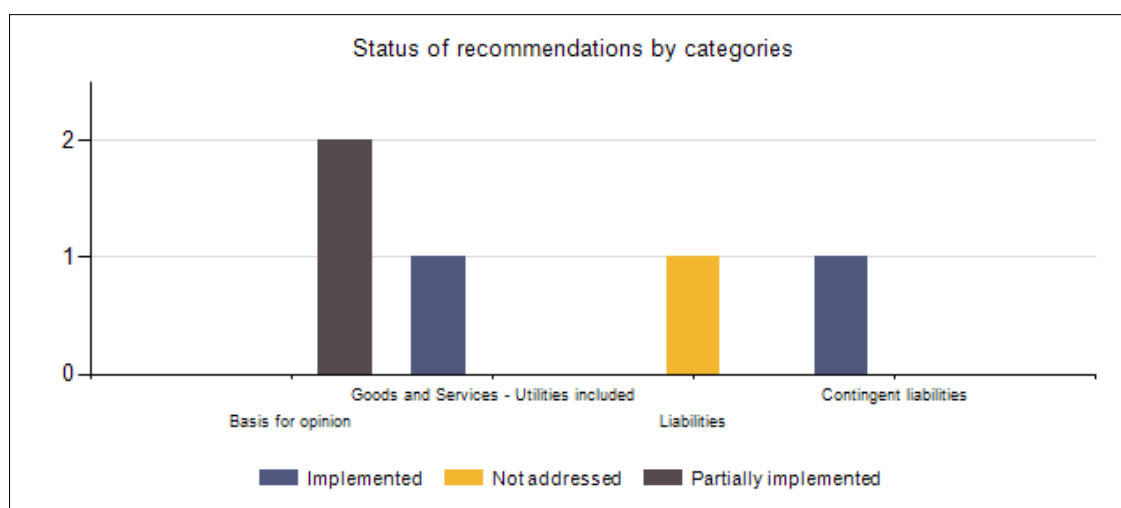


Table 4 Summary of the previous year's recommendations

No.	Audit Field	2022 Recommendations	Actions taken	Status
1.	Basis for opinion	The Chairman of the KJC must strengthen controls in the management of assets and through Court Administrators, must ensure that non-capital assets are registered in relevant registers	The use of the e-assets system started in 2023, but it has not been put into operation for the management of consumables/stocks. Asset registers have	Partially implemented

		according to legal requirements. It is also necessary to ensure the comparison of the state of the property according to the inventory report with the state of the property registers and to reflect the eventual changes in the AFS.	also not been harmonized with inventory reports.	
2.	Basis for opinion	The chairman of the KJC must ensure that the purchases of non-capital assets are registered in the relevant asset registers, in order to enable a complete asset, register and fair reporting to the AFS. Furthermore, ensure that the depreciation of these assets will be done using the depreciation rates determined by regulation, depending on the real time of purchase of this equipment.	Non-registration of assets/purchases of the year has been identified in Courts and branches, against the continuous efforts of the general director to register assets by all asset officers in the administrative units of KJC. Regarding depreciation, we have not identified any errors.	Partially implemented
3.	Goods and services and utilities	The chairperson must ensure timely planning of procurement procedures so that petty cash funds are used only to pay for various purchases of small value, which appear in unpredictable cases. Furthermore, to ensure the harmonization of the internal AI with the regulation 01/2013, regarding the spending of money for official lunches.	KJC has abolished the regulation that petty cash is used for official lunches and all purchases/Expenditures are made for unforeseen cases, according to regulation 01/2013.	Implemented

4.	Outstanding obligations	The Chairman of the KJC must ensure that all invoices received are paid within 30 days from the receipt of the invoice, in order to properly manage public funds.	Even this year, there have been delays in the payment of obligations.	Not addressed
5.	Contingent Liabilities	The head of the KJC must ensure effective controls in the registration of contingent liabilities in order to enable an accurate record of contingent liabilities and fair reporting to the AFS.	The legal office has reviewed all the cases/lawsuits and presented the exact value of the contingent liabilities.	Implemented

