



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY OF LOCAL GOVERNMENT ADMINISTRATION FOR THE YEAR 2022

Prishtina, June 2023

TABLE OF CONTENT

Audit Opinion.....	3
Findings and recommendations.....	6
Summary on budget planning and execution	13
Progress in implementing recommendations.....	15
Annex I: Letter of confirmation/ Comments of BO regarding the audit report	18
Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report.....	22

1 Audit Opinion

We have completed the audit of the financial statements of the Ministry of Local Government Administration 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.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Ministry of Local Government Administration (MLGA) which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including a summary of important accounting policies and other reports² for the year ended as at 31 December 2022.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Ministry of Local Government Administration give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Qualified Opinion

B1 Capital assets presented in the AFS were overstated by €497,941 as a result of failure to transfer the ownership of capital projects to the respective municipalities following their completion and due to failure to depreciate assets under €1,000.

For more detailed information see subchapter 2.1 Issues with impact on the audit 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 if 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 the Ministry of Local Government Administration's budget have been, in all material respects, in compliance with the

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

² Other reports as required in Regulation no.01/2017 on Annual Financial Report, Article 8

established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Conclusion

A1 In two cases in MLGA, accepted works/supplies were not in compliance with the contract specifications. In one case, significant delays were identified in the completion of works.

For more detailed information see subchapter 2.2 Issues with impact on the compliance 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 AFS

Deputy Permanent Secretary of the Ministry of Local Government Administration 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, Deputy Permanent Secretary 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 (amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Minister is responsible to ensure the oversight of the Ministry of Local Government Administration's financial reporting process.

Management's Responsibility for Compliance

The Ministry of Local Government Administration's management is also responsible for the use of the Ministry of Local Government Administration'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 The Ministry of Local Government Administration'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 Ministry of Local Government Administration'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 recommendations⁴

During the audit, we have identified areas of possible improvement, including internal control, that are presented for your consideration below in the form of findings and recommendations.

In 2022, MLGA spent €5,060,469 or around 65% of the budget, an unsatisfactory budget performance, similar to 2021 when the budget execution was at 64%.

Areas for improvement due to their impact on the AFS are assets registers management and maintenance and cooperation with municipalities on the transfer of assets. In addition, actions should also be taken for monitoring of subsidies and transfers, closing of advance payments and project management.

This report resulted in five (5) recommendations, of which three (3) are new recommendations and two (2) repeated. We will follow up these recommendations during the next year's audit.

For the status of the previous year's recommendations and the level of their implementation, see Chapter 4.

2.1 Issues with impact on audit opinion

Issue B1 – Overstatement of assets in the AFS

Finding

Regulation MF no. 02/2013 on the Management of Non-Financial Assets by Budget Organisation, Article 13 stipulates that all transactions created during the purchase or construction of non-financial assets for other budgetary organizations should be recorded in the books of financing organization under the category of investment. At the moment when the non-financial asset has passed all the rules and procedures of delivery, the budget funding organization will close the following investment category. Recipient budget organization should register non-financial assets on its non-financial assets' records. Moreover, the co-funding memorandums signed between the ministry and the municipalities stipulate that upon the handover of works performed by the EO, the project will be transferred under the municipality's ownership. Further, Article 22.3 of the same regulation sets forth that all capital and non-capital non-financial assets shall be subject to depreciation rates.

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

The presented assets amount in the AFS were overstated by €497,941. This occurred due to the following:

- Nine (9) co-funded projects with municipalities totalling to €495,727, which although completed and their technical acceptance had been done by the respective commissions, they still remain in the ministry's register as ongoing investments. Thus, overstating the capital assets value; and
- Due to failure to apply depreciation for assets under €1,000 for nine (9) cases, the assets amount was overstated by €2,214.

This occurred as a result of poor coordination between the ministry's officials and those of the respective municipalities and due to failure to apply the depreciation rates in the e-assets system.

Impact

Failure to transfer the assets ownership to the respective municipalities and failure to apply the depreciation of non-capital assets leads to unfair presentation and overstatement of assets value in the AFS.

