



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 MAMUSHA FOR YEAR 2021

Prishtina, June 2022

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# 1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Mamusha for the year ended on 31 December 2021 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Qualified opinion on annual financial statements

In our opinion, besides the impact of the issues-s as described in the paragraph Basis for Qualified Opinion, the annual financial statements of Municipality of Mamusha, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

## Basis for the opinion

B1 The issue that had impact on the audit opinion was since the Municipality did not record the value of assets €85,207 in the register of assets over €1,000 in KFMIS as well as Cadastral properties.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

NAO is independent from the auditee, in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusion on compliance

In our opinion, beside to the impacts of the issue described in the Basis for Compliance Conclusion, transactions carried out in the process of execution of Municipality of Mamusha 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.

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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

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## **Basis for the conclusion**

During our engagement we found that the Municipality has not acted in accordance with the authorities such as:

- A1 The Municipality had paid with delay 5 payments in the amount of €99,210 after the allowed deadline of 30 days.

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 Mayor of Municipality of Mamusha 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 Municipality of Mamusha 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 Municipality is responsible to ensure the oversight of the Municipality of Mamusha's financial reporting process.

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

The Mamusha management is also responsible for the use of Municipality of Mamusha financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.<sup>2</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

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<sup>2</sup> Collectively referred to as compliance with authorities

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 Municipality of Mamusha authorities with all 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 Municipality of Mamusha 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

During the audit, we have identified areas of possible improvement, including internal control, that are presented for your consideration below in the form of findings and recommendations.

These findings and recommendations relate to non-registration of assets over €1,000 in KFMIS, payments with delay, advances on goods and services, commitments and purchase orders with delay, shortcomings in reporting assets under €1,000 and failure to provide internal audit service. We will follow up (review) on these recommendations during next year's audit.

This report has resulted in six recommendations, of which four are new recommendations and two are repeated recommendations. 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 compliance conclusion

### Issue B1- Shortcomings in asset management

**Finding** Following the article 6 paragraph 3 of the Reg. 02/2013 on the management of non-financial assets in budget organizations, which stipulates that - capital assets must be registered in KFMIS while non-capital assets and stocks must be registered in the "e-assets" system.

The Municipality failed to record the value of assets €85,207 in the register of assets over €1,000 in KFMIS, as follows:

- Bus in the amount of €48,467 received as donation from Turkey;
- Supplies with modern medical equipment for MCFM Mamusha in the amount of €19,290 (funded by IOM €11,290 and municipality €8,000);
- Regulation of the field road and renovation of the city park in the municipality of Mamusha in the amount of €17,450; and
- Cadastral properties (parcels) were not registered yet.

This situation is a result of the lack of internal control for assets to be registered in KFMIS.

**Impact** Failure to record assets purchased or received as donations affects the understatement of the asset register and consequently affects the information presented in the AFS to be inaccurate.

**Recommendation B1** The Mayor should ensure that an effective asset registration process is in place so that the records are complete and present accurate information in order to properly report and adequately manage the assets that the Municipality has in its possession.

**Entity management response (Agree)**

## 2.2 Issues with impact on compliance conclusion

### Issue A1 – Delays in payments

**Finding** The Law no.03/L-048 on Public Finance Management and Accountabilities, Article 39.1, stipulates that every valid invoice and demand for payment for goods, services and/or works supplied to the budget organization is paid within thirty (30) calendar days after the budget organization receives such an invoice.

During the testing, we have noticed that in 5 invoices in the amount of €99,210, that the invoices were not paid within the legal deadline of 30 days. The delays were up to 3 months.

Failure to pay the invoices within the legal deadline was due to non-provision of budget funds for the payment of expenses on time.

**Impact** Delays in payment of liabilities increases the risk of additional court or enforcement expenditures.

**Recommendation A1** The Mayor should ensure the efficient functioning of the control function that verifies that the payment of invoices is done in accordance with the deadlines set by law.

