



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY
OF COMMUNITIES AND RETURNS 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 Communities and Returns* 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 *Kreshnike Haziri, Team Leader* and *Valbona Tolaj* and *Lumturije Sopi, 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 Communities and Returns 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

Annual Financial Statements of MCR for 2019 related to budget execution and disclosures are complete and accurate and the AFS preparation process is in compliance with the applicable legislation, except for payments made to Serbian community employees without any work attendance (addressed in the audit opinion).

We consider that internal controls should be strengthened so that particular attention is paid to areas where improvements are still required, in order to prevent irregularities on expenditures which are constantly repeated.

We found that the Ministry has not made sufficient efforts to implement last year's recommendations. Same issues have been repeated constantly mainly regarding planning of capital projects, assets management, shortcomings in subsidies. By the end of our audit, out of eight (8) last year's recommendations, only one (1) was implemented, two (2) were partly implemented and five (5) were not implemented.

Opinion of the Auditor General¹

Unmodified Opinion with Emphasis of Matter

The Annual Financial Statements for the year ended in 31 December 2020 give a true and fair view in all material respects.

Emphasis of Matter

We would like to draw your attention to the fact that the Ministry paid €98,362 to 20 employees without any work attendance. It also made payments of €102,861 from inadequate economic categories.

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. Management's responses to audit outcomes can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the Ministry of Communities and Returns (MCR) 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.

1. 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 auditee. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We would like to draw your attention to the fact that:

- Pursuant to Decision no.06/39 dated 22.07.2015, the Government of Kosovo has approved the agreed conclusions on dismantlement of the so-called Civilian Protection, which has been functioning in the northern municipalities of Kosovo, and shall comply with the commitments outlined thereon. Ministries and respective agencies are thereby obliged to implement the conclusions under legal liability. MCR was obliged to integrate 21 employees for Serbian community. In 2019, 20 persons were hired, whilst one had resigned. The said officers did not report to work during 2019, whilst the Ministry has regularly paid their salaries for 2019 in a total of €98,362.

The reason behind this was failure to create appropriate work conditions, poor control and Ministry's management's failure to monitor them.

- Law no. 06-L-133 on the Budget of the Republic of Kosovo stipulates that expenditures should incur from adequate economic categories.

Through budget planning, the Ministry paid from and recorded expenditures in inadequate economic categories. Payments were made from Capital Investments category for goods and services. In 11 cases, capital expenditures of €91,442 were paid as capital transfers to the account of non-governmental organization Danish Refugee Council (DRC) for the payment of rent to Roma, Ashkali and Egyptian returnees.

According to the Ministry, this was due to inefficient budget in the respective categories.

- Direct payments have been made from Subsidies based on the Execution Order CP.no 1285/17 on execution of the decision regarding unpaid salaries of €6,572. Moreover, the amount of €4,847 was paid from Subsidies for the credit card, which falls under the category of Good and Services. According to the Ministry, it has not been previously informed by Treasury on this issue.

Our opinion has not been modified in this respect.

Responsibility of Management for AFS

The Secretary General of the Ministry 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. The management is also responsible for establishing internal controls which the management determines are 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.

Recommendations related to Annual Financial Statements

Recommendation B1 ²Minister should examine the reasons behind non-attendance of staff, solve the problem with their regular employment, or stop the irregular payments of their salaries. Due to the complexity of this problem, the Minister is recommended to address this issue to the Government.

Recommendation A1 Minister should ensure that all actions are taken so that expenditures are planned under adequate budget lines (or reallocated) and that payments and recording of expenditures are strictly made under adequate budget codes.

² Issue A and Recommendation A implies new issues and recommendations
Issue B and Recommendation B implies repeated issues and recommendations
Issue C and Recommendation C implies partly-repeated issues and recommendations

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

Ministry of Communities and Returns makes efforts to eliminate weaknesses it constantly faces for the consistent implementation of rules and statutory obligations. However, despite this, Ministry's internal controls are not operating satisfactorily, shortcomings are identified in the spending of funds from Capital Investments, Subsidies and Transfers, as well as in asset management.

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 ³	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds	7,543,153	7,564,215	7,306,316	97%	8,223,450	4,566,688
Government Grant – Budget	6,543,153	6,564,215	6,351,680	97%	8,233,450	4,566,688
Revenues AKP	1,000,000	1,000,000	954,636	95%	-	-

The final budget was higher than the initial budget by €21,062. This increase is a result of Government's Decision no.03/155, dated 17.12.2019.

