



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE
MUNICIPALITY OF JUNIK
FOR YEAR 2020

Prishtina, july 2021

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For: Mr. Agron Kuçi, Mayor of the Municipality of Junik

Address: Center district, Junik,

1 Audit opinion

We have completed the audit of the financial statements of the Municipality of Junik for the year ended on 31 December 2020 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Qualified opinion on annual financial statements

We have audited the annual financial statements of Municipality of Junik, which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including the Summary of significant accounting and other reports², for the year ended at 31 December 2020.

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 Municipality of Junik, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Opinion

In the assets registry over €1,000 in KFMIS, 11 payments in the amount of €372,880 were not registered.

For more details, see subchapter 2.1 Issues affecting audit opinion.

The audit was carried out 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. In accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. The NAO is independent from the audit subject. 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 a requirement of the article 8 of the Regulation 01/2017 on Annual Financial Reporting.

Audit conclusion on compliance

We have also audited the compliance of Municipality of Junik, with the determined audit criteria which derive from the applicable legislation for the audited subject in the usage context of financial resources

In our conclusion, transactions carried out in the process of execution of the municipality budget have been, in all material respects, in compliance with the determined audit criteria which derive from the applicable legislation for the audited subject in the usage context of financial resources.

Basis for the conclusion

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

Emphasis of matter

To your attention, we would like to emphasize the fact that the Municipality had made payments from the category of Goods and Services based on the court decisions, in the amount of €18,701 for compensation of jubilee salaries, ancillary salaries and other costs of court proceedings. The amounts paid are misclassified because they do not correspond to the adequate category of expenditures, in which case the expenditures in the category of Goods and Services are overestimated and the expenditures of salaries are underestimated for the same amount.

Payments from incorrect codes occurred due to lack of budget funds, which in the case of budget allocations by the Government, respectively the Ministry of Finance, were not considered as current liabilities during the year and consequently, no contingent funds were allocated for their compensation. The Treasury had executed payments from funds allocated to other categories.

Since this issue is quite prevalent in many budget organizations and is being repeated for years, it will be addressed in more detail in the Audit Report of the Government Financial Statements, which will provide relevant recommendations for long-term solutions.

In relation to this issue, for the abovementioned reason, the audit opinion has not been modified.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

The Mayor of the Municipality of Junik 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 Mayor of the Municipality of Junik 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 Mayor of the Municipality of Junik is responsible to ensure the oversight of the municipality's financial reporting process.

Management's Responsibility for Compliance

The management of the Municipality of Junik is also responsible for the use of Municipality of Junik 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 conclusion on compliance of respective Municipality of Junik authorities with the determined audit criteria which derive from the applicable legislation for the audited subject in the usage context of financial resources.

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

³ Collectively referred to as compliance with authorities

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 Municipality of Junik 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.

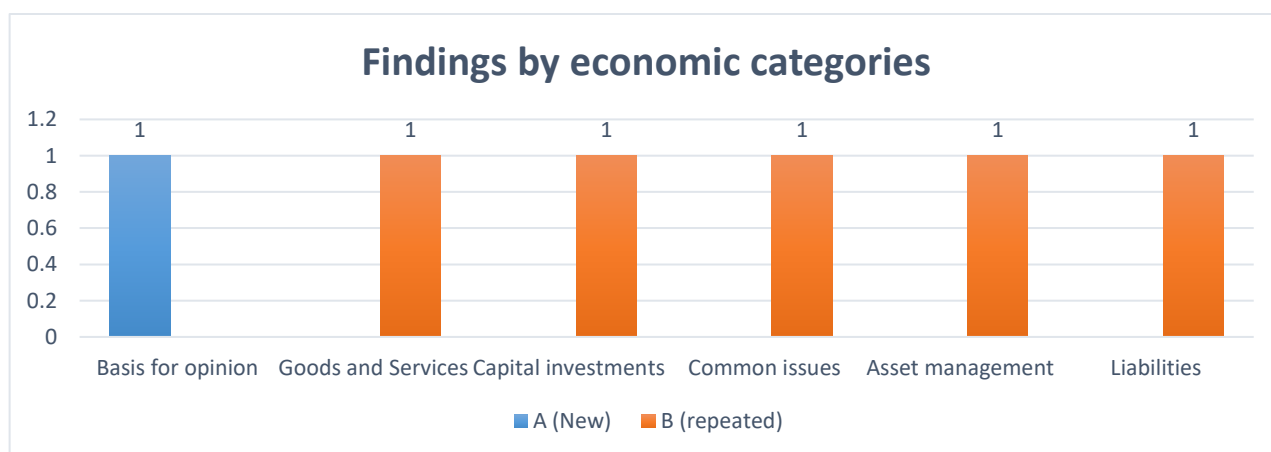
Above other matters, we communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