Vlora Spanca, The Auditor General

Emine Fazliu, Assistant Auditor General

Blerina Krasniqi, Audit Director

Qëndresa Isufi, Team Leader

Besa Morina, Team member

Annex I: Letter of confirmation / Comments of BO regarding the audit report

Issue	Comments from the BO	KNAO view
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Issue C– Understatement of non-capital assets	As you know and as you were informed during the audit phase, the budget for payments, namely compensation for damage to persons arrested or convicted without reason, is planned in the economic category "subsidies and transfers" from own source revenues, fund 21, which funds are allocated after the generation (collection) of revenues during the fiscal year. With the Law on Budget Appropriations for 2023, only €500,000 has been allocated to this category. Although it is difficult to predict the amount of compensation or the necessary budget over the years, we have requested from the government and the parliament that sufficient funds be allocated in this category for compensation to convicted persons according to court decisions. (see attached evidence of budget requests 2023-2024). During 2023, all funds in this category were spent, more specifically 99.38% of the allocated budget. (see attached evidence Table) On December 22, 2023, the Treasury notified us by email that it had received the request for the execution of two enforcement orders	KJC, with its comment on this finding, confirmed that in the absence of funds in the subsidies category (as discussed in the report), it suggested to the Treasury to make these payments from the capital investment category. The absence of funds does not justify the incorrect presentation of these expenditures in the PFV. Also, this finding was addressed in terms of the realization of expenditures and not in terms of budget planning as commented by KJC. Regarding the evidence provided, we have analyzed the same during the audit work, based on which the finding was presented. According to the audit methodology, the value of this finding, together with other errors, is material and affects the audit opinion. Therefore, the finding and recommendation stand.
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	according to court decisions in the amount of €270,224, with which request we were asked to notify the Treasury within two working days whether this payment was executed in order to avoid double payment on their part. (see attached evidence-email). We have notified the Treasury that the payment was not executed by the KJC, and that we do not have funds in the relevant category. In order not to withdraw funds from the Treasury from the category of goods and services for which we had a budget shortage and for which we have made transfers from the category of capital expenditures twice during the year in percentages up to 25% according to the budget law. We have proposed to the Treasury that these funds be withdrawn from the free (unspent) budget of a capital project, i.e. from the category of capital expenditures. (see attached evidence-email).	
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	Misclassification or inadequate classification of economic codes according to the accounting plan can be considered in cases where the budget is planned incorrectly in the inappropriate code, in this case we are not dealing with incorrect budget planning but with a lack of budget for which we have continuously requested as we have mentioned above, so we only have an expense that was made by the Treasury and not by the KJC. For the above reasons, we do not agree with this recommendation, the result of which is the qualification of the opinion, because if the 2023 budget had been allocated to us by the government and the assembly according to the KJC budget request in the category of subsidies and transfers in the total amount of €690,000 (an additional €190,000), the opinion in the draft report would not have been qualified, therefore we consider that there is no basis for qualification and we request that in the final report we do not have a qualification of the opinion, but an unmodified Opinion.	
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Issue C1 – Understatement of non-capital assets	Regarding the undervaluation of non-capital assets, due to the failure to register in the “e-asset” system the inventory in the amount of €75,126 by the administrative units of the KJC, respectively by the Courts, this occurred because most of this inventory was received by the courts at the end of 2023 (November, December 2023) with which the inventory was also uploaded/downloaded by the competent officials, but was not registered in the system at that time. The failure to register in the system was not made because the court officials were engaged in the inventory process at the end of the year. (see attached evidence – inventory delivery sheets received from the Basic Court of Prizren and Ferizaj in November and December 2023). It is worth noting that the number of inventory units not registered in the system is less than 2% of the number of those registered in the system, an approximate percentage is also the value of those not registered compared to those registered. As we have also proven to you with reports, this inventory in the	KJC has presented explanations for the lack of time for registration and evidence regarding the receipt of these assets in November (21.11.2023) and December (07.12.2023). We consider that every received asset must be registered in the relevant registers regardless of value and that the time for the registration of these assets was sufficient to include/register them in the 2023 asset register. Regarding the evidence provided, we have also analyzed the same during the audit work, based on which the finding was presented. Therefore, the finding and recommendation stand.
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	aforementioned courts was registered in the e-asset system in 2024. For the above reasons, we also disagree with this recommendation, the result of which is the qualification of the opinion.	
Issue A2 - Awarding the contract at abnormally low prices for certain positions	BO-KJK does not agree with this recommendation for the following reasons: Regulation 001/2022 on Public Procurement in Article 41- Abnormally Low Tenders clarifies how to proceed in cases where the CA at first glance appears to the CA to be abnormally low in relation to the subject matter of the contract. Before the provisions of 41.9 and 41.6 of this articles that the auditors refer to, there are also other provisions such as 41.1, 41.2 and 41.3 which explain that the BO will request economic operators to explain the price offered for responsive tenders, when all the following conditions are met: The price offered is more than 30% lower than the average price of responsive tenders; ii. the price offered is more than 10% lower than the price or costs of the second lowest tender; iii. at least 3 (three) tenders have been submitted.	The criterion fully covers both cases addressed in this finding, based on this criterion, the contracting authority in this case, the KJK, is obliged to request additional clarifications from the tenderer for abnormally low prices for all types of procurement procedures using the standard form. The high number of positions does not exempt it from the responsibility to request clarifications from the tenderer, especially for positions that are key and affect the implementation of the project for which the market value is much higher than what was offered (e.g. €1/position). Regarding the evidence provided, we have analyzed the same during the audit work, based on which the finding was presented.

