



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 INNOVATION AND ENTREPRENEURSHIP FOR
THE YEAR 2019

Prishtina, July 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 Innovation and Entrepreneurship in consultation with the Assistant Auditor General, Qerkin Morina, who supervised the audit.

The report issued is a result of the audit carried out by Arian Haxha (Team Leader) and Fatlinda Podvorica and Shqiponja Krasniqi (team members) under the management of the Head of Audit Department, Zukë Zuka.

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Executive Summary

This report summarises the key issues arising from our audit of Ministry of Innovation and Entrepreneurship (MIE) 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 have been prepared in accordance with legal requirements. Financial management and control - continues to be quite challenging for the Management of the Ministry of Innovation and Entrepreneurship (MIE). Additional actions for improvements are required especially in the area of subsidies, payment of liabilities and asset management.

Implementation of recommendations - Although MIE has implemented seven (7) of the 14 recommendations of 2018, a large number of recommendations remains unimplemented.

Opinion of the Auditor General¹

Unmodified Opinion

In our opinion, the MIE's Annual Financial Statements for the year ended 31 December 2019 *present a true and fair view* in all material respects.

For more details, see Chapter 1 of this report.

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.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the MIE 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 of 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.

Responsibility of Management for AFS

The Secretary General of MIE 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.

We appreciate the cooperation from the management and personnel of the Ministry during the audit process.

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

In the context of financial systems, controls over a range of areas of expenditure require further improvement to prevent possible irregularities. The main areas where more improvements are needed are budget execution in capital investments, management of subsidies/grants, classification of expenditures in appropriate economic codes and categories, and asset management.

2.1 Budget Planning and Execution

We have considered the sources of budget funds and spending of funds 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	11,167,520	5,090,088	2,351,312	46%	5,116,773	5,038
Government Grant - Budget	9,167,520	3,487,748	2,022,890	58%	5,116,773	5,038
PAK Revenues	2,000,000	1,602,340	328,422	20%	0	0

The final budget is lower than the initial budget by €6,077,432. This decrease is a result of budget cuts by Government decisions. In 2019, MIE spent only 46% of the final budget.

Explanations for the current position of expenditures are detailed below.

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

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	11,167,520	5,090,088	2,351,312	46%	5,116,773	5,038
Wages and Salaries	369,520	311,578	311,578	100%	208,863	0
Goods and Services	425,000	413,300	382,256	92%	260,443	5,038
Utilities	23,000	5000	4,063	81%	1,544	0
Subsidies and Transfers	6,350,000	1,896,700	930,656	49%	4,424,330	0
Capital Investments	4,000,000	2,463,510	722,759	29%	221,593	0

The following are budget cuts presented by category as a result of Government decisions on budget savings:

- The budget for Wages and Salaries compared to the initial budget was decreased by €57,942;
- The budget for Goods and Services (including Utilities) compared to the initial budget was decreased by €29,700;
- The budget for Subsidies and Transfers was decreased by €4,453,300. MIE cancelled the public call for financing of Small and Medium Enterprises (SMEs) in the field of Innovation and Entrepreneurship; and
- The budget for Capital Investments compared to the initial budget was decreased by €1,536,490, as procurement procedures were not initiated at all for some capital projects.

MIE has shown poor performance in terms of final budget execution (49%), this was mainly influenced by low budget execution in capital investments of only 29% of the final budget. The reason for the low budget execution in capital investments was mainly the non-initiation of procurement procedures by the requesting units as well as changes in senior management.

2.1.1 Wages and Salaries

The final budget for Wages and Salaries in 2019 was €311,578, which was fully executed. The number of employees by budget law was 52, whereas by the end of the year 2019 the current number of employees was 44.

We have tested 19 samples of €12,413 as part of substantive testing, and eight (8) samples as part of compliance testing.

We have no recommendations in this area.

2.1.2 Goods and Services

The final budget for Goods and Services (including Utilities) in 2019 was €418,300, of which €386,319 were spent. Those relate to official travel expenses abroad, representation expenses, rent for vehicles, contracting services, purchase of IT equipment, inventory, etc.

We have tested 24 samples of €59,158.72 as part of substantive testing, and seven (7) samples as part of compliance testing whereby we identified the following issues:

Issue A1 – Additional costs for payments by court decisions

Finding Law on Public Financial Management and Accountability, Article 39.1 stipulates that the 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 testing of two payments totalling €15,947, which were made based on court decisions, we noticed that MIE had paid €2,595 as additional costs for court procedures, enforcement and interest.

The reason for these payments were mainly for delays in paying liabilities. According to the responsible officials, on 24-26 January 2018, MIE organized a conference, but as there was no written agreement in place it was impossible to make the payment.