In 2019, MCR spent 97% of the final budget or €7,306,316, same as in 2018 (97%).

³ 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	7,543,153	7,564,215	7,306,316	97%	8,223,450	4,566,688
Wages and Salaries	849,501	870,563	870,563	100%	878,955	772,801
Goods and Services	376,652	376,652	364,825	97%	378,695	344,740
Utilities	17,000	17,000	10,838	64%	8,378	9,745
Subsidies and Transfers	300,000	300,000	288,325	96%	299,925	290,000
Capital Investments	6,000,000	6,000,000	5,771,765	96%	6,657,497	3,149,402

Explanations for changes in budget categories are given below:

The difference between the initial and final budget for Wages and Salaries was €21,062, which was increased by Government Decision no.03/155, dated 17.12.2019 following the increase in number of deputy ministers and their accompanying staff in the Minister's Cabinet.

2.1.1 Wages and Salaries

MCR's final budget for Wages and Salaries was €870,563. The number of employees approved with the budget was 120, whilst by the yearend, the number of employees was 118. During 2019, no new staff was employed. We tested 17 samples of €9,917 as part of substantive testing, and eight (8) samples as part of compliance testing.

The issue related to payments made for staff without any attendance at work is presented in the Emphasis of Matter under Chapter 1 – Audit Opinion.

2.1.3 Goods and Services

The final budget for Goods and Services, and Utilities in 2019 was €393,652, out of which €375,663 were spent. Those mainly relate to fuels, maintenance of the facility, official travel, utilities, and various supplied. We have tested 10 samples of €59,631 as part of substantive testing, and five (5) samples as part of compliance testing.

2 - Errors in closing advance payments from credit card

Finding Article 1 of Administrative Instruction no.04/2009 stipulates that in the case of official travel the requests for cash/advance payments are reduced for the purpose of cash management and strengthening public internal financial control. In this regard, credit cards are used for official travels abroad according to Administrative Instruction no.2004/7. For an official travel to United States of America, dated 02.08.2020, the amount of €580 was spent through the credit card for unofficial activities. Similar expenditures of €296 were made during an official travel to Austria.

According to the credit card's user, this was as a result of a procedural error. The Ministry has taken measures and the amount of €258 has been returned, whilst the rest is in the process of correction. This has occurred as a result of failure to check the content of invoices and to identify expenditures.

Impact Identified errors in closing of advance payments have resulted in irregular payments.

Recommendation A2 The Minister should ensure that reasonable evidence on official travel has been obtained when closing advance payments. He should provide for additional controls over the acceptance of invoices and execution of payments, in order to prevent such practices from repeating in the future.

2.1.4 Subsidies and Transfers

The final budget for Subsidies and Transfers was €300,000, out of which €288,325 were spent in 2019. Those relate to subsidizing of natural and legal persons for the development and adjustments of communities. We have tested eight (8) samples of €35,048 as part of substantive testing, and five (5) samples as part of compliance testing.

Issue C1 - Poor management of and reporting on beneficiaries

MCR's guide no. 2431 on subsidising of projects, Section 7.1, which serves as a legal basis for granting subsidies, does not contain specific and clear criteria for natural persons applying in the agricultural sector. In four tested cases of €15,859 for this type of projects, the Ministry did not set clear criteria and procedures for subsidising projects, and has therefore not requested evidence and accompanying documentation other than the filled out application form. In three cases of subsidised projects, selected beneficiaries did not provide evidence, such as tax invoices and receipts blocks, which contain the main element of the document which is the seller's fiscal number as required by applicable laws. In this regard, Ministry has decided that from now on 20% of the total value will be paid following provision of complete reasoning. However, this remains to be checked in the following year's audit. Meanwhile, in two of the above tested cases, project beneficiaries had not provided notarised contracts for purchases made.

All this was a result of beneficiaries lack of responsibility and MCR failure to monitor. Subsidising of agriculture sector was not regulated in the Administrative Instruction, thus resulting in the presented issues (lack of evidence and accompanying documentation).

Impact

Failure to set specific criteria for each subsidised area, irregular tax invoices, signing of non-notarised contracts, and undocumented payments leads to the risk that Ministry may pay for activities that do not comply with Ministry's objectives and that public funds are irrationally spent. Insufficient monitoring of projects may undermine their use for the intended purpose.

Recommendation C1 The Minister should undertake needed actions to identify criteria and establish key controls, which would facilitate the subsidies monitoring process.