**Entity management response (Agree)**

## 2.3 Other issues of financial management and compliance

### 2.3.1 Goods and services

The final budget for goods and services in the year 2021 was €330,143, out of which €324,150 were spent. They mainly relate to other contracting services, equipment's, fuel, 17 samples for substantial and compliance tests in the amount of €136,959, and procurement procedures.



**Issue A2- Payments in advance from goods and services****Finding**

The Budget Law no. 07/L-041 on budget allocations for 2020, article 14 Advance payments point 1, stipulates that, Budget organizations can pay advances to contractors for capital projects and for goods and services up to fifteen percent (15%) of the value of contract. Such advance payment can only be made on the basis of a legally concluded contract, worth more than ten thousand (10,000) euros, which has been related in accordance with the Public Procurement Law.

The Municipality on 04.10.2021 had signed an agreement for cooperation and co-financing labelled "Health and social welfare for all" in the amount of €253,596. The municipality was obliged to participate in the amount of €207,636, while the rest €45,960 was from NGOs. According to the agreement, the period of its implementation starts from 01.11.2021 to 31.10.2022, which had quoted that the part of the municipality's funds starts to be transferred after the signing of the agreement.

However, we have noticed that advances on goods were not made as required by the 2021 budget law. In October 2021, the municipality paid 3 advances in the amount of € 96,349.

This had occurred as a result of the non-functioning of internal controls that payments are not made in advance as provided by law.

**Impact**

Advance payments, in addition to being contrary to budget law, may result in services not being performed under the terms of the agreement.

**Recommendation A2** The Mayor should ensure the efficient functioning of the control function that verifies that the payments/advances are done in accordance to the percentages determined with the budget law.

**Entity management response (Agree)****2.3.2 Common issues on certain economic categories**

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

### Issue A3 – 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 in 4 payments in the amount €71,844, we have noticed that the commitment and purchase order were issued after receiving the invoices. These cases are as in the following:

- In 2 payments in the amount of €14,049, the commitment of funds and the processing of purchase orders was made after receiving the invoice; and
- In 4 payments in the amount €57,795, 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 A3** 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.

**Entity management response (Agree)**

### 2.3.3 Capital and Non-capital assets

The presented amount in the AFS of capital assets is €1,227,291, non-capital assets is €75,132, while stocks were €40,039. We tested 20 samples for substantial and compliance tests in the amount of €301,972.

#### Issue A4 – Shortcomings in reporting of assets under €1,000

**Finding** Following the article 24 point 2.2 of the regulation 02/2013 on the management of non-financial assets by budget organizations it is determined that the presentation in the annual financial statements must be carried out from e-assets for assets with a value under €1,000 and with a limit of use over one year and stocks and Article 3 where the presentation of non-financial assets in the annual financial statements will be presented on the basis of net accounting value.

During 2021, the Municipality in the AFS had presented assets under €1,000 in the amount of €75,132 from the acceptance report for goods, unlike last year the value presented was €9,774. This increase shows that this report also includes stationaries and does not present depreciation expenses.

This happened due to not updating the data with the reasoning that there was no contract for maintenance of the e-assets system by the MPA/MIA

**Impact** The presentation of assets under €1,000 in the AFS from the acceptance report by not calculating depreciation and as well by including also the stationaries reflects in an incorrect presentation of assets in the AFS, by overestimating the value of assets.

**Recommendation A4** The mayor should ensure that the value of the assets under €1,000 in the AFS is presented on the basis of the net accounting value so that their presentation in the AFS is accurate and complete.

**Entity management response (Agree)**

## 2.3.4 Internal Audit function

The municipality does not meet the criteria for establishing an IAU. Municipality on the date 05.10.2021 had submitted a request for internal audit to the Internal Audit Unit within the Ministry of Finance.