Impact The execution of payments based on court decisions damages the budget due to the payment of enforcement procedural costs, interest, taxes, etc.

Recommendation A1 The Minister should ensure that a detailed analysis is made for the reasons for execution of payments by court decisions, and take the necessary actions to address them in order to eliminate additional payments for court decisions.

2.1.3 Subsidies and Transfers

The final budget for Subsidies and Transfers was €1,896,700, of which €930,656 were spent in 2019. Those relate to financial support to NGOs to promote the development of innovation and entrepreneurship, as well as the financing of “Start-up” businesses in the field of Innovation and Entrepreneurship.

We have tested 55 samples of €168,359 as part of substantive testing, and seven (7) samples as part of compliance testing.

Our audit identified the following shortcomings:

Issue A2 - Failure to open Start-up businesses

Finding During 2019, the Ministry of Innovation and Entrepreneurship made payments for financing Start-up Businesses in the area of innovation and entrepreneurship.

According to Article 8 of the agreements concluded between MIE and the beneficiaries of Start-up grants, the starting of businesses as a business organisation must be done within six months from the signing of the contract. The contracts between MIE and the beneficiaries were signed on 04.09.2019 and payments were made to the private accounts of the beneficiaries. According to contract, the period to open businesses was six (6) months (until March 2020). Of 48 samples tested, in ten (10) cases, the beneficiaries of Start-up grants had not started any business at all. This situation was assessed at the time of audit process in July 2020. According to ministry, the reasons for such setback were due to reshaping of the Government and failure to clearly define the decision-making in this process. This issue will be monitored further in subsequent audits.

Impact Failure to open start-up businesses affects the non-fulfilment of the ministry’s objectives, and it has an impact on unreasonable and unjustified spending of funds.

Recommendation A2 The Minister should ensure adequate monitoring of the Start-up project in order to assess the ministry’s objectives. The situation this year requires a strict assessment, a clear definition of responsibilities in decision-making, in order to close the process of establishing businesses by beneficiaries, or otherwise funds should be returned.

Issue B1 - Non-reporting from beneficiaries of Subsidies and Transfers

Finding Based on the agreements concluded between MIE and the start-up subsidy beneficiaries, the beneficiaries should provide a quarterly narrative and financial report and the Final narrative and financial report on implementation of activities.

Of four cases tested for the beneficiaries of Start-up support, we found that three of them did not submit all evidence/invoices related to spending of funds or in accordance with the activities planned in the proposed budgets, while in one case, the beneficiary provided no evidence/invoice regarding spending of funds.

This was due to the unaccountability of the beneficiaries, although the Monitoring Commission sent to them written notices for non-submission of reports, invoices, and they were warned based on the agreement signed between MIE and beneficiaries for further measures in case of non-reporting. However, no punitive or other measures had been taken.

Impact Non-reporting of funds spent, lack of invoices and provision of invoices that do not prove that the funds were spent in accordance with the purpose intended for may result in deviations from the purposes of benefiting funds and loss of value for money spent.

Recommendation B1 The Minister should ensure that additional measures are taken to monitor the beneficiaries of NGOs and Start-ups in order to obtain valid evidence regarding the use of funds, in accordance with the purpose intended for. If these are not justified within the period defined in the contract, punitive measures should be taken against these beneficiaries.

2.1.4 Capital Investments

The final budget for Capital Investments was €2,463,510, of which €722,759 was spent. Those relate to construction and equipment of regional centres for innovation and entrepreneurship, supply of IT equipment for high schools, supply of laboratory equipment for development of innovative concepts for Universities, etc.

We have tested 12 samples of €722,758 as part of substantive testing, and one (1) sample as part of compliance testing whereby we identified the following issue. We have no recommendations in this area.

2.1.5 Common Issues on Goods and Services and Capital Investments

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

Issue A3 – Misclassification of expenditures

Finding

According to the Financial Rule 01/2013 on Public Funds Expenditure, Article 18 'Initiation of Expenditures', para 3, Expenditures must have adequate codes, defined by the Administrative Instruction for the chart of accounts.

Of 24 samples tested in Goods and Services, in four cases expenditures were recorded under inadequate economic codes within the category.

- Payment for inventory supply in amount of €7,212 is registered under the code 13610 Office supplies;
- Two payments for rent of building in amount of €8,800 were registered under the code 14150 Rent for other spatial uses, while they had to be registered under the code 14110 Rent for buildings; and
- Payment for the conference in amount of €9,202 (accommodation expenses, luncheons) is registered under the code 13620 Food and beverage supplies.

