



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 2024

**Prishtina, June 2025**

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# 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 2024 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 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 2024.

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, the Law no.03/L-048 on Public Finance Management and Accountability (amended/supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

## Basis for Qualified Opinion

- B1 The capital assets value presented in the AFS was overstated by €954,797 as a result of incorrect recording and failure to transfer assets to the beneficiaries.
- B2 During 2024, MCR made payments in the amount of €112,558 to 19 employees for whom there was 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.

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<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

**Conclusion on Compliance**

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

In our 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 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

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

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

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 identified areas for potential improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations.

The areas requiring greater focus relate to asset management due to their overstatement, as well as shortcomings in the process of stocktaking/evaluating non-financial assets. In the context of expenditures, attention is needed regarding the payments made to officials under the Brussels Agreement in the absence of evidence for their attendance at work.

This report has resulted in three (3) recommendations, all of which 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

Regulation no. 02/2013 on the Management of Non-Financial Assets by Budget Organizations, Article 12, sets forth the procedures for recording, categorizing, and transferring ownership in the case of asset acquisition or construction through co-funding. Furthermore, Article 13 of this regulation stipulates that "All transactions created during the acquisition or construction of non-financial assets for other budget organizations must be recorded in the registers of the funding organization under the category of ongoing investments. Once the non-financial asset has passed all handover rules and procedures, the funding budget organization shall close the account of ongoing investments." In addition, according to Article 6.1, "Each budget organization must establish and update the register of non-financial assets under its management."

The reported value of capital and non-capital assets in the AFS was overstated by €954,797, as a result of failure to transfer the assets to the beneficiary party and improper categorization.

The issues contributing to this situation are presented as follows:

- For the project "Return and Reintegration in Kosovo" EU-RRK Phase V, one (1) tested transaction in the amount of €500,000 was recorded in the Ministry's register as an ongoing investment, although Phase V of the project has been completed. Moreover, in accordance with the chart of accounts, this project was reclassified under the subsidies category starting from 2025. Therefore, for 2024, the capital assets register was overstated by the same amount;

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<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

- The asset register was also overstated by €214,750 related to the supply of construction materials for individual beneficiaries, which was recorded as an ongoing investment, although by nature this expense belongs to the subsidies and transfers category and does not meet the criteria for capital expenditure;
- For the project “Construction of the sports hall” in the village of Biti e Epërme – Municipality of Shtërpca, two (2) tested transactions in the total amount of €108,968 were classified as ongoing investments, while the technical acceptance of the project was conducted on 23.10.2023. The assets were not transferred to the beneficiary party, resulting in the registers being overstated by the same amount;
- For the project “Construction of the hall near the Sveti Nikolla Church” in the village of Banjskë – Municipality of Vushtrri, two (2) tested transactions in the amount of €48,691 were classified as ongoing investments, while the technical acceptance of the project was conducted on 31.08.2023. The assets were not transferred to the beneficiary party, resulting in the registers being overstated by the same amount;
- For the project “Renovation of the house of Marija Novakovic,” two (2) tested transactions in the amount of €4,175 were classified as ongoing investments, while the technical acceptance of the project was conducted on 06.05.2022. The assets were not transferred to the beneficiary party, resulting in the registers being overstated by the same amount;
- For the project “Support for sustainable solutions for the residents of collective centres in Kosovo,” one transaction in the amount of €78,213 was recorded as an asset in KFMIS. The payments were related to rent and technical support. As a result, the asset register was overstated by this amount.

Despite the Ministry having taken certain actions by submitting requests to the Treasury to address these issues (most of which were also addressed in the 2023 audit report), the overstatement of asset registers and the identified deficiencies resulted from insufficient corrective actions and the inadequate functioning of internal controls in this area.

#### **Impact**

Failure to transfer asset ownership to the beneficiaries, as well as the recording of assets that do not meet the capitalization criteria, results in the misstatement and overstatement of asset values in the AFS.

#### **Recommendation B1**

The Minister should ensure that appropriate measures are taken to fully transfer asset ownership to the municipalities and, at the same time, update the asset register by removing ongoing investments that now belong to other beneficiaries. Additionally, expenditures that do not meet the criteria for capital expenditures should be removed from the asset registers, in order to ensure that assets are presented fairly and accurately in the AFS.

**Entity management response (Agree)**

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

Regulation (GRK) No. 07/2022 on Working Hours and Leave of Public Officials stipulates that "Every public official is obliged to record their attendance in the attendance book or in the electronic register, depending on which system the institution uses." Likewise, Article 17.2 of the new Regulation (GRK) No. 04/2024 on Working Hours, Leave, and Attendance of Public Officials states that "The attendance of a public official is recorded through registration in the electronic system administered in accordance with the applicable legislation on personal data protection." Furthermore, Article 17.3 provides that "When this is not possible for technical reasons, the attendance of the public official shall be recorded in the attendance logs."

