



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 RWC PASTRIMI J.S.C. FOR YEAR 2020

Prishtina, July 2021

TABLE OF CONTENT

1	Audit Opinion.....	3
2	Findings and recommendations.....	9
3	Issues resolved in the course of audit process.....	31
4	Progress in implementing recommendations.....	34
	Annex I: Letter of confirmation/ Comments of PE regarding the audit report	44

NOTE:

This audit report has, for the first time, been generated through the audit management electronic platform SITA. We are also using the new audit report template this year in accordance with the updated financial and compliance audit methodology. For the first time, the report includes a separate compliance audit conclusion.

We are well aware that having to apply all these new features at once and in extraordinary circumstances of a pandemic we might have unwillingly missed any omission. Therefore, we would like to apologise in advance and thank you for your understanding.

To: Municipal Shareholders Committee
Board of Directors of RWC Pastrimi, j.s.c.
Burim Kelmendi, Chief Executive Officer
Gazmend Rexhepi, Chief Financial and Treasury Officer

Address: "Bill Clinton" p.n. 10000, Prishtinë, Republika e Kosovës

1 Audit Opinion

We have completed the audit of the financial statements of RWC Pastrimi j.s.c. for the year ended on 31 December 2020 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.

Adverse Opinion on Financial Statements

We have audited the annual financial statements of RWC Pastrimi j.s.c. (RWC Pastrimi), which comprise the statement of financial position for year 2020, statement of comprehensive income, statement of cash flow, statement of changes in equity, and explanatory notes to financial statements, including a summary of significant accounting policies for the year ended as at 31 December 2020.

In our opinion, because of the effects of the matters described in the Basis for Adverse Opinion paragraph, the annual financial statements do not give a true and fair view of RWC Pastrimi's financial position as at 31 December 2020, its financial performance and cash flow for year 2020 in accordance with the International Financial Reporting Standards (IFRS).

Basis for Adverse Opinion

- B1 Receipts in the amount of €414,886, recognised in the previous years as "Unknown client, institutions, contracts, municipalities, households" under the deferred revenues section, were not deducted from relevant customers who have paid. Instead, these liabilities were deducted from costumers by increasing the retained earnings. This has resulted in understatement of liabilities.
- B2 Net value of assets was understated by €177,693. This occurred because, following assets revaluation, the Company did not depreciate them by the revaluated amount.

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

This has also led to overstatement of accumulated depreciation by €150,745, as well as overstatement of depreciation expenses by €157,021.

- A1 In the explanatory notes, grant deferred revenues of €797,000 were misstated, including revenues funded by the Government and Municipal Shareholders of the Company, which were dedicated to cover operating costs as a result of COVID 19 pandemic. When it comes to recognised liabilities from grants in the amount of €107,246, which relate to eleven (11) assets, the Company does not possess any resource evidence on 10 of them.
- B3 Trade payables do not present a true view of their balance, because there were liabilities of €86,825 towards 23 suppliers, an amount that the Company was not able to support with resource evidence - invoices or contracts proving such obligation.
- B4 Based on our testing and analysis, the revaluation reserve should have been €618,504, whilst the financial statement was presented in the amount of €593,909, thus resulting in understatement of the revaluation reserve.
- B5 Issues of material impact addressed in this Chapter regarding accounting items such as revaluation reserve, assets, receivables, and depreciation expenses lead to untrue presentation of the statement of cash flow.
- B6 The audit of financial statements for 2018 and 2019, identified a material error regarding the overstatement of cash by €205,110. This material error of the previous period was not adjusted during preparation of financial statements for 2020 with a retrospective restatement of opening cash amount in the Statement of Cash Flow.
- B7 Issues addressed in this Chapter regarding revaluation reserve, deferred revenues, depreciation expenses that have an impact on the financial outcome in the Statement of Income, also lead to untrue presentation of the earnings for the period, carried forward to the Statement of Changes in Equity. Shortcomings in earnings for the period affect the item of retained earnings as well.
- B8 Information given in the Explanatory Notes regarding administrative and operating costs, as well as trade and other payables do not correspond to the same amounts presented in the financial statements. These differences are €15,581, €15,077, and €2,009 respectively.

For more details 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 Publicly Owned

Enterprises. 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 RWC Pastrimi j.s.c.'s management compliance with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee.

In our conclusion, because of the significance of the matters described in the Basis for Conclusion section of our report, transactions carried out by RWC Pastrimi j.s.c. were not in compliance with:

The Statute of the Company, Law on Publicly Owned Enterprises, Law on Waste, Company's internal regulation on implementation of business procedures and policies, Law on Public Procurement of Kosovo, and the Law on Labour.

Basis for conclusion:

- B9 The Company's register of customers comprises of 1,227 customers registered under the naming "XX", "XN", and "?", who are creditors of the enterprise in the amount of €156,424. In addition, in this register, there are 12 other clients as creditors, in the amount of €1,906, for whom there is no naming whatsoever.
- A2 For 38 cases, the Company failed to provide evidence (decisions) on the deactivation of creditor customers, in the amount of €424,645, which appear in the register of its customers.
- B10 The number of customers billed by the Company was higher than what was specified in the contract between the Company and Prishtina Municipality. Thus, during the quarters (hereinafter: Q), 73,616 customers were billed for Q1 and Q2, 69,867 customers for Q3, and 72,457 customers for Q4. On the other hand, the Company billed the Municipality for only 58,000 customers.
- B11 49 contracts were signed for the same type of supplies/services through several procurement procedures, resulting in the division of tenders for the same supply/service as:
 - 19 Contracts for Supply with spare parts for vehicles/trucks with a total amount of €33,469, of which 17 contracts are with minimum value and 2 contracts with price quotation;
 - 8 Contracts with minimum values for Supply with computers and IT parts with a total amount of €6,712;

- 22 Contracts for servicing vehicles with minimum values with a total amount of €18,744.

This was a practice carried on from previous years.

- B12 There was a lack of regulations/policies for revenue management, as well as for the remuneration of the Company's directors and employees.
- B13 37 employees were hired on fixed-term contracts for specific jobs and tasks, but these employees covered regular job positions and no recruitment procedures were developed for them.
- B14 Remuneration of €7,050 for the Board of Directors for extraordinary meetings, without a decision of the Municipal Shareholder Committee.

For more details 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 Publicly Owned Enterprises' 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 Due to Covid-19 pandemic situation, RWC Pastrimi spent €797,000 funded from the Government of Kosovo under the economic recovery measures, and from Company's Municipal Shareholders such as Prishtina Municipality and Obiliq Municipality. These funds were intended to cover 2020 operating expenses in the amount of €70,000, as well as for salary expenses in the amount of €727,000.

