



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 JUSTICE FOR
THE YEAR 2019

Prishtina, May 2020

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with the International Standards of Supreme Audit Institutions, and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Ministry of Justice in consultation with the Assistant Auditor General, Arvita Zyferi who supervised the audit.

The report issued is a result of the audit carried out by Arta Kryeziu Qehaja Team Leader and Shefkije Beka, Florë Berisha team members, under the management of the Head of Audit Department Florim Beqiri.

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Executive Summary

This report summarises the key issues arising from our audit of Ministry of Justice for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



Conclusions

The Annual Financial Statements of the MoJ presented in the Annual Financial Report (AFR) for 2019, which are related to the statement of receipts and payments in cash, the statement of budget execution and the disclosures for these statements are complete and fair.

Financial management and control in general prove a good process of review and assurance in the implementation of legislation and other control processes. However, despite the fact that the MoJ has established relatively good controls in relation to its statutory obligations, the inconsistent implementation of the rules has caused shortcomings in some processes.

The implementation of the recommendations for 2019 was at a satisfactory level; however, more efforts are needed in order for the recommendations to be fully implemented.

Opinion of the Auditor General¹

Unmodified Opinion,

The Annual Financial Statements for the year ended in 31 December 2019 present a true and fair view in all material respects.

For more details, see Chapter 1 of this report.

Management's Response on 2019 audit

The Minister has agreed with audit findings and conclusions and has committed to address all given recommendations.

The National Audit Office appreciates the cooperation of the management and personnel of the Ministry during the audit process.

¹ Annex I explains different types of Opinions in line with ISSAIs.

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed the Ministry's operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

Our procedures have included a review of internal controls, accounting systems and interrelated substantive tests, as well as related governance arrangements to the extent considered necessary for the effective conduct of audit. Audit findings should not be regarded as representing a comprehensive overview of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following chapters provide in detail our audit findings and recommendations in each audited area. Management's responses to our findings can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Ministry of Justice for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

Unmodified Opinion

In our opinion, the Annual Financial Statements for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards according to cash based accounting.

Basis for the Opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the Ministry. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

We have not audited the expenditures of €412,270 incurred for Subsidies and Transfers during 2019, because these expenses are related to the information (process) concerning the Kosovo Specialist Chambers and the Specialist Prosecutor's Office, which as such were classified by decision of the Prime Minister

Responsibility of Management for AFS

The Secretary General of the Ministry of Justice is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards - Financial Reporting under the Cash based Accounting. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Minister is responsible to ensure the oversight of the Ministry's financial reporting process.

Auditor General's Responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit conducted in accordance with ISSAIs. These standards require that we obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

The audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

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 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources and assets and liabilities as well as **the internal audit function**.

Financial Management and Control Conclusion

Internal controls are well designed and are applied relatively well by the management. In some cases, however, the inconsistent implementation of legal and regulatory requirements has caused shortcomings in the process of expenditures and revenues. The main areas where more improvements are needed are contract management, return of convicted persons' deposits, and asset management under €1,000.

2.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the tables below:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds	23,533,261	23,640,259	21,468,816	91	20,051,297	18,009,002
Government Grant - Budget	23,121,061	23,118,263	21,265,840	92	19,951,538	17,977,959
Carried forward from previous year ³ -	80,200	80,200	0	0	40,424	42
Own Source Revenues ⁴	0	80,200	65,787	82	0	19,904
PAK revenues	332,000	332,000	137,189	41	0	0
External Donations	0	29,596	0	0	0	0
Domestic Donations	0	0	0	0	59,335	11,097

² Final budget – the budget approved by the Assembly subsequently adjusted by the Ministry of Finance.

³ Ministry's Own Source Revenues unspent in previous year carried forward into the current year.

⁴ Receipts used by the entity for financing its own activities.

The final budget increased by €106,998 compared to the initial budget. This increase is as a result of the current year's own source revenues of €80,200, donations of €29,596 unspent from the previous year, and the reduction of €2,798 upon the Government's decision for budget savings.

