



Lidhja Demokratike e Kosovës

**Campaign Financial Disclosure Report with Independent Auditors'
Report thereon**

**Extraordinary national elections
11 May 2017 – 11 June 2017**



Table of Contents:

<u>Independent Auditors' report.....</u>	<u>3</u>
Statement of financial position.....	8
Statement of income and expenses.....	9
Notes on financial statements	10-16



Independent Auditors' Report

To the council of Lidhja Demokratike te Kosovës

Report on Special Purpose Financial Statement

Qualified Opinion

We have audited the Campaign Financial Disclosure Report of the Political Entity "Lidhja Demokratike te Kosovës" (hereinafter referred to as "Political Entity" or "LDK" or "PE"), which comprise the statement of financial position as at June 11, 2017, the statement of income and expenses for the period 11 May 2017 until 11 June 2017 and other explanatory information.

In our opinion, except for the effect of the matters described in the section Basis for Qualified Opinion, the campaign financial disclosure report presents fairly, in all material respects, the financial position of the Political Entity as of 11 June 2017, and its income and expenses for the period from 11 May 2017 until 11 June 2017 in accordance with the law no. 04 / L-212 on amending and supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 15 Financial Reporting

Basis for qualified opinion

- As disclosed in Note 3 of the Statement of Income and Expenses, the PE has stated donation and cash contributions in the amount of 78,947.01 Euro from which 60,605.18 Euro are reflected in the Campaign Financial Disclosure Report of the PE but are not reflected nor transferred in the current bank account of the PE nor the current account of the formed coalition certified by CEC, LDK-AKR. In absence of supporting documentation, while applying standard and alternative procedure of auditing we were unable to verify the accuracy of the accepted donation for the reporting period. Furthermore, the donations declared were not accepted in accordance with legal requirement regarding financing of political entities.
- As disclosed in Note 2 of the Statement of Income and Expenses, the political entity has stated expenses on the amount of 899,880.74 Euro for the reporting period. Given the nature of documentation received by the PE and in absence of relevant supporting documentation, we were unable to apply standard and alternative procedures of auditing in order to verify the accuracy of the stated expenses for the coalition on the amount of 68,729.83 Euro as at 11 June 2017.
- As stated in Note 2 of the Statement of Income and Expenses, the political entity has stated 'salaries and compensation' on the net amount of 74,155.56 Euro. The political entity, LDK has employed during the election campaign



certified observers for which services they calculated net payments on the amount of 66,740 Euro but without withholding not declaring pension contributions as required by Law No.05/L-028 on Personal Income, Article 38, Paragraph 1. Moreover, given the nature of the notes that the PE keeps, while applying standard and alternative procedures of auditing we were unable to verify whether the stated expense on the amount of 66,740.00 Euro occurred and it belonged to this reporting period.

- As disclosed in the Note 2 of the Statement of Income and Expenses, the PE has stated different expenses on the amount of 93,600.00 Euro including expenses for professional consultancy services on the amount of 81,000.00 Euro. Regarding the received services, the PE did not provide supporting documentation regarding the nature and the quality of the services received based on the contract and also regarding the individuals responsible for approving the contracted services. Given the nature of the documentation from the political entity and in absence of supporting documentation, while applying standard and alternative procedures of auditing, we were unable to verify whether the expense on the amount of 81,000.00 Euro occurred and it belongs to the reporting period.
- As disclosed in the Statement of Income and Expenses, the political entity has stated expenses in 'advertising, representation and conferences' on the amount of 617,335.33 Euro. Regarding these services the PE did not disclose any information regarding the contracts, personnel responsible for executing services according to contract and other specifications. Given the nature of the documentation from the political entity and in absence of supporting documentation, while applying standard and alternative procedures of auditing, we were unable to verify whether the expense on the amount of 100,000.00 Euro occurred and it belongs to the reporting period.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Political Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the following findings:

- The Political Entity has not maintained proper accounting to enable the recording of financial transactions and the preparation of financial statements according to the applicable accounting standards in Kosovo.



- The PE has not developed procedures to record transaction with cash in hand such as cash registers to accept or pay with cash in hand.
- The Political Entity for the conducted purchases did not apply any procurement procedures which would enable a more efficient, cost-effective, transparent and fair use of political entity funds
- The Political Entity has not defined in its Statute the possibility of exercising internal financial control and the right for its members to be informed of all revenues and expenses of political entities as well as the responsibly of relevant body for financial transaction as required by the law no. 04 / L-212 on amending and supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 17 Internal Control.
- The Political Entity has not respected the legal requirements regarding the publication of annual and campaign financial disclosure reports as required by the law no. 04 / L-212 on amending and supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 15 Financial Reporting, paragraphs 5.1 and 5.2.
- During our audit we found out that in the expenses for advertising, representation and conferences but also in expenses for fuel, in some cases the PE does not have relevant supporting documentation other than receipts which would justify and support the stated expenses.
- Branches of the Political Entity, LDK, have not submitted to the office the informative financial report based on the legal requirement foreseen with Article 4, Point 4.3 of Regulation No.12/13 on limiting campaign spending and financial reports. Expenditure from branches and receipts based on the date of occurrence were not recorded but an excel sheet was used to record transactions based on the dates of payment but not on the date of transaction.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Law No. 04/L-212 on amending and supplementing the Law no. 03/L-174 on the financing of Political Parties, amended and supplemented by law no. 04/L-058 and the law no.03/L-257 on amending and supplementing the law no.03/L-073 on General Elections in the Republic of Kosovo, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting



unless management either intends to liquidate the Political Party or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 ISAs 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.