The opinion has not been modified in this respect.

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

Management 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, Management is responsible for establishing internal controls it determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes implementation of the Law no.03/L-048 on Public Finance Management and Accountability (amended and supplemented), Law no. 04/L-087 on Publicly Owned

Enterprises (amended and supplemented), and Law no.06/L-032 on Accounting, Financial Reporting and Auditing

The Board of Directors is responsible to ensure the oversight of the RWC Pastrimi's financial reporting process.

Management's Responsibility for Compliance

RWC Pastrimi's Management is also responsible for the use of RWC Pastrimi's financial resources in compliance with the Law on Publicly Owned Enterprises, and all other applicable rules and regulations.²

Auditor General's Responsibility for the audit of AFS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our objective is also to express an audit opinion on compliance of respective RWC Pastrimi's authorities with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee. As part of an audit in accordance with the 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

² Collectively referred to as compliance with authorities

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 RWC Pastrimi's internal control.
- Assess 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 RWC Pastrimi'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 Organisation to cease to continue as a going concern.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

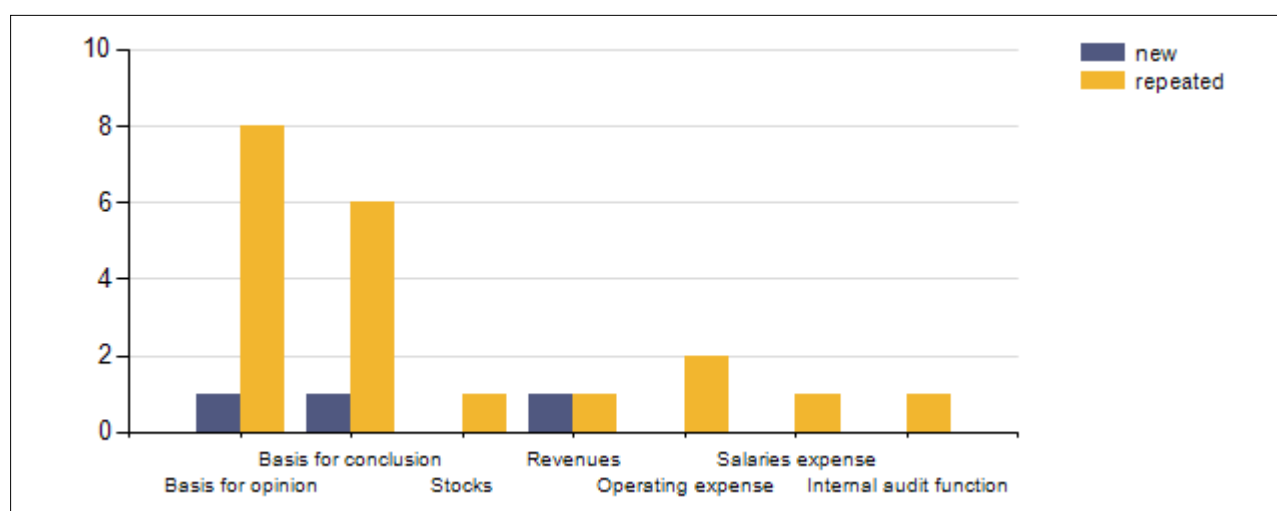
We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations

During the audit, we have identified areas of possible improvement, including internal control, which are presented for your consideration below in the form of findings and recommendations (as shown in Graphic 1 below). 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.

Graphic 1. Type of findings by economic categories³



We have also reviewed the status of previous year's recommendations and conducted an assessment on the extent of their implementation [for details, please see Chapter 4].

³ 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

2.1 Issues with impact on the opinion

Issue B1 - Failure to deduct receivables from customers

Finding According to IAS 1, financial statements must "present fairly" the financial position. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities. The application of IFRSs, with additional disclosure is presumed to result in financial statements that achieve a fair presentation.

Receivables in the amount of €414,886 were registered under the naming "Unknown client institutions, contracts, municipalities and households", were not deducted from customers who have paid their obligations to the Company. These receivables, of the period 2000 - 2018, in the statement of comparative financial position of 2019, were presented in deferred revenues. Whereas, the accounting operations presented to us for the audit year 2020 indicate that for this amount are credited (increased) the retained earnings in the statement of changes in equity. Furthermore, at note 7 in the explanatory notes is stated that accounts receivable were also debited (increased).

According to the confirmations received from the finance department, it is emphasized that these operations were done in order to reconcile receivables between analytics and finance.

Impact The accounting operations undertaken resulted in understatement of liabilities in the statement of financial position and overstatement of retained earnings in the statement of changes in equity. At the same time, the discrepancy in the analytical records of the respective customers for deduction of liabilities leads to untrue presentation of accounts receivable and to the risk of customers paying the same debt more than once.

Recommendation B1 The Board of Directors should ensure that necessary actions are taken to identify customers whose funds are registered in the account "Unknown customer" and that liabilities paid to the Company are deducted.

Management's Response: Do not agree

See Annex I for more details

Issue B2 – Inaccurate presentation of net asset value and depreciation expenses**Finding**

According to IAS 16 –Property, plant and equipment, upon recognition as an asset, an item of property, plant and equipment (property, plant and equipment) whose fair value is measured reliably, will be carried at the revalued amount, which is the fair value of the items on revaluation date less any subsequent accumulated depreciation and any accumulated impairment losses.

The Company did not handle revalued assets according to the requirements of the standards. The net value of assets presented in the AFS was €4,890,060, while according to the audit the net value of assets should be €5,067,753. As a result, the net asset value was understated by €177,693, because upon asset revaluation, the Company did not depreciate them at a revalued amount but added the revalued surplus to the initial asset costs, and calculated depreciation over this value. In addition, this lead to the overstatement of accumulated depreciation by €150,745, as the presented amount of depreciation was €618,019, while according to the audit this value should be €467,275, as well as the overstatement of depreciation expenses by €157,021, as it presented the amount of €470,578, whereas according to the audit this value should be €313,557.

According to the finance manager, this happened because the Company has a problem with the asset program regarding the placement of the revalued value in the program.

Impact

Understatement of the value of assets leads to inaccurate presentation of assets in the financial statements as well as the overstatement of depreciation expenses which also leads to decreasing in the financial outcome.

Recommendation B2 The Board of Directors should ensure that errors made during handling of assets after their revaluation are rectified so that a true and fair view is presented in the financial statements.

