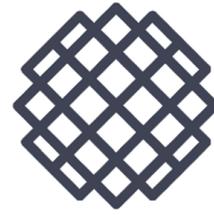




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE
MINISTRY OF JUSTICE FOR YEAR 2020

Prishtina, July 2021

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Note:

This audit report has, for the first time, been generated through the audit management electronic platform SITA. We are also using the new audit report template this year in accordance with the updated financial and compliance audit methodology. For the first time, the report includes a separate compliance audit conclusion.

We are well aware that having to apply all these new features at once and in extraordinary circumstances of a pandemic we might have unwillingly missed any omission. Therefore, we would like to apologise in advance and thank you for your understanding.

To: Albulena Haxhiu, Minister of Justice
Address: Ndërtesa e ish Rilindjes, Prishtinë, Republika e Kosovës

1 Audit Opinion

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

Unmodified opinion on annual financial statements

We have audited the annual financial statements of Ministry of Justice (MoJ) which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including a summary of important accounting policies and other reports² for the year ended as at 31 December 2020.

In our opinion, the annual financial statements of Ministry of Justice give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for opinion

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

Audit Conclusion on compliance

We have also audited the Ministry of Justice's management compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

¹ Compliance with authorities – compliance with all the public sector laws, rules, regulations, and relevant standards and good practices

² Other reports as required in Regulation no.01/2017 on Annual Financial Report, Article 8

In our conclusion, except for the matters described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of Ministry of Justice's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

Basis for Conclusion

- A1 The Fiscal Emergency Package approved by Government Decision no. 01/19 dated 30.03.2020 provides for the payment of an allowance of €300 for field workers who are directly exposed to the risk of infection at work, but not for all staff of the Institution. In this regard, we have noticed that KCS paid €111,900 for Covid-19 allowances for administrative staff for April and May 2020 not in accordance with the Government's Decision (see Issue A1).
- A2 The Institute of Forensic Medicine (IFM) remunerated the doctors and forensic science technicians in the payment of March 2020 for their readiness, in the total amount of €2,647. This was made based on the Sectoral Collective Agreement, which stipulates that the remuneration ceiling can be up to €1,584 (see Issue A2).
- B1 Despite the last year's recommendation, in nine payments of €209,344 for goods and services, we found that the commitment and purchase order was made after having received the invoice, which is against the Financial Rule No. 01/2013, namely Article 18 and 22 (see Issue B1).
- B2 From the 10 samples tested, we found that 7 invoices of €38,642 were not paid within the legal deadline. The delays were over 30 days (see Issue B2).

For more details, see sub-chapter 2.1. Issues with impact on compliance conclusion.

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

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

Secretary General and the Chief Financial Officer are responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, Secretary General and the Chief Financial Officer are responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material

misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

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

Management's Responsibility for Compliance

Ministry of Justice's management is also responsible for the use of Ministry of Justice's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.³

Auditor General's Responsibility for the audit of AFS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our objective is also to express an audit conclusion on compliance of respective Ministry of Justice's authorities with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee.

As part of an audit in accordance with the Law on NAO and ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve

³ Collectively referred to as compliance with authorities

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry of Justice's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

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

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations

During the audit, we have identified areas of possible improvement, such as revenues, wages and salaries, goods and services that are presented for your consideration below in the form of findings (as shown in Graphic 1 below) and recommendations. We will follow up these recommendations during next year's audit.

Chart 1. Type of findings by economic categories⁴



We have also reviewed the status of previous year's recommendations and conducted an assessment on the extent of their implementation [for details, please see Chapter 4]

⁴ Issue A and recommendation A – means new issues and recommendations
Issue B and recommendation B - means repeated issues and recommendations
Issue C and recommendation C - means partly repeated issues and recommendations

2.1 Issues with impact on the compliance conclusion

Issue A1 - Payment of allowances to the administrative staff of the Kosovo Correctional Service, without proper legal support

Finding

The Government of Kosovo, through Decision No.01/19 dated 30.03.2020, has approved the Fiscal Emergency Package which provided for allowances of €300 for field workers who are directly exposed to the risk of infection at work, but not all staff of the Institution. With this decision, the government authorized the MoF to issue an emergency fiscal package which defined the criteria and all the specifics necessary for the implementation of the decision, as well instructions on who could benefit from this package.