2.1.5 Capital Investments

The final budget for Capital Investments was €6,000,000, out of which €5,771,764 were spent in 2019. Those mainly relate to construction of houses for returnees, supply with construction material, construction of local roads for communities, furniture for the built houses, construction of schools, and capital transfers for the purpose of improving the returnees welfare. We have tested 99 samples of € 4,755,817 as part of substantive testing, and 5 samples as part of compliance testing.

Issue B2 – Poor planning of capital projects

Finding The Guideline for budget planning and process, issued by the Ministry of Finance requires all budget organisations to make an in-depth analysis of proposed capital projects.

The MCR conducted poor planning of capital projects. In Table 3.2 of the Law on Budget, there were three projects planned under capital projects for central level. These projects were neither specified nor detailed, yet there was given a general description and financial value. The planned projects were: Returning and Reintegration of Communities – phase 4 (RRC-IV-) in the amount of €1,000,000; Return Project (Construction of houses to return) in the amount of €2,150,000; and Community Project in the amount of €2,850,000. The projects do give a description of the exact activities, amounts allocated to municipalities, number of beneficiaries, and other details.

During 2019, the Ministry entered into 18 contracts not included in the annual procurement plan.

Management explanation was that it is difficult to define the specifics and requirements regarding these projects, because much of the information is not known during budget planning. Although the substantive part of activities related to these projects is known, detailed analysis before proposing these projects seems to have been neglected.

Impact Poor planning of capital projects undermines their execution in all adequate economic components. This increases the risk that Ministry may not spend the funds efficiently and Ministry's objectives may not be achieved.

Recommendation B2 The Minister should ensure that, before planning capital projects, in-depth analyses are made by planning and precisely specifying all project components with all the necessary details and have them included in the budget plan.

Issue B3 – weaknesses in projects management process

Finding Rules and Operational Guidelines for Public Procurement, Article 61.20, stipulates that project managers should ensure that the economic operator meets all performance or delivery obligations in accordance with the terms and conditions of a contract.

During 2019, there were built 62 houses and 732 have been supplied with construction material in a total of €4,537,828.

In examining the project for Construction of Houses for Returnees, we conducted a physical verification of five houses on 28.05.2020 which were built by MCR for the return of displaced communities.

We found the following:

The constructed house of 95 m2 in the village of Uglarë, Graçanicë, was not ready for habitation, although the technical acceptance was made on 31.10.2019. According to the homeowners, the reason behind this was that the lime works were carried out during 2020. The house was not ready for habitation also due to the fact that the power supply connection was not functional.

On the other hand, out five examined houses, only one was being inhabited by the beneficiary, whilst the others were not although they were completed. Such circumstances lead to uncertainty that such beneficiaries are left out of the category of persons for assistance from the MCR.

The reasons for not living in the finished houses are not known for the Ministry, whilst technical acceptance of houses still not functional occurred as a result of acceptance of unfinished works by the contract managers.

Impact

Signing of reports by contracts managers before contracted works are finished increases the risk that investments planned for certain objectives are not accomplished and that value for money spent is not achieved.

Recommendation B3 The Minister should analyse the situation created regarding the construction of houses and the fact that they are not inhabited, by strictly assessing the needs of beneficiaries who meet all the criteria of the Regulation on assistance from the ministry. On the other hand, he should provide for as more effective supervision of projects as possible in order to ensure that works are executed in accordance with the contract terms.

Issue B4 – Shortcomings in the development of procurement procedures

Finding Article 28 of the Law on Public Procurement stipulates that technical specifications of work contracts should include the prepared executive project as a substantial part of it.

MCR developed procurement procedures for projects: Asphalting the road in village Jasenovik, Novobërdë; Supply with and installation of video surveillance system; Construction of playground Crkolzez, Istog; and Construction of road in Shillovë, for which no executive projects were prepared.

This was because the respective municipalities had only provided conceptual projects rather than executive project. Procurement office had, in this case, developed the procurement process.

Impact Development of procurement procedures in lack of executive projects increases the risk that the project may not be implemented according to the recognised construction standards thus leading to failure to obtain value for the money spent.

Recommendation B4 The Minister should provide for additional controls in order to ensure that Procurement Office will refrain from initiating procurement procedures for works contracts without having the executive projects submitted beforehand.

2.2 Capital and non-capital assets

The amount of capital assets presented in AFS was € 15,597,739, that of non-capital assets was €97,239, and of stock was €18,828. We have tested 100 samples of € 2,200,812 as part of substantive testing, and three (3) samples as part of compliance testing.