Recommendation B1 The Minister, through the municipality's monitoring department, should ensure proper and timely communication between the ministry's responsible officials and those of the municipalities, so that all projects completed through co-funding for the municipalities are transferred to their registers and at the same time the ministry's register is updated. In addition, he should ensure that depreciation of all non-capital assets is applied in order to fairly present their value in the AFS.

Auditee Management response (Do not agree)

For more, please see Annex 1

2.2 Issues with impact on compliance conclusion

Issue A1 – Shortcomings in execution of works through co-fundings with municipalities

Based on Law on Budget for 2022, MLGA had concluded a Co-Funding Agreement with the municipalities of the Republic of Kosovo for the Support Program for infrastructure projects for the communities. Article 7 of this agreement stipulates that municipalities should undertake all measures so that the project is completed within the budget year 2022. On the other hand, the responsibilities of each party, including the completion of works within the year 2022 are foreseen in the public contracts between the respective municipalities and the economic operators, based on the agreements signed by MLGA with the respective municipalities.

From the testing of 28 samples for co-fundings with the respective municipalities, only ten (10) payments relating to eight (8) projects were made within the deadline, technical acceptances were carried out and MLGA had requested for the assets writing of/transferring to the respective municipalities. Whilst, for 18 other projects, payments on behalf of MLGA were made. However, the respective municipalities had not paid their liabilities.

We have identified one (1) case of works not being completed according to the dynamic plan as foreseen with contract. The construction of the school fence for the elementary schools “Asdreni” and “Xhemajl Kada” in Peja, contract amount €53,099, funded amount by MLGA was €40,000, whilst, the funded amount by the Municipality of Peja was €13,099. The contract was signed on 28.07.2022 with a deadline of 60 calendar days, whilst the invoice related to the initial stage was received on 15.11.2022 in the amount of €16,684. Based on the report of the contract manager, dated 20.10.2022, it is stated that works started two weeks after the contract signing due to atmospheric conditions and other problems. Whilst, the supervisor has not stated any difficulties during the execution of works in the report, although there were delays. By April 2023, the percentage of project completion was 59.64%.

Whereas, in two (2) cases works were not executed in compliance with the contract specifications:

- During on-site examination for the contract “Supply with equipment for the needs of the municipality – supply with trucks and pickup trucks for street cleaning” from the municipal performance grant scheme, the municipality of Obiliq (€203,850, dated 21.10.2022) we found discrepancies between the contract and the supplies. The identified differences are as follows: 1) the truck engine was contracted to be diesel, instead it was received as gasoline one; 2) the engine was requested to be at least 2.8 horsepower, instead it was received with 1.5; 3) the carrying weight not less than 1500kg, instead it was received with 935kg; 4) pickup truck total weight should not exceed the weight of 3500kg, whilst the total pickup weight of 1380kg was accepted; 5) tires were requested to be duplicate (double) on the rear axle, instead they were received with single tires; and 6) car windows should have been electronic, instead they were received with manual windows. Until on-site examination, these

equipment were stored in the warehouse under the reasoning that they were not recorded by the municipality.

- Construction of the road Riza Krasniqi in Breznica, Municipality of Obiliq, (DEMOS), contract amount €164,449, funded amount by MLGA €150,000, whilst the funded amount by the municipality of Obiliq was €14,449. Based on the contract, 40 manholes were planned to be installed, instead only 28 were installed. Moreover, there were changes in the positioning of the bridges and the sewer line due to the design not being in line with the terrain needs as well as in materials. These changes were made with prior approval by the contract manager.

According to MLGA, this occurred due to delays in awarding the municipalities as beneficiaries of the performance grant, the Memorandums of Understanding were signed thereafter, as well as due to delays in procurement procedures carried out by the municipalities.

Impact

Delays in the completion of projects may lead to MLGA not achieving the set objectives and also cause budget difficulties for the following years.

Recommendation A1 The Minister should ensure that, through the respective staff, a comprehensive analysis of incomplete projects is carried out. Further, he should undertake necessary actions in order for the works to be executed according to the contracted dynamic plan. In addition, in cooperation with the respective municipalities, he should ensure that prior the initiation of tendering procedures, detailed analyses for the respective projects are carried out, so that they are executed in line with the plan.