During the audit we found that administration staff of the KCS were part of the list of beneficiaries of €300, for the months of April and May, who actually were not beneficiaries by the decision. The amount paid for these allowances was €111,900.

According to KCS, the list includes all officials who have worked, despite the Government Decisions stipulating that institutions shall work with essential staff during the pandemic period.

Impact

Payment of salary allowances to the administration staff of KCS without proper legal basis leads to irregular payments and damages to budget funds.

Recommendation A1

The Minister should check and ensure that all payments for salary allowances to the administration employees of KCS are made in accordance with the Government's decisions, the Law on Budget Appropriations and other financial regulations on spending of the public funds.

Entity management response (Agree).

Issue A2 - Doctors Readiness Compensation at IFM

Finding

According to the Law on Labour, Article 90.5 "Collective Contract shall be applicable to those employers and employees who commit themselves to the implementation of obligations deriving from such an agreement". Furthermore, the Sectoral Collective Agreement (SCA) is a basic and unique document which determines the way of calculating the readiness compensation. Table 9 clarifies how the readiness should be paid without exceeding the set ceiling, 20% of €660.

During the audit we found that the Institute of Forensic Medicine (IFM) compensated nine (9) doctors and three (3) and forensic science technicians for readiness in the amount of €2,647, or €220 per doctor, for March 2020, whilst according to the scheme of SCA this total should have not exceeded the value of €1,584 or €132.

This happened since the IFM applied the payment of 1/3 of the basic salary for each doctor rather than 20% of the amount of €660.

Impact Remuneration of readiness for the IFM medical staff in violation of SCA increases the risk of irregular payments and damages the ministry's budget

Recommendation A2 The Minister, namely the General Director of IFM should ensure that the readiness compensation payments are made in accordance with the ceiling set out in the SCA and other financial regulations.

Entity management response (Agree).

Issue B1 - Shortcomings in processing payments

Finding Financial Rule No. 01/2013, respectively Article 18 and 22 stipulates that first the request for purchase must be made, then the commitment of funds, proceeding with the purchase order, acceptance of the goods or services, and after receiving the invoice, one should execute the payment.

In nine payments in the amount of €209,344, for goods and services, we identified that the commitment and purchase order were made after the invoice was received. Such a practice has been repeated for several years despite the recommendation given in the previous years.

According to MoJ, this happened because even during 2020 they faced difficulties in committing funds due to the pandemic. Whilst according to KCS officers, this happened because its Requesting Units or contract managers in Correctional and Detention Centres receive supply/services based on the contract due to the nature of prisons, and the finance office should then commit funds to pay the obligation.

Impact Entering into liabilities without having provided the needed funds may result in delays in execution of payments and increase in outstanding liabilities, which will be a burden for subsequent periods.

Recommendation B1 The Minister should ensure that the steps set out in the applicable rules regarding payments execution 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.

Entity management response (Agree).

Issue B2 - 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 organization.

From the 10 tested samples of unpaid invoices, we found that seven invoices of €38,642 were not paid within the foreseen legal deadline. The delays were over 30 days.

This issue is being repeated every 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, and to additional costs for goods and services.

Recommendation B2 The Minister should ensure that all outstanding liabilities are paid within the set legal deadline in order to avoid payments through court procedures and enforcement procedures.

Entity management response (Agree).

2.2 Findings on financial management and compliance issues

2.2.1 Revenues

Revenues generated by MoJ in 2020 are €78,244. They relate to revenues generated from the seizure and confiscation of assets according to court decisions, revenues from the sale of goods, compensation of damages from the insurance company and rent from public facilities. According to the Law on 2020 Budget, €80,200 have been budgeted for the needs of the MoJ, out of which €41,598 were spent. We have tested seven samples of €10,908 as part of substantive testing and five samples for compliance.

Issue B3 - Non-reconciliation of revenues

Finding According to Article 13 of the Financial Rule No. 03/2010 on revenues, the BO is obliged to reconcile the revenues with the Treasury after each closing of the monthly period.

During 2020, the revenue officer within MoJ has not carried out the monthly reconciliation between MoJ and KCS's records and the Treasury, as required by the Financial Rule. As a result, KCS revenues were registered with the Department for Freelancers in the Ministry of Justice.

The reason for the non-reconciliation with Treasury was the pandemic period during which the Ministry of Justice and the Ministry of Finance worked with reduced staff.