### Issue B2 – Failure to provide internal audit service

**Finding** The Law No. 06/L-021 on Public Internal Financial Control and Regulation GRK – No.01/2019 on Establishment and Implementation of Internal Audit Function at the Public Sector Entity, articles 4 and 5 have set the function and form of establishment of the IAU. According to article 5, public sector entity which with a budget of less than three (3.000.000, 00€) million euro, should exercise internal audit function in other ways pursuant to paragraphs 1.2, 1.3 and 1.4 of article 4 of this Regulation (establishing a joint IA unit; an agreement on ensuring internal audit service from a public sector entity; or by contracting a professional company according to the established criteria and with prior approval of MF).

During 2021, the Municipality has not been subject to auditing, despite having sent a request to MF dated 05.10.2021 for internal audit services. Regarding this, the municipality had made a request for 2020, but had not managed to provide an internal audit report.

This is because no attempt has been made to establish a joint unit, or an agreement to provide an audit service by a public sector entity or to contract a professional company according to established criteria, prior approval the MF.

**Impact** The lack of internal audit reports may affect the recurrence of shortcomings in key internal control systems and management may not be able to identify shortcomings of controls and react on time to avoid their elimination.

**Recommendation B2** The Mayor should ensure the internal audit service, which aims to increase the value and improve the functioning of the Municipality, which helps to meet the objectives, providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management processes, control and governance.

**Entity management response (Agree)**

### 3 Summary on budget planning and execution

We have taken into consideration 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 budgetary funds (in €)**

Description	Initial Budget	Final Budget <sup>3</sup>	2021 Outturn	2020 Outturn	2019 Outturn
<b>Sources of Funds</b>	<b>1,706,403</b>	<b>1,763,942</b>	<b>1,719,525</b>	<b>2,187,392</b>	<b>1,966,586</b>
Government Grant -Budget	1,649,469	1,650,127	1,637,017	2,100,287	1,880,386
Funding through borrowing	-	10,328	10,178	22,707	-
Carried forward from previous year <sup>4</sup>	-	46,445	46,445	32,094	59,844
Own Source Revenues <sup>5</sup>	56,934	56,934	25,777	21,043	25,969
External Donations	-	108	108	11,261	387

The final budget is higher than the initial budget by €57,539. This increase is as a result of increase of revenues carried forward from last year, funding from borrowings and donations.

In 2021, the Municipality spent 97% of the final budget or €1,719,525, with an improvement of 4% in comparison to 2020. However, budget execution remains at an unsatisfactory level and explanations for the current position are detailed below.

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

Description	Initial Budget	Final Budget	2021 Outturn	2020 Outturn	2019 Outturn
<b>Spending of funds by economic categories</b>	<b>1,706,403</b>	<b>1,763,942</b>	<b>1,719,525</b>	<b>2,187,392</b>	<b>1,966,586</b>
Wages and Salaries	1,120,022	1,105,842	1,105,510	1,127,520	993,287
Goods and Services	324,960	330,143	324,150	356,913	253,313
Utilities	31,000	32,471	31,976	30,999	30,178