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

Description	Initial Budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories	23,533,261	23,640,259	21,468,816	91%	20,051,297	18,009,002
Wages and Salaries	13,786,193	13,563,790	13,410,392	99%	12,726,640	12,238,865
Goods and Services	5,168,899	6,946,995	5,471,466	79%	4,909,616	4,156,386
Utilities	1,063,169	1,119,569	1,113,013	99%	1,007,863	1,042,211
Subsidies and Transfers	1,928,000	531,008	529,597	99%	544,950	99,876
Capital Investments	1,587,000	1,478,897	944,348	64%	862,228	471,664

There was a lot of budgetary movement across categories in the MoJ. However, all movements/changes were supported by relevant decisions of the Ministry of Finance and the Government. Explanations for changes in budget categories are given below:

- The initial budget for Wages and Salaries was €13,786,193, whilst the final budget was €13,563,790. The difference between the initial and final budget is a result of the Government's decision no. 03/115 dated 17.12.2019 where funds in the value of €302,603 were taken from the Ministry on behalf of savings, and the increase of budget by €80,200 from own source revenues of 2019 which the Ministry has the right to spend on the category of Wages and Salaries.
- The initial budget for Goods and Services was €5,168,899, while the final budget was €6,946,995. The difference between the initial and final budget comes from:
 - Decision no. 02/113 dated 05.11.2019, for increasing this category in the amount of €500,000;
 - Decision no. 03/115 of 17.12.2019, for an increase in the amount of €1,232,000 for the State Advocacy (SA) for arbitration purposes.

Moreover, in accordance with Article 30 of the LPFMA, the Minister of Finance approved the transfer of funds from the economic category of subsidies and transfers in the category of goods and services in the amount of €223,500, for the State Advocacy and €52,500, for the Department for European Integration and Professional Councils. The budget has been increased from external donations in the amount of €29,596. In addition to the increases in this category, €167,000 have been saved by Government decision no. 02/113 dated

05.11.2019 and €92,500 by decision of the Government no. 03/115 dated 17.12.2019 (for savings and budget allocation between the expenditure categories of budget organizations).

- The initial budget for utilities was €1,063,169, while the final budget was €1,119,569. In this category, there was a budget increase in the amount of €88,000, through the approval of the MoJ request by the Minister of Finance to make budget adjustments within the sub-programmes of the MoJ, as well as budget savings with Government decisions no. 02/113 dated 05.11.2019 and no. 03/115 dated 17.12.2019, in the amount of €5,000 and €26,600 respectively.
- The initial budget for Subsidies and Transfers was €1,928,000, while the final budget was €531,008. Through the decision of the Government for savings and budget allocation between the expenditure categories of budget organizations no. 02/113 dated 05.11.2019 and decision no. 03/115 dated 17.12.2019, funds in the amount of €670,000 and €557,000 respectively were taken on behalf of the savings from the budget allocated and unspent for Kosovo Specialist Chambers. In accordance with Article 30 of the LPFMA, the Minister of Finance approved the request of the MoJ to transfer funds in the amount of €276,000 from this category into sub-programmes of the category goods and services. Furthermore, this category increased from the state reserves 'Unforeseen Expenditures' with Government decision no. 10/88 dated 05.02.2019 in the amount of €30,000 and with decision no. 14/94 dated 19.03.2019 in the amount of €40,000, for Specialist Chambers. In accordance with Article 30 of the LPFMA, the Minister of Finance approved the request of the MoJ to transfer funds in the amount of €36,008 from the category of capital investments to the category of subsidies.
- The initial budget for Capital Investments was €1,587,000, while the final budget was €1,478,897. The budget change (decrease) is a result of the withdrawal of funds on behalf of savings through Government decisions on savings and budget allocation between the expenditure categories of budget organizations no. 02/113 dated 05.11.2019 in the amount of €17,095 and no. 03/115 dated 17.12.2019 in the amount of €55,000. In addition, in accordance with Article 30 of the LPFMA, the Minister of Finance approved the request of the MoJ to transfer funds in the amount of €36,008 from the category of capital investments to the category of subsidies

2.1.1 Revenues

Revenues generated by MoJ in 2019 are €262,939. They relate to revenues generated from the seizure and confiscation of assets according to court decisions, revenues from the organization of professional examinations (bar exam, bailiffs, and bankruptcy administrators). According to the Law on 2019 Budget, €80,200 have been budgeted for the needs of the MoJ, out of which €65,787 were spent.