Impact Non-reconciliation of revenues with Treasury and their incorrect registration leads to unclear evidence on the monthly collected revenues of the Ministry and the Correctional Service.

Recommendation B3 The Minister should ensure that reconciliation of MoJ revenues with Treasury is done on a monthly basis, so that the ministry has a complete and true statement of revenues and prevents cases of non-compliance in the balance sheet.

Entity management response (Agree).

3 Summary on budget planning and execution

This chapter gives a summary on the sources of budgetary funds, spending of funds, and collection of revenues by economic categories. It is illustrated in the following tables and charts:

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

Description	Initial Budget	Final Budget ⁵	2020 Outturn	2019 Outturn	2018 Outturn
Sources of Funds	29,853,811	28,281,956	21,347,718	21,468,816	20,051,055
Government Grant -Budget	29,773,611	28,116,738	21,306,120	21,265,840	19,951,296
Carried forward from previous year	0	41,598	41,598	58,785	40,424
Own source revenues	80,200	80,200	0	7,002	0
Revenues from PAK	0	0	0	137,189	0
External Donations	0	43,420	0	0	59,335

The final budget was lower than the initial budget by €1,571,856. This reduction or change of the budget was a result of the Government decisions for allocation and budget savings in the amount of €1,406,638, from the carried forward revenues €41,598, own source revenues €80,200 and from the remaining value of donations €43,420.

In 2020, KPK spent 75% of the final budget, or €21,347,718, a decrease of 16% compared to 2019. However, explanations for the current position are detailed below.

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

Description	Initial Budget	Final Budget	2020 Outturn	2019 Outturn	2018 Outturn
Spending of funds by economic categories	29,853,811	28,281,956	21,347,718	21,468,816	20,051,055
Wages and Salaries	13,669,127	14,579,467	14,498,653	13,410,392	12,726,640
Goods and Services	6,330,915	6,106,965	5,360,588	5,471,465	4,909,373
Utilities	1,070,769	781,911	775,129	1,113,013	1,007,863
Subsidies and Transfers	6,728,000	5,908,314	68,456	529,597	544,950
Capital Investments	2,055,000	905,299	644,891	944,348	862,228

⁵ Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

MoJ has transferred funds between categories. However, all transfer/changes were supported with relevant decisions made by the Ministry of Finance and the Government. Explanations for changes in budget categories are given below:

- The initial budget for Wages and Salaries was €13,669,128, whilst the final budget was €14,579,467, an increase of €910,339. It was initially increased by €882,315, and then following Government decisions on Covid-19 emergency management it was increased by another €28,024;
- The final budget for goods and services compared to the initial budget was reduced by €223,950. Initially, based on the decision No.11/26 dated 21.08.2020, there was an increase of €44,400, and €43,420 from the remaining donations which in the absence of agreements are transferred from year to year. There were budget cuts of €311,770 from two Government decisions. First with the decision No. 01/46 dated 25.11.2020 in the amount of €187,101 and the decision No. 09/50 dated 29.12.2020 in the amount of €124,669;
- The final budget for utilities compared to the initial one was decreased by €288,858. Initially with the budget review this category had a decrease of €333,451, while with government decision no. 09/50 dated 21.12.2020 there was an increase of €44,593;
- The final budget for subsidies and transfers compared to the initial one was reduced by €819,686. Initially with the budget review there was an increase in this category by €450,000, but afterwards with government decisions there were budget cuts in the amount of €1,269,686. These reductions were with the decision with No. 01/46 dated 25.11.2020 in the amount of €214,340, the decision No. 09/50 of 21.12.2020 in the amount of €7,635, as well as the decision no. 07/53 of 29.12.2020 for savings in the amount of €1,047,711; and
- The final budget for capital investments compared to the initial one decreased by €1,149,701. This decrease was after the budget review for €746,101, while through government decision No. 01/46 dated 25.11.2020 for the amount of €403,600

It is worth mentioning that MoJ spent €977,207 for the management of the COVID 19 situation with had spent €977,207, of which €933,397 were spent on salaries and allowances whilst €43,810 for the category of goods and services based on Government decisions.