Auditee Management response (Do not agree)

For more, please see Annex 1

2.3 Findings on financial management and compliance issues

2.3.1 Goods and Services and Utilities

The final budget of Goods and Services for 2022 was €1,009,284, of which €575,346 were spent. They relate to contracting services, advance payments for official travel, luncheon etc.

Issue A2 – Exceeding the framework contract value

Finding Law no. 04/L-042 (amended) on Public Procurement, Article 38, sets forth that if a public framework contract is concluded for less than 36 months, the same shall not be extendable without carrying out new procurement procedures, i.e., the duration of the public framework contract shall be determined at the beginning of the procurement process. The estimated quantity specified in the tender documents is only an indicative quantity. Authority shall specify in the tender dossier the value or quantity of the contract as a threshold or a ceiling and allow derivation therefrom, stating also the percentage of permitted discrepancy. The permitted discrepancy cannot be higher than plus/minus thirty per cent (30%). If the purchase orders exceed the total indicated quantity or total indicated value of the public framework contract (including + thirty per cent (30%)), regardless the original expiry date of the Public Framework Contract, it will be automatically ceased.

MLGA had exceeded by 975.18 litres above the allowed norm + 30% the value of the contracted supplies according to the amount foreseen for 3 years, expressed in monetary value for €1,658.

On 12.07.2019 CPA concluded a public framework contract for Supply with fuel (gasoline, diesel) LOT III, through this contract, CPA for MLGA, a total consumption of 30,000 litres of fuel was foreseen for three (3) years.

This occurred as a result of poor supervision over the progress of the contract implementation by the contract manager.

Impact Exceeding the contract over the allowed norm may lead to the budget organisation entering into unplanned financial liabilities, thus increasing the ministry's costs.

Recommendation A2 The minister should ensure that contract managers continually oversee the contract implementation progress in order to prevent the contracted quantity supplies from exceeding. When exceeding of contracts reaches +30%, no new orders should be made.

Auditee Management response (Agree)

Issue A3 – Staffing of regular job position with special service agreement**Finding**

Rule for procurement for special services, Article 3.1 stipulates that special services which can not be provided through recruitment procedures are professional services for which the Contracting Authority needs but does not meet the requirements with the current staff.

Rules and Operational Guideline for Public Procurement (ROGPP), Article 47.26, stipulates that if in the tender dossier and in the contract notice the contracting authority has set the award criteria for "Most economically advantageous tender", such award shall be made only based on the criteria and weight of the criteria specified in the tender dossier and in the contract notice. These criteria must meet the following requirements in accordance with Article 52 of the PPL: 1.The criteria must be measurable; which essentially means they must be concrete and clear enough to enable tenders to be evaluated in relation to each other.

In 2022, MLGA concluded a special service contract, in the amount of €25,600, for the engagement of a consultant for the management of capital investment projects, with a duration of three (3) years.

Despite, that the Monitoring Department of the Public Procurement Regulatory Commission (PPRC) had recommended that "These rules apply only to the procurement of special services which cannot be provided through recruitment procedures according to the Law on Public Officials no. 06-L-114 and had recommended the MLGA to evaluate once again whether the procurement activity is in accordance with the regulation for special services and with the announcement of the PPRC dated 02.02.2021. However, MLGA had signed a long-term contract with the consultant (2022-2025), although this position can be staffed after recruiting staff in the following years. Moreover, based on the Regulation on Internal Organization in MLGA, there is a budgeted position for Head of the Project Management Division and Senior Official for Development and Monitoring of Project Implementation, positions which are still vacant.

During the testing, we have evidenced that even in the developed procurement procedure for this position, the criteria defined in some cases were not concrete and clear. The evaluation report does not clearly define the evaluation based on scoring and weighting according to specific criteria to enable comparison of offers. In this report, only the existence of evidence was evidenced, but not the scoring.

This occurred due to poor staff planning in line with the institution's needs.