We have tested seven samples of €10,908 as part of substantive testing and five samples for legal compliance, and we have identified a number of shortcomings which are presented below:

Table 3. Revenues (in €)

Description	2019 Receipts	2018 Receipts	2017 Receipts
Revenues	262,939	189,344	198,284
Total	262,939	189,344	198,284

Issue A1 – Non-reconciliation of revenues as required by the Financial Rule

Finding According to Article 13 of the Financial Rule 03/05/2010 on revenues, the BO is obliged to reconcile the revenues with the Treasury after each closing of the monthly period.

During 2019, the revenue officer has not carried out the monthly reconciliation between MoJ's internal revenues records and the Treasury, as required by the Financial Rule. As a result, at the end of the year there was a discrepancy of €4,393. It is worth mentioning that this discrepancy was adjusted only when the Treasury asked the Ministry to verify and correct this error. This was due to the negligence of the revenues officer

Impact Non-reconciliation of revenues with the Treasury prevents Treasury from having clear evidence regarding the accumulated value of the Ministry's monthly revenues.

Recommendation A1 The Minister should ensure that revenues are reconciled with the Treasury on a monthly basis, so that the Treasury has a true and fair view of the Ministry's revenues.

2.1.2 Deposits

Deposits registered in KFMIS were in the amount of €3,321,642. These deposits consisted of the convicted persons' deposits and seizure deposits. During the year, deposits of €1,657,749 were returned to the budget. We tested 43 samples of € 1,598,707 as part of substantive testing and 6 samples as part of compliance testing. We found the following:

Issue A2 – Failure to return the convicted persons’ deposits

Finding Article 131, paragraph 1 of Law No. 04/L-149 on Execution of Penal Sanctions stipulates that “Upon release, a convicted person shall be given all personal effects and items, which were kept for him or her by the correctional facility, his or her savings and any money he or she received during the period of the sentence.

The MoJ, respectively the Kosovo Correctional Service (KCS) failed to return all the deposits to the released convicted persons. The value of non-returned deposits for released convicted persons at the end of 2019 was €27,814.

According to the responsible officials, these funds have not been returned, because some of the convicted persons have not been interested in their funds left behind as deposits after release

Impact Failure to return the funds to convicted persons who serve their sentences or are released has resulted in financial damage to the released convicted persons.

Recommendation A2 The Minister, i.e. the Director of the KCS, should ensure that after the completion of the convicted person’s sentence, officers in charge of managing the convicted persons’ money should return it to each person released from prison.

2.1.3 Wages and Salaries

The final budget for Wages and Salaries was €13,563,790, out of which €13,410,392 were spent. The MoJ’s number of employees approved with the Law on budget was 2069, whereas by the end of the year the number of employees was 1965. We have tested 56 samples of €38,519 as part of substantive testing and 12 samples as part of compliance testing. Our testing identified the following shortcomings:

Issue A3 – Employees contracts not in compliance with the Law on Labour

Finding According to the Regulation (CRK) - no. 13 /2018 on the Recruitment Procedure of Correctional Officers in Kosovo Correctional Service, article 24, para. 3- Establishment of employment relationship for correctional officers stipulates that: "The candidates shall conclude an employment contract with the KCS, which shall include a six (6) month probation period. Upon the successful completion of the probation period, the contract is concluded based on the provisions of the Law on Labour. Law no. 03/L-212 Article 10, paragraph 5, stipulates that "A contract for a fixed period of time that is expressly or implicitly renewed for a continued period of employment of more than ten (10) years shall be deemed to be a contract for an indefinite period of time."

In two cases, we found that the contracts were renewed for more than 10 years, but the employees were not given contracts for an indefinite period.

This situation is the result of management's negligence in giving contracts to employees as provided for by law.

Impact Failure to provide employees with employment contracts in accordance with Law on Labour leads to discrimination of employees and their treatment in violation of legal requirements.

