



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 KOSOVO PROSECUTORIAL COUNCIL FOR YEAR 2022

Prishtina, April 2023

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*This Report is a translation from the original version in the Albanian language. In case of inconsistency the version in the Albanian language prevails.

1 Audit Opinion

We have completed the audit of the financial statements of Kosovo Prosecutorial Council for the year ended on 31 December 2022 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Unmodified opinion on annual financial statements

We have audited the annual financial statements of 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 reports², for the year ended as at 31 December 2022.

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.

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

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.

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.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 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 recommendations⁴

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. For the status for the previous years' recommendations and their level of implementation see Chapter 4.

2.1 Other financial management and compliance issues

2.1.1 Capital and non-capital investments

The value of Capital Investments presented in the AFS was €6,574,527, of non-capital assets was €293,505 and that of stocks was €2,602. We tested 18 samples of €5,069,672 as part of substantive testing.

Issue A1 – Misclassification of expenditures

Finding

According to MF Financial Rule no.02/2013 on Management of non-financial assets by budget organisations, Article 11, capital non-financial assets that are in the ongoing investment stage or in the construction stage shall be recorded in the accounting register under the ongoing investments category. Capital non-financial assets that are in the ongoing investment stage shall not be depreciated. Upon completion of the investment process, capital non-financial assets will be classified as non-financial assets in use. Depreciation shall apply from the moment the asset is used.

One investment of €121,706 made in 2020, the technical acceptance of which was not made and was not put to use, has been registered in the property register as an asset in use and the depreciation of €7,860 was applied. This asset was at the construction stage, or ongoing investment, and capital non-financial assets are not depreciated at this stage.

This occurred because of the Assets Officer undue diligence when recording the assets in KFMIS.

⁴ Issue A and Recommendation A means new issue and recommendation
 Issue B and Recommendation B means repeated issue and recommendation
 Issue C and Recommendation C means partly repeated issue and recommendation

Impact

Recording of assets at ongoing investments stage as assets in use has led to application of depreciation to assets which have not actually been put to operation, thus overstating and understating the assets value. All this has led to untrue presentation of information in the annual financial statement.

Recommendation A1

The Chairman of KPC should ensure that asset that have gone through technical acceptance and not put to operation are recorded in the assets register as ongoing investments in line with the requirements of the assets regulation.

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 and chart:

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

Description	Initial Budget	Final Budget ⁵	2022 Outturn	2021 Outturn	2020 Outturn
Sources of Funds	17,144,177	14,596,940	13,419,514	13,324,362	13,298,647
Government Grant -Budget	17,144,177	14,596,933	13,419,514	13,324,362	13,298,647
External Donations	0	7	0	0	0

The final budget was lower than the initial budget by €2,547,244. This decrease or change in budget is a result of the budget savings and reconciliations following the decisions of the Government of the Republic of Kosovo. Based on the OPM's decision on budget savings, €2,547,244 have been withdrawn from the KPC budget.

In 2022, the BO spent 92% of the final budget for 2022, or €13,419,514, a decline of 6% compared to 2021. Explanations for the current position are detailed below.