Of 12 samples tested in Capital Investments, in four cases the expenditures were recorded under inadequate economic codes within the category.

- Payment for supply of laboratory equipment for the project innovation and entrepreneurship centre in amount of €249,546 was registered under the code 31120 Business Administrative Buildings, while it should have been made from code 31690 Other Equipment;
- Payment for supply of equipment for the Innovation and Entrepreneurship Centre in UMIB - Mitrovica in amount of €8,800 is made in code 31120 Business Administrative Buildings, while it should have been made from code 31690 Other Equipment; and

- Payment for supply with inventory (tables and chairs) for Computer Laboratories in UMIB- Mitrovica in amount of €18,000 was made in code 31120 Business Administrative Buildings under Capital Investments, while the supply is non-financial assets under €1000 and should have been registered under Goods & Services in economic code 13501.

Impact Recording of expenditures under inadequate economic codes results in incorrect presentation and disclosure of expenditures in the AFS based on the realistic type of expenditure.

Recommendation A3 The Minister should ensure that the expenditures are recorded under the adequate economic codes and categories, as provided for by KFMIS chart of accounts, in order to present and disclose the accurate information for the financial reports users.

2.2 Capital and Non-capital Assets

Capital assets are not presented in AFS of the Ministry, whereas the amount of non-capital assets is €37,453, and of stock is €6,452.

Our audit identified the following shortcomings:

Issue B2 – Weaknesses in asset recording**Finding**

According to Regulation no. 02/2013 on Management of Non-financial Assets by Budget Organizations, capital assets must be registered in KFMIS, while stocks must be registered in the e-assets system.

Payments made from Capital Investments in amount of €944,351 (€722,758 in 2019 and €221,592 in 2018) were not recorded in KFMIS by MIE as assets, namely as ongoing investments, and they were not disclosed in the AFS. On 15.01.2020, they made a request to the respective municipalities for transfer and registration of assets in KFMIS for the completed projects for 2019:

- Construction of information technology cabinet in the school “Gjergj Kastrioti Skënderbeu” in Drenas;
- “Innovation and Entrepreneurship Centre in Ferizaj”;
- Construction of information technology cabinet in the school “Asim Vokshi” in Panorc, the Municipality of Malishevë;
- Regulation of the Innovative Multifunctional Facility in Shtime;
- “Innovation and Entrepreneurship Centre at the University of Mitrovica”; and
- “Innovation and Entrepreneurship Centre at the University of Prishtina”.

This was due to the lack of certification of the asset officer for the use of the KFMIS system, who was certified by MoF on 16/01/2020.

On the other hand, MIE has no stock register. In the AFS, stocks are presented in amount of €6,453, where according to the register provided by the asset officer, this is the value of non-capital assets which is in the warehouse. This happened because the Ministry had no access to e-assets system until the second half of 2019, and the invoices for consumables were before the date of the beginning of implementation of the e-assets system.

Impact

Failure to register capital assets, namely ongoing investments, in the accounting and stocks register results in a lack of accurate information about the assets of the ministry, making it impossible to effectively manage and control them.

Recommendation B2

The Minister should ensure that payments made for capital projects are recorded into KFMIS as ongoing investments until the end of the project, and, upon the final acceptance of the project, these ongoing investments are transferred to the municipality’s registers where the ownership belongs to. The Minister should also ensure that stocks are registered in the e-assets system as required by the regulation.

Issue B3 – Non-inventorying of assets in MIE

Regulation no. 02/2013 on Management of Non-financial Assets by Budget Organizations, Article 18 requires the budget organizations to carry out inventorying of non-financial assets at least once a year to verify and assess its actual situation. The inventory report should be made prior to the preparation of the annual financial statements.

MIE did not carry out inventorying of assets at the end of 2019 before the preparation of the AFS, although MIE established a commission for assets inventorying on 24.04.2019. The Commission completed the report on 29.05.2019, but not as required by the regulation at the end of the year, before the preparation of the annual financial statements.

Finding This was due to the poor functioning of internal controls.

Impact Failure to carry out the inventory process does not provide assurance on the physical existence of the assets purchased and prevents the accurate presentation of asset information in the AFS and their fair disclosure. This also has an effect on the proper management and control of the ministry's assets.

Recommendation B3 The Minister should ensure the establishment of an asset inventorying commission as provided by the financial rule on non-financial assets by budget organizations. The inventory process must be completed before the AFS are submitted, so that the inventory results are reflected in the annual reports.

2.3 Liabilities

2.3.1 Outstanding liabilities

The statement of liabilities towards suppliers in AFS at the end of 2019 was €14,488. The reason for non-payment of these liabilities was mainly the receipt of some late invoices, after the closure of the system. These liabilities are carried forward to be paid in 2020.

