



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS AND  
COMPLIANCE OF KOSOVO PROSECUTORIAL COUNCIL FOR  
YEAR 2021

Prishtina, May 2022

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\*This report is a translation from the original Albanian version. In case of any discrepancy, the Albanian version shall prevail.

# 1 Audit Opinion

We have completed the audit of the financial statements of Kosovo Prosecutorial Council for the year ended on 31 December 2021 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 on the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## 1. Unmodified opinion on annual financial statements

We have audited the annual financial statements of Kosovo Prosecutorial Council (KPC), which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports<sup>2</sup>, for the year ended as at 31 December 2021.

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

### Basis for the 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.

### Conclusion on compliance

We have also audited whether the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

In our conclusion, transactions carried out in the process of execution of KPC's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

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

<sup>2</sup> Other reports are required under Article 8 of Regulation no.01/2017 on Annual Financial Report

## **Basis for the 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***

Director of Secretariat is 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, the Director of Secretariat is 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 Chairman is responsible to ensure the oversight of the Kosovo Prosecutorial Council's financial reporting process.

### **[Name of Entity] Management's Responsibility for Compliance**

Kosovo Prosecutorial Council's management is also responsible for the use of Kosovo Prosecutorial Council's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.<sup>3</sup>

### **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.

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<sup>3</sup> Collectively referred to as compliance with authorities

Our objective is also to express an audit opinion on compliance of respective Kosovo Prosecutorial Council's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation.

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 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 Kosovo Prosecutorial Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit 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 one area of possible improvement, including internal control, which is presented for your consideration below in the form of finding and recommendation. This is intended to make necessary adjustment to internal controls relevant to financial reporting and compliance with authorities in regard to the management of public sector funds. We will follow up this recommendation during next year's audit.

This report has resulted in one new recommendation.

### 2.1 Other financial management and compliance issues

#### 2.1.1 Capital investments

The final budget for Capital Investments was €615,906, of which €562,864 were spent in 2021. Those relate to investments on buildings, purchase of official vehicles, IT equipment etc. We tested six samples of €329,163 as part of substantive and compliance testing and five procurement procedures.

#### Issue A1 – Misclassification of expenditures

**Finding** According to MF Financial Rule no.01/2013 on Spending of Public Funds, expenditures should be classified under adequate codes, as defined in the Administrative Instruction (AI) 19/2009 on the Chart of Accounts.

In three cases, payments of €127,317 were misclassified as they were paid from capital investments, but they actually belonged to the category of goods and services. Payments were mainly related to the purchase of information technology equipment with an individual price below €1,000 (computer, monitor, lap-top etc.) and the same had been budgeted in the capital investments program.

This occurred because planning of these equipment was considered part of the project.

**Impact** Spending of the capital investment budget for goods and services results in untrue view of expenditures in the AFS. This leads to overstatement of the category of capital investments and understatement of the category of goods and services.

**Recommendation A1** The Chairman of KPC should ensure that all necessary actions are taken for having the expenditures planned in the adequate budget appropriations. Otherwise funds should be redesignated and payments should be made from the adequate category to allow for their fair presentation in the AFS and in line with the Chart of Accounts.

**Entity management response (disagree)**

### 3 Summary on budget planning and execution

This chapter gives a summarised information on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is highlighted in the following tables:

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

Description	Initial Budget	Final Budget <sup>4</sup>	2020 Outturn	2019 Outturn	2018 Outturn
<b>Sources of Funds</b>	<b>14,441,528</b>	<b>13,536,245</b>	<b>13,324,362</b>	<b>13,298,647</b>	<b>13,715,048</b>
Government Grant -Budget	14,441,528	13,536,237	13,324,362	13,298,647	13,396,353
Revenues from PAK	0	0	0	0	318,695
External Donations	0	7	0	0	0

The final budget was lower than the initial budget by €905,283. This decrease or change in budget is a result of the budget review, by €43,725; Government's decision on budget cuts and saving, by €949,001; and the increase with €7 from the remaining amount of external donation.

In 2021, the BO spent 98% of the final budget for 2021, or €13,324,362, an improvement of 1% compared to 2020. 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
<b>Spending of funds by economic categories</b>	<b>14,441,528</b>	<b>13,536,245</b>	<b>13,324,362</b>	<b>13,298,647</b>	<b>13,715,048</b>
Wages and Salaries	10,772,146	10,592,055	10,592,055	10,622,010	10,410,291
Goods and Services	2,235,252	2,204,192	2,054,132	1,887,106	2,243,322
Utilities	199,630	124,092	115,310	124,082	131,386
Capital Investments	1,234,500	615,906	562,864	665,450	930,049

Explanations for changes in budget categories are given below:

