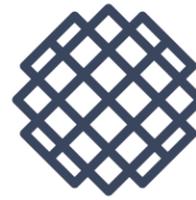




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON SPECIAL-PURPOSE FINANCIAL STATEMENTS OF THE PROJECT
FOR COVID-19 EMERGENCY IN KOSOVO (MLSW)
FOR THE PERIOD 1 JANUARY 2020 UNTIL 31 DECEMBER 2020

Prishtina, August 2021

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To: Hekuran Murati, Minister of Finance, Labour, and Transfers

Address: Ndërtesa e Qeverisë, Sheshi "Nëna Terezë", Prishtinë, Republika e Kosovës

1 Audit Opinion

This report summarises the key issues arising from our audit of special-purpose financial statements of the Project for COVID-19 Emergency in Kosovo (MLSW) for the period 1 January 2020 until 31 December 2020, which determines the Opinion of the Auditor General. Examination of special-purpose financial statements for the audit period has been carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). The audit approach included tests and procedures we deemed necessary to provide an opinion on the financial report.

Issues related to management reporting, controls, and implementation of recommendations are presented in the Management Letter prepared in addition to the audit report.

1.1 Audit Opinion on annual financial statements of the Project for COVID-19 Emergency in Kosovo (MLSW)

Our audit of special-purpose annual financial statements considers compliance with reporting requirements under the agreement and the quality and accuracy of information presented in the financial statements.

Unmodified Opinion

We have audited the special-purpose financial statements of the project funded by the World Bank for the period 1 January 2020 until 31 December 2020, which involves a summary of funds resources and expenditures incurred, statement of application for withdrawal of funds, and disclosures.

In our opinion, the special-purpose annual financial statements of the Project for COVID-19 Emergency in Kosovo (MLSW) for the period 1 January 2020 until 31 December 2020, give a true and fair view in all material respects, in accordance with reporting requirements agreed by both parties and in accordance with the principles of cash based accounting.

Basis for opinion

Our audit was conducted 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 AFS section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of accounting

- 1 We would like to draw your attention to the fact that the financial statements have been prepared in compliance with special-purpose framework. As a result, they cannot be used for any other purposes.

Our audit opinion was not modified in this respect.

Responsibility of Management and those charged with governance

The Management is responsible for the true and preparation of special-purpose financial statements in accordance with the Agreement entered into between the Government of Kosovo represented by the Minister of Finance and the International Development Association. This information consist of the Statement of Funds and their Use and the Statement of Funds Withdrawal.

The Minister of Finance, Labour, and Transfers is responsible to ensure the oversight of financial reporting process in the Ministry of Health.

Auditor General’s Responsibility for the audit

We have carried out the audit in accordance with the Law on National Audit Office and INTOSAI Framework of Professional Pronouncements (IFPP). This law and these standards require that we honour the ethical criteria and that we plan and carry out the audit to obtain reasonable assurance that financial statements are free from material misstatements.

The audit involves performing procedures to obtain audit evidence about the financial records and disclosures in the financial statements. The selected procedures depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. The audit also includes assessing the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as assessing the overall presentation of the financial statements.

In making those risk assessments, we consider the internal control system relevant to the entity’s preparation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. However, we will communicate in written any significant shortcoming in internal control relevant to the audit of financial statements that we have identified during the audit.

2 Audit Scope and Methodology

The National Audit Office (NAO) is responsible to carry out regularity audit, which involves the examination and evaluation of financial report and other financial records, as well as expressing an opinion on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether all external funds have been used in accordance with respective terms of funding agreements;
- Whether the financial records, systems and transactions comply with laws and regulations applicable for funds allocated by the World Bank;
- Whether financial statements comply with the requirements of the special agreement concluded between the Ministry of Finance and the World Bank;
- Appropriateness of internal control functions; and
- All other matters arising from or relating to the audit.

Our audit methodology was focused on examinations of financial records and transactions, including support documents. We have tested all transactions in order to obtain evidence to support the Auditor General's opinion on the Project for COVID-19 Emergency in Kosovo, which operates within the Ministry of Finance, Labour, and Transfers (former Ministry of Labour and Social Welfare).