During our audit, we noticed areas for potential improvement including internal control, which are presented below for your consideration in the form of findings (as presented in the Graphic 1, below) and recommendations. These findings and recommendations are intended to improve internal controls over the financial reporting and compliance with authorities regarding the management of public sector funds. We will follow up (review) on these recommendations during next year's audit.

Graphic 1. Type of findings by economic categories



We have also reviewed the status of prior year recommendations and assessed the level of their implementation. (For details see chapter 4)

2.1 Issues that impact on the audit opinion

Issue A1 – Not registering of assets

Finding Following the article 6.3 of regulation no. 02/2013 on asset management "Capital assets must be registered in KFMIS".

In the register of assets over €1,000 in KFMIS we noticed that 11 payments were not registered, where their total value was €372,880.

This had occurred due to the non-functioning of internal controls for the registration of assets.

Impact Not registering of assets affects the understatement of the asset register and thus consequently affects the informations presented in the AFS not to be accurate

Recommendation A1 The mayor must ensure that all assets are registered, in accordance with the requirements of the regulation on property registration.

2.2 Findings on financial management and compliance issues

2.2.1 Goods and services

The final budget for goods and services (including utilities) in 2020 was €245,395, of which €239,680 had been spent. They mainly relate to other contracting expenditures, fuel, mobile phone expenses, road maintenance, municipal expenditures, etc. We have tested 26 samples for substantial and compliance testings in the amount of €33,471.

Issue B1 – Weaknesses in the purchasing process/non development of procurement procedures

Finding Article 4 of the financial rule no.01/2013/MF on Public funds expenditure, stipulates, among other things, that - Procurement is an essential element for the expenditure of public fund, while Article 21 defines the expenditures for which no procurements are required.

Also this year, the municipality had paid 13 payments in the amount of €2,600 for "marketing services" which were made under a cooperation agreement with an economic operator to display the municipality logo and use a certain space for broadcasting, information and advertising for activities of the municipality on the web portal. The agreement was concluded for a period of 24 months, during the period 2019-2021, with a total price of €4,800 and a monthly price of €200.

This had occurred due to the implementation of the existing agreement.

Impact Payments through this agreement which did not have the development of procurement procedures when selecting the economic operator is in contrary to the legal framework and reflects negatively on the efficient management of public funds.

Recommendation B1 The Mayor should ensure the improvement of internal controls related to the planning and fair public funds expenditure according to the criteria set for the development of procurement procedures and the legal framework.

2.2.2 Capital investments

The final budget for capital investments was €556,470, out of which €474,585 were spent in 2020. They are related to investment maintenance, administrative buildings, other equipment, asphaltting of roads, sewerage, etc. We have tested 19 samples for substantial and compliance tests in the amount of €436,070 as well as 4 procurement procedures.

Issue A2- Signing of contracts beyond the estimated budget amount

Finding SBased on LPP, article 9, point 3 - If the contracting authority is a public authority or budget organization and the concerned procurement will give rise to financial obligations that are to be satisfied from appropriations expected in future fiscal years, the CFO shall ensure that the schedules attached to the Law on Budget Appropriations provide a reasonable basis to expect that sufficient funds will be appropriated to it in such future fiscal years for the purpose of satisfying such obligations

During the testing in two cases we identified that the municipality had the following weaknesses:

- The co-financing with the Ministry of Local Government Administration for the project “Construction of a center for culture, tourism and agribusiness” - the estimated value was €165,000, out of which MLGA would finance €65,000 and the Municipality of Junik €100,000. Whereas the contract was signed in the amount of €777,777 with a difference of €612,777, higher than the planned value; and
- The co-financing with the Ministry of Infrastructure (MI) for the project "Construction of road Junik - Geravicë" - the budgeted value for three years was €2,059,426, as much as it was signed in the availability of funds from MI whereas the contract was signed in the amount of €4,416,860 with a difference of €2,357,434, higher than the budgeted value.