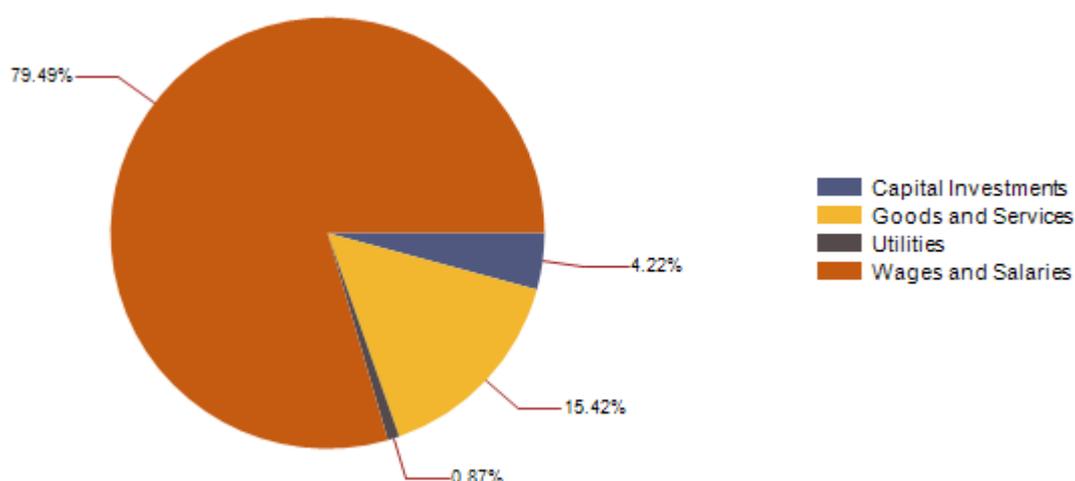
- The final budget for Wages and Salaries was decreased by €180,091 compared to the initial one. Initially the budget was increased €103,725 following amendments to

<sup>4</sup> Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance

the Law on Budget Appropriations, whilst upon Government's decision it was decreased by €283,816. The final budget of this category was spent at 100%;

- The final budget for Goods and Services was decreased by €31,060 compared to the initial one. Changes occurred upon Government's decision for budget saving. The final budget of this category was spent at 93%.
- The final budget for Utilities was reduced by €75,538 compared to the initial one. Changes occurred upon Government's decision for budget saving. The final budget of this category was spent at 91%.; and
- The final budget for Capital Investments was decreased by €618,594 compared to the initial one. Initially the budget was decreased by €60,000 following amendments to the Law on Budget Appropriations, whilst upon Government's decision it was decreased by €558,594. The final budget of this category was spent at 93%

Chart 1. Expenditures by economic categories for year 2021



Revenues collected from KPC during 2021 amounted to €16,245. They are collected for the fund to compensate damages to victims of criminal offences.

Table 3. Revenues (in €)

Description	Initial budget	Final Budget	2020 Receipts	2019 Receipts	2018 Receipts
<b>Total of revenues</b>	<b>19,205</b>	<b>38,666</b>	<b>16,245</b>	<b>18,700</b>	<b>42,013</b>
Non-tax revenues	19,205	38,666	16,245	18,700	42,013

## 4 Progress in implementing recommendations

Our audit report on 2020 AFS of KPC resulted in no recommendations.

Signatures:

Vlora Spanca	Auditor General
Naser Arllati	Assistant Auditor General
Blerina Krasniqi	Head of Audit
Astrit Bllaca	Team Leader
Albana Kadriu	Team member

## Annex I: Comments of BO regarding the audit report

Issue	Comments from the BO	KNAO view
<p>In three cases, payments of €127,317 were misclassified as they were paid from capital investments, but they actually belonged to the category of goods and services. Payments were mainly related to the purchase of information technology equipment with an individual price below €1,000 (computer, monitor, lap-top etc.) and the same had been budgeted in the capital investments program.</p>	<p>The capital project "IT Hardware and Software Equipment" is a capital project that, as a whole, mainly includes assets over €1,000 and assets under €1,000.</p> <p>The project in question is classified as a capital project, under the accounting standards, and it meets the criteria established in the AI no.04/2019, namely Article 5, paragraphs 1 and 2, and Article 6 paragraph 4. This AI started to be applied on planned capital projects as of 2020. In addition, the supplies in question could have not been recorded other than as provided for in the abovementioned AI. Regardless that IT supplies included equipment less than €1,000, they were related to the capital project as a whole.</p> <p>Assets obtained through this project have been recorded according to the applicable instructions: assets over €1,000 have been recorded in KFMIS and assets under €1,000 have been recorded in the e-assets system, which actually gives a trues view of the assets register including the assets over and under €1,000.</p>	<p>AI No. 04/2019 which you are referring to, Article 4, sets forth the criteria for capital projects. Based on these criteria, the payments identified in the audit finding do not meet the relevant criteria, therefore they are misclassified as such. The finding remains unchanged.</p>

	<p>This is a project going on from 2019. In general, the project should now be considered and assessed as a whole project.</p> <p>The same project has been examined as an audit sample and no remarks have been given thereon. There has also been a similar project in 2018 which has also been subject to auditing.</p>	
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Republika e Kosovës  
Republika Kosova – Republic Of Kosovo

Këshilli Prokurorial i Kosovës -Tužilački Savet Kosova - Kosovo Prosecutorial Council

LETËR E KONFIRMIMIT

Për mos pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin  
2021

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

REPUBLIKA E KOSOVËS-REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
10.05.2022			
Nr. Org. Org. Jed. / Org. Unit	Shif. Klasif. Klasif. Kod Class. Code	Nr. Prot. Br. Prot. Prot. No.	Nr. i faqeve Br. Stranica No. Pages
05	47	700	3

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Këshillit Prokurorial të Kosovës, për vitin 2021 (në tekstin e mëtejshëm “Raporti”);
- nuk pajtohem me gjetjen dhe rekomandimin dhe bashkangjitur me këtë letër konfirmim e gjeni edhe komentimin në lidhje me të gjeturën dhe rekomandimin e pasqyruar në raportin e auditimit të vitit 2021.

z. Jetish Maloku  
Kryesues i Këshillit Prokurorial të Kosovës

Data: 10.05.2022, Prishtinë



## 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 statements<sup>5</sup> 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 authorities<sup>6</sup>. 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*

#### **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).

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<sup>5</sup> Financial statements in the public sector include also the statement(s) of budget execution

<sup>6</sup> Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

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.

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.