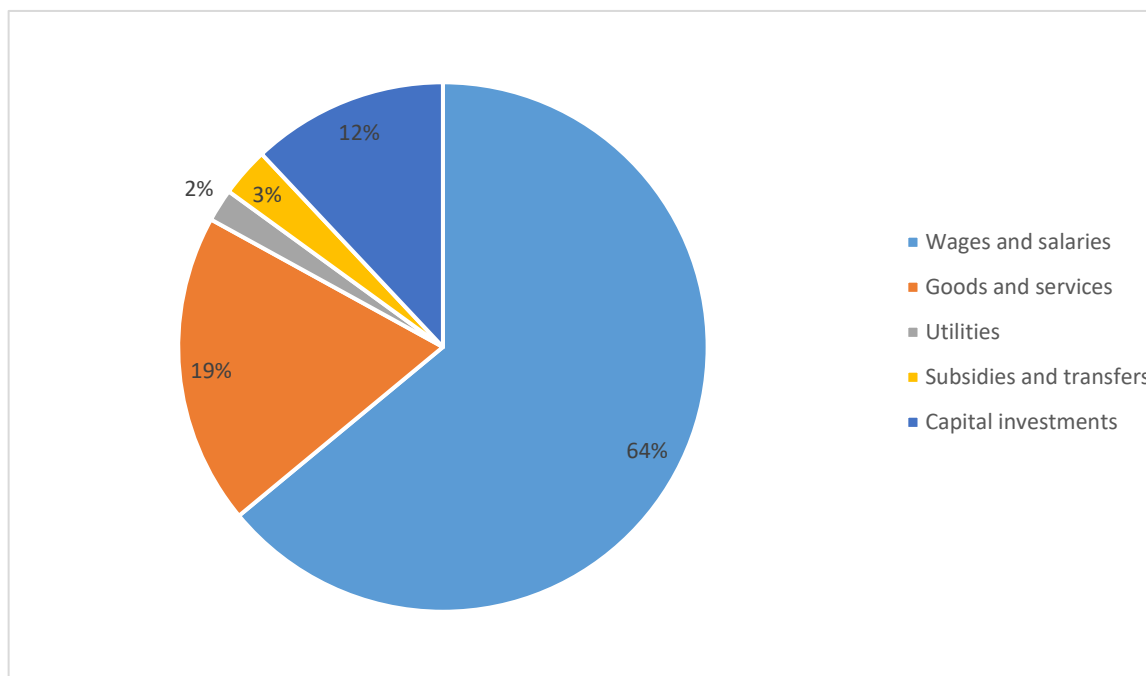
<sup>3</sup> Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance

<sup>4</sup> Own Source Revenues unspent in previous year carried forward into the current year.

<sup>5</sup> Receipts used by the entity for financing its own budget.

Subsidies and Transfers	40,000	60,000	55,490	25,800	27,835
Capital Investments	190,421	235,486	202,399	646,160	661,973

Chart 1. Expenditures by economic categories for year 2021



Explanations for changes in budget categories are given below:

- The final budget for the category of Wages and Salaries was decreased by €14,180. Initially, with the budget review, it was increased by €28,864, while with decisions it was reduced by €43,044. Expenditures were 100% of the budget;
- The final budget for Goods and Services was increased by €5,183 compared to the initial budget. This increase is as a result of borrowings €5,166 and donations for €17. Expenditures were 98% of the budget;
- The final budget for utilities compared to the initial budget was increased by €1,471, which were from own source revenues carried forward from last year. Expenditures were 98% of the budget;
- The final budget for subsidies and transfers compared to the initial budget was increased by €20,000 which was from own source revenues carried forward. Expenditures were 92% of the budget; and
- The final budget for capital investments compared to the initial budget was increased by €45,065. This increase was from own source revenues carried forward €44,974 and donations by €90. Expenditures were 86% of the budget.

Revenues generated from 2021 were in the amount of 63,161. They relate to property tax revenues, revenues from business taxes, revenues from the sale of services and use of public spaces, etc.

**Table 3. Revenues (in €)**

Description	Initial budget	Final Budget	2021 Receipts	2020 Receipts	2019 Receipts
Tax revenues	34,276	34,276	31,035	23,833	26,753
Non-tax revenues	22,658	22,658	32,126	27,789	33,935
<b>Total</b>	<b>56,934</b>	<b>56,934</b>	<b>63,161</b>	<b>51,622</b>	<b>60,688</b>

## 4 Progress in implementing recommendations

Our audit report on 2020 AFS of the Municipality of Mamusha has resulted in 4 key recommendations. The Municipality prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2021 audit, two (2) recommendations have been implemented and two (2) are not been addressed yet, as shown in the following Chart 2. 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**