The abovementioned weaknesses have occurred as a result of poor project planning.

Impact Entering into contractual obligations by the municipality beyond budgetary possibilities and in contrary to the law, may affect and jeopardize the progress and implementation of projects as planned and may create additional costs for the municipality, putting the municipality in deep difficulties in fulfilling of created obligations.

Recommendation A2The Mayor should ensure that the legal requirements are strictly applied so that the signing of contracts is done in accordance with the planned and approved budget, so that the implementation of projects is completed on time, and at no additional cost.

2.2.3 Common Issues on certain economic categories

The following common issues relate to economic categories such as: goods and services, and capital investments:

Issue B2 – Commitment and purchase order with delay

Finding The financial Rule No. 01/2013, article 22, defines the steps for processing of payments, where, the purchase request must be made (commitment of funds) initially, then to carry out with the processing of purchase order, then the goods must be received, then after receiving the invoice the payment must be executed.

During the testing of payments, we have noticed that the commitment and purchase order were issued after receiving the invoices. These cases are as in the following:

- In 15 cases the commitment of funds and the processing of purchase orders was made after receiving the invoice; and
- In 5 cases the purchase order was issued after receiving the invoice.

This has occurred as a result of inefficient internal controls in the payment management and execution process.

Impact Commitment of funds and processing of purchase orders with delays complicates the proper implementation of contracts and creates uncertainty about orders for supply, services or commencement of works.

Recommendation B2 The Mayor should ensure the improvement of internal controls so that the process of execution of payments is done in accordance with the financial rules for the public funds expenditure.

2.2.4 Capital and non capital assets

The presented amount in the AFS of capital assets is €3,973,587, non-capital assets is €42,942, while stocks were zero. We tested 19 samples for substantial and compliance tests in the amount of €442,597.

Issue B3 – Weaknesses in asset registries

Finding Based on the regulation for management of non-financial assets No. 02/2013, article 6 - each budget organization shall put in place and update a register of non-financial assets under its management. The register must be maintained separately for each asset individually and in aggregate form pursuant to categories classified according to the accounting plan. According to the article 22, point 1 - Depreciation of assets is carried out following the linear method

Weaknesses identified in relation to asset management are as following:

1. The Municipality has not yet removed from its register of capital assets vehicles sold in 2019 through public auction which were out of use; and
2. The depreciation and accumulated depreciation expenditures for non-capital assets have not been calculated in the e-assets system.

Despite last year's recommendation this issue remains the same, the municipality has not yet functionalized the asset management controls.

Impact Failure to update the registers as well as non-depreciation of assets affects the overestimation/underestimation of the asset register and thus consequently affects the information presented in the AFS not to be accurate.

Recommendation B3 The Mayor should ensure that the capital asset registers are updated and the depreciation for non-capital assets is calculated.

2.2.5 Outstanding liabilities

The statement of outstanding liabilities at the end of the year 2020, was €11,507. These liabilities are carried forward to be paid in 2021.

Issue B4 – Delays in payment of liabilities

Finding Article 37 point 1 of the Financial Rule 01/2013 MF, stipulates that all invoices received by the budget organization must be paid within 30 days unless otherwise provided by contract

The Municipality of Junik had reported monthly to the MoF on outstanding liabilities. However, during the audit we have 6 payments in the amount of €58,479, there was a delay in payment from 4 to 105 days, after the allowed payment deadline of 30 days.

Finding This has occurred due to the non-functioning of internal controls and work with essential staff.

Impact Delays in the payment of liabilities increase the risk of additional budget costs in the event of lawsuits by creditors for failure to meet the payment obligation on time.

Recommendation B4 The mayor must ensure the efficient functioning of the control site that verifies that the payment of invoices is done in accordance with the deadlines set by law.