This affects the loading of the budget for goods and services, creating additional expenses for the Ministry, as well as not evaluating/scoring based on criteria for contracting consultancy for a specific field does not provide value for the Ministry.

Recommendation A3 The minister should ensure that the job positions approved by budget are staffed through recruitment procedures. Procedures for SSA should be applied only for the staffing of specific positions through measurable, concrete and predefined criteria.

Auditee Management response (Do not agree)

For more, please see Annex 1

Issue B2 – Open advance payments from previous years

Finding Financial Rule no. 01/2013 – Public Funds Expenditure and Administrative Instruction No. MPS 2004/7 on Official Travels stipulate that the advance payments for official travels should be closed and unspent amounts should be returned to the bank account within 15 days after returning from the official travel.

In the Annual Financial Report (AFR), Article 20, MLGA had presented unjustified advance payments for official travels in the amount of €5,762. Of which, €1,670 were open advance payments from previous years (2010-2014), whilst open advance payments for 2022 were in the amount of €4,092.

This occurred due to poor coordination between the MLGA and Treasury responsible officials and also lack of documentation regarding the advance payments of the previous years.

Impact Delays in closing advance payments lead to failure to avoid errors in the advance payments account and reflect unclosed expenditure resulting in this account remaining open. In addition, the presented information in the AFS do not present the true balance of ministry's advance payments.

Recommendation B2 The minister in cooperation with the Treasury should ensure that concrete measures based on supporting evidence are taken for the closing of open advance payments, in order to avoid their overstatement in the AFS.

Auditee 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 budget funds (in €)

Description	Initial budget	Final budget ⁵	2022 Expenditures	2021 Expenditures	2020 Expenditures
Sources of funds	6,652,075	7,799,564	5,060,469	3,871,569	2,931,994
Government Grants – Budget	6,652,075	6,008,308	4,188,076	3,576,725	2,849,013
External donations	0	1,791,256	872,393	294,844	82,982

The final budget is higher than the initial budget by €1,147,489. This increase is a result of the allocation of grants from donors such as European Union/Council of Europe Funds and the World Bank.

In 2022, MLGA spent €5,060,469 or 65% of the budget, an unsatisfactory level, similar to 2021 when the budget outturn was 64%.

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

Description	Initial budget	Final budget	2022 Spending	2021 Spending	2020 Spending
Spending of funds by economic categories	6,652,075	7,799,564	5,060,469	3,871,569	2,931,994
Wages and Salaries	918,630	1,073,883	897,836	926,987	969,397
Goods and Services	262,945	1,009,284	575,346	321,568	121,183
Utilities	15,500	17,060	5,374	5,005	5,140
Subsidies and Transfers	0	806,756	362,515	0	0
Capital Investments	5,455,000	4,892,583	3,219,399	2,618,008	1,836,273

Explanations for changes in budget categories are given below:

The final budget for wages and salaries increased by €155,253 compared to the initial budget. This was a result of allocated funds from donor grants such as the Instrument for Pre-accession Assistance-IPA/CBC in the amount of €86,706 and allocation of the grant from the World Bank in the amount of €68,546. The budget was spent at 84% due to failure to staff the vacant positions.