Issue A4 – Delays in payment of liabilities

Finding The Law on Public Financial Management and Accountabilities, Article 39, obliges the ministry to pay any valid invoice within 30 days from the date of receipt of the invoice or demand for payment.

In four cases MIE paid the invoices/liabilities to suppliers totalling €259,834 after the statutory deadline of 30 days. Delays ranged from 2- 134 days.

This is because MIE did not implement internal control procedures for payment processing.

Impact Delays in payments increase the risk of incurring liabilities without budget cover or facing court disputes, incurring also additional costs and budgetary difficulties for subsequent years.

Recommendation A4 The Minister should ensure that all payments are made within 30 days after receipt of the invoice as provided by Article 39 of the Law on Public Financial Management and Accountability.

2.3.2 Contractual obligations

The contractual obligations, based on the MIE reports, is €18,688.

The contractual obligations concern contracts for goods and services, which are over one year and which have not ended yet.

2.4 Internal audit function

The internal audit system is a key part of internal control. We consider the scope of internal audit work and the activities of the audit committee. Public sector entities should establish an independent IAU if they meet the criteria set out in Regulation 01/2019 on the Establishment and Functioning of Internal Audit in the Public Sector Entities or ensure to obtain services from other IA units.

MIE has not established IAU during 2019, however, due to merging of MIE with another ministry, we have no recommendations in this area.

3 Progress in Implementing Recommendations

Our Audit Report on the 2018 AFS resulted in 14 recommendations. The MIE prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2019 audit, seven (7) recommendations were implemented, one (1) was under implementation, three (3) were not implemented, and three (3) are considered closed as unimplemented.

The MIE did not submit the Progress report on implementation of recommendations (30th of September and 15th of March) under requests deriving from the Rules of Procedure on implementation of audit and action plans.

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

Table 4 Summary of prior year recommendations and of 2019

No	Audit area	Recommendations of 2018	Actions undertaken	Status
1	AFS	<p>The Minister should ensure that payments made for the project of the Regional Centre for Innovation and Entrepreneurship in Ferizaj, are recorded in KFMIS as ongoing investments until the end of the project, and upon final acceptance of the project, these ongoing investments shall be transferred to the registers of the Municipality, to which the ownership belongs.</p> <p>The Minister should also ensure that, immediate actions are taken to ensure access to e-asset system and appointing an officer responsible for assets, so that, all non-capital assets of the Ministry are regularly recorded and maintained, and as such presented fairly in the AFS.</p>	No action was taken to implement this recommendation.	Unimplemented
2	Budget Planning and Execution	The Minister should review the reasons related to non-execution of the budget and take corrective action in the areas where projects had failed to be implemented. Budget performance should be	No action was taken to implement this recommendation.	Closed unimplemented

		subject to regular review and monitoring by the Management.		
3	Wages and Salaries	The Minister should ensure that are taken actions to fill vacant positions with regular staff and not through special service agreements, while the latter should be applied only for specific works/services which are not foreseen as regular posts.	MIE has addressed this recommendation by advertising vacancies for regular positions and has not accepted staff with SSA during 2019.	Implemented
4	Goods and Services	The Minister should ensure that are established effective controls over the management of advance payments for official travel, so that officials are responsible on justifying funds on time, and return unspent funds in the account within the legal deadline.	We encountered no such cases during 2019.	Implemented
5	Goods and Services	The Minister should ensure that the use of advance payments for official travel for unauthorized purchases shall not be repeated in any other case.	We encountered no such cases during 2019.	Implemented
6	Goods and Services	The Minister should review the case of these payments and confirm whether the payments were made for works outside regular working hours, otherwise, the money should be returned to the Ministry's budget.	We encountered no such cases during 2019.	Implemented
7	Subsidies and Transfers	The Minister should increase accountability towards evaluation commissions of NGOs, to ensure that evaluation of applications is done responsibly and objectively, in accordance with the criteria set and other legal requirements.	We encountered no such cases during 2019.	Implemented
8	Subsidies and Transfers	The Minister, just as in the abovementioned recommendation, should establish rigorous controls over the process of evaluation of applications for funding Start Up businesses, so that selection of beneficiaries is done based on objectives of the call for funding, in	We encountered no such cases during 2019.	Implemented