Chart 2. Expenditures by economic categories during 2018-2020

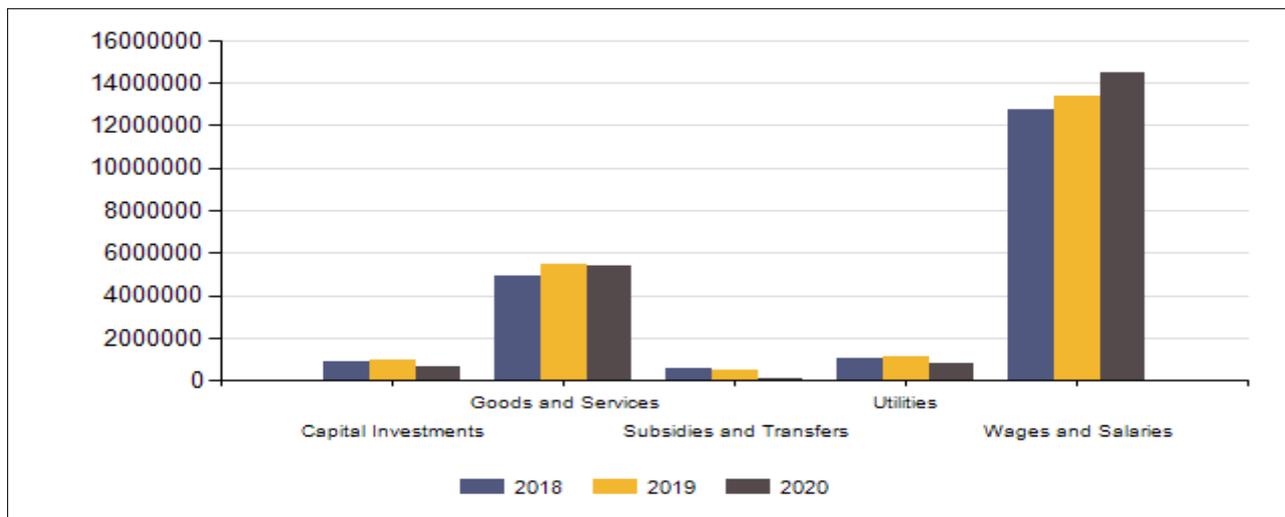
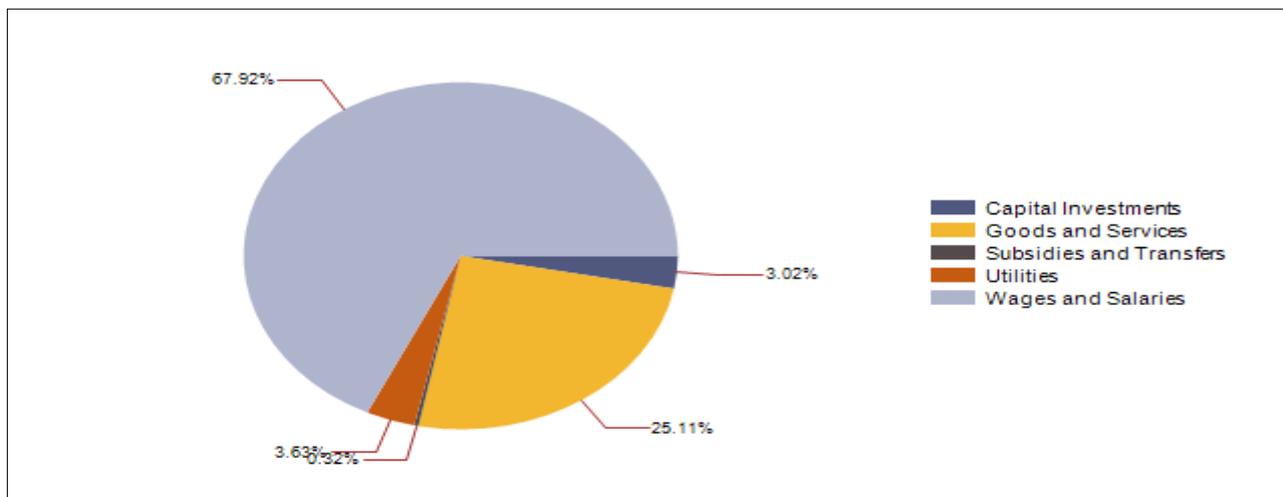


Chart 3. Expenditures by economic categories for year 2020



Revenues generated by MoJ in 2020 were in the amount of €78,244. They relate to the revenues generated from the sequestration and confiscation of assets according to court decisions, the sale of goods, compensation of damages from the insurance company, and rent from public facilities.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2020 Receipts	2019 Receipts	2018 Receipts
Total of revenues	65,391	54,406	78,244	267,333	189,345
Other revenues	65,391	54,406	78,244	262,939	189,345

4 Progress in implementing recommendations

Our audit report on 2019 AFS of 2019 resulted in 8 key recommendations. MoJ prepared an Action Plan stating how all recommendations will be implemented. It has also submitted the progress report on implementation of recommendations as required in the Rules of Procedures on audit implementation and action plans.