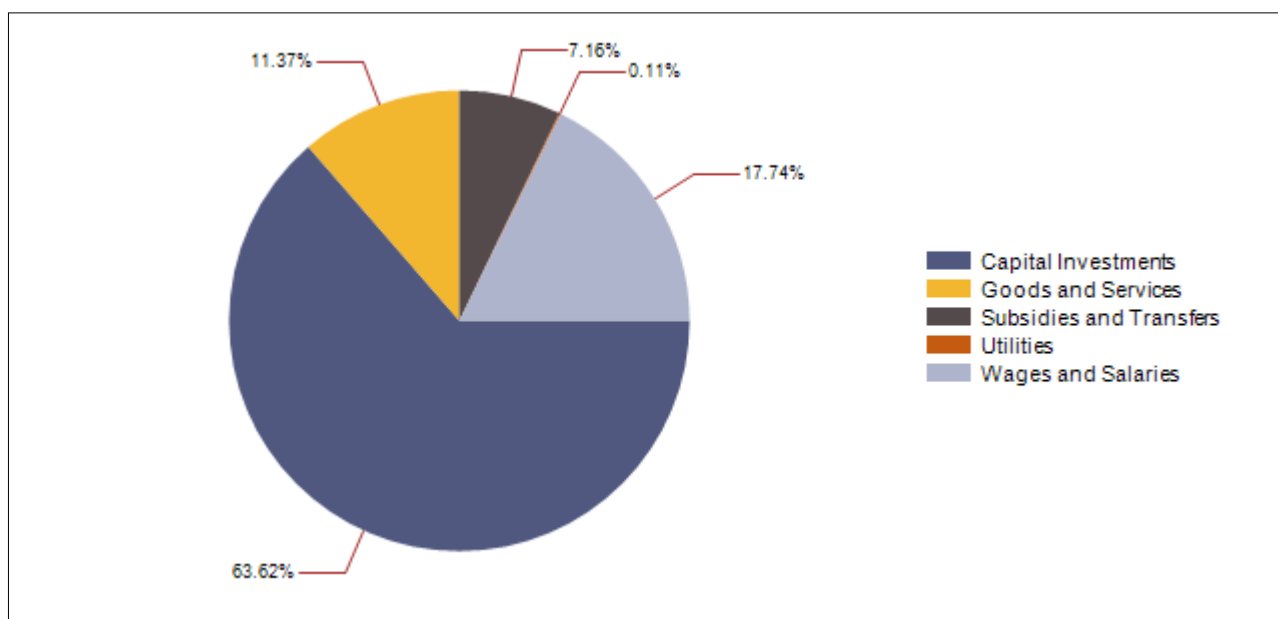
The final budget for goods and services increased by €747,899 compared to the initial budget. This was as a result of Government's decisions. The budget was spent only at 57%. This budget outturn

is a result of the restructuring of the World Bank project as well as the budget allocation for three years regarding the IPA/CBC project.

The final budget for subsidies and transfers increased by €806,755 as there were no funds allocated in the initial budget. This increase was a result of the World Bank project. The budget outturn was 45% due to delays in announcing public calls for subsidies in the respective municipalities.

The final budget of Capital Investments was decreased by €562,417 compared to the initial budget. This was a result of the capital investments stagnation in the co-fundings with municipalities and budget savings declarations. Despite the budget decrease of the capital expenditures throughout the year, only 66% of the final budget was spent. This was due to delays in announcing the beneficiaries of the municipal performance grant, delays in evaluating applications for the municipal program for the development of socio-economic infrastructure and inter-municipal cooperation, as well as delays in approving the criteria for the program Support for infrastructure projects for communities in the municipalities of the Republic of Kosovo.

Chart 1. Expenditures by economic categories for year 2022



4 Progress in implementing recommendations

Our audit report on 2021 AFS of the MLGA resulted in four (4) recommendations. The Ministry of Local Government Administration prepared an Action Plan stating how all recommendations will be implemented. In addition, MLGA also prepared the periodic report on the implementation of the given recommendations.

By the end of our 2022 audit, two (2) recommendations have been implemented and two (2) recommendations have not been implemented, as shown below in Chart 2.

For a more thorough description of the recommendations and how they are addressed, see Table 3 (or Table of recommendations).

