



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE  
OFFICE OF THE PRESIDENT OF THE REPUBLIC OF KOSOVO  
FOR YEAR 2021

Prishtina, May 2022

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# 1 Audit Opinion

We have completed the audit of the financial statements of the Office of the President of the Republic of Kosovo 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 the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Unmodified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Office of the President of the Republic of Kosovo, 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 the Office of the President of the Republic of Kosovo 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.

## Audit Conclusion on Compliance

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

In our opinion, transactions carried out in the process of execution of OPRK'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 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

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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

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***

The Mayor 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 Mayor 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 Secretary General is responsible to ensure the oversight of the Office of the President of the Republic of Kosovo's financial reporting process.

### **Management's Responsibility for Compliance**

Office of the President of the Republic of Kosovo's Management is also responsible for the use of the Office of the President of the Republic of Kosovo'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.

Our objective is also to express an audit opinion on compliance of respective authorities of the Office of the President of the Republic of Kosovo with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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.

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

- 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 Office of the President of the Republic of Kosovo'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 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 that is presented for your consideration below in the form of finding and recommendation. This intends to improve internal controls regarding the good governance in the organisation. We will follow up these recommendations during next year's audit.

This report has resulted in one new recommendation.

### 2.1 Findings on financial management and compliance issues

#### 2.1.1 Internal audit function

Internal Audit Unit (IAU) operates with one member only – the head of unit. OPRK had established the Internal Audit Committee, which during 2021 had held four meetings. The IAU had an annual and strategic audit plan.

#### **Issue A1 – Failure to implement the annual audit plan**

**Finding** Based on the annual work plan, IAU planned to carry out four regular audits and one audit upon request of the management (ad hoc) in OPRK in 2021.

In 2021 IAU managed to carry out only the audit upon request of the management, whilst the other four planned regular audits were not carried out.

According to the Internal Auditor, delays in the implementation of the 2021 work plan were due to the pandemic, additional duties and engagements in providing advices to the institution.

**Impact** An incomplete plan of the IAU prevents the management from obtaining assurance regarding the internal control operation. This may lead to unidentified weaknesses and continuance of ineffective practices in monitoring internal control, thus hindering the achievement of OPRK objectives.

**Recommendation A1** The Secretary General should ensure through the AC that IAU is focused on the implementation of the work plan by taking actions so such departures (delays in the plan) are timely addressed.

**Entity management response (Agree).**

### 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 budgetary funds (in €)**

Description	Initial Budget	Final Budget <sup>4</sup>	2021 Outturn	2020 Outturn	2019 Outturn
<b>Sources of Funds</b>	<b>3,151,468</b>	<b>1,710,463</b>	<b>1,569,598</b>	<b>2,326,202</b>	<b>3,693,416</b>
Government Grant - Budget	3,151,468	1,710,204	1,569,598	2,326,202	3,693,416
External Donations	0	259	0	0	0

The final budget is lower than the initial budget by €1,441,005. This decrease is a result of the budget cuts upon Government's decisions.

In 2021, the BO spent 92% of the final budget for 2021, or €1,569,598, with a decrease of 2% compared to 2020. Budget implementation remains at a satisfactory level and explanations for the current position are given in more details below:

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

Description	Initial Budget	Final Budget	2021 Outturn	2020 Outturn	2019 Outturn
<b>Spending of funds by economic categories</b>	<b>3,151,468</b>	<b>1,710,463</b>	<b>1,569,598</b>	<b>2,326,202</b>	<b>3,693,416</b>
Wages and Salaries	1,105,064	904,394	904,394	1,047,522	1,099,103
Goods and Services	1,754,704	564,196	423,918	1,005,325	2,321,867
Utilities	6,700	3,362	2,776	3,403	3,836
Subsidies and Transfers	270,000	238,510	238,510	269,951	268,610
Capital Investments	15,000	0	0	0	0

Explanations for changes in budget categories are given below:

The final budget for Wages and Salaries was decreased by €200,670. This decrease was a result of the budget cut upon the yearend Government's decision on savings. The budget for this category was spent at 100%.