By Decision No. 06/39 dated 22.07.2015, the Ministry was obliged to employ 19 Serbian community members with the aim of integrating them into the Republic of Kosovo's system. According to confirmations from relevant officials, there was no evidence of attendance for these employees. The expenditure for this category in 2024 amounted to €112,558.

This issue has continued to persist over the years, despite being consistently reported in our audit reports. For the year 2025, the Ministry has initiated the recording of employee attendance, a matter which will be assessed through the audit procedures for 2025.

**Impact**

Payments to employees without evidence of attendance at work and without engagement in performing official duties are considered unjustified payments and harm the Ministry's budget.

**Recommendation B2**

The Minister should analyse the situation by ensuring that all possibilities for finding a solution have been evaluated and undertake actions that are in accordance with legal requirements.

**Entity management response (Agree)**



## 2.2 Findings on financial management and compliance issues

### 2.2.1 Capital and non-capital assets

The value of capital assets presented in the AFS is €2,742,126 of non-capital assets is €31,812, and of stocks is €11,337.

#### Issue B4 - Shortcomings in the asset stocktaking/valuation process

**Finding** Regulation 02/2013 on the Management of Non-Financial Assets, Article 19.4.3, stipulates that at the end of each year, a reconciliation should be made between the stocktaking balance and the non-financial assets balance. Meanwhile, Article 21 of the same regulation sets out the requirements for the valuation of non-financial assets.

The Ministry conducted the asset inventory for 2024, but the inventory report was not reconciled with the general asset register. Consequently, the difference between the accounting records and the inventory remains unknown. Additionally, the valuation of non-financial assets was not performed according to the requirements of the asset management regulation.

This occurred due to failure to undertake sufficient measures in accordance with the regulation's requirements related to the duties of the stocktaking/valuation commission.

**Impact** The identified shortcomings undermine the comparison of results and the identification of assets that are not owned by the MCR and assets that should be removed from the registers, thereby enabling the updating of the register with accurate and complete information regarding the assets in ownership.

**Recommendation B3** The Minister should ensure that the asset stocktaking commission has complete information on all assets used and owned by the Ministry, and that after the stocktaking, reconciliation with the asset register is carried out to correct possible errors in the asset register, so that the presentation of assets in the AFS is accurate. Furthermore, the Minister should ensure that the valuation of non-financial assets is conducted.

#### 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>	2024 Expenditures	2023 Expenditures	2022 Expenditures
<b>Sources of funds</b>	<b>6,639,659</b>	<b>7,040,324</b>	<b>6,492,434</b>	<b>5,479,908</b>	<b>2,871,886</b>
Government Grants – Budget	6,639,659	7,040,324	6,492,434	5,479,908	2,871,886
External donations	0	0	0	0	0

The final budget is higher than the initial budget by €400,665. This increase is a result of new budget allocations and reductions made through government decisions.

In 2024, MCR spent €6,492,434 of the final budget or 92%, reflecting an 18% improvement compared to the previous year. However, the budget execution and explanations for the current position are detailed below.

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

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
<b>Spending of funds by economic categories</b>	<b>6,639,659</b>	<b>7,040,324</b>	<b>6,492,434</b>	<b>5,479,908</b>	<b>2,871,886</b>
Wages and Salaries	948,398	882,397	882,397	828,625	700,827
Goods and Services	374,261	324,261	223,061	222,503	201,869
Utilities	17,000	7,000	3,487	4,089	3,940
Subsidies and Transfers	2,100,000	4,016,666	3,967,337	3,276,810	62,924
Capital Investments	3,200,000	1,810,000	1,416,152	1,147,880	1,902,326