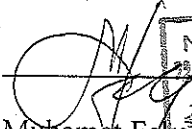
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



We communicate with 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.

Audit & Conto LL.C


Muhamet Feka
Statutory Auditor
12 April 2019

NDËRMARRJA SHËRBYESE
"AUDIT & CONTO"
sh.p.k.
PRISHTINE

Lidhja Demokratike e Kosovës
 Campaign Financial Disclosure Report
 Extraordinary National Elections 11 May 2017 Until 11 June 2017

Statement of Financial Position

Assets		Balance at the end of the period	Balance at the start of the period
Long-term assets	Notes	Amount in Euro	Amount in Euro
Property, plant and equipment	5		
Intangible Assets			
Other long-term assets			
Total long-term assets		0.00	0.00
Current assets		0.00	0.00
Accounts receivable	6		
Prepayments			
Cash and cash equivalents	7		
Other current assets			
Total current assets		0.00	0.00
Total Assets		0.00	0.00
Equity			
Accumulated Fund			
Surplus / (deficit) of the period		(149,661.88)	
Total Equity		(149,661.88)	0.00
Liabilities			
Long-term liabilities			
Loans payable			
Deferred revenue			
Total Long-term liabilities			
Current liabilities			
Accounts payable and others	8	149,661.88	0.00
Other current liabilities	9		
Total current liabilities		149,661.88	0.00
Total Liabilities		149,661.88	0.00
Total equity and liabilities		0.00	0.00

Lidhja Demokratike e Kosovës
 Campaign Financial Disclosure Report
 Extraordinary National Elections 11 May 2017 Until 11 June 2017

Statement of income and expenses

	Notes	11 May 2017 – 11 June 2017
Income		
Income from budget		671,271.85
Income from membership		
Donations and cash contributions	3	78,947.01
Contributions in kind / goods and services	4	0.00
Other income		
Total Income for the period		750,218.86
Expenses		
Wages and salaries	4	74,155.56
Transportation expenses	4	35,162.48
Advertising, representation and conferences	4	617,334.33
Purchase of goods	4	5,611.08
General expenses	4	74,017.29
Other expenses	4	93,600.00
Total expenses for the period		899,880.74
Surplus / (deficit) for the period		(149,661.88)

1. General Information

Name of Political Entity: Lidhja Demokratike e Kosovës
Acronym: LDK
Council: Isa Mustafa (Chairman)
Finance Representative: Lutfi Zharku
Date of Establishment: 23 December 1989
Address: Prishtina

The financial statements of the PE Lidhja Demokratike e Kosovës have been prepared in accordance with the requirements of Law no. 04 / L-212 on Amending and Supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 15 Financial Reporting.

According to Article 19, Paragraph 2, Item 7 of Law no.04/L-212 on amending and supplementing Law Nr. 03/L-174 on Financing of Political Entities, amended and supplemented by Law Nr. 04/L-058, the registered political entity within five (5) business days from receiving the draft auditing reports has submitted the revised financial reports and explanations regarding errors and omissions identified by the auditors.

The Political Entity has had an additional current bank account until 26.03.2019 in addition to the main bank account in NLB Bank despite the legal requirements which oblige all political entities to only maintain one bank account. The current bank account opened near NLB bank the branch in Rahovec has been closed on 26 March 2019.

Lidhja Demokratike e Kosovës
 Notes on Campaign Financial Disclosure Report
 Extraordinary National Elections 11 May 2017 Until 11 June 2017

Note 8. Accounts payable and others

	Balance at the end of the period Amount in Euros	Balance at the start of the period Amount in Euros
Local vendor	149,661.88	0.00
Total accounts payable and others	149,661.88	0.00

Note 4. Contributions in kind / goods and services

Nature of the in-kind contribution / goods and services	Accepted by			Date of contributions	Amount In Euros
	Contributors	Address	ID Number		
Donation in Cash	Alternativa	Prishtinë		Specification	5,193.00
Donation in Cash	LDK	Prishtinë		Specification	7,608.50
Donation in Cash	AKR	Prishtinë		Specification	60,605.18
Donation in Cash	Elkos	Pejë		Specification	5,540.33
Total contributions in kind / goods and services					78,947.01