Recommendation A3 The Minister, i.e. the Director of the KCS should ensure that upon the successful completion of the probationary period, the employees' contracts are adjusted in accordance with the legal requirements

2.1.3 Goods and Services

The final budget for Goods and Services (including utilities) in 2019 was €8,066,564, out of which €6,584,479 were spent, or 82% of the budget. Those relate to food for convicted persons, supply with consumables, heating fuel, clothing for the correctional staff, utilities (water, electricity) etc. We tested 86 samples of €1,179,306 as part of substantive testing and five samples as part of compliance testing. Our testing has resulted in the following shortcoming:

Issue A4 – Services delivered with an expired contract

Finding The Kosovo Correctional Service signed a framework public contract on 19.07.2016 for "Veterinary services for livestock farm in the Dubrava Correctional Centre" for a period of 36 months. We have noticed that the KCS received services from this contract two months after contract was due. The value of the services after the expiration of the contract was €958.

According to KCS officials, this was because the livestock situation was bad, the need for veterinary services was urgent and therefore they have requested services from the same operator.

Impact Payments made after contract has terminated lead the budget organization to unplanned financial obligations as well as to the need to reallocate the Ministry's budget from other economic categories.

Recommendation A4 The Minister and the Director of the KCS should ensure compliance with the duration of the framework contract in order to prevent services from being delivered based on expired contracts.

2.1.4 Subsidies and Transfers

The final budget for Subsidies and Transfers was €531,008, out of which €529,597 was spent. Expenditures of €412,270 relate to the information (process) with the Kosovo Specialist Chambers and the Specialist Prosecutor's Office which were classified by the Decision of the Prime Minister and as such we have not audited them. Of the remaining part, we tested five samples of €55,167 as part of substantive testing and five samples as part of compliance testing. From the tested samples, we did not find any significant shortcomings to report.

2.1.5 Capital Investments

The final budget for Capital Investments was €1,478,897, out of which €944,348 were spent in 2019. Those relate to rehabilitation of prisons, creation of training premises, purchase of equipment, instalment of cameras, construction of greenhouses, etc. We have tested 14 of €347,875 as part of substantive testing and seven samples as part of compliance testing. We did not find any shortcoming in the tested samples.

2.1.6 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue B1 – Shortcomings in payment processing

Finding The Financial Rule No. 01/2013 stipulates that first, the purchase request is submitted, then funds are committed, the purchase order is processed, goods and services are accepted, and then the payment is executed after the receipt of the invoice.

This year we again have identified that in 16 payments of €504,531€, the invoice was accepted before the commitment of funds and the purchase order were made.

According to the KCS, this happened because even during 2019 they faced difficulties in timely allocating funds and problems in the Treasury system in making payments.

Impact Entering into liabilities without providing the necessary funds has led to liabilities, which aggravate the budget for the following year

Recommendation B1 The Minister should ensure that the steps set out in the applicable rules regarding the execution of payments are adhered to so that during the payment process, the commitment of the funds is made first, then the purchase order is issued and finally the goods/services are accepted and payment is made

2.2 Capital and non-capital assets

The amount of capital assets presented in AFS was €100,461,359, that of non-capital assets, under €1,000, was €502,774, and of stock was €455,827. We have tested 15 samples of €343,190 as part of substantive testing. In regard to compliance, we tested whether the Ministry has complied with the requirements set forth in regulation on assets. The identified shortcomings are the following:

Issue B2 – Non-reconciliation of assets stocktaking reports with the records of E-assets program

Finding Article 18 of Regulation no. 02/2013 – on the management of non-financial assets by budget organisations stipulates, “Stocktaking is carried out with the purpose of verifying the accuracy, quality and physical condition of non-financial assets”. In addition, article 19, para. 6, stipulates that “All changes in the number or value of assets that are determined after stocktaking should be reflected in the assets register and in the accounting register”.

In 2019, the stocktaking commissions in MoJ and its agencies have carried out a qualitative process of assets stocktaking, where the commission in KCS has identified assets without barcodes in the amount of €322,265, which were not migrated to the E-asset system. This has caused assets under €1,000, reported to the AFR, to be understated.