3 Summary on budget planning and execution

We have taken into account the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the following tables and charts:

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

Description	Initial Budget	Final Budget ⁴	2020 Outturn	2019 Outturn	2018 Outturn
Sources of Funds	1,627,946	2,011,711	1,924,110	1,883,773	2,082,278
Government Grant -Budget	1,490,747	1,757,788	1,735,090	1,631,395	1,974,583
Funding through borrowing	-	19,215	19,215	-	-
Carried forward from previous year ⁵	-	95,039	94,659	87,612	17,407
Own Source Revenues ⁶	137,199	137,199	75,146	91,862	60,851
External donations	-	2,470	-	72,904	29,437

The final budget is higher than the initial budget by €383,765. This increase is as a result of increase of government grant €267,041, borrowing €19,215, own source revenues from last year €95,039 and donations €2,470.

In 2020, the Municipality had spent 96% of the final budget or €1,924,110, with a similar percentage compared to 2019. Explanations on how the budget was executed according to the categories are given in the following table.

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

Description	Initial Budget	Final Budget	2020 Outturn	2019 Outturn	2018 Outturn
Spending of funds by economic categories	1,627,946	2,011,711	1,924,110	1,883,773	2,082,278
Wages and Salaries	1,141,755	1,169,345	1,169,345	1,110,999	1,085,806
Goods and Services	172,899	210,544	207,055	170,608	177,073
Utilities	36,200	34,851	32,625	29,910	33,005

⁴ Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance

⁵ Own Source Revenues unspent in previous year carried forward into the current year.

⁶ Receipts used by the entity for financing its own budget.

Subsidies and Transfers	30,500	40,500	40,500	30,500	15,600
Capital Investments	226,889	556,470	474,585	541,756	770,794
Reserves	19,703	-	-	-	-

Chart 2 Expenditures by economic categories

Expenditures by economic categories during the 2018-2020 period

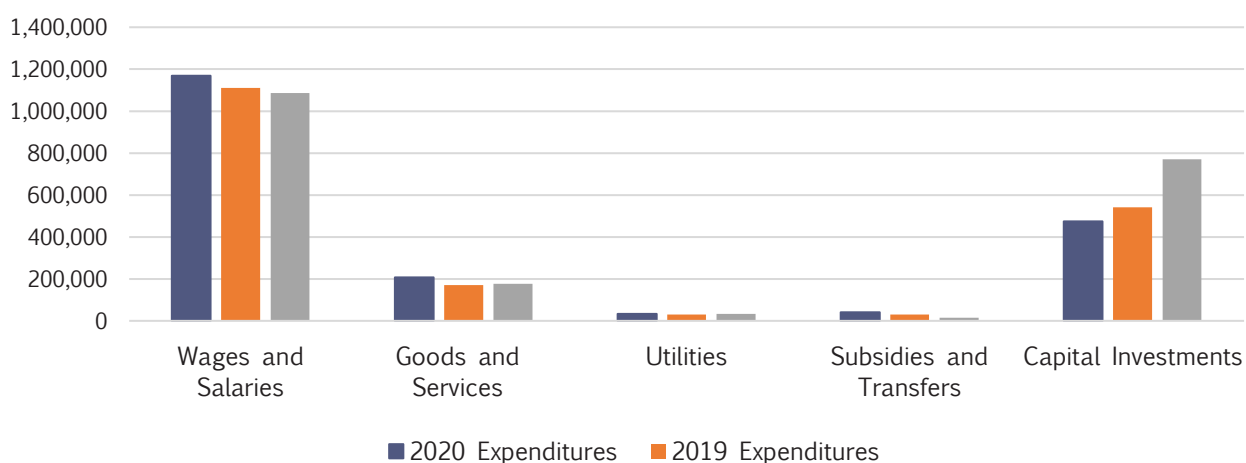
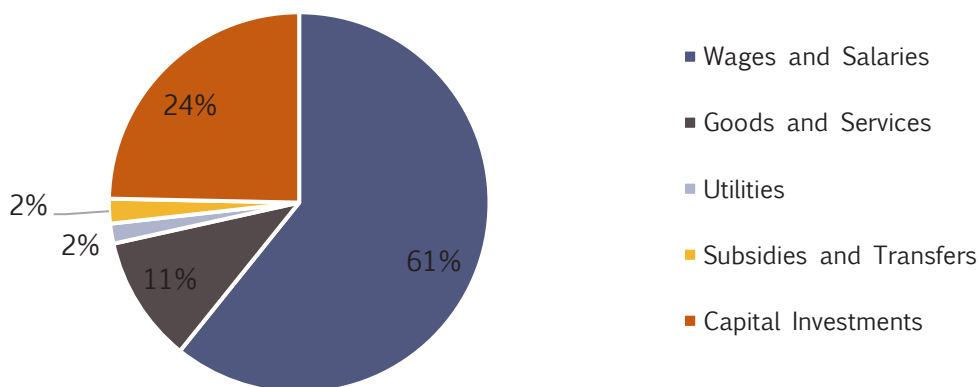