Issue C2 – Shortcomings in Assets Management

Finding Regulation no.02/2013, Article 19, section 4.7, stipulates that a general report should be prepared based on individual reports of Non- financial Assets Inventorying Commission in the convenient time before the annual financial statements are prepared. Stocktaking report should include the physical condition of non- financial assets, their storing conditions as well as remarks related to type of ascertained differences and damages. According to Article 19, the non-financial assets stocktaking commission shall be a temporary body established by the Chief Administrative Officer of the budget organisation.

Assets stocktaking commission of MCR was established in early 2016 (was not reappointed). The commission has therefore conducted the non-financial assets stocktaking as required in Regulationno.02/2013, Article 4. There were discrepancies between the assets stocktaking forms and assets register, as any payment made from Capital Investments is registered as an asset, despite not meeting the asset criteria e.g. transfer to the International Organization for Migration (IOM).

In asset registers over €1,000, there are still projects that have been completed (construction of houses) and do not belong to the MCR, yet are included in the asset register. According to the Ministry's report, during 2019 there were a total of 54 facilities in the amount of €2,911,729 included in the asset register. According to financial rules, the financing budget organisation should register the transaction in the category of ongoing investment until the asset due, and then transfer it to the beneficiary/owner. The total value of these investments was €15,547,703.

MCR has been supplied with air conditioners of €980, which were not recorded in the e-assets system.

This was due to stocktaking commission's neglect to record the assets and failure to compare the balance in the assets register to their factual situation.

Impact

Lack of a final report on assets stocktaking hampers confirmation on assets existence. Recording of expenditures in the assets register as ongoing investments for finished projects leads to overstatement of MCR assets.

Recommendation C2 The Minister should ensure that competent and professional officers are appointed as members assets evaluation and stocktaking commission, who would enable a complete stocktaking in accordance with statutory requirements. In addition, completed investments registered in the asset register as ongoing investments at the moment the capital project ends, should be transferred to the beneficiaries and written off the asset register.

2.3 Liabilities

2.5.1 Outstanding liabilities

By the end of 2019, Ministry did not have any carried-forward liabilities to be paid in 2020.

2.5.2 Contingent liabilities

Ministry on Communities and Returns did not have any contingent liability presented in the AFS.

2.5.3 Contractual obligations

The value of contractual obligations at the end of 2019 in MCR was €42,871. This contract was related to the construction of a physical education hall in the primary school "Trajko Peric" in Municipality of Ranilug.

2.4 Internal audit function

The Internal Audit Unit (IAU) operates with two members of staff - the director and one auditor. According to the audit director, this structure is considered insufficient to fulfil the audit objectives and plan for the following year.

The IAU has prepared the annual audit plan and the strategic plan 2019-2021. The audit focused on the Ministry's operations during 2019. There were planned and conducted seven (7) audits. The reports thereof resulted in 26 recommendations, of which 22 have been implemented and four (4) are in the process of implementation.

The main areas covered for the audit were: asset management; project management and monitoring; finance; and procurement.

MCR has established the audit committee and 4 meetings were held during 2019.

We have no findings to present in this area.

3 Progress in Implementing Recommendations

Our Audit Report on the 2019 AFS of MCR resulted in 8 recommendations. MCR prepared an Action Plan stating how all recommendations will be implemented.

The Ministry submitted the Progress report on implementation of recommendations as required by the Rules of Procedure on implementation of audit and action plans.

By the end of our 2019 audit, one recommendation was implemented, two were partly implemented, and five have not been addressed at all.

Table 4 Summary of prior year recommendations and of 2018

No	Audit area	Recommendations of 2018	Actions undertaken	Status
1	AFS	<p>The Minister should undertake all actions to ensure regular attendance of these employees by carrying out continuous monitoring as provided for by legal acts.</p> <p>The Minister should also take all necessary actions to ensure the transfer of ownership of capital assets to the municipalities for completed projects, and full presentation of non-capital assets in the AFS.</p>	<p>Continuous monitoring was not done as foreseen by legal acts; situation continues to be the same.</p> <p>Ongoing investments continue to appear even for the houses completed during this year, the transfer of ownership of the capital property has not been done.</p>	Unimplemented
2	Planning of projects	The Minister should ensure that a detailed assessment is carried out in advance for capital projects by carefully planning and specifying all project components with all the necessary details during the planning process, and then integrate them in the budget plan.	Situation is not improved. Only three projects have been planned in Law on Budget 2019.	Unimplemented
3	Wages and Salaries	The Minister should increase monitoring and strengthen the discipline on work attendance. In relation to the above mentioned payment we recommend to the management to review legal basis for this payment and if there are no valid reasons for execution of this payment, the amount of paid money shall be	This is about Serbian community employees who do not report to work; modification of	Unimplemented