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

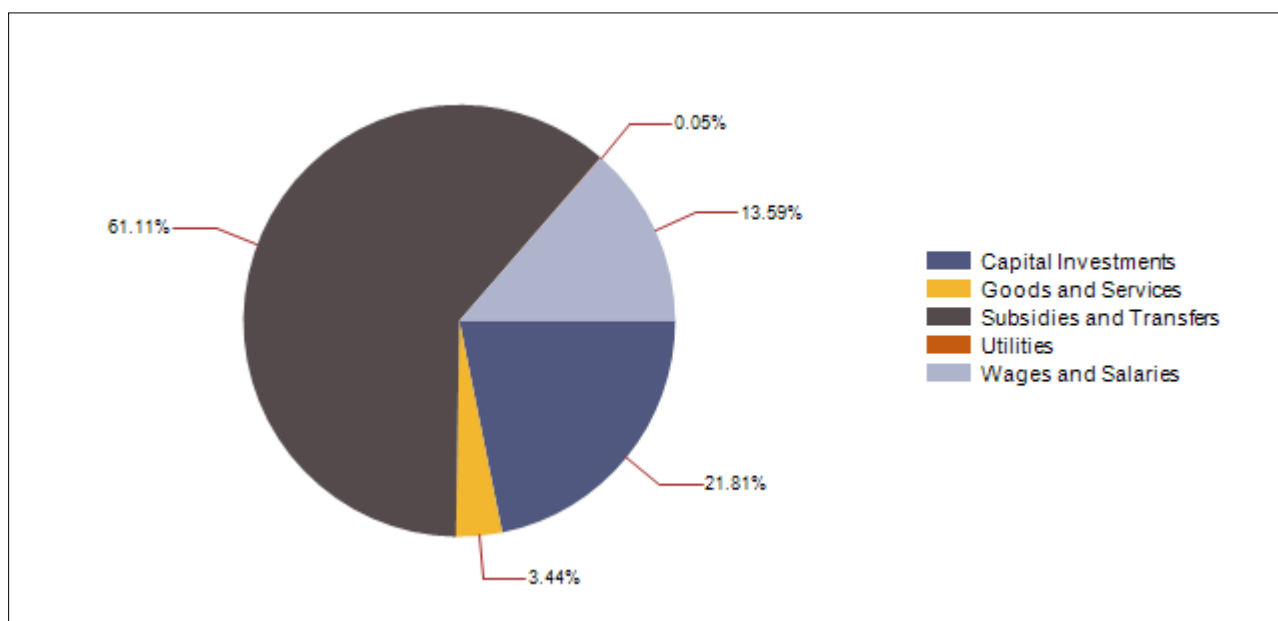
The final budget for wages and salaries compared to the initial budget was reduced by €66,001 as a result of government decisions for savings. The execution of the final budget in this category was 100%.

The final budget for goods and services (including utilities) compared to the initial budget was reduced by €60,000. This change resulted from government decisions for savings. The execution of the final budget was 68%.

The final budget for subsidies and transfers was increased by €1,916,666 due to budget allocations made by government decision. The execution of the final budget in this category was 98%.

The final budget for capital investments compared to the initial budget was reduced by €1,390,000. This change was the result of government decisions for savings and transfers to the subsidies category. The execution of the final budget in this category was 78%.

**Chart 1. Expenditures by economic categories for year 2024**



Revenues generated by MCR in 2024 amounted to €5,790. These relate to revenues from damage compensation payments from insurance companies as well as revenues carried over from the previous year.

**Table 3. Revenues (in €)**

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
<b>Total of revenues</b>	<b>0</b>	<b>0</b>	<b>5,790</b>	<b>11,645</b>	
Non-tax revenues	0	0	3,231	11,645	
Other revenues	0	0	2,558		

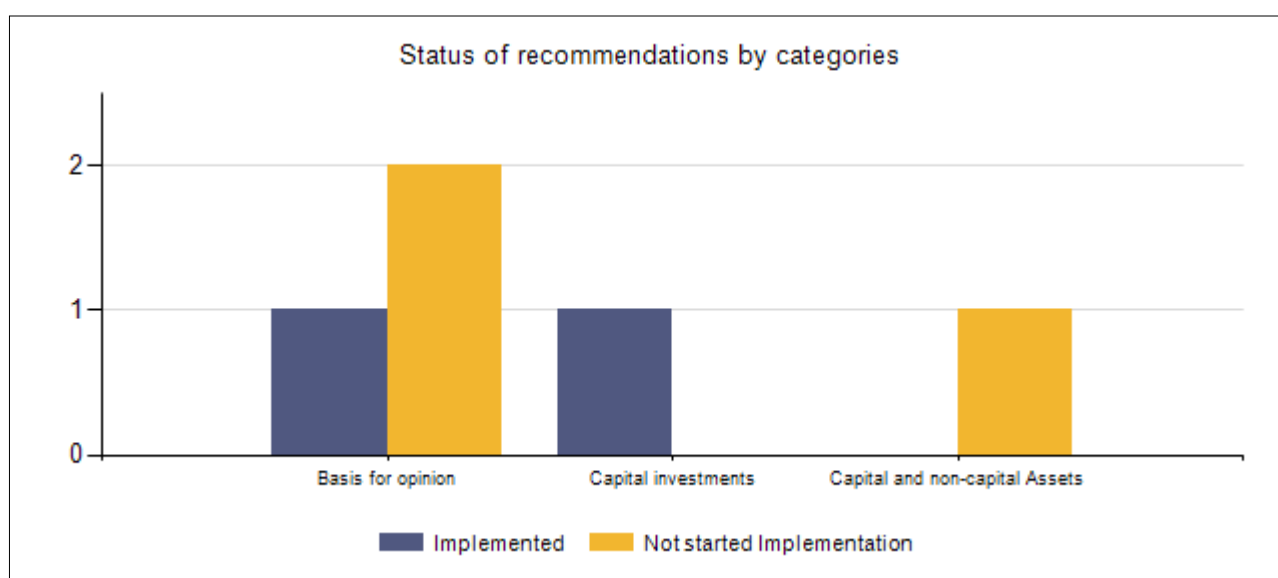
## 4 Progress in implementing recommendations