		line with relevant administrative instruction of the Ministry.		
9	Subsidies and Transfers	The Minister should take immediate actions and stop such practices, by establishing effective oversight mechanisms over financial the evaluation process of financial support for Start Ups, and ensure that the evaluation commissions carry out duties with high responsibility. In cases when funding was unacceptable expenditure, such as purchasing of the commercial vehicle, the benefited funds should be returned to the budget of the Ministry.	Regarding evaluation, mechanisms have been put in place, while monitoring remains challenging for the MIE.	Partly implemented
10	Subsidies and Transfers	The Minister should ensure that are undertaken additional measures towards monitoring NGOs and Start Up beneficiaries, to obtain valuable evidence regarding the use of funds in accordance with the purpose given. If these funds are not justified within the period defined in the contract, punitive measures should be taken against these beneficiaries.	No action was taken to implement this recommendation.	Unimplemented
11	Capital Investments	The Minister should take actions for appointment of an oversight officer of the project "Innovation and Entrepreneurship Centre", and in cooperation with the Municipality, ensure that project implementation at the shortest time possible, so that this centre may start operating. In addition, to ensure that items paid but not completed are finalized in accordance with the contract, on the contrary, for unfinished works to demand returning of the budget of the Ministry.	The Ministry has appointed the supervisory officer for this project.	Implemented
12	Capital and non-capital assets	The Minister should ensure establishment of an assets inventorying commission as foreseen under the financial rule on non-financial assets in the BO. The inventorying process should	No action was taken to implement this recommendation.	Unimplemented

		be completed before the submission of the 2019 AFS, so that inventorying results are presented in Statements.		
13	Internal Audit Function	The Minister should ensure that are taken actions so that internal audit services are obtained through establishment of the IAU within the Ministry or from another budget organization.	No action was taken to implement this recommendation; however, due to the merging of this ministry with another ministry it is considered closed.	Closed unimplemented
14	Management Reporting, Accountability and Risk Management	The Minister should ensure that a review has been carried out to determine the form of financial and operational reporting to the senior management, and budget progress, including expenditures and procurement plan, in order to be subject to regular reporting and review by the management. Furthermore, in order to reduce the impact of risks to acceptable levels, the Ministry should draft a risks register with all appropriate measures/actions to put the threats exposed under control.	No action was taken to implement this recommendation; however, due to the change in the format of the audit report, it will not be repeated.	Closed unimplemented
No	Audit area	Recommendations of 2019		
1	Goods and Services	The Minister should ensure that a detailed analysis is made for the reasons for execution of payments by court decisions, and take the necessary actions to address them in order to eliminate additional payments for court decisions.		
2	Subsidies and Transfers	The Minister should ensure adequate monitoring of the Start-up project in order to assess the ministry's objectives. The situation this year requires a strict assessment, a clear definition of responsibilities in decision-making, in order to close the process of establishing businesses by beneficiaries, or otherwise funds should be returned.		
3	Subsidies and Transfers	The Minister should ensure that additional measures are taken to monitor the beneficiaries of NGOs and Start-ups in order to obtain valid evidence regarding the use of funds, in accordance with the purpose intended for. If these are not justified within the period defined in the contract, punitive measures should be taken against these beneficiaries.		

4	Common Issues on Goods and Services	The Minister should ensure that the expenditures are recorded under the adequate economic codes and categories, as provided for by KFMIS chart of accounts, in order to present and disclose the accurate information for the financial reports users.
5	Capital and Non-capital Assets	The Minister should ensure that payments made for capital projects are recorded into KFMIS as ongoing investments until the end of the project, and, upon the final acceptance of the project, these ongoing investments are transferred to the municipality's registers where the ownership belongs to. The Minister should also ensure that stocks are registered in the e-assets system as required by the regulation.
6	Capital and Non-capital Assets	The Minister should ensure the establishment of an asset inventorying commission as provided by the financial rule on non-financial assets by budget organizations. The inventory process must be completed before the AFS are submitted, so that the inventory results are reflected in the annual reports.
7	Outstanding Liabilities	The Minister should ensure that all payments are made within 30 days after receipt of the invoice as provided by Article 39 of the Law on Public Financial Management and Accountability.
		<i>This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.</i>

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
Republika Kosova-Republic of Kosovo
Qeveria - Vlada - Government

Ministria e Ekonomisë dhe Ambientit
Ministarstvo Ekonomije i Zivotne Sredine
Ministry of Economy and Environment



Zyra e Sekretarit të Përgjithshëm/Kancelarija Generalnog Sekretara/Office of the General Secretary

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 të Ministrisë së Inovacionit dhe Ndërmarrësisë për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejme "Raporti");
- 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. Mentor Sylmeta, Sekretar i Përgjithshëm, Ministria e Ekonomisë dhe Ambientit

Përfaqëson: Ministrinë e Inovacionit dhe Ndërmarrësisë

Data: 28/07/2020 Prishtinë