Management's Response: Agree

Issue A1 – Misstatement of grant deferred revenues

Finding Under IAS 20, Government Grants related to assets are initially recognised as deferred revenues, and a portion is transferred to revenues each year, thus compensating the greater depreciation expense in the initial costs. According to this standard, there should be given explanatory information on the accounting policies used for grants, the nature and size of government grants recognized in the financial statements, and the unfulfilled conditions associated with government assistance.

In note 14 to the disclosures of the financial statements, the revenues recognized from deferred grants were presented in the amount of €827,517. Of which, €797,000 were misstated as grant deferred revenues as it included revenues financed by the Government and the Company's Shareholder Municipalities intended to cover operating expenses during 2020 as a result of the COVID- 19 pandemic situation.

Whereas, for recognised liabilities from grants in the amount of €107,246, which relate to eleven (11) assets, on 10 of these assets, the Company does not possess any resource evidence.

This occurred due to finance department's failure to comply with standard requirements on deferred revenues, whereas the lack of resource evidence for grant-financed assets is justified by the Company with the fact that donors have not provided them with documentation.

Impact Misstatement of revenues from deferred grants in the explanatory notes on the financial statements leads to inaccurate presentation of the amounts presented in the financial statements and in the explanatory notes. Whereas the lack of resource evidence for the assets in possession represents significant weaknesses in the management of the Company's assets and affects the reliability of financial information.

Recommendation A1 The Board of Directors should ensure that Explanatory Notes contain the basic principles used for the preparation of financial statements and that information on the content of items in the statements is given as required by the accounting standards, ensuring a fair presentation.

Management's Response: Agree

Issue B3 - Untrue presentation of liabilities in the annual financial statements

Finding Under the Conceptual Framework (paragraph 4.46) a liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Trade payables presented in the balance sheet do not give a true view of their balance. There were liabilities of €86,825 towards 23 suppliers which the Company was not able to support with resource evidence, invoices or contracts proving the Company's obligation to suppliers. Moreover, these liabilities were older than a year. Some of them date back from 1999 onwards, and the Company has not addressed their existence and evaluation of liabilities through stocktaking process where outcomes of this process would reconcile with accounting books, according to Article 12 of the Law on Accounting Financial Reporting and Auditing. Further, based on our analysis and confirmation letter received from suppliers, in one case there was a discrepancy between the accounting records and the suppliers' records, where the amount of the liability was understated by €511.

Based on official confirmations, the lack of evidence is a consequence of very old debts (1999-2012). As for the discrepancies of liabilities with suppliers' confirmations, officials have stated that they need to make the necessary analysis regarding the value of this non-reconciliation.

Impact Lack of resource documents on payables affects reliability of financial information and leads to inaccurate presentation of liabilities in financial statements.

Recommendation B3 The Board of Directors should ensure that necessary corrective measures are taken regarding the liabilities in accounting records in order to enable a true presentation in the financial statements. In addition, mechanisms allowing regular revision of the liabilities' register should be established in order to prove the completeness and accuracy of the list of liabilities towards suppliers.

Management's Response: Agree

Issue B4 - Untrue presentation of the revaluation reserve

Finding Under IAS 16 - 'Property, Plant and Equipment', if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the naming of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Revaluation reserve presented in the financial statements was understated by €24,595. The presented amount of revaluation reserve in the financial statements by the end of the year was €593,909€, whilst our testing indicate that it should have been presented as €618,504. This is because in the previous year the value of revaluation was understated by €30,629, where instead of €771,962 the Company presented the amount of €741,334. The Company reduced this amount by 20% in total, whilst in assets there are buildings that have a depreciation rate of 5% and equipment a rate of 10%. Moreover, the Company did not depreciate assets at their revalued value, but rather added the revalued additional value to the initial costs of the asset and calculated the depreciation based on this value.

According to the finance manager this was due to problems with the asset program regarding the introduction of revalued value into the program.

Impact Untrue presentation of accounting information in the financial statements lead to the overstatement of the share of equity, consequently to the inaccurate and incorrect presentation of financial statements.

Recommendation B4 The Board of Directors should ensure that assets register is reviewed in detail and that corrective actions are taken regarding the increase/decrease of assets value following their revaluation in order to enable a true presentation of the revaluation reserve in the financial statements.

Management's Response: Agree

Issue B5 - Untrue presentation of cash flow statement

Finding According to IAS 1 – ‘Presentation of Financial Statements’, an entity should prepare its financial statements, except for cash flow information, using the accrual basis of accounting. Whilst according to IAS 7, the purpose of the Statement of Cash Flows is to meet the needs of users of accounting information on cash outcome with the cash flow over an accounting period. Additional information can be important for users to understand the financial position and liquidity of an entity, the amount of cash flows arising from operating, investing and financing activities.

The Company prepared the Statement of the Cash Flow, based on the issues raised on within Chapter on accounting items such as: revaluation reserve, assets, receivables, and depreciation expenses, we may conclude that the cash flow does not present true information.

This was due to a failure to apply correctly requirements of the standard.

Impact Material misstatements of financial items have a direct impact on inaccurate presentation of the cash flow statement.

Recommendation B5 The Board of Directors should ensure that effective processes are in place in order to confirm that identified cash flow errors are corrected and to ensure a true and fair view.

Management’s Response: Agree

Issue B6 - Material misstatement of the opening cash flow balance

Finding According to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 4.1, however, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

The audit of financial statements for 2018 and 2019, identified a material error regarding the overstatement of cash by €205,110. While preparing financial statements for 2020 this prior period’s material error was not corrected with a retrospective restatement of cash amount at the begging of the period in the Statement of the Cash Flow.

This was due to a failure to apply correctly requirements of the standard

Impact Failure to retrospectively correct the opening cash balance led to a misstatement in the statement of the cash flow.

Recommendation B6 The Board of Directors should ensure that effective processes are in place in order to confirm that identified cash flow errors are corrected and to ensure a true and fair view.

Management's Response: Agree

Issue B7 – Untrue presentation of the statement of changes in equity

Finding According to IAS 1 - Presentation of Financial Statements - a set of financial statements should contain also a statement of changes in equity, which shows a summary of all changes in equity..

Issues raised within this Chapter regarding revaluation reserve, deferred revenues, and depreciation expenses that have an impact on the financial outcome in the income statement also lead to the inaccurate presentation of profit for the period carried forward in the statement of changes in equity.

This occurred due to the lack of proper professional competence of the officials in charge of it.

Impact Profit for the period, as a result of inaccuracies from items that have an impact on the financial outcome, carried forward to the statement of changes in equity, in addition to the inaccurate effect on net profit, also affects the item of retained earnings.