<sup>4</sup> Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

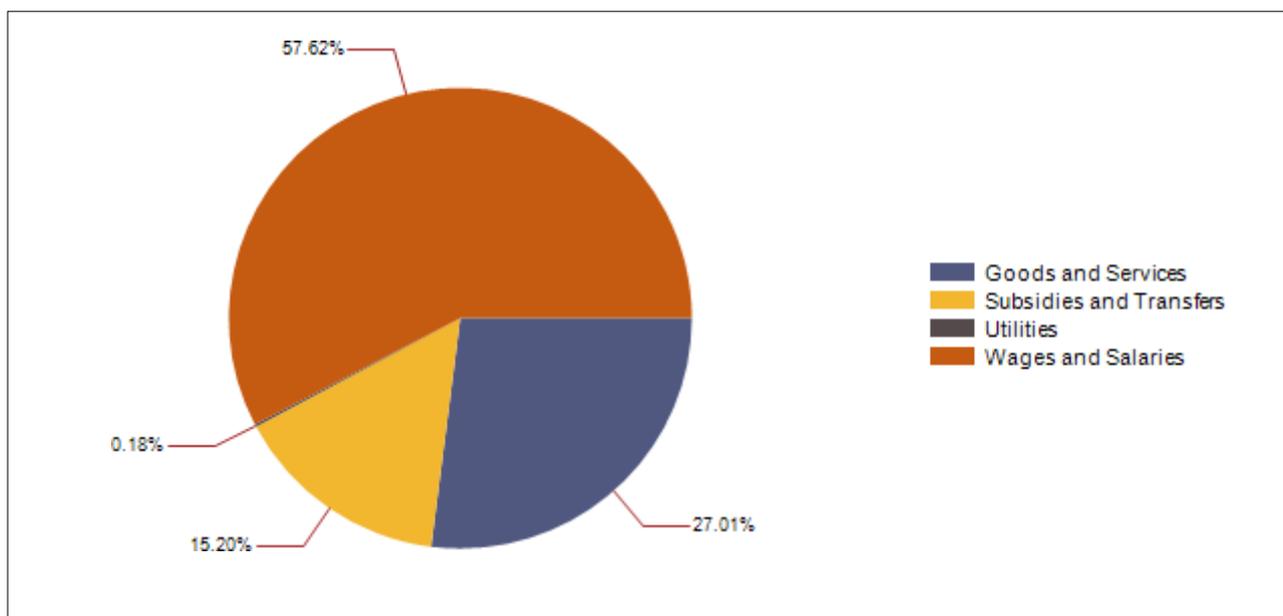
The final budget for Goods and Services was decreased by €1,190,508 compared to the initial budget. This decrease was a result of the budget cut of €500,000 following the budget review and the Government's decision on budget cuts of €690,508. The budget for this category was spent at 75%.

The final budget for Utilities was decreased by €3,338 compared to the initial budget as a result of the budget cut upon the yearend Government's decision on savings.

The final budget for Subsidies and Transfers was decreased by €31,490. This decrease was as a result of the budget cut upon the yearend Government's decision on savings.

The final budget for Capital Investments was decreased by €15,000. In 2021 there were no spending on the planned projects thus, in the yearend, the unspent budget of this category was presented for budget savings.

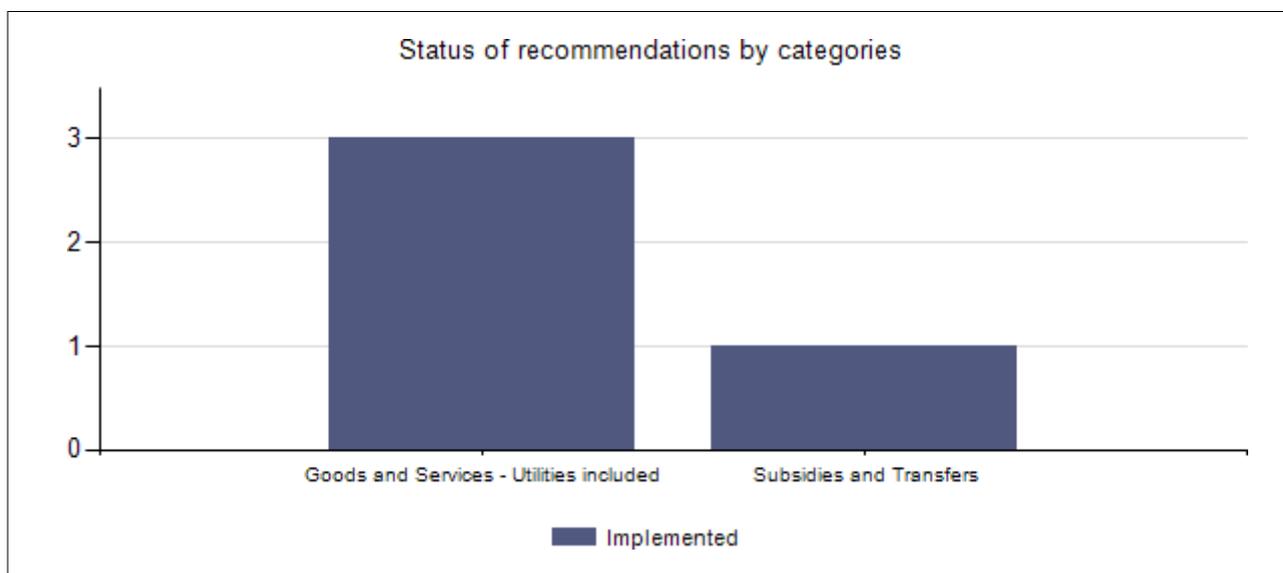
Chart 1. **Expenditures** by economic categories in 2021