By the end of our 2020 audit, 5 recommendations have been implemented, 3 were not addressed yet, as shown in the following Chart 4. For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

Chart 4. Progress in implementing prior year's recommendations

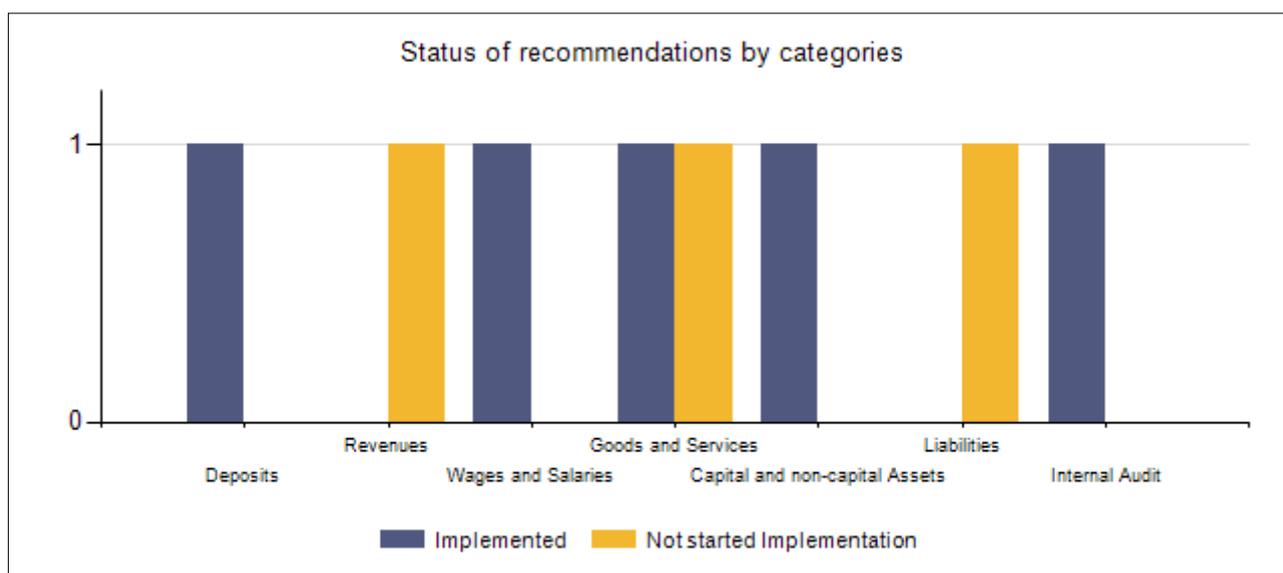


Table 4 Summary of prior year's recommendations and of 2020

No	Audit area	Recommendations of 2019	Actions undertaken	Status
1	Deposits	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	The Prisoners' Money Management Office returned the funds. But €6,908.73 have remained, a part of which belong to persons who are foreign citizens or citizens with changed addresses.	Implemented
2	Revenues	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	Reconciliation of revenues with Treasury was not carried out this year either.	Implementation not started
3	Wages and Salaries	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	From the samples tested in KCS, we found that employee's contracts were updated in line with legal requirements as we recommended. Evidence is attached to the substantive testing.	Implemented
4	Goods and Services and Utilities	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.	During the testing, we found no shortcoming of such a nature.	Implemented
5	Goods and Services and Utilities	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	Steps set forth in the applicable regulations regarding execution of payments have been adhered to this year either.	Implementation not started
6	Assets	The Minister should ensure that all assets under €1,000 are barcoded and recorded in the e-asset system so that the assets	KCS managed to identify all assets, record them in the e-assets system, and write off the old assets from the register, they only have to be alienated.	Implemented