This is due to the fact that the Ministry of Public Administration (MPA), which is responsible for the proper functioning of the E-asset programme has not made the necessary arrangements with the relevant company to maintain the programme, and as a result E-asset has not functioned properly to make the migration of these assets into the system. In addition, the KCS did not make the necessary efforts to attach barcodes to all assets.

Impact Non-reconciliation of assets registers has led incorrect and understated value of assets presented in the AFR.

Recommendation B2 The Minister should ensure that all assets under €1,000 are barcoded and recorded in the e-asset system so that the assets are complete and correctly presented in the AFR.

2.3 Liabilities

2.5.1 Outstanding liabilities

The statement of unpaid liabilities to suppliers at the end of 2019 was €603,354. These liabilities were carried forward to be paid in 2020. Of them, €544,808 were for goods and services, €55,996 for utilities and €2,549 for capital investments. Despite the large value of liabilities remaining in 2019, MoJ has made progress in reducing them, as the value of liabilities in 2018 was €1,243,801. Further, according to the records provided by the MoJ, the contractual obligations of the Ministry were €6,369,121. We tested nine samples €9,183 as part of substantive testing and five samples as part of compliance testing.

Issue B3 – Delays in the execution of outstanding liabilities

Finding Law no 03/L-048 on Public Financial Management and Accountabilities, Article 39 of LPFMA stipulates that the “Chief Financial Officer (CFO) of a budget organization shall be responsible for ensuring 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 or demand for payment from the relevant budget organisation.

From the nine tested samples of unpaid invoices, we found that four invoices in the amount of €1,468 were not paid within the foreseen legal deadline. The delays were over 30 days.

This issue is being repeated year after year, especially with KCS due to the lack of funds and delays in budget allocation.

Impact Failure to pay the liabilities within the legal deadline leads to increased liabilities and the possibility of court lawsuits filed against the Ministry

Recommendation B3 The Minister should ensure that all outstanding liabilities are paid within the set legal deadline in order to avoid payments through enforcement procedures

2.5.2 Contingent liabilities

The Ministry of Justice presented contingent liabilities of €15,758. These are various claims by the plaintiffs, which are likely to create financial liabilities for the MoJ in the future, if the courts decided in favour of the plaintiffs. We tested five samples of €12,847 as part of substantive testing and five samples as part of compliance testing. We did not find any shortcomings.

2.6 Internal audit function

The Internal Audit Unit (IAU) consists of - the Director of IAU and two auditors. For 2019, , eight (8) regular audits were planned based on the risk assessment, and one (1) audit upon request. This plan was fully implemented. The audit activities covered years 2018 and 2019 and the areas of revenues, expenditures in the KCS, asset management, personnel management, vehicles management, general budget and expenditures, the private fund of convicted persons, as well as procurement procedures.

We commend the work of IAU and conclude that the reports were qualitative, supported with adequate evidence, identified shortcomings in the internal control systems, and contained recommendations to improve the identified shortcomings.

The Audit Committee (AC) held four meetings where the IAU findings and recommendations were discussed. Discussions were also made about the NAO's audit report on the AFS of MoJ. However, despite our recommendation given, the level of implementation of recommendations given by IAU remains unsatisfactory.

Issue B4 - The addressing of IAU recommendations in an unsatisfactory level

Finding

According to the Administrative Instruction no. 01/2019 on establishment and functioning of audit committee at public sector entity, Article 7, paragraph 1.7 states that the Audit Committee Reviews summary reports, findings, recommendation of internal audit and ensures that those have been addressed properly by the head of public sector entity;

We have assessed the implementation of the recommendations made by the IAU and we noticed the recommendations were only partially implemented. Of the 29 recommendations made, 14 have been implemented, 11 are in progress and four (4) have not been implemented.

The reason for non-implementation of recommendations was the lack of a formal process of monitoring them by management, as well as the failure of the audit committee to be pro-active in pushing this process forward.

Impact

Lack of willingness to implement the IAU recommendations leads to failure to improve processes and subsequently the failure to achieve the objectives of the Ministry.