		reverted to the Ministry's budget.	last year's opinion.	
4	Goods and Services	The Minister should strengthen internal controls and request from responsible officials to strictly adhere to the procedures, starting from initiation of the expenditures to the final execution of the payments.	Application of payment procedures has been requested.	Implemented
5	Subsidies	The Minister should ensure that the Regulation requirements on Subsidies are applied consistently in all cases, including the process for monitoring implementation of the projects, and the process for reporting of expenditures.	No steps have been taken to address this recommendation.	Unimplemented
6	Capital investments	The Minister should ensure more effective project monitoring to assure that the execution of the works is carried out in accordance with the terms of the contract, and that the payments are made only for the works or services provided.	Controls over project supervision have been increased, but it has been noticed that this year as well, payment was made before completion of the house.	Partly implemented
7	Capital investments	The Minister should intensify controls to ensure that the procurement office will not initiate procurement procedures for employment contracts without the executive project.	No actions are taken to address the recommendation.	Unimplemented
8	Non-capital assets	The Minister should ensure that all purchases are recorded in adequate asset registers, for the register of assets under €1,000 is accurate and complete.	Actions have been taken to address this recommendation, by registering assets, but it has been observed that purchases made during the year have not been registered.	Partly implemented
N o	Audit area	Recommendations of 2019		
1	AFS	Minister should examine the reasons behind non-attendance of staff, solve the problem with their regular employment, or stop the irregular payments of their salaries. Due to the complexity of this problem, the Minister is recommended to		

		address this issue to the Government.
2	AFS	Minister should ensure that all actions are taken so that expenditures are planned under adequate budget lines (or reallocated) and that payments and recording of expenditures are strictly made under adequate budget codes.
3	Goods and Services	The Minister should ensure that reasonable evidence on official travel has been obtained when closing advance payments. He should provide for additional controls over the acceptance of invoices and execution of payments, in order to prevent such practices from repeating in the future.
4	Subsidies and Transfers	The Minister should undertake needed actions to identify criteria and establish key controls, which would facilitate the subsidies monitoring process.
5	Capital Investments	The Minister should ensure that, before planning capital projects, in-depth analyses are made by planning and precisely specifying all project components with all the necessary details and have them included in the budget plan.
6	Capital Investments	The Minister should analyse the situation created regarding the construction of houses and the fact that they are not inhabited, by strictly assessing the needs of beneficiaries who meet all the criteria of the Regulation on assistance from the ministry. On the other hand, he should provide for as more effective supervision of projects as possible in order to ensure that works are executed in accordance with the contract terms.
7	Capital Investments	The Minister should provide for additional controls in order to ensure that Procurement Office will refrain from initiating procurement procedures for works contracts without having the executive projects submitted beforehand.
8	Capital and non-capital assets	The Minister should ensure that competent and professional officers are appointed as members assets evaluation and stocktaking commission, who would enable a complete stocktaking in accordance with statutory requirements. In addition, completed investments registered in the asset register as ongoing investments at the moment the capital project ends, should be transferred to the beneficiaries and written off the asset register.

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

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

Република Косово • Republic of Kosovo

Qeveria • Влада • Government

**Ministria për Komunitete dhe Kthim • Министерство за заједнице и повратак •
Ministry of Communities and Return**

POTVRDNO PISMO

O saglasnosti sa nalazima Generalnog Revizora na Izveštaju revizije za 2019 godinu kao i za sprovođenje preporuka

Za: Nacionalnu Kancelariju Revizije:

Poštovani,

Preko ovog psima, potvrđujem da:

- sam primio nacrt izveštaja Nacionalne Kancelarije Revizije o Reviziji Finansijskih Izveštaja Ministarstva za Zajednice i Povratak za godinu završno sa 31 decembrom 2019 (u daljem tekstu "Izveštaj");
- se slažem sa nalazima i preporukama i nemam neki komentar u vezi sa sadržajem izveštaja; i da ću
- u roku od 30 dana od prijema Završnog izveštaja, dostaviti akcioni plan za sprovođenje preporuka, koji će uključiti vremenske rokove i osoblje koje je odgovorno za njihovo sprovođenje.

g. Dalibor Jevtić

Ministar MZP

Datum: 10.07.2020. Pristina,