Recommendation B7 The Board of Directors should ensure that an analysis on the causes behind incorrect presentation of the Statement of Changes in Equity is made and that actions are taken to address these systematically in order to enable it true and fair presentation.

Management's Response: Agree

Issue B8 - Shortcomings in the explanatory notes of financial statements**Finding**

According to IAS 1 – ‘Presentation of Financial Statements’, an integral element of the financial statements is their explanatory notes. According to the designations made in this standard, these notes to the financial statements should: provide information about the basis used to prepare the financial statements as well as the accounting policies selected and applied to the most significant events and actions; clarify the information required by IAS; provide additional information which is not presented in the financial statements but which is necessary for a fair presentation of them. An entity shall cross-reference each item in the statement of financial balance, in the statement or statements of profit or loss and other comprehensive income, in the statement of changes in equity and in the statement of cash flows, with the information relevant in the explanatory notes.

- The information provided in the explanatory notes for the class of administrative and operating expenses does not correspond to the expenses presented in the statement of comprehensive revenues. The difference for administrative expenses is €15,581, whereas for operating expenses €15,077;
- The information provided in the explanatory notes on trade and other payables does not correspond to the amount presented in the statement of financial balance. The difference presented is €2,009.

The reason for this is the incorrect application of the requirements of the standard

Impact

Shortcomings identified in the explanatory notes represent deviations from the requirements of the standard and misdirection of readers of financial statements.

Recommendation B8 The Board of Directors should ensure that Explanatory Notes contain the basic principles used for the preparation of financial statements and that information on the content of items in the statements is given as required by the accounting standards.

Management’s Response: Agree

2.2 Issues with impact on compliance conclusion

Issue B9 - Invoicing customers without correct naming

Finding

The Company's internal Regulation on the Implementation of Business Procedures and Policies, Article 20 paragraphs 20.1 and 20.2, state that the Company registers customers based on the records provided on the occasion of the introduction to service of new customers, and the information that must be entered in the customer base are name and surname, personal number, address (street), area, etc..

The Law on Waste stipulates that "Costumer" is the person who has entered into a service contract with the service provider or receives certain services under the law.

The Company's register of customers comprises of 1,227 customers registered under the naming "XX", "XN", and "?", who are creditors to the enterprise in the amount of €156,424. In addition, in this register, there are 12 other clients as creditors, in the amount of €1,906, for whom there is no naming whatsoever.

According to the confirmation of the customer service manager, and based on the work report of the commission appointed by the Chief Executive Officer for customer investigation, it is emphasized that this phenomenon dates back from 2000 onwards in order to maintain the ordinal number of customers and that these customers that have remained in the register are unknown. However, the identification of customers only through the digits "XX", "XN" or "?", without the identification of the customer address and other basic identifying information such as name and surname, constitutes significant weaknesses in the management of accounts receivable of the Company.

Impact

Recording customers in the enterprise register without a description of basic information, jeopardizes the collection of cash due to the impossibility of applying legal measures against these creditors. Unnamed accounts also raise doubts about the accuracy and rights of the Company for collection, with the impact of inaccurate presentation of receivables.

Recommendation B9 The Board of Directors should, within the shortest period of time possible, consider and take improvement measures in order to ensure that all customers registered with the naming "XX", "XN" and "?", are actually registered under the name of the service user. At the same time, review the accounts of other creditors for whom there is no identifying information in the register.

Management's Response: Agree

Issue A2 - Creditor customers deactivated without relevant evidence

Finding The Regulation on the Implementation of Business Procedures and Policies, Article 20, specifies, "Invoicing makes customers deactivated according to the records they receive from the customer office verified by the verification commission". Whereas according to the decision of the Board of Directors of 2018 for determining the general rules and criteria for deactivation, it is specified that the client card must accompany the request for deactivation where the debt to the company must be zero.

Our tests show that, in 38 cases, the Company failed to provide evidence (decisions) regarding the deactivation of credit customers in the amount of €424,645 which appear in the register of its customers.

The billing office justifies the lack of evidence as a reason for deactivation of customers from previous years.

Impact The lack of evidence for deactivated customers presents significant weaknesses in the management of the accounts receivable register, and raises doubts about the process of deactivation of credit customers to the Company.

Recommendation A2 The Board of Directors should ensure that the billing office deactivates customers only by following the procedures through the verification commission, which are supported by decisions.

Management's Response: Agree

Issue B10 - Number of billed customers higher than that defined in the contract

Finding Article 10.11 of the Contract (for the period January-December 2020) entered into between the Company and Municipality of Prishtina on provision of primary waste management and collection services in Prishtina Municipality stipulates that the Company shall ensure distribution of bills received by the Municipality to the customers through its staff. Whilst, according to Article 11.5, the Municipality shall pay the Company for the service based on the number of customers, i.e. 58,000 customers on a price of €3.80. The total amount of the contract was €2,967,948.

The number of billed customers was higher than the number stipulated in the contract. Therefore, over the quarters (hereinafter Q), for Q1 and Q2 were billed 73,616 customers, for Q3 69,867 customers, whereas during Q4 72,457 customers. On the other hand, the Company invoiced the Municipality based on the number of customers defined in the contract 58,000.

As to shortcomings identified above, the Finance Officer justifies them that the management of the Company is in constant contacts with the Municipality, and that upon renewal of the contract these deficiencies shall be corrected to harmonise the number of billed customers.

Impact Delivery of additional services without changing the service price and the difference in the number of billed customers from that defined in the contract leads the company to the situation of delivering services to a higher number of customers operating under service cost.

Recommendation B10 The Board of Directors should revise the terms of the contract with the Municipality of Prishtina ensuring that these terms are favourable for both of the parties.

Management's Response: Agree

Issue B11 - Splitting of tenders and failure to apply open tender procedure**Finding**

Public Enterprises when purchasing goods and services have the obligation to comply with all procedures of the Public Procurement Law (PPL). Article 16.4 of the PPL states that: The value of each contract shall be estimated and the procurement procedure is determined according to the value. The contracting authority shall not split up a procurement requirement for a given quantity of products for the purpose of lowering the value of a supply contract below a threshold specified in Article 19 of this law “Any public contract the estimated value of which is equal to or greater than, or can reasonably be expected to be equal to or greater than, one thousand (€1000), but less than ten thousand (€10,000) shall be considered as a “low value contract.