Vlora Spanca, Auditor General

Myrvete Gashi, Assistant Auditor General

Samir Zymberi, Head of Audit

Labinot Sadiku, Team Leader

Elena Stublla, Team Member

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: Confirmation letter



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Financave Punës dhe Transfereve

REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/REPUBLIC OF KOSOVO Qeveria e Kosovës / Vlada Kosova / Government of Kosovo Ministria e Financave / Ministarstvo za Finansije Ministry of Finance Arkiva - Arhiva - Archive			
Nr. Org. Org. Unit:	01/400	Nr. Prot. Prot. No.:	1309/2021
Nr. i lejeve Oraj izdanka No. pages:	>	Data Datum Date:	24/08/2021
PRISHTINE/A			

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2020 për
“Projekti Emergjencë COVID-19 për Kosovë” MPMS

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 projektit “Projekti Emergjencë COVID-19 për Kosovë” MPMS, për vitin 2020 (në tekstin e mëtejshëm “Raporti”);
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit Final, do t’ju dorëzojm një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

z.Hekuran Murati
Ministër i Ministrisë së Financave Punës dhe Transfereve

Data: 24 Gusht 2021, Prishtinë



Notes to the Financial Statements, Part 2

For the year ended December 31, 2020

(in EUR unless otherwise stated)

I) General (continued)

(v) Rehabilitation and expansion of the Infectious Disease Clinic in the University Clinical Centre of Kosovo within its existing physical footprint to meet the expected demand for hospital care and intensive care.

(vi) Mobilization of medically qualified professionals to offer clinical services during the peak of pandemic.

(vii) Provision of workshops and symposia to the wider community (including businesses, employers, media and politicians) on disease surveillance treatment and prophylaxis for Covid-19.

Part 2: Supporting Households to comply with public health containment measures³

This part consists the following sub-components:

A. Maintenance of social assistance payments.

Financing of ongoing Social Assistance Scheme (SAS) payments for current SAS beneficiaries and new beneficiaries that meet the SAS eligibility criteria, for an approximate period of four months.

B. Increase in value of Social Assistance payments

Financing of the doubling of regular SAS payments to SAS beneficiaries for an approximate of three months.

C. Expansion of social assistance payments.

Provisions of support to for the expansion of the SAS to provide social assistance to Qualifying Households based on the criteria set forth in Measure 15 of the Operational Plan on Emergency Fiscal Package.

Part 3. Project management, communications and community engagement.

A. Project management.

Provision of support through goods, consulting services, non-consulting services, Operating costs and training – to MoFT⁴ and MoH for Project management and implementation, including project procurement, financial management, compliance with environmental and social standards, communications and outreach, and monitoring and reporting; such support includes the provision of technical assistance to adapt the SAS management information system.

B. Communications and community engagement

(i) Development and distribution of basic communication materials on Covid-19 to the general public in Albanian and Serbian.

(ii) Development and implementation of outreach and awareness building materials and activities to reach the vulnerable, including the elderly, in coordination with the Recipient's ongoing communications initiatives.

(iii) Establishment of a mechanism to, *inter alia*, receive input and feedback from communities and SAS Beneficiaries and rapidly assess the emergency support provided through SAS to inform the Recipient's real-time decision making.

³ The current Financial Statements refer to Part 2 only

⁴ Now MFLT

Notes to the Financial Statements, Part 2
For the year ended December 31, 2020
(in EUR unless otherwise stated)

1) General (continued)

Financing Agreement No. 6678- XK

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category. The Cash transfers and Payment Service Provider fees under Part 2 of the Project are financed 100% by the financing proceeds.

Category	Amount of the financing allocated from crisis window (expressed in Euro)	Percentage of the expenditure to be financed (inclusive taxes)
(1) Goods, Works, consulting services, non-consulting services, Operating costs, and Training for the Project	17,100,000	100%
(2) Cash transfers and Payment Service Provider fees under Part 2 of the Project	28,900,000	100%
TOTAL AMOUNT	46,000,000	

The Government of Kosovo will repay the principal amount of the Credit in semi-annual instalments payable as of describe in following:

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage) *
On each February 15 and August 15:	
commencing on August 15, 2025, to and including February 15, 2045	1.65%
commencing on August 15, 2045, to and including February 15, 2050	3.40%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3.4 of 1%) per annum; on the Withdrawn Credit Balance. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

The commitment and payment currency are EURO. As of December 31, 2020: EUR 28,176,480.50 was disbursed from the Credit proceeds of Part 2.

Notes to the Financial Statements, Part 2

For the year ended December 31, 2020

(in EUR unless otherwise stated)

2) Basis of preparation

The financial statements of the project for the year ended on December 31, 2020 have been prepared for the purpose of complying with the provisions of the Project's objectives, the World Bank guidelines and terms and conditions of the Credit No. 6678-XK.

