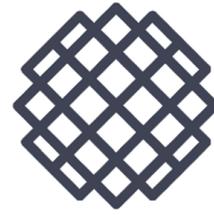




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS AND
COMPLIANCE OF THE CONSTITUTIONAL COURT OF KOSOVO
FOR YEAR 2021

Prishtina, May 2022

TABLE OF CONTENT

1	Audit Opinion.....	3
2	Findings and recommendations	5
3	Summary on budget planning and execution	8
	Progress in implementing recommendations.....	10
	Annex I: Letter of confirmation/ Comments of BO regarding the audit report (if any)	11
	Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report.....	12

*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 Constitutional Court 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 authorities¹.

Unmodified Opinion on the Annual Financial Statements

We have audited the annual financial statements of Constitutional Court of Kosovo (CCK), 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 reports², for the year ended as at 31 December 2021.

In our opinion, the annual financial statements of the Constitutional Court of Kosovo give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash basis of 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.

Conclusion on Compliance

We have 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 CCK'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.

Basis for 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

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

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

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.

Emphasis of Matter

1. We would like to draw your attention to the fact that the e-assets system has not been operating during 2021 in CCK to calculate the depreciation costs. In the lack of this software, CCK has kept records of the non-capital assets under €1,000 in its internal registers and has disclosed them in the AFS. Given that the matter in question is quite pervasive in many budget organisations, we will address this matter in details in the Annual Audit Report on the Financial Statements of the Government and give a recommendation on a long term solution.

The audit opinion has not been modified in this respect.

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

The Secretary General 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 Secretary General is responsible for establishing internal controls which they determine 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 of CCK is responsible to ensure the oversight of the Constitutional Court of Kosovo's financial reporting process.

Management's Responsibility for Compliance

Management of the Constitutional Court of Kosovo is also responsible for the use of Constitutional Court of Kosovo'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.

³ Collectively referred to as compliance with authorities

Our objective is also to express an audit opinion on compliance of respective Constitutional Court of Kosovo'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 Constitutional Court of Kosovo'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 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 areas of possible improvement, including internal control, which are presented for your consideration below in the form of findings and recommendations. These finding and recommendations are intended to make necessary adjustment to the financial information presented in the financial statements, including disclosures in the notes, and improve

internal controls relevant to financial reporting and compliance with authorities in connection to the management of public sector funds. We will follow up these recommendations during next year's audit.

This report has resulted in two new recommendations.

2.1 Other financial management and compliance issues

2.1.1 Goods and Services and Utilities

The final budget for Goods and Services and Utilities in 2021 was €548,817, of which €548,743 were spent. They mainly related to translation services, maintenance of facilities, and purchase of equipment. We tested 10 samples of €116,753 as part of substantive and compliance testing as well as five samples as part of the compliance testing for procedures.

Issue A1 – Favouring criteria established in the technical specifications

Finding According to the Law on Public Procurement no.04/L-042, Article 28.2, the contracting authority shall establish technical specifications in a manner that is both consistent with the purpose of the procurement and directed at providing the greatest possible access to all potentially interested economic operators and tenderers. A contracting authority is specifically prohibited from establishing a technical specification that favours or disfavors one or more economic operators.

In the procurement procedure for "Supply with smartphones", in the amount of €8,880, the CCK used favourable criteria when establishing the specifications in the tender dossier, which has resulted in elimination of competition. The technical specifications contained all the Iphone's features and, under the required model, the respective brand name was specified.

This occurred because the requesting unit did not take into consideration the legal requirements that prohibit the favouring of a certain brand or economic operator.

Impact Establishment of favouring criteria in the technical specifications leads to unequal treatment and discrimination of economic operators as well as undermines competitiveness.

Recommendation A1 The Secretary General should provide for effective controls over the requesting units and procurement office in order to ensure that technical specifications are free from any favouring criteria and that procurement procedures are conducted in compliance with the law.

2.1.2 Capital and non-capital assets

The value of capital assets presented in the AFS was €521,015, non-capital assets was €50,089, and of stocks was €5,089. We tested 15 samples of €458,575 as part of substantive and compliance testing and conducted compliance testing for procedures.

Issue A2 – Failure to reconcile the stocktaking reports with the assets register

Finding

According to MoF Regulation no. 02/2013 on Management of Non-financial Assets by Budget Organizations, Article 18, assets stocktaking is carried out with the purpose of verifying the accuracy, quality and physical condition of non-financial assets. Further on, Article 19, sections 4.3 and 4.7, stipulates that assets stocktaking commission should compare the inventory balance with the balance in the non-financial assets registers before that AFS are prepared.

Assets stocktaking commission in CCK has carried out the assets stocktaking at the end of the year, but did not compare the inventory balance with the non-financial assets registers prior to the preparation of the AFS, as required.

This was as a result of poor functioning of controls over the assets management area.

Impact

Failure to reconcile the inventory balance with that non-financial assets registers leads to incomplete and untrue reporting of the assets value in the AFS.