We analysed the report of the signed contracts and noticed that for the same type of supplies/services several procurement procedures were performed, resulting in the division of tenders for the same supply/service such as:

- 19 Contracts for Supply of spare parts for vehicles/trucks with a total value of €33,469, of which 17 contracts are with minimum value and 2 contracts with price quotation;
- 8 Contracts with minimum values for Supply of computers and spare parts for IT with a total value of €6,712; and
- 22 Contracts for servicing vehicles with minimum values with a total value of €18,744.

Impact

Splitting of tenders and overriding of open procedures increase the risk that the Contracting Authority will not be able to obtain the value for the money spent and this will lead to limited competition.

Recommendation B11 The Board of Directors should provide for proper assessment and planning of the Company’s needs, ensuring similar items are grouped, and procurement procedures are used as required by the LPP.

Management’s Response: Agree

Issue B12 - Lack of regulations/policies for revenue management and remuneration of directors and employees of the Company

Finding The Statute of the Company (Article 9) requires the Company to draft regulations containing provisions for the administration and operation of the joint stock company. In addition, also the Law on Publicly Owned Enterprises, Article 34.1 specifies that every POE shall establish and put in force bylaws as required by the Law on Business Organizations. The adoption, amendment and repeal of a POE's Bylaws shall be within the exclusive competence of the POE's Shareholder(s)

The Company did not prepare any regulation on revenue management that would had to be adapted to its needs and requirements based on applicable standards and rules. This happened because the Company had considered the approval of a regulation on implementation of business procedures and policies in the Company, which would also contain invoicing and distribution of invoices, but not points regarding control on revenue management.

Moreover, the Company also lacked a compensation regulation for its directors and employees. Although during 2020, with the decision of the Board of Directors, the regulation on systematisation of jobs was supplemented/amended; this regulation does not include the salary level for each position.

This was due to poor functioning of internal controls.

Impact Lack of revenue management regulation can result in errors or mismanagement of funds. Whereas, failure to determine remunerations/salaries in the regulations may lead to employees being rewarded with a higher/lower salary than they should for the respective positions or to different salaries for the same positions.

Recommendation B12 The Board of Directors should ensure drafting of regulation on revenues that contain clear procedures for managing each type of revenue. It shall also prepare and publish the regulation/policy on remuneration of directors and officers in line with the organisation structure.

Management's Response: Agree

Issue B13 - Employment of employees with fixed-term contracts for specific jobs and tasks, without conducting recruitment procedures

Finding Pursuant to Labour Law No. 03/L-212, Article 8, the employer at public sector, shall be obliged to announce public competition every time when it employs an employee and establishes an employment relationship.

The Company, during 2020, hired 37 employees with fixed term contracts for specific jobs and tasks; however, these employees covered regular job positions and no recruitment procedures were conducted for them.

According to the Management of the POE, employment through employment contracts for specific tasks has come as a result of the significant increase in the volume of work and the need to perform services effectively according to the requests of citizens.

Impact Engaging employees for specific jobs and tasks in regular job positions without conducting any competitive process eliminates competition and increases the risk of hiring inappropriate persons in certain positions.

Recommendation B13 The Board of Directors should, that upon establishing employment relationship, conduct proper and transparent recruitment processes, and ensure that regular positions are covered by regular job contracts.

Management's Response: Agree

Issue B14 - Remuneration of the Board of Directors without any decision by Municipal Shareholders Committee for an extraordinary meeting

Finding Law on Publicly Owned Enterprises, Article 12, stipulates that the POE shall be responsible for paying only the remuneration foreseen in the Shareholder's decision and that the directors of a POE shall not receive any other remuneration or benefits from the POE.

Pursuant to the requirement of the Law on POEs, the Municipal Shareholders Committee decided, on 22.08.2020, that members of the Company's Board of Directors shall get remunerated with a monthly salary only. However, and despite this, during January, March and October upon decision of the Chief Executive Officer, the Board of Directors got remunerated with an additional salary in the amount of €7,050 in the name of holding of extraordinary meetings.

According to the Company's Management, remuneration of the Board of Directors members for extraordinary meetings for January, March and October was a practice that continued from the previous years.

Impact Remuneration of members of the Board of Directors without any decision by responsible bodies and in contradiction with the applicable legislation leads to spending public money without legal basis.

Recommendation B14 The Board of Directors should, through internal acts, establish adequate controls, which would prevent remunerations for extraordinary meetings without decision of the shareholder.

Management's Response: Agree

2.3 Findings on accounting and compliance issues

2.3.1 Stocks

The value of stocks presented in the balance sheet was €251,586. This financial item mainly includes materials, spare parts, oil and diesel, which mainly relate to the Company's operation. We tested 12 samples as part of substantive testing in the amount of €4,235 and examined the reconciliation of stocktaking report with the accounting records. We also observed the year-end stocks counting process.

Issue B15 - Difference between the status of stocks in the warehouse/reserve with accounting records

Finding According to the Law No. 06/L- 032 on Accounting, Financial Reporting and Audit, business organisations should verify, at least once a year, the existence and evaluation of assets, liabilities, and capital through the stocktaking of these elements and their supporting evidence through the stocktaking process.

We participated in the observation of the measurement of oil reserves in the Company's warehouse on 31/12/2020 where it was found that the condition in the books was 8,389 litres, whereas according to the measurement in the tank there were 10,697 litres, so there was a difference of 2,308 litres more or €2,302.

According to the Management, the reason is the lack of coordination between the warehouse men when leaving the warehouse during the weekend.

Impact The existence of stock shortages and surpluses identified by the physical observation of the audit team may result in overvaluation/undervaluation of stocks, inaccurate reporting, and the possibility of their loss or misuse.

Recommendation B15 The Board of Directors should ensure that it will eliminate the causes behind difference in terms of quantity of stocks, so that they are not repeated in the future, and also ensure a true and fair presentation of stocks book value.

Management's Response: Agree

2.3.2 Revenues

Revenues presented in the Statement of Incomes were €8,225,175. Of which €7,397,658 are revenues from the Company's business operations, whilst €827,517 are revenues from grants. From revenues generated from the Company's business operations we tested 108 samples in details as part of substantive testing and compliance testing amounting to €3,940,563.

Issue B16 – Failure to apply waste service fee set by Municipalities

Finding According Law on Waste, Articles 14.3 and 15, municipal waste disposal fees and way of collection of funds thereof shall be designated by the Municipality. Based on this law, municipalities of Prishtina, Lipjan, Fushë Kosova, Obiliq, and Podujeva have prepared the regulations on waste management and have set the waste service fees based on the type of container and frequency of emptying.