	In the case of the Mitrovica project, none of the two above conditions of Article 41.3 of Regulation 001/2022 have been met, so that we request an explanation for the price offered in some positions that are considered abnormally low by the Auditors. We as the CA have acted in accordance with this regulation in the case of abnormally low prices In this project we have had three responsive tenders with the following prices: No. Name and address of the Economic Operator Total value of the bid 1. Winning Bid Group of Economic Operators HIDRO PROJECT SH.P.K.; ENGRUP SH.P.K. total bid price €1,274,867.11 Successful 2 Group of Economic Operators FlorinG SH.P.K.; Pro & Co Group SH.P.K. total bid price €1,280,154.53 Unsuccessful 3 Olti Trasing SH.P.K. total bid price €1,288,800.00 Unsuccessful (see attached evidence-table).	Therefore, the finding and recommendation stand.
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	So, from the table above it can be seen that the three responsive bids have very competitive prices, The difference from the Winning bid with the second bid is only €5,287. and with the third bid it is around €14,000. The Auditors' finding says that in the winning bid about 6 positions have abnormally low prices for which according to Article 41.6 of the regulation an explanation had to be requested from the economic operator. So, the BO emphasizes that, the winning bid in total has about 700 positions, of which 6 positions were found by the auditors to have abnormally low prices. From this it can be seen that in relation to the value of the contract and the totality of the positions in the price list we are dealing with a negligible number of positions with low prices, to qualify the winning bid as abnormally low.	
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	The rest of Recommendation A2, which deals with the Procurement procedure "Supply with Inventory for Courtrooms and Clerks' Offices in the Courts and the SKJC, where the winning EO in the entire price list in the contract had 51 positions (items) and of them the auditors have found that two positions have abnormally low prices for which the BO did not request an explanation from the winning EO for the prices given. We are talking about these items: -Meeting tables with 22 chairs and -Meeting tables with 8 chairs Time has proven to us that we acted correctly in this case because precisely for these two positions the EO made the necessary supplies according to the requests of the courts and the BO. As evidence for this, we also provide you with the invoices for these two items that we have supplied to the courts and the SKJC. (see attached evidence-tables) Therefore, we also disagree with the second part of recommendation A2.	
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Issue B1 - Delay in payment of obligations	Due to the insufficient budget allocation in 2022 and 2023, mainly in the category of goods and services for which category from 2022 to 2023, obligations in the amount of over €500,000 were carried over, but also in the category of subsidies and transfers over €70,000. (see evidence-reports of unpaid obligations for December 2022 and January 2023). In 2023, there was no budget review, which has caused us difficulties in managing payments for which several times during the year we have made requests for budget transfers from the category of capital expenditures to the category of goods and services up to 25% of the respective category allowed under the LPFMA and the budget law.	The delays in payment of obligations include the entire period of 2023 and do not belong only to the last months of the year. Two of the invoices that were received in December 2023 were paid in February, respectively March 2024. These invoices belong to 2023 and for this reason they are addressed in the audit report for 2023. KJC can present the causes of these delays for not paying obligations on time, but these do not change the situation and exceeding the legal payment deadline of 30 days. Moreover, this finding is repeated from the previous year. Regarding the evidence provided, we have analyzed the same during the audit work, based on which the finding was presented. Therefore, the finding and recommendation stand.