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

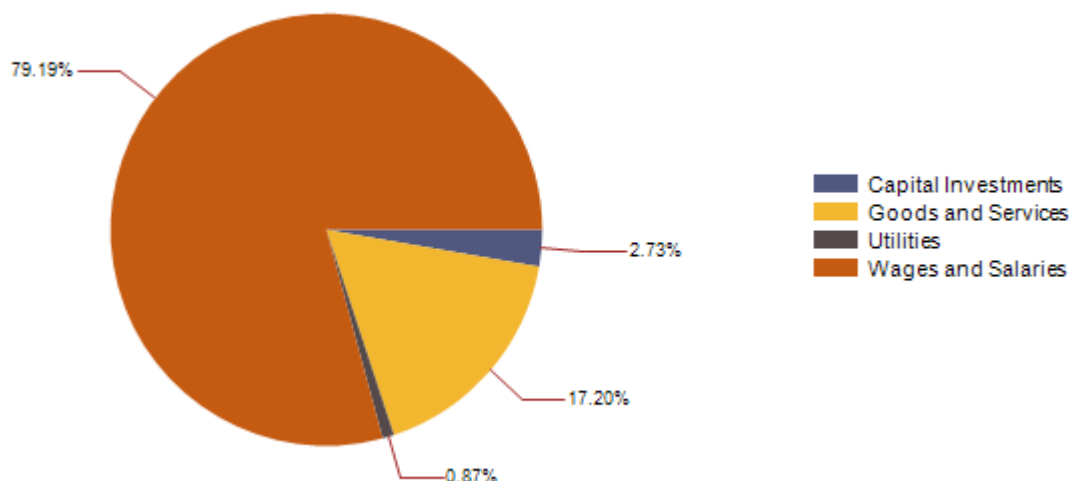
Description	Initial Budget	Final Budget	2022 Outturn	2021 Outturn	2020 Outturn
Spending of funds by economic categories	17,144,177	14,596,940	13,419,514	13,324,362	13,298,647
Wages and Salaries	11,184,230	11,184,230	10,627,301	10,592,055	10,622,010
Goods and Services	2,375,817	2,462,197	2,308,176	2,054,132	1,887,106
Utilities	199,630	170,155	117,342	115,310	124,082
Capital Investments	3,364,500	760,358	366,695	562,864	665,450
Reserves	20,000	20,000	0	0	0

⁵ Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries was similar to the initial one. The final budget of this category was spent at 95%;
- The final budget for Goods and Services was increased by €86,380 compared to the initial one. Changes occurred as a result of the budget transfers of €56,898 from the category of Capital Investments and €29,475 from the category of Utilities to the category of Goods and Services. The final budget of this category was spent at 94%.
- The final budget for Utilities was reduced by €29,475 compared to the initial one. Changes occurred upon the KPC's request for transferring the funds from the category of Utilities to the category of Goods and Services. The final budget of this category was spent at 69%.; and
- The final budget for Capital Investments was decreased by €2,604,142 compared to the initial one. This was as a result of decision for budget savings of €2,547,244 for three capital projects and the transfer of €56,898 to the category of Goods and Services. The final budget of this category was spent at 48% due to failure to implement four projects related to the renovations planned by the KPC.

Chart 1. Expenditures by economic categories for year 2022



Revenues collected from KPC during 2022 amounted to €11,330. 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
Total of revenues	38,108	38,108	11,330	16,245	18,700
Non-tax revenues	38,108	38,108	11,330	16,245	18,700

4 Progress in implementing recommendations

Our audit report on 2021 AFS of KPC resulted in one recommendation. KPC prepared the action plan stating how the recommendation given will be addressed. By the end of our 2022 audit the recommendation was implemented. For a more thorough description of the recommendation and the how it is addressed, see Table 4.

Table 4 Summary of previous year's recommendations

No	Audit area	Recommendations of 2021	Actions taken	Status
1.	Capital Investments	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	During 2022, KPC has taken such measures and the recommendation was implemented.	Implemented

Signatures:

Vlora Spanca The Auditor General

Agron Fetiu Assistant Auditor General

Blerina Krasniqi Audit Director

Albana Kadriu Team Leader

Arnisa Aliu Team Leader

Kapllan Muhaxheri Team Leader

Annex I: Letter of confirmation



Republika e Kosovës
Republika Kosova / Republic of Kosovo
Këshilli Prokurorial i Kosovës/ Tužilaški Savet Kosova/ Kosovo Prosecutorial Council

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2022 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO			
Zyra Kombëtare e Auditimit			
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
Dokumentacioni i Dokumentit			
Nr. i Dokumentit: 01.04.2023			
Adresa Orig. / Orig. Adr.	Shif. Klasif. / Klasif. Kod / Class. Code	Nr. Prot. / Br. Prot. / Prot. No.	Nr. ifaqëve / Br. Stranica / No. Pages
05	47	461	1

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Këshillit Prokurorial të Kosovës, për vitin 2022 (në tekstin e mëtejshëm “Raporti”);
- Pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit;
- Brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Jetish Maloku

Kryesuesi i KPK,

Data: 06.04.2023, 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 statements⁶ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁷. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

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

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

(extract from ISSAI 200)

Forms of opinion t

Unmodified opinion

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

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

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

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

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

Modifications to the opinion in the auditor's report

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

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

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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