Chart 2. Progress in implementing prior year's recommendations

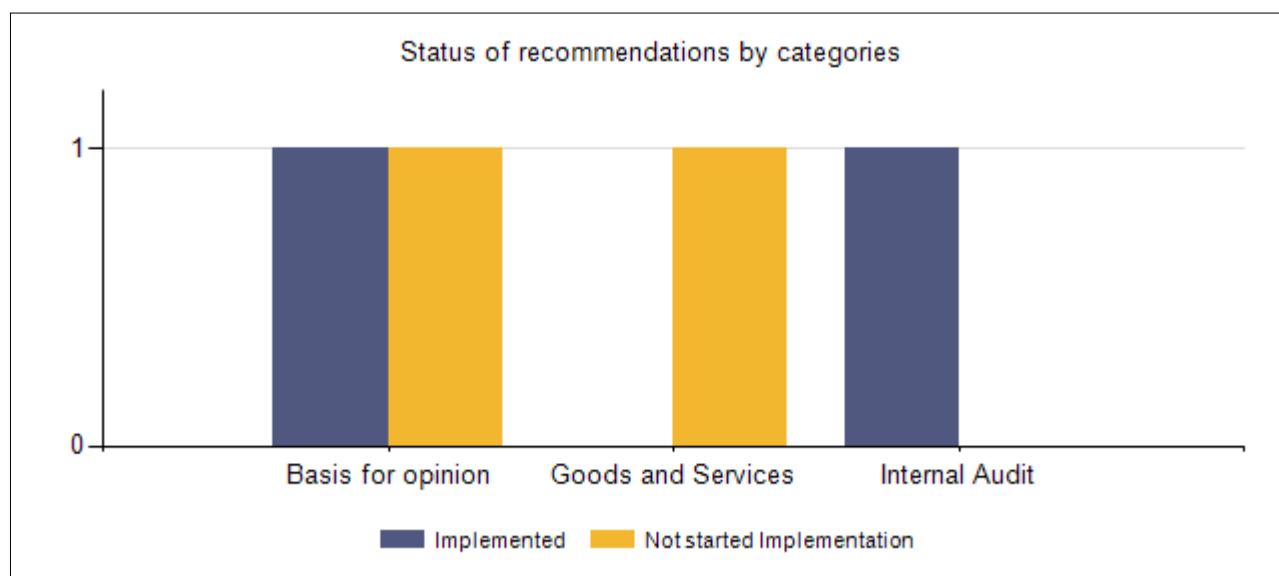


Table 4 Summary of prior year's recommendations

No.	Audit Area	Recommendations of 2021	Actions taken	Status
1.	Basis for opinion	The Minister, through the municipality's monitoring department, should ensure proper and timely communication between the ministry's responsible officials and those of the municipalities, so that all projects completed through co-funding for the municipalities are transferred to their registers and at the same time the ministry's register is updated. In addition, he should ensure that depreciation of all non-capital	Requests for status change (write off of assets) in MF regarding the 6 identified cases have been made and the same have been written off of the register. However, we have identified new cases, Issue B1.	Implementation not started

		assets is applied in order to fairly present their value in the AFS.		
2.	Basis for Opinion	The minister should ensure that received revenues from donors are presented in a true and fair view in the 2022 AFS.	We have not identified such errors during the current year.	Implemented
3.	Goods and Services and Utilities	The minister in cooperation with the Treasury should ensure that concrete measures based on supporting evidence are taken for the closing of open advance payments, in order to avoid their overstatement in the AFS.	In 2022, MLGA had closed previous years' advance payments in the amount of €4,117. Despite this, the advance payments amount at the yearend 2022 was almost the same as in the previous year.	Implementation not started
4.	Internal Audit	The minister should ensure that the Audit Committee is put to operation as soon as possible in accordance with the legal requirements, in order to implement the oversight and support of the IAU and to ensure the independence of this unit.	The Audit Committee has been put to operation.	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

Emine Fazliu, Assistant Auditor General

Mjellma Dibra, Head of Audit

Neslihane Mati, Team leader

Mimoza Morina, Team member

Mirlinda Beqiri, Team member

Annex I: Letter of confirmation/ Comments of BO regarding the audit report



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Administrimit të Pushtetit Lokal
Ministarstvo Administracije Lokalne Samouprave
Ministry of Local Government Administration

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

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Ministrisë së Administrimit të Pushtetit Lokal, për vitin 2022 (në tekstin e mëtejshëm "Raporti");
- Pajtohem pjesërisht me gjetjet dhe rekomandimet. Komentet lidhur me gjetjet i gjeni bashkëngjitur kësaj shkrese në kuadër të tabelës për komente.
- 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.