Recommendation B4 The minister should ensure that the recommendations from the internal audit are followed by a formal monitoring and reporting process by the responsible units and that they are reviewed periodically to monitor their progress

3 Progress in Implementing Recommendations

Our Audit Report on the 2019 AFS of the Ministry of Justice resulted in 11 recommendations. MoJ prepared an Action Plan stating how all recommendations will be implemented. It has also submitted the progress reports on implementation of requests deriving from the Rules of Procedure on implementation of audit and action plans.

At the end of our 2019 audit, six recommendations have been implemented; one is partly implemented; and four have not been implemented.

For a more thorough description of the recommendations and the way they have been addressed, see Table 4.

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

Table 4 Summary of prior year recommendations and of 2019

No	Audit area	Recommendations of 2018	Actions undertaken	Status
1	AFS	The Minister should ensure that concrete actions are taken to address the causes systematically, to eliminate the weaknesses in managing information in contingency liabilities and to confirm the accurate assessment and disclosure of non-capital assets to the 2019 AFS	Management has implemented the recommendation relating to contingent liabilities while it failed to implement the recommendation regarding assets under €1,000. The recommendation regarding non-recording of assets is made in the subchapter of assets.	Partly implemented
A1	Lack of evidence for individual spending of the detention centres	The Minister should ensure that all organisational units keep accurate evidences and reports on the expenditures incurred in each unit/ detention centre so that the budget is prepared and spent as per initial planning	Management has managed to allocate the costs for each detention unit. We have not encountered such shortcomings during 2019.	Implemented
A2	Payment of a number of invoices in a single payment order (CPO)	In order to eliminate the possibility of double payment of invoices, the Minister should strengthen the financial discipline of the responsible persons and ensure that only one invoice is paid with a single payment order in order to have full control and accurate payment information of invoices	Management has managed to eliminate this shortcoming. We have not encountered any findings of this nature in the 2019 audit.	Implemented
B2	Deficiencies in payment process	The Minister should ensure the efficient functioning of mechanisms and financial controls in order to respect the steps set out in the applicable rules regarding the execution of payments	Management has not managed to implement this shortcoming. There are similar	Not implemented

			cases this year compared to 2018	
A3	Inadequate contract management	The Minister should ensure that contract managers have the necessary knowledge/training regarding the contract management, and should carry out a continuous monitoring of contracts from the moment of signing up to the termination of the contract in all its elements.	Management has taken the necessary steps to implement this recommendation since during 2019 all the tested contracts contained reports on their implementation	Implemented
A4	Inappropriate segregation of work duties	The Minister should set up proper controls in the segregation of duties and eliminate the possibilities so that same persons should not carry out a number of functions because the same may result in the conflict of interest.	Management has managed to eliminate this shortcoming by increasing control during the establishment of the evaluation commissions and the appointment of contract managers	Implemented
A5	Failure of EO to offer a guarantee	The Minister should ensure that guarantee conditions of services and supplies will be applied in conformity with contracts signed	Management has managed to eliminate this shortcoming by ensuring that all awarded EOs have provided the performance guarantee for the services and supplies provided.	Implemented
B3	Non-harmonisation of assets inventory reports with the e-asset	The Minister should ensure that the issue of assets registry management is improved before the end of the current fiscal year, so that the correct value of assets should be presented at the 2019 AFS. The asset inventory reports for 2018 and reconciliations with the accounting register	Management has failed to eliminate this shortcoming. The same situation is in 2019.	Not implemented