Our testing indicates that for five cases, in the amount of €17,934, the Company billed the services provided to public institutions based on m2 or number of students rather as it was defined under the regulation, based the type of containers and frequency of emptying. Whereas, for 22 cases, the Company does not possess evidence (operation reports) on delivered services, which makes the assessment of financial impact on these irregularities impossible.

This situation was a result of improper functioning of internal controls.

Impact Failure to bill the services according to fees set by competent authorities and lack of evidence leads to failure to apply legal proceedings and inaccurate cost of the service. This has a consequent impact on the Company's profit/losses.

Recommendation B16 The Board of Directors should ensure that statutory non-compliances are corrected as soon as possible, by applying the service fees set by the Municipality, as the competent authority, and that each billed service is supported with operation reports as evidence on the service provided.

Management's Response: Agree

Issue A3 - Customers' contracts fail to comply with fees set by the Municipality

Finding The Law on Waste stipulates that "Consumer" is the person who has entered into a service contract with the service provider or receives certain services under the law. Further, Articles 14.3 and 15 of this Law specify that municipal waste disposal fees and way of collection of funds on waste services thereof shall be designated by the municipalities.

Our tests indicate that in two cases, in the amount of €4,654, it was identified that the billing fees were not in compliance with specific customer contracts.

This occurred as a result of failure of compliance of contracts with fees set under the Regulation of the Municipality of Prishtina on Waste Management.

Impact Failure of tariffs in clients' contracts complying as under the Municipal Regulation has implications in case of dealing with clients in court and enforcement disputes.

Recommendation A3 The Board of Directors should ensure that client contracts comply with the tariffs set out in the Municipal Regulation.

Management's Response: Agree

2.3.3 Operating costs

Service costs, operational costs, and other costs presented in the Statement of Income were in the amount of €2,330,454. These relate to expenditures on warehouse, fuels, maintenance, administration, and other operational costs. We tested 70 samples of €1,278,273 as part of substantive testing and 6 samples as part of compliance testing from procurement aspect.

Issue B17 - Inadequate planning of procurement procedures

Finding Law No. 04/L-42 on Public Procurement (LPP), Article 8, obliges each contracting authority to provide to the CPA, in writing, a final procurement forecast that identifies in reasonable detail all supplies, services and works that the contracting authority intends to procure over the fiscal year.

The annual procurement plan for 2020, forecasted 51 procurement procedures in a total of €3,119,008.50€. Our analysis of this plan indicates that 96 procurement procedures were conducted in the amount of €2,131,344 or 68% of the planned value, and some of them were not included in the procurement plan. Among them being: a contract in the amount of €79,290 for Increasing the number of licences, a contract in the amount of €10,657.67 for supply with filters, and a minimum value contracts under €1,000. During the year, the Company has notified the CPA 9 times on procurement activities not included in the procurement plan.

According to Procurement Office, the reason for the activities not being implemented within the plan is the lack of requests from the requesting unit. Whereas, despite the efforts towards the requesting unit for compliance with the plan, the moment the decision comes and the commitment of funds is made shortly after this begins the procurement procedure.

Impact Signing of contracts not foreseen in the procurement plan and failure to implement the planned ones is a signal of inadequate controls in the Company in terms of procurement process and this phenomenon may lead to mismanagement of the budget.

Recommendation B17 The Board of Directors should strengthen internal controls over the procurement process by ensuring that requesting units submit their requests in a timely manner, to allow for the procurement office to plan and initiate procurement activities and procedures in a timely manner.

Management's Response: Agree

Issue B18 - Procurement of used goods

Finding Law no.04 / L-042 on Public Procurement and the secondary legislation does not have any special provision defining the procurement of used goods. In the PPRC answers given in FAQ on its web site, it is stated that, despite the fact that the procurement law does not prohibit the procurement of used goods, such a thing is not recommended because the technical specifications set by the CA do not necessarily guarantee that two or more goods with same technical specifications would have the same qualities, in terms of performance and functionality. Furthermore, the procurement of used goods falls under the responsibility of the CA. Whilst Article 6 of LPP stipulates that all contracting authorities are under an obligation to ensure that public funds and public resources are used in the most efficient and cost-effective manner taking into account the purpose and subject matter of the procurement.

Impact The Company was supplied with eight used trucks through procurement procedure for a total amount of €179,000. In these procurement procedures, technical specifications required that production year for the trucks to be 1999 and newer.

Furthermore, at the time of the audit, a procurement procedure was in the evaluation process, with an estimated value of €425,000, according to the prepared technical specifications, with the requirement that the year of production of the trucks is 2005 or newer.

According to justifications given by the procurement officers, these procedures for the purchase of used trucks were carried out due to lack of funds.

Impact Procurement of used goods may affect the quality, performance, and functionality of the purchased goods. Purchase of used goods for the money given puts the quality of good/services received into question, making the Company pay non-competitive prices for such products.

Recommendation B18 The Board of Directors should ensure that, prior to the initiation of procurement procedures, no procurement activity that diminishes or eliminates competition between economic operators or discriminates to the detriment or benefit of one or more economic operators is carried out. The technical criteria should ensure that the bid evaluation process is equal to all and non-discriminatory. In addition, it must ensure that public funds and public resources are used in the most economical way in order to ensure that value for money is obtained

Management's Response: Agree

2.3.4 Salaries expenses

Expenditures on salaries were in the amount of €4,457,112.99. The number of employees in a regular employment relationship at the end of the year was 737, and 37 employees were engaged for specific jobs and tasks. We tested 70 samples as part of substantive testing in the amount of €31,447 as per their gross salaries, and 9 samples as part of compliance testing.

Issue B19 - Number of employees and expenditures on salaries exceeded the planned ones in the business plan

Finding Based on the Law no.03/L-87 on Publicly Owned Enterprises, Article 12, paragraph 2, consistent with their rights and duties established by other legislation, directors of a POE shall act in accordance with the business and financial strategies described in the POE's approved business plan.

In the business plan for 2020, the Company planned that the maximum approved number of employees at the end of the year would be 740 employees and €4,214,203 expenditures on salaries and wages. However, during the period of 2020, the Company hired 80 full-time employees and 37 employees with fixed-term and for specific jobs and tasks. Increased number of employees over the level approved in the business plan has resulted in excess expenditures on salaries, by €242,910€ over the planned amount or expressed in percentage 5.76%. Of which, €69,718 in expenditures were paid in the form of allowances for handymen in the ground for their engagement during the time of pandemics and €53,231, for employees with fixed-term contracts for specific jobs and tasks. The rest was given as allowances as incentives for employees.

According to the Company's officials, the reason behind the increase in expenditures on salaries was the increase in the number of employees hired with contracts for specific jobs and tasks, which according to the Company's management hiring of these was done because of the increase in volume of work and number of customers.