Recommendation A2

The Secretary General should ensure that following the stocktaking process the comparison of the inventory balance with the assets registers is carried out prior to the preparation of the annual financial statements in order to enable a complete and true presentation of assets in the AFS.

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 and charts:

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

Description	Initial Budget	Final Budget ⁴	2020 Outturn	2019 Outturn	2018 Outturn
Sources of Funds	1,864,753	1,982,890	1,958,162	1,886,805	1,957,336
Government Grant -Budget	1,864,753	1,982,856	1,958,128	1,886,805	1,957,336
External Donations	0	34	34	0	0

The final budget was higher than the initial budget by €118,137. This increase was as a result of the Government's decision by €118,103 and donations by €34.

In 2021, the BO spent 99% of the final budget for 2021, or €1,958,162, an improvement of 1% compared to 2020.

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	1,864,753	1,982,890	1,958,162	1,886,805	1,957,336
Wages and Salaries	1,178,098	1,296,201	1,296,201	1,290,541	1,288,022
Goods and Services	457,283	546,167	546,140	378,505	420,473
Utilities	4,000	2,650	2,583	2,464	2,652
Capital Investments	225,372	137,872	113,238	215,296	246,189

Explanations for the current position are detailed below:

The final budget for Wages and Salaries increased by €118,103 compared to the initial budget. Such a change was a result of the Government's decision at the end of the year to cover the deficit in salaries.

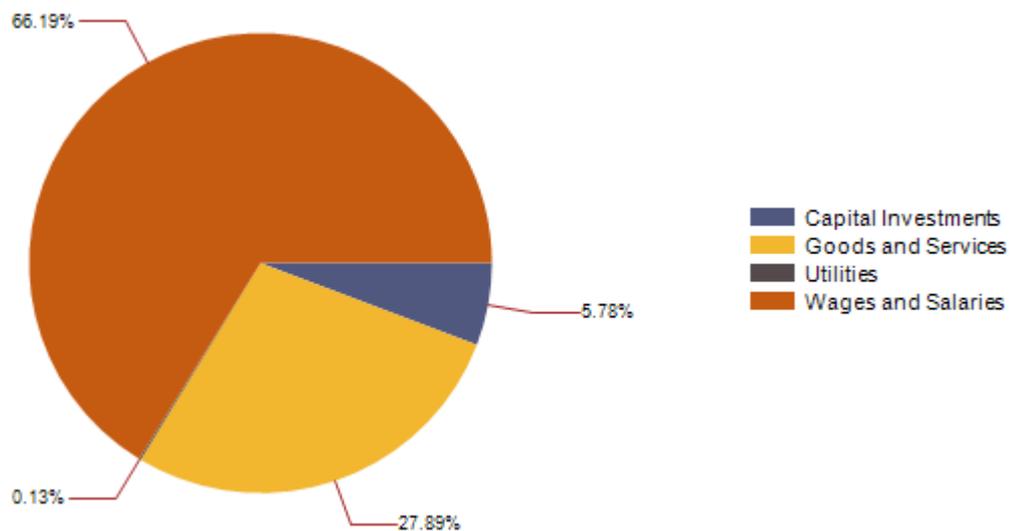
The final budget for Goods and Services increased by €88,884 compared to the initial budget. Such change was a result of the increase by €34,850 with the revised law on budget, by €54,000 upon Government's decision to transfer the funds from the category of Capital Investments, and by €34 from donations.

The final budget for Utilities decreased by €1,350 compared to the initial budget. This was as a result of changes occurred based on the revised law on budget.

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

The final budget for Capital Investments decreased by €87,500 compared to the initial budget. Such decrease firstly occurred as a result of the revised budget by €33,500 followed by the Government's decisions to transfer funds of €54,000.

Chart 1. Expenditures by economic categories for year 2021



Progress in implementing recommendations

Our audit report on 2020 AFS resulted in no recommendations.

Vlora Spanca Auditor General

Naser Arllati Assistant Auditor General

Blerina Krasniqi Head of Audit

Pleurat Isufi Team Leader

Qëndresa Isufi Team member

Annex I: Letter of confirmation



REPUBLIKA E KOSOVËS - РЕПУБЛИКА КОСОВО - REPUBLIC OF KOSOVO
GJYKATA KUSHTETUESE
УСТАВНИ СУД
CONSTITUTIONAL COURT
SEKRETARIA / SEKRETARIJAT / SECRETARIAT

Prishtinë, datë: 12 maj 2022
Nr.ref.:SP 836 /22

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet në draft raportin e Auditorit të Përgjithshëm për vitin 2021 dhe 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 për Gjykatën Kushtetuese, për vitin 2021 (në tekstin e mëtejme "Raporti");
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit.

Milot Vokshi

Sekretar i Përgjithshëm



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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 statements⁵ 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 authorities⁶. 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

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

⁶ 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.