Elbert Krasniqi

Ministër i Ministrisë së Administrimit të Pushtetit Lokal

Kopje:

- Zë. Sekretarit të Përgjithshëm të MAPL-së;
- Arkivit të MAPL-së;
- ZKF, MAPL

Data: 16 Qershor 2023

Issue	Comments from the BO	KNAO view
Issue B1 – Overstatement of assets in the AFS	<p>In relation to issue B1, MLGA provides the following clarifications:</p> <ul style="list-style-type: none"> - in three (3) cases he sent the request for deletion of the assets dated 19.01.2023 to the MFPT, but they were not deleted from SIMFK. (arguments have been sent in the first draft of the report). - In five (5) cases, MLGA has asked the municipalities on September 19 and 27, 2022, on 11.11.2022 and on 17.01.2023 to send technical acceptances to MLGA. MLGA from the municipalities has not accepted these technical acceptances. The same were accepted by the audit team on 12.04.2023. Of the five (5) cases accepted by the audit team, three have been sent for deletion, while 2 of them have not had the technical acceptance completed/signed by the acceptance committee. In 2 cases, MLGA has sent a letter to MFPT for the deletion of 5 assets, of which only 3 were deleted, while the other two were deleted on 05.05.2023 after the request of MLGA dated 03.03.2023 and repeated on 05.05.2023 (arguments have been sent to the first draft report). 	<p>The Ministry does not dispute the findings and confirms the actions they took after identifying the cases by the audit team. The same do not affect the situation presented in the report.</p> <p>The finding and recommendation remain unchanged.</p>
Issue A1 – Shortcomings in execution of works through co-fundings with municipalities	<p>In relation to issue A1, MLGA provides the following clarifications:</p> <ul style="list-style-type: none"> - Based on the agreements for financial support, the obligations of the municipalities, among others, are: - The municipality is obliged to develop the project in accordance with this agreement and the legal framework in force. - The municipality appoints the project manager/supervisory body for the supervision of the performance of the works and the commission which issues the 	<p>The co-financing agreements with the respective municipalities define the provisions through which MLGA is obliged to monitor the projects on an ongoing basis, and through the monitor appointed by MLGA they are obliged to take measures in case of irregularities or defects during the execution of the contract.</p> <p>The finding and recommendation remain unchanged.</p>

	<p>certificate of the works/technical acceptance.</p> <ul style="list-style-type: none"> - The project manager/supervisory body with full responsibility certifies the quantity and quality of the works/supplies performed, on the basis of which the economic operator issues the financial document (invoice), with the request for the realization of the performed works/supplies, referring to the conditions of the contract. - Whereas, based on the agreement for financial support, the obligations of MLGA, among others, are: - MLGA is not responsible in case of project failure for reasons related to its authorizations, as well as in case of possible changes of any nature or violations that may occur during the implementation of projects that fall under the municipality's responsibility (arguments are attached). 	
--	--	--

<p>Issue A3 – Staffing of regular job position with special service agreement</p>	<p>This tender procedure/file for consultant/individual has been developed in full harmony with LPP- Article 22, Article 52, RRUOPP Article 9 and Article 10 in all its points, as well as changes/completion of the rules and services of vecanta (consultant/Individual contractor) Published by KRRPP dated: 18.11.2020) as required by this regulation for EO-physical persons where the criteria are set in full harmony with Article 3 General information, Article 4 Individual consulting services in accordance with point 4.8 (refer to this regulation which is specific for such services).</p> <p>The tender file has been prepared and published in accordance with Article 27 of the LPP and RRUOPP Article 18 in the file, a deadline has been set for clarification of the tenders and during the tendering we have not had a request for clarification of the tender file, specifically a request for clarification of the criteria that it is implied that they are clear to the EO.</p> <p>- natural persons who were interested in participating.</p> <p>We acted according to RRUOP Article 8 where we received approval from CPA for the procedure in question.</p>	<p>The calls to the relevant articles of the RrUOPP by MLGA are not part of the relevant finding by ZKA.</p> <p>The evaluation report was incomplete as the candidates were not the point, but only the existence or non-existence of the required evidence was evident.</p> <p>The finding and recommendation remain unchanged.</p>
---	--	--

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.