The audit report on the 2024 AFS has resulted in five (5) recommendations. The Ministry has prepared an action plan that presents how it will implement the given recommendations.

By the end of our 2024 audit, two (2) recommendations had been implemented and three (3) 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 2023	Actions taken	Status
1.	Basis for opinion	The Minister should ensure that appropriate measures have been taken to guarantee the full transfer of asset ownership to the municipalities, and simultaneously update the asset register by removing ongoing investments that now belong to other beneficiaries. Furthermore, operational expenses should be removed from the asset registers so that the assets are presented fairly and accurately in the 2023 AFS. Additionally, the Minister should ensure that a thorough analysis of the asset register is applied, so that the balance	Sufficient corrective actions were not taken; therefore, during 2024, we identified similar cases which are reflected in the finding.	Implementation has not started

		carried forward to the following year provides accurate information.		
2.	Basis for opinion	The Minister should take all necessary actions to ensure proper working conditions and regular attendance of these employees, by conducting continuous monitoring as defined by the legal acts.	The situation remains the same in the current year as well.	Implementation has not started
3.	Basis for opinion	The Minister should ensure that the responsible officials have taken the necessary actions so that the payment and recording of expenses are done according to the appropriate economic categories, enabling their proper reporting in the AFS in accordance with the chart of accounts.	We have not identified misclassifications in 2024.	Implemented
4.	Capital Investments	The Minister should ensure that a better grounded project planning is carried out, taking into account, among other things, the circumstances that may affect their implementation. Additionally, in cases where there are delays in project execution, preventive actions should be taken in accordance with the contract and the law.	Such shortcomings were not identified during this year's audit.	Implemented
5.	Assets	The Minister should ensure that the asset stocktaking commission has complete information on all assets used and owned by the ministry, and that after the inventory, harmonization with the asset register is carried out to correct any possible errors in the register, so that the presentation of assets in the 2024 AFS is accurate.	The challenge related to the stocktaking and reconciliation of the asset registers has also accompanied the ministry this year.	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

Mjellma Dibra, Head of Audit

Ylber Sadiku, Team leader

Refiqe Morina, Team member

Hysen Restelica, Team member

Lumturije Sopi, Team member

## Annex I: Letter of confirmation

 MINISTRIA PËR KOMUNITETE DHE KTHIM MINISTARSTVO ZA ZAJEDNICE I POVRATAK MINISTRY FOR COMMUNITIES AND RETURN			 ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE	
Nr. Dokumenti / Dokument No.: 01 Nr. Dokumenti / Dokument No.: 1658 Data / Date: 27.05.2025 Nr. Dokumenti / Dokument No.: 03			DATË PRANOR / RECEIVED: 27-05-2025 DATË PRANOR / RECEIVED: 03	
Nr. Dokumenti / Dokument No.: 03		Nr. Dokumenti / Dokument No.: 47		Nr. Dokumenti / Dokument No.: 799
Nr. Dokumenti / Dokument No.: 1		Nr. Dokumenti / Dokument No.: 1		Nr. Dokumenti / Dokument No.: 1

## Republika e Kosovës

Republika Kosova-Republic of Kosovo

Qeveria - Vlada-Government

 Ministria për Komunitete dhe Kthim / Ministarstvo za Zajednice i Povratak /  
 Ministry for Communities and Return

## LETËR E KONFIRMIMIT

 Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2024 dhe për zbatimin e  
 rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të **Ministrit për Komunitete dhe Kthim**, për vitin 2024 (në tekstin e mëtejshëm "Raporti");
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Z. Nenad Rasic

Ministria për Komunitete dhe Kthim.

Data: 26.05.2025

## 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

<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.



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.