Chart 3 Expenditures by economic categories for the year 2020

Expenditures by economic categories for the year 2020



Explanations for changes in budget categories are given below:

- The increase of the Wages and Salaries budget compared to the initial one was €27,590. This increase was initially with a budget review for €22,365, out of which €19,215 were from the Reserves and €3,150 from the central level for emergency

management for covid-19. Then following the decision no. 09/50 dated 21.12.2020 for savings, allocation and adjustments in the categories of expenditures, the salary category was increased in the amount of €5,225. Expenditure was 100% of the budget in this category;

- In the category of goods and services, the final budget was increased compared to the initial one for the amount of €37,645. This increase was with decisions of the Government, no. 01/23 dt. 13.08.2020 and no. 01/27 dated 26.08.2020. In this category, expenditure was 98%;
- The final budget of the category of utilities was reduced in relation to the initial one in the amount of €1,349 following the Government decision no. 09/50 dated 21.12.2020. Expenditure was 94% of the budget;
- Regarding the final budget of subsidies and transfers, in relation to the initial budget it was increased for the amount of €10,000 following the government decision no.01/23 dated 13.08.2020. In this category the expenditure was 100%; and
- The increase in the capital investment budget compared to the initial one was in the amount of €329,581. This increase was with government decisions no. 01/23 dated 13.08.2020 from the central level for the implementation of the economic recovery program in the amount of €232,090 and the transfer of own source revenues from the previous year €95,039. Expenditures in this category were 85% of the budget.

The Municipality on expenditures for the management of the COVID 19 pandemic situation had spent €110,094. Out of them from salaries and wages €63,105, goods and services €36,989 as well as from subsidies €10,000.

Revenues generated by the municipality in 2020 were in the amount of €98,951. They relate to property tax revenues, construction permits, administrative fees, from participations, exercising of activity, etc.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2020 Receipts	2019 Receipts	2018 Receipts
Taxed revenues	71,356	71,356	61,375	72,283	64,776
Non taxed revenues	65,843	65,843	37,576	107,533	54,335
Total	137,199	137,199	98,951	179,816	119,108

The total of revenues collected reflects the situation created during 2020, where we have a decrease in revenue collection compared to last year and the previous year. In this year, revenues compared to 2019, were lower by 45% or for €80,865.

4 Progress in implementing recommendations

The audit report on the 2019 AFS resulted in 13 main recommendations. The municipality had prepared an Action Plan outlining how it will implement given recommendations.

By the end of the 2020 audit, 7 recommendations have been implemented, 4 implementation did not start and 2 are not applied any longer, as it is presented in the Chart 4 below. For a more complete description of the recommendations and how they have been addressed, see table 4.