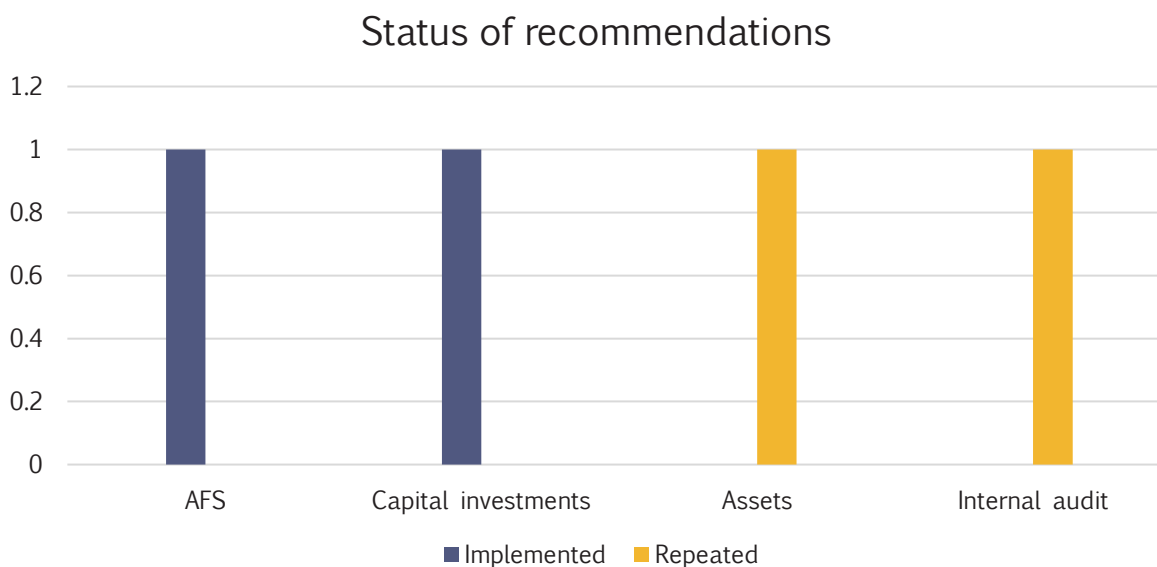


Table 4 Summary of prior year's recommendations and 2021

No	Audit area	Recommendations of 2020	Actions taken	Status
1	Annual financial statements	The mayor should ensure that all necessary actions are taken to ensure that requests are planned and categorized according to an adequate budget allocation. If the law budgeted projections of the budget do not correspond to the nature of the expenditure and the needs of the municipality, the funds should be reallocated in order to secure funds for the regular payment of expenditures. This should be reflected in the effort to budget claims in the relevant economic categories and strengthen control over the payment, recording and fair presentation of public expenditures in the AFS.	We haven't noticed similar issues	Implemented
2	Capital investments	The Mayor should ensure that acceptance commissions and contract managers apply effective controls upon receipt of works/supplies and that payments are made only for works/supplies carried out in accordance to the contract.	We haven't noticed similar issues	Implemented
3	Assets	The Mayor should ensure that an effective asset registration process is in place so that the registers are complete and present accurate information in order to properly report and adequately manage the assets that the municipality has in its possession. The mayor should also ensure close cooperation between the assets officer and the inventory commission, for the harmonization of the inventory report and accounting records and the evaluation commissions to be established in a timely manner so that the exact	This year, too, we have identified non-registration of assets.	Implementation did not start



		condition of the assets is reflected correctly in AFS.		
4	Internal Audit	The Mayor should ensure the internal audit service, which aims to increase the value and improve the functioning of the Municipality, which helps to meet the objectives, providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management processes, control and governance.	This internal audit had not yet been carried out.	Implementation did not start

Signatures:

Vlora Spanca, Auditor General

Shehrije Shala, Head of Audit

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

Annex I: Letter of confirmation/ Comments of BO  
regarding the audit report (if any)

## 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>6</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>7</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).

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<sup>6</sup> Financial statements in the public sector include also the statement(s) of budget execution

<sup>7</sup> 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.