Impact Exceeding the number of employees beyond the planned one may lead to inadequate orientation of the company budget and consequently the company may face lack of funds to cover other expenses.

Recommendation B19 The Board of Directors should establish adequate mechanisms that would disable the hiring of employees beyond the planned number. Moreover, it should perform a continuous monitoring of expenditures on salaries against the planned one, and should the need for additional expenditures arise, it should be timely supported in the revised business plan.

Management's Response: Agree

2.3.5 Internal audit unit function

The Internal Audit Unit (IAU) operates with one auditor. An effective audit requires a comprehensive work program reflecting the Company's financial and other risks and providing sufficient assurance on the effectiveness of internal control. The impact of internal audit outcomes should be judged by the importance Management places to the implementation of audit recommendations. The IAU prepared the annual plan where it planned and conducted seven audits. The audit committee held eleven meetings and reviewed IAU reports.

Issue B20 - Lack of IAU staff a setback in quality assurance and improvement

Finding According to International Standards for the Professional Practice of Internal Auditing 1300, 1310, 1311, the Chief of Internal Audit must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity through internal assessments which include: ongoing monitoring of the performance of the internal audit activity; and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

Company's internal audit function consists of only one auditor, who performs and reviews the audits, which makes it impossible developing an efficient quality assurance and improvement program that covers internal audit activities. Despite of this fact, the Company did not announce a vacancy notice during 2020 for additional IAU staff, even though this was foreseen under the IA Strategic Plan approved by the Audit Committee.

Failing to announce the vacancy of the competition to fill the IAU with additional staff, the management of the Company justifies with the situation because of the pandemic. Whereas, it is worth mentioning that in the period of performing of our audit, the Company was in the process of announcing a competition to complete this unit with additional staff.

Impact Having activities performed and reviewed by the same officer makes provision of quality assurance and improvement of the audit work impossible.

Recommendation B20 The Board of Directors should, through the Audit Committee, ensure that IAU develops a quality assurance and improvement program that covers all internal audit activity by increasing human resources with sufficient knowledge of internal audit practices.

Management's Response: Agree

3 Issues resolved in the course of audit process

We identified some issues and communicated them to the Management, which have been effectively resolved during the current audit. They do not require any further action and are only reported for purposes of documenting the said communication, actions taken, and results thereof. Identified issues are the following:

Issue 1 – Lack of evidence on non-current assets

Finding In Note 7 of the financial statement disclosures, no detailed explanations are provided regarding receivables provisioning policy. It states that the provision is made according to the age of the receivables classified in the program, but no additional explanations are provided for the approved policies.

Furthermore, no detailed information was provided regarding the write-off of €35,758 from receivables. In addition, Note 19.1 does not provide detailed explanations regarding the revaluation policies of accounts receivable in the amount of €414,886.

Required action The Chief Financial Officer should ensure that the explanatory notes provide information on the composition of the items of the statements, in accordance with the requirements of accounting standards.

Result Following our communication of the matter through the exclusion letter, the explanatory notes are supplemented with additional information regarding the provision, write-off and revaluation of receivables.

Issue 2 – Inconsistencies over the years between the amount of initial property, plant and equipment

Finding The explanatory note in point 10 - Property, plant, and equipment, did not have consistency in the presentation of their initial balances. Thus, for 2019, the initial balance was presented in net value, whereas for 2020, it was presented according to historical costs.

Required action The Chief Financial Officer should ensure that the initial balances of property, plant, and equipment are consistent over the years.

Result Following our communication of the matter through the exclusion letter, the necessary corrective actions were taken for a consistent presentation of the initial amounts over the years.

Issue 3 - Recognition of depreciation expenses for investment

Finding The Company had recognized depreciation expense for facilities which were ongoing investments, in the amount of €7,077, an amount for which depreciation expenses were overstated and net assets were understated.

Required action The Chief Financial Officer should ensure that corrective action has been taken in relation to the following investment impairment costs

Result After communicating the matter through the exclusion letter, the necessary corrective actions were taken during the audit phase.

Issue 4 - Shortcomings in grant deferred revenue disclosures

Finding	The Explanatory Note, in point 14 grant deferred revenues, does not contain detailed explanations regarding the requirements that must be met on grants received for: revenues from package 4a for grants in the amount of € 27,000, as well as for other grants in the amount of €50,000 and €20,000 from the Municipality of Prishtina and Obiliq. Also, for revenues in the amount of €25,155 as co-financing for capital investments by the Municipality of Lipjan, no clarifications were provided on the terms of their recognition.
Required action	The Chief Financial Officer should ensure that the disclosures provide information as required by accounting standards regarding grant deferred revenues
Result	After communicating the matter through the exclusion letter, the necessary actions were taken by completing the explanatory notes with information.

Issue 5 - Failure to fully disclose for accounting items of other assets and payables for tax purposes

Finding	Explanatory Note in point 8a other assets do not contain any information regarding the composition of the item Tax payable, in the amount of €50,809. In addition, the Explanatory Note in point 12, payables for taxes, also contains items liabilities to the union, in the amount of €1,945; and provisioning and other taxes, amounting to €2,474, without providing any information on their composition.
Required action	The Chief Financial Officer should ensure that the necessary information is provided in the explanatory note: other assets and taxes payable, regarding their composition
Result	After communicating the matter through the exclusion letter, the Explanatory Note in points 8a and 12 are supplemented with the necessary information.

4 Progress in implementing recommendations

Our audit report on 2019 AFS of RWC Pastrimi j.s.c. resulted in 44 key recommendations. RWC Pastrimi j.s.c. prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2020 audit, 24 recommendations have been implemented, and 20 have not been addressed yet, as shown in the following Chart 2. For a more thorough description of the recommendations and how they are addressed, see Table 1 (or Table of recommendations).