		are complete and correctly presented in the AFR	When it comes to assets purchased during 2020, they were all registered in the e-assets system and barcoded. But, due to lack of printing material for barcodes, KCS official have manually barcoded all assets purchased in 2020. This happened because the contract with the previous company had expired and MPA has not been able to provide another contract.	
7	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	There were delays in the settlement of liabilities this year as well.	Implementation not started
8	Internal Audit	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	The Management has taken the needed actions to implement the recommendation	Implemented
No	Audit Area	Recommendation of 2020		
1.	Basis for conclusion	The Minister should check and ensure that all payments for salary allowances to the administration employees of KCS are made in accordance with the Government's decisions, the Law on Budget Appropriations and other financial regulations on spending of the public funds.		
2.	Basis for conclusion	The Minister, namely the General Director of IFM should ensure that the readiness compensation payments are made in accordance with the ceiling set out in the SCA and other financial regulations.		
3.	Basis for conclusion	The Minister should ensure that the steps set out in the applicable rules regarding payments execution 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.		
4.	Basis for conclusion	The Minister should ensure that all outstanding liabilities are paid within the set legal deadline in order to avoid payments through court procedures and enforcement procedures.		
5.	Revenues	The Minister should ensure that reconciliation of MoJ revenues with Treasury is done on a monthly basis, so that the ministry has a complete and true statement of revenues and prevents cases of non-compliance in the balance sheet.		

Besnik Osmani, Auditor General

Qerkin Morina, Assistant Auditor General

Shkëlqim Xhema, Head of Audit

Arta Kryeziu, Team Leader

Shefkije Beka, Team member

Flora Berisha, Team member

Annex I: Letter of confirmation

REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA
REPUBLIC OF KOSOVO
QEVERIA E KOSOVËSVLADA KOSOVA
GOVERNMENT OF KOSOVO
MINISTRIA E DREJTËSISË/MINISTARSTVO PRAVDE
MINISTRY OF JUSTICE

Nr.Br.No: 02-713

Data/Date/Date: 02/07/2021

Shtojca/Doftac/Annex: 25-

PRISHTINË



REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO
ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

DATE PRANARIM/ENAR:
KONTROLLI/POSTAVLJEN:
SATFIRMIMI/EMITIM:

Mësta/Çg. Org. Jedin. Org. Unit	Shif.klasif. Klasif. Kod Class. Code	Nr. Prot. Br. Prot. Prot. No.	Nr. i Faqeve Sr. Stranica No. Pages
05	47	1067	1

Republika e Kosovës

Republika Kosova-Republic of Kosovo
Qeveria - Vlada - Government

Ministria e Drejtësisë - Ministarstvo Pravde - Ministry of Justice

Dt. 02/07/2021

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2020 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Ministrisë së Drejtësisë, për vitin 2020 (në tekstin e mëtejme "Raporti");
- Pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit;
- 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 zbatimin e tyre.

Ardian Bajraktari

Zv. Sekretar i Përgjithshëm

Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements⁶ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁷. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

For the purpose of concluding whether an opinion on the financial statements is modified or unmodified an auditor should assure himself/herself whether audit results include or not (a) detected material or pervasive misstatement(s) or potential one(s) presumed in the event of a limitation of scope.

A misstatement is a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

(extract from ISSAI 200)

Forms of opinion t

Unmodified opinion

It is formulated when no misstatements or non-compliance were detected or misstatements and/or non-compliance were detected, a single one or aggregate, that do(es) not equal or exceed the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions do(es) not equal or exceed the level of lower materiality established for this class of transactions. It is also formulated if there is no limitation of scope or a limitation of scope may not lead to omission of (a) material misstatement(s) and/or non-compliance).

Limitation of scope occurs when an auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

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

⁷ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

The auditor should express **an unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

Modifications to the opinion in the auditor's report

The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement and/or non-compliance, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and/or non-compliance, the auditor should modify the opinion in the auditor's report. A modified opinion may be:

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that equals or exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions equals or exceeds the level of lower materiality established for this class of transactions. It is also formulated if there is a limitation of scope that may not lead to omission of (a) material misstatement(s).

Adverse opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that pervasively exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions pervasively exceeds the level of lower materiality established for this class of transactions.

"Pervasive is a term used, in the context of misstatements and/or non-compliance, to describe the effects of misstatements and/or non-compliance on the financial statements or the possible effects on the financial statements of misstatements and/or non-compliance, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- a) Are not confined to specific elements, accounts or items of the financial statements
- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Disclaimer of opinion

It is formulated when limitation of scope, i.e. inability to obtain sufficient appropriate audit evidence, is material and pervasive.

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

If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.