The financial statements comprise the statement of sources (Cash Receipts) and uses (Payments); the statement of expenditures used as the basis for the submission of withdrawal applications for the year ended on December 31, 2020, and a summary of significant accounting policies and other explanatory notes.

The financial statements have been prepared in accordance with cash basis IPSAS - Financial Reporting under the Cash Basis of Accounting, which differs from Kosovo and International Financial Reporting Standards. On this basis, income is recognised when received rather than when earned and expenses are recognised when paid rather than when incurred. Accordingly, direct and indirect payments of the Project's expenses, which are made from the proceeds of the credit, are recognised as sources and uses of funds at the time the payment is made. The financial statements prepared for the special purpose are presented in Euro ("EUR"), unless otherwise stated.

3) Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

3.1 Recognition of income and expenses

Income is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

3.2 Taxation

The Project is not exempt from income Tax, Value Added Tax (VAT) and Custom Duties for the credits part. The local employees of the project are liable for personal tax and social security contributions.

4) IDA Credit No. 6678-XK funding

IDA funding is composed by disbursement methods as follows:

Credit	Period from inception date (March 11, 2020) to December 31, 2020
Reimbursements - retroactive	18,400,000.00
Reimbursements - regular	9,776,480.50
Total	28,176,480.50

Reimbursements represent the IDA funds disbursed against the payments already made by Government of Kosovo for the project eligible expenditure using withdrawal applications. Pursuant to the financing agreement, withdrawals up to an aggregate amount not to exceed Euro 18,400,000.00 could be made for payments made prior to the date of the signature of the financing agreement but on or after March 11, 2020, for project eligible expenditures under Part 2 for the project. The amount of Euro 18,756,328.40 was spent by the government during the retroactive period, out of which only Euro 18,400,000.00 equalling the retroactive finance ceiling, could be claimed for reimbursement.

Notes to the Financial Statements, Part 2
For the year ended December 31, 2020
(in EUR unless otherwise stated)

5) Temporary advances received by Government of Kosovo

The temporary advances received by Government of Kosovo are detailed as follows:

Financed by:	Period from inception date (March 11, 2020) to December 31, 2020
Government funds as the beginning of the year	-
Project eligible expenditure paid from government funds	28,176,480.50
Reimbursements from IDA credit	(28,176,480.50)
Movement during the period	-
Government Funds as at end of the year	-

6) Cash transfer for SAS under Part 2 of the Project

Expenditures for Cash transfers for SAS payments under Part 2 of the Project are detailed as follows:

Item	Period from inception date (March 11, 2020) to December 31, 2020
March 2020	2,476,325.00
April 2020	2,587,393.75
May 2020	2,593,251.50
June 2020	2,265,700.00
Total	9,922,670.25

The SAS payments refer to monthly payments to beneficiaries under the Social Assistance Scheme and regulated under the Law No. 2003/15 on the Social Assistance Scheme in Kosovo (as subsequently amended). Under the financing agreement, the project covered the financing of ongoing SAS payments for SAS beneficiaries that meet the SAS eligibility criteria, for an approximate period of four-months. Approximately 24,700 household beneficiaries received such payments on monthly basis during March – June 2020.

Notes to the Financial Statements, Part 2
For the year ended December 31, 2020
(in EUR unless otherwise stated)

7) Cash transfers for SAS double payments under Part 2 of the Project

Expenditures for cash transfers of SAS double payments are detailed as follows:

Item	Period from inception date (March 11, 2020) to December 31, 2020
March 2020	2,555,620.00
April 2020	2,625,513.75
May 2020	2,624,356.00
Total	7,805,489.75

The SAS double payments refer to monthly benefits received by the SAS beneficiaries during the period of March- May 2020 pursuant to the Decision of Government No.01/19 date 30.03.2020 for approval Emergency Fiscal Package and Decisions of Minister of Finance and Transfer No. 31/2020 date 03/04/2020 for implementation Operation Plan for Emergency Fiscal Package (Measure 1- payment for SAS household beneficiaries). The beneficiaries of SAS payments are selected based in the Law No.2003/15 and other sub legal act in force. Under the financing agreement, the project covered the financing of the doubling of regular SAS payments to SAS beneficiaries for an approximate three-month period. Approximately 24,700 household beneficiaries received such payments on monthly basis during March – May 2020.