Chart 2. Progress in implementing prior year's recommendations

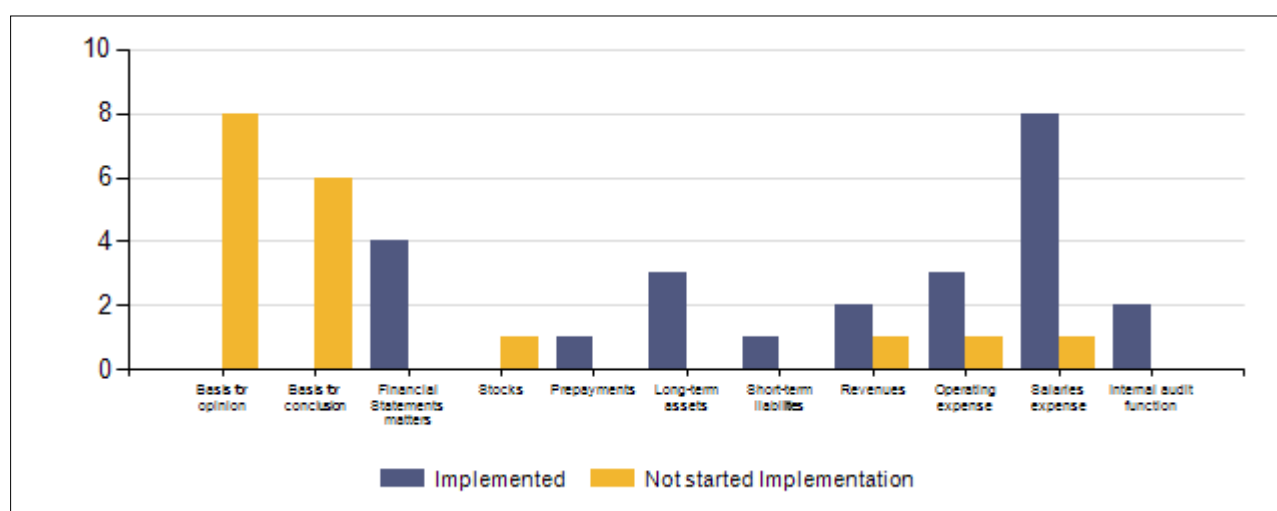


Table 1 Summary of recommendations of the previous year and of year 2020

No.	Audit area	Recommendations of 2019	Actions taken	Status
1	Basis for the Opinion	The Board of Directors should ensure that immediate actions are taken to identify customers whose liabilities have been accumulated under the Unknown Customer account and whose outstanding liabilities towards the Company have been deducted	Our tests indicate that the accounts of unknown customers continue to be unidentified.	Implementation not started
2	Basis for the Opinion	The Board of Directors should ensure that all corrective measures are taken in regard to recording the decreased value of land, in order to present a true and fair view in financial statements	The Company had taken corrective actions and recognised the reduced value of the land from the revaluation as a loss	Implemented

			in the income statement.	
3	Basis for the Opinion	The Board of Directors should ensure that errors made in the treatment of assets following their revaluation are corrected in order to present a true and fair view in financial statements	Our tests indicate that no corrections of mistakes were made to the assets after the revaluation	Implementation not started
4	Basis for the Opinion	The Chairman of the Board should provide for respective procedures which would serve as guideline to the stocktaking commission on proper ways of inventorying. Analytical registers of assets in use should be provided within a short period in order to enable subsequent comparison and reconciliation with the stocktaking commissions' records.	The Company has taken action and in 2020 codified the assets in the stocktaking register.	Implemented
5	Basis for the Opinion	The Board of Directors should ensure that assets register is reviewed in details and that corrective actions are taken regarding the increase/decrease of assets value following their revaluation in order to enable a true presentation of the revaluation reserve in the financial statements	The Company had taken corrective measures but still has a difference of €30,629.	Implementation not started
6	Basis for the Opinion	The Board of Directors should ensure that necessary corrective measures are taken regarding the liabilities in accounting records in order to enable a true presentation in the financial statements. In addition, mechanisms allowing regular revision of liabilities register should be established in order to prove the completeness and accuracy of the list of liabilities towards suppliers	It has been verified that the Company has not taken the necessary corrective actions regarding the accurate presentation of the payables in the financial statements.	Implementation not started
7	Basis for the Opinion	The Board of Directors should provide for corrective measures are taken for prior periods in order to ensure that the amount of revenues from grants and deferred revenues presented in the Statement of Income and balance sheet is true	No corrective actions have been taken to accurately present grant deferred revenues.	Implemented
8	Basis for the Opinion	The Board of Directors should, through internal acts, establish mechanisms to ensure that goods and services are purchased fully in compliance with the Law on Public Procurement which would lead to the required transparency and competitiveness and	The Company has taken measures and for the audit year 2020, we have not noticed any shortcomings.	Implemented

		assure that public funds are efficiently used.		
9	Basis for the Opinion	The Board of Directors should ensure that effective processes are in place in order to confirm that identified cash flow errors are corrected and to ensure a true and fair view	The necessary with cash flow adjustments have not been made.	Implementation not started
10	Basis for the Opinion	The Board of Directors should ensure that the identified prior period's material errors are corrected with a retrospective restatement and that explanatory information on prior period's errors is given	Necessary corrections have not been made in the FS of previous years.	Implementation not started
11	Basis for the Opinion	The Board of Directors should ensure that an analysis on the causes behind incorrect presentation of the Statement of Changes in Equity is made and that actions are taken to address these systematically in order to enable it true and fair presentation	This year, too, the balance of changes in equity was accompanied by material deficiencies.	Implementation not started
12	Basis for the Opinion	The Board of Directors should ensure that Explanatory Notes contain the basic principles used for the preparation of financial statements and that information on the content of items in the statements is given as required by the accounting standards	This year, too, there were similar shortcomings in the content of the explanatory notes.	Implementation not started
13	Receivables	The Board of Directors should, within the shortest period of time possible, consider and take improvement measures in order to ensure that all customers registered with the naming XX are actually registered under the name of the service user. They should also ensure that the identified credit amount is respectively charged to each and every one of them and that necessary actions are taken to collect those	During 2020, the Company managed to identify a small number of customers named XX, but this remains still to be addressed because not all customers have been identified yet.	Implementation not started
14	Stocks	The Board of Directors should ensure that, after completion of stocktaking, the causes behind difference in stocks are handled. It should also provide for reconciliation of the actual situation with the accounting books and identification of non-reconciliations in order to ensure their true presentation in the financial statements.	This year, too, there were similar shortcomings in stock management.	Implementation not started
15	Prepayments	The Board of Directors should ensure that upon preparation of financial	The Company has taken the necessary	Implemented

		statements only prepayments born from adjusting entries thereto are presented and that necessary corrective measures are taken in order to enable a fair presentation of prepayments	corrective actions on the current year's AFSs	
16	Long-term assets	The Board of Directors should ensure that actions are taken so that needed adjustments in the assets register are made based on their actual situation.	Deficiencies in the asset register have been identified this year as well.	Implementation not started
17	Long-term assets	The Board of Directors should provide for retreatment of assets which books value is zero in order to ensure that they are kept according to the accounting standards requirements	The Company took the necessary corrective actions regarding the handling of zero value assets