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	Even during the audit phase, we have provided you with evidence of budget requests and transfer requests that have been verified and ascertained by the audit team, while the draft report states that this recommendation is not addressed, moreover, about 40% of the samples selected by the NAO for unpaid obligations (paid late) are from the end of the year (November, December 2023) for which even if we had sufficient budget, they could not be executed because the deadlines for commitments and expenditures are determined by Treasury regulations.	
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	For your illustration and information, a sample selected by the NAO of late payment, for compensation of damage to a person convicted without reason, namely the Settlement (Agreement) for compensation between the competent KJC commission and the legal representative of the convicted without reason was made on 15.12.2023, the request for payment on 18.12.2023, which should be executed from the category of subsidies and transfers for which the budget has been spent much earlier in a percentage of 99.38% as we have mentioned in the comment on the case A1. (see attached evidence - request for payment, settlement (agreement) for compensation and payment executed in 2024). Also, the budget in this category is planned from revenues which should initially be collected from the courts and then allocated by the Treasury for expenditure according to the cash flow plan.	
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	According to the rules and procedures of the Treasury, after the budget is approved by the parliament and the Law on Budget Appropriations comes into force, for the execution of the budget in each fiscal year, the approaches for all officials certified by the Treasury itself must first be prepared and submitted to the Treasury, then the budget must be allocated by the Treasury according to the cash flow plan from the budgetary organizations. Own revenues must first be collected and then allocated to those organizations that have the right to use them (the KJK compensates convicts and unjustly arrested persons from its own revenues according to court decisions, which funds are planned in the category of subsidies and transfers also mentioned in the comments to the case A1).	
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	Almost no budget organization has the opportunity to begin budget execution in January, considering that in addition to the above, in this month we are engaged in the preparation of the annual financial report-annual financial statements for the previous year, which report we are obliged to prepare and send to the Treasury-MFPT and a copy to the NAO, 30 days after the end of the fiscal year. For the above-mentioned reasons and other reasons, many of which we have discussed with your team, we do not agree with this recommendation.	
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REPUBLIKA E KOSOVËS
REPUBLIKA KOSOVA – REPUBLIC OF KOSOVO
KËSHILLI GJYQËSOR I KOSOVËS
SUDSKI SAVET KOSOVA - KOSOVO JUDICIAL COUNCIL



LETËR KONFIRMIMI

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Këshillit Gjyqësor të Kosovës, për vitin 2023 (në tekstin e mëtejme “Raporti”);
- pajtohem me dy (2) gjetje dhe rekomandime, për gjetjen dhe rekomandimin A3 dhe C2 ndërsa nuk pajtohem me katër (4) gjetje dhe rekomandime, për gjetjen dhe rekomandimin A1;C1;A2 dhe B1 për të cilat kemi dhënë dhe i keni të bashkangjitura komentet dhe dëshmitë për gjetjet dhe rekomandimet e cekura në 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.

Z. Albert Zogaj,

Kryesues i Këshillit Gjyqësor të Kosovës



Data: 28 Maj 2024, Prishtinë

Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

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

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

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

(extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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.

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:

- 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.