8) Cash transfers for SAS Measure 15 under Part 2 of the Project

Expenditures for cash transfers of SAS Measure 15 payments under Part 2 of the Project, are detailed as follows:

Item	Period from inception date (March 11, 2020) to December 31, 2020
Cash transfers for SAS Measure 15 payment	10,219,950.00
Total	10,219,950.00

The SAS Measure 15 payments refer to the expansion of the SAS to provide social assistance to qualifying households based on the criteria set forth in Measure 15 of the Operational Plan on Emergency Fiscal Package⁵. Based on the plan to the Government's Emergency Plan households were eligible for this support when the applicant household member was unemployed, no member of the household receives any other regular assistance from the Government, and the household has no source of formal income. Approximately 32,200 eligible households received support for a period of three months (planned for April, May, June 2020), amounting to Euro 130 per month per household.

⁵ Under Measure 15 of the Emergency Fiscal Package that was announced by the Government. Decision of Government No.01/19 date 30.03.2020 for approval Emergency Fiscal Package and Decisions of Minister of Finance and Transfer No. 31/2020 date 03/04/2020 for implementation Operation Plan for Emergency Fiscal Package.

Notes to the Financial Statements, Part 2
For the year ended December 31, 2020
(in EUR unless otherwise stated)

9) Service fees under Part 2 of the Project

Expenditures for service fees are detailed as follows:

Item	Period from inception date (March 11, 2020) to December 31, 2020
Service fees payment related to SAS Measure 15 transfers	117,922.50
Service fees payment related to SAS Cash transfers	110,448.00
Total	228,370.50

Service fees refer to Memorandum of Understanding (MoU) and Annex of MoU date 15.05.2020 signed by Ministry of Finance and Transfer, Business Private Bank (BPB) and Post Office. All the payments of SAS measures are processed through BPB and Post office and the respective bank/post charges are recognized as eligible expenditure and regulated through MoU between the Ministry and respective above-mentioned institution that processes the payments to the beneficiaries.

10) Expenditures by subcomponents of Part 2 of the Project

The expenditures by Project subcomponents under Part 2 of the Project are detailed as follows:

	SAS payments	Double SAS payments	SAS Measure 15 payments	Service fees payments	Period from inception date (March 11, 2020) to December 31, 2020
Part 2 - Supporting Households to comply with public health containment measures					
Sub-component A: Maintenance of social assistance payments	10,071,189.75	-	-	110,448.00	10,181,637.75
Sub-component B: Increase in value of social assistance payments	-	7,656,970.25	-	-	7,656,970.25
Sub-component C: Expansion of social assistance payments	-	-	10,219,950.00	117,922.50	10,337,872.50
Period from inception date (March 11, 2020) to December 31, 2020	10,071,189.75	7,656,970.25	10,219,950.00	228,370.50	28,176,480.50

11) Un-drawn credit facilities

The balance of the undrawn funds under Part 2 from Credit No.6678-XK as of December 31, 2020 is EUR 723,519.50.

Kosovo Emergency Covid-19 Project

(Credit No. 6678-XK)

(P173819)

Part 2 – Supporting Households to comply with public health
containment measures

Statement of Cumulative Expenditures Withdrawal Schedule

(Supplementary schedule
to the Annual Financial Statements)

Financial Statements

for the year ended December 31, 2020

Kosovo Emergency Covid-19 Project
(Credit No. 6678-XK)

Statement of Cumulative Expenditures (Withdrawal Schedule) – Part 2
For the year ended December 31, 2020
(in EUR unless otherwise stated)

Credit No. 6678 – XK

Withdrawal application	Type of application	Application payment amount	Cash transfers for SAS	Cash transfers for double payments	Cash transfers for Measure 15 (SAS)	Payment of service fees	Total	Deducted	SoE	Date received	Value date
MOLSW 3	Reimbursement	228,370.50	-	-	-	228,370.50	228,370.50	-	228,370.50	23-Nov-20	3-Dec-20
MOLSW 2	Reimbursement	9,548,110.00	-	-	9,548,110.00	-	9,548,110.00	-	9,548,110.00	23-Nov-20	4-Dec-20
MOLSW 1	Reimbursement	18,400,000.00	9,922,670.25	7,805,489.75	671,840.00	-	18,400,000.00	-	18,400,000.00	23-Nov-20	4-Dec-20
Total 2020		28,176,480.50	9,922,670.25	7,805,489.75	10,219,950.00	228,370.50	28,176,480.50	-	28,176,480.50		


Mentor MORINA

Director of Department for Social
Policy and Families
Ministry of Finance, Labour and
Transfers


Nexhat SYLA

Chief Financial Officer
Ministry of Finance, Labour and Transfers