Chart 4. Progress in the implementation of prior year's recommendations

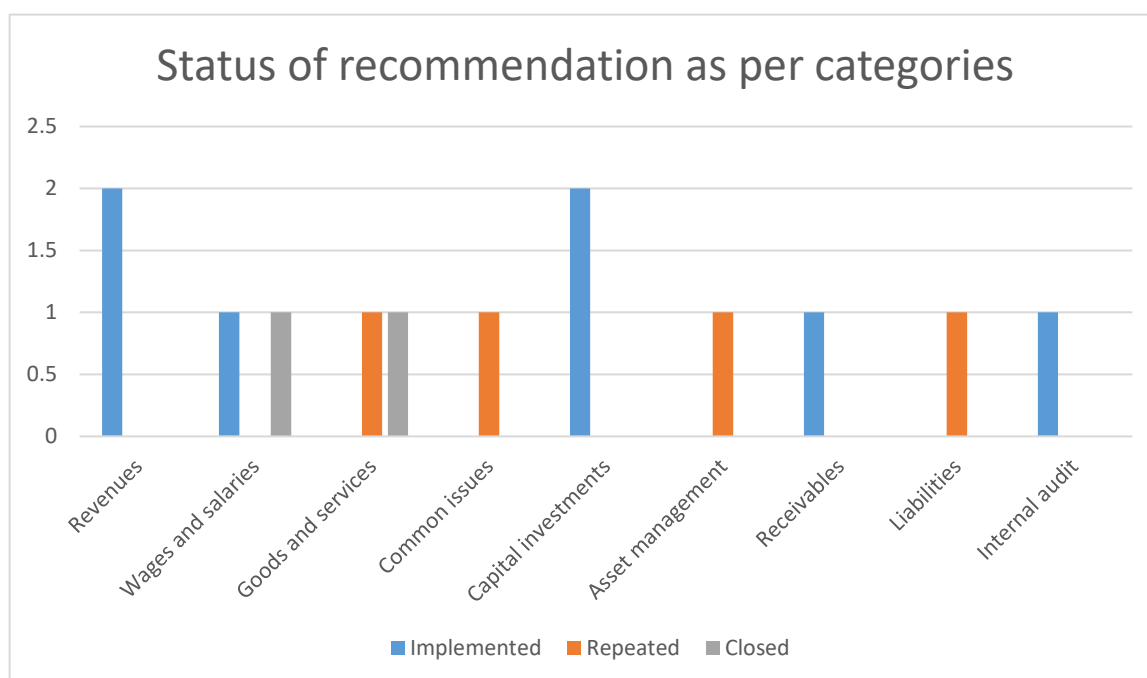


Table 4 Summary of prior year's recommendations and of 2020

No	Audit area	Recommendations of 2019	Actions taken	Status
1	Revenues	The Mayor should ensure that decisions are sent to the complaining parties within legal deadlines.	Measures have been taken and decisions have been made in a timely manner	Implemented
2	Revenues	The mayor should ensure that the density fee is set according to legal requirements on an annual basis and that invoice calculation will be done accurately.	There were no such case in in 2020.	Implemented
3	Wages and salaries	The mayor must ensure that no request for unpaid leave is accepted, if that request does not contain the purpose of use for this type of leave, as well as to ensure that the implementation of leave begins after its approval.	There were no unpaid leaves issued for 2020.	Implemented
4	Wages and salaries	The Mayor should ensure through the personnel manager that the recruitment process is conducted in full compliance with the recruitment procedures and regulations, and in the absence of three responsible candidates the vacancy is re-advertised.	Recruitment procedures according to the new audit methodology have not been addressed this year.	Not applicable any longer

5	Goods and services	The mayor should increase caution in the process of engaging persons with special service agreements and engagements with SSA to be applied only for specific jobs and unforeseen conditions, always applying the legal requirements.	The Municipality of Junik during 2020 had 12 agreements for special services with a term until 31.12.2020. With the entry into force of the law on public officials, these agreements will be handled according to procurement procedures.	Not applicable any longer
6	Goods and services	The Mayor should ensure the improvement of internal controls related to the planning and fair public funds expenditure according to the criteria set for the development of procurement procedures and the legal framework.	The municipality had continued with payments this year as well, based on cooperation agreement.	Implementation did not start
7	Capital investments	The Mayor should ensure the improvement of internal controls in the process of fair evaluation of unit prices in the framework of tender bids according to pre-calculated prices in BOQ, or manuals with reference prices per unit published by the Public Procurement Regulatory Commission, market prices, and other official indicative prices. The mayor as head of the municipal executive should ensure the oversight of the municipality's financial administration.	We had no such cases	Implemented