Note 2: Expenses

Expenses	Expenses in Euro	Payment in Euro	Outstanding amount in Euro
Wages and salaries			
Net wages and salaries	66,740.00	66,740.00	
Payments for observers			
Pension contributions of the employee			
Pension contributions of the employer			
Personal Tax income	7,415.56		7,415.56
Other benefits			
Total	74,155.56	66,740.00	7,415.56
Transportation expenses			
Borrowed motorized vehicles	8,155.00	2,360.00	5,795.00
Fuels	23,183.48	22,230.21	953.27
Airplane/bus/train/taxi etc. tickets			0.00
Car insurance and maintenance			0.00
Any other transportation expenses	3,824.00	3,824.00	0.00
Total transportation expenses	35,162.48	28,414.21	6,748.27

Advertising, representation and conferences			
Premises	10,419.84	9,819.84	600.00
Food	35,041.84	22,374.59	12,667.25
Cultural and recreation activities			0.00
Radio and TV advertisements	241,961.83	207,263.33	34,698.50
Newsstands and newspaper advertisements	128,324.00	114,097.70	14,226.30
Other advertising, representation and conferences expenses	201,586.82	199,980.812	1,606.00
Total advertising, representation and conferences expenses	617,334.33	553,536.28	63,798.05
Purchase of goods			
Supply of office	5,611.08	5,611.08	0.00
Small equipment			0.00
Total purchase of goods	5,611.08	5,611.08	0.00
General expenses			
Rent of office space			0.00
Telephone, internet and mail	2,317.29	2,317.29	0.00
Electricity and other utilities (water and waste)			0.00
Fines and Penalties	71,700.00		71,700.00
Expenses related to in-kind contributions / goods and services			0.00
Total general expenses	74,017.29	2,317.29	71,700.00

Lidhja Demokratike e Kosovës
 Notes on Campaign Financial Disclosure Report
 Extraordinary National Elections 11 May 2017 Until 11 June 2017

Other expenses			
Maintenance of office space and equipment			
Expenses not included in any other category	93,600.00	93,600.00	0.00
Total other expenses	93,600.00	93,600.00	0.00
Total Expenses	899,880.74	750,218.86	149,661.88

Note 10: Payments over 5,000.00 Euro

Description	Paid to:			Amount	Description
	Natural/Legal Person	Address	ID Number		
Purpose of payment TV advertisements	21 RTV	Prishtine	600085361	Date of Payment 02.06.17	Amount in Euro 15,000.00
Advertising in news portals	Blic	Prishtine	601082316	07.06.17	8,000.00
TV advertisements	Butterfly	Prishtine	600368410	25.05.17	20,000.00
TV advertisements	Dukagjini	Prishtine	600225933	Specification	34,000.00

Lidhja Demokratike e Kosovës

Notes on Campaign Financial Disclosure Report

Extraordinary National Elections 11 May 2017 Until 11 June 2017

Advertising in news portals	Ekonomia Online	Prishtine	600607652	Specification	13,300.00
TV advertisements	Entermedia	Prishtine	600651823	30.05.17	11,800.00
Advertising in news portals	Infokus	Prishtine	71144852	18.06.17	5,000.00
Advertising in news portals	Insajderi	Prishtine	601575569	26.05.17	7,000.00
Advertising in news portals	Internews Kosova	Prishtine	600171433	Specification	6,250.00
TV advertisements	JMP	Prishtine	600164165	Specification	13,000.00
Conferences/rallies	KD Events	Prishtine	600602173	Specification	177,000.00
TV advertisements	Klan Kosova	Prishtine	600359378	18.06.17	9,000.00
Advertising in news portals	Kosova Press	Prishtine	600115928	Specification	7,000.00
TV advertisements	KTV	Prishtine	600157722	Specification	39,388.50
Food and beverages	Lili	Prishtine	600178108	Specification	5,024.00
Advertising in news portals	Media Works	Prishtine	600272695	26.05.17	10,000.00
Professional Services	Mone Sheremeti B.I.	Peje	601582853	Specification	9,600.00
Advertising in news portals	Ora Info	Prishtine	600819603	Specification	8,450.00
Advertising in news portals	Periskopi	Prishtine	601606364	26.05.17	5,000.00
TV advertisements	RTK	Prishtine	600294657	Specification	22,000.00

Lidhja Demokratike e Kosovës

Notes on Campaign Financial Disclosure Report

Extraordinary National Elections 11 May 2017 Until 11 June 2017

Professional Services	SCL	London	08410560	16.05.17	81,000.00
Advertising in news portals	Telegrafi	Prishtine	600104476	02.06.17	6,000.00
TV advertisements	Tribuna Channel	Prishtine	601183403	07.06.17	15,000.00
Advertising in news portals	Zëri	Prishtine	600160387	31.05.17	6,000.00
Total payments over 5,000.00 Euro					533,812.50