## 4 Progress in implementing recommendations

Our audit report on 2020 AFS of the Office of the President of the Republic of Kosovo resulted in 4 key recommendations. OPRK prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2021 audit, all recommendations have been implemented. For a more thorough description of the recommendations and how they are addressed, see Table 4 (or the recommendations table)

**Chart 2. Progress on implementation of prior year's recommendations****Table 4. Summary of prior year's recommendations and of 2020**

No.	Audit area	Recommendations of 2020	Actions undertaken	Status
1	Goods and Services - Utilities	The Secretary General should provide for effective controls so that no payment is made in absence of a contract or any clear legal basis.	We have not identified cases of payments in absence of contracts in the tested samples.	Implemented
2	Goods and Services - Utilities	The Secretary General should ensure that signed annex contracts should not exceed be signed more than 10% of the contract value, otherwise it should be done through a regular and transparent procurement process.	We have not identified such cases in the tested procurement procedures.	Implemented
3	Goods and Services - Utilities included	The Secretary should timely plan procurement procedures and enter into contracts for these essential services, to prevent irregular and uncontracted payments.	We have not identified such cases in the tested procurement procedures.	Implemented
4	Subsidies and Transfers	The Secretary General should ensure that financial support of NGOs is done through a public call and other requirements of MoF Regulation No. 04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs, regarding the entire cycle of providing financial support.	Public call has been made for all cases.	Implemented

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

Vlora Spanca: Auditor General

Naser Arllati: Assistant Auditor General

Blerina Krasniqi: Head of Audit

Arta Birinxhiku: Team leader

Abdurrahmon Bërbatovci: Team member



## Annex I: Letter of confirmation

REPUBLIC OF KOSOVO - REPUBLIKA E KOSOVËS - REPUBLIC OF KOSOVO			
ZYRA E PRESIDENTES - EALDITIMI			
NACIONALNA KANCELARIJA REVIZIJE - NATIONAL AUDIT OFFICE			
21.04.2022			
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21/1.01-4887 21.04.22




**REPUBLIKA E KOSOVËS - ZYRA E PRESIDENTES**  
**REPUBLIC OF KOSOVO - OFFICE OF THE PRESIDENT**  
**REPUBLIKA KOSOVO - KANCELARIJA PREDSEDNICE**

ZYRA E SEKRETARIT-OFFICE OF THE SECRETARY-KANCELARIJA SEKRETARA

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**LETËR E KONFIRMIMIT**

**Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2021 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 Zyrës së Presidentes së Republikës së Kosovës, për vitin 2021 (në tekstin e mëtejshëm "Raporti");
- pajtohem me gjetjet dhe rekomandimin dhe nuk kam ndonjë koment për përmbajtjen e Raportit;
- Zotohem se në cilësinë e Zyrtarit Kryesor Administrativ, përmes Komitetit të Auditimit do të kërkojë që NJAB, të jetë e fokusuar në realizimin e planit të punës, duke ndërnarrë veprime aktive në mënyrë që ngecjet në realizimin e planit të adresohen në kohën e duhur dhe i njëjti në fund vit të jetë i realizuar;
- 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.



Fehmi Melimoti  
 U.d. Sekretar i Përgjithshëm i ZPRK,  
 Data: 21.04.2022, 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).

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

<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.

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.