8	Capital investments	The mayor should ensure the improvement of internal controls regarding the fair fulfillment of the conditions for participation and the criteria required when signing the contract.	We had no such cases	Implemented
9	Capital investments	The Mayor should ensure the improvement of internal controls so that the process of execution of payments is done in accordance with the procedures set out in the LPFMA and financial rules for the public funds expenditure.	This year also, we have identified similar cases to last year.	Implementation did not start
10	Non financial assets	The mayor must ensure the updating of capital asset registers and the calculation of depreciation for non-capital assets through the assets officer	The Municipality had not yet updated its asset registers and had not depreciated non-capital assets.	Implementation did not start
11	Receivables	The Mayor should ensure that the control process in the calculation and invoicing of taxes is functional by reducing the possibility of errors and applying corrections to the identified cases.	The municipality had made the correction of the fee and for 2020 we have not identified such issues.	Implemented
12	Outstanding liabilities	The mayor must ensure that the entry into obligations is done after securing the financial means, furthermore it must also ensure the observance of the legal criteria for making payments within the determined time deadline.	This year also, we have noticed similar cases.	Implementation did not start
13	Internal audit function	The Mayor should ensure through the audit committees that the IAU provides quality reports that verifies existing weaknesses and provide valid recommendations for compliance, improving of controls and better management of public money.	The IAU had taken action to improve the reports.	Implemented

No	Audit area	Recommendations of 2020
1	Basis for opinion	The mayor must ensure that all assets are registered, in accordance with the requirements of the regulation on property registration.
2	Goods and services	The Mayor should ensure the improvement of internal controls related to the planning and fair public funds expenditure according to the criteria set for the development of procurement procedures and the legal framework.
3	Capital investments	The Mayor should ensure that the legal requirements are strictly applied so that the signing of contracts is done in accordance with the planned and approved budget, so that the implementation of projects is completed on time, and at no additional cost.
4	Common issues	The Mayor should ensure the improvement of internal controls so that the process of execution of payments is done in accordance with the financial rules for the public funds expenditure.
5	Capital and non capital assets	The Mayor should ensure that the capital asset registers are updated and the depreciation for non-capital assets is calculated.
6	Outstanding liabilities	The mayor must ensure the efficient functioning of the control site that verifies that the payment of invoices is done in accordance with the deadlines set by law.

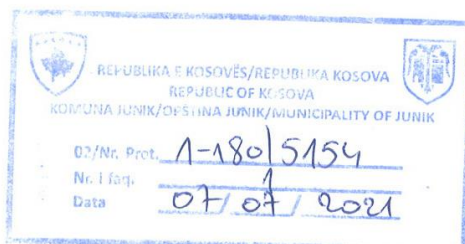
Signatures:

Besnik Osmani, Auditor General

Astrit Bllaca, Head of Audit

Etika Co L.L.C, (Fatmir Mehmeti, authorized person in charge of the company)

Annex I: Letter of confirmation



REPUBLIKA E KOSOVËS – REPUBLIKA KOSOVA – REPUBLIC OF KOSOVA
KOMUNA JUNIK – OPŠTINA JUNIK – MUNICIPALITY OF JUNIK



LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2020 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 Komunës së **Junikut**, për vitin 2020 (në tekstin e mëtejshëm “Raporti”);
- pajtohem me gjetjet dhe rekomandimet dhe kemi një koment për gjetjen “Mos regjistrimi i pasurisë” e cila ka ndikuar edhe në kualifikimin e opinionit. Në bazë të vendimeve të Qeverisë për pandeminë jemi obliguar të punojmë me staf esencial dhe si pasojë e kësaj zyrtarët përgjegjës nuk kanë mundur që të bëjnë regjistrimin e pasurisë në SIMFK. Ne mendojmë që ky kriter për vitin 2020 nuk duhet të jetë kriter për kualifikim të opinionit duke pasur parasysh gjendjen e krijuar si pasojë e pandemisë; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

z. Agron Kuci

Kryetar i Komunës së Junikut

Data: 06.korrik.2021, Junik,



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 ⁷ 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 authorities⁸. 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).

⁷ Financial statements in the public sector include also the statement(s) of budget execution

⁸ 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.