	programme data	should be considered as a starting point		
B4	Delays in meeting outstanding liabilities	The Minister should ensure that all operational activities of the Ministry are budgeted and should strengthen the financial discipline so that all confirmed obligations are carried out within the established legal timeframe	Management has failed to implement this recommendation as a whole, but it is worth mentioning that liabilities have decreased compared to last year.	Not implemented
B5	Poor management of information by State Advocacy	The Minister should consider the possibility of increasing the human capacities of State Advocacy and improve working conditions, and initiate a review of the functioning of the current database to determine the causes of its inefficient functioning, and should concurrently take necessary measures to improve the completion and management of the information of budget organisations	Management has made every effort and has managed to hire additional legal officials, to make the old database functional and to register the lawsuits with all the necessary information.	Implemented
B6	IAU recommendations only partially implemented	The Minister should increase the responsibility at all levels of the Ministry's management that recommendations from the audit are dealt with utmost care.	The management has not made sufficient efforts to implement the recommendations issued by IAU	Not implemented
No	Audit area	Recommendations of 2019		
A1	Non-reconciliation of revenues as required by the Financial Rule	The Minister should ensure that revenues are reconciled with the Treasury on a monthly basis, so that the Treasury has a true and fair view of the Ministry's revenues		
A2	Failure to return the convicted persons'	The Minister, i.e. the Director of the KCS, should ensure that after the completion of the convicted person's sentence, officers in charge of managing the convicted persons' money should return it to each person released from		

	deposits	prison.
A3	Employees contracts not in compliance with the Law on Labour	The Minister, i.e. the Director of the KCS should ensure that upon the successful completion of the probationary period, the employees' contracts are adjusted in accordance with the legal requirements
A4	Services delivered with an expired contract	The Minister and the Director of the KCS should ensure compliance with the duration of the framework contract in order to prevent services from being delivered based on expired contracts
B1	Shortcomings in payment processing	The Minister should ensure that the steps set out in the applicable rules regarding the execution of payments are adhered to so that during the payment process, the commitment of the funds is made first, then the purchase order is issued and finally the goods/services are accepted and payment is made
B2	Non-reconciliation of assets stocktaking reports with the records of E-assets program	The Minister should ensure that all assets under €1,000 are barcoded and recorded in the e-asset system so that the assets are complete and correctly presented in the AFR
B3	Delays in the execution of outstanding liabilities	The Minister should ensure that all outstanding liabilities are paid within the set legal deadline in order to avoid payments through enforcement procedures
B4	The addressing of IAU recommendations in an unsatisfactory level	The minister should ensure that the recommendations from the internal audit are followed by a formal monitoring and reporting process by the responsible units and that they are reviewed periodically to monitor their progress.

Annex I: Explanation of the Different Types of Opinion Applied by NAO

(extract from ISSAI 200)

Form of opinion

147. 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.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or 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 modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. 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, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express **an adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 170519 provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report

157. 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.

158. 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.

159. 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.

Annex II: Letter of confirmation

REPUBLIKA E KOSOVËS REPUBLIC OF KOSOVO QEVERIA E KOSOVËS/VLADA KOSOVA GOVERNMENT OF KOSOVO MINISTRIA E DREJTËSISË/MINISTARSTVO PRAVDE MINISTRY OF JUSTICE			
Nr. Nr. No: <u>02-369</u>			
Data/Donimi/Date: <u>05 / 05 / 20 20</u>			
Shikojta/Donimi/Annex: <u>-1-</u>			
PRISHTINE/PRISHTINE			



REPUBLIKA E KOSOVËS REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
DATE PRANILAP BEREZUAR S.K.J. PREGJEDHËSIA/DNC OR YMBËSHTO VORSHITË: <u>06.05.2020</u>			
Tëdhënia Org. Org. Jedin. Org. Unit.	Shifra klasif. Klasif. Kod Class. Code	Nr. Prot. Nr. Prot. Prot. No.	Nr. Fajdesha Nr. Fajdesha No. Pages
<u>03</u>	<u>47</u>	<u>566</u>	<u>1</u>

Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Drejtësisë – Ministarstvo Pravde - Ministry of Justice
Zyra e Sekretarit të Përgjithshëm-Kancelarija Generalnog Sekretara-Office of the Secretary General

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 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 Raportit/Pasqyrave Financiare Vjetore të Ministrisë së Drejtësisë, për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejshëm "Raporti");
- Pas koordinimit me Agjencitë në MD, pajtohem me të gjeturat 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 implementimin e tyre.



Z. Qemajl Mammakaj
 Sekretar i Përgjithshëm i Ministrisë së Drejtësisë,
 Data: 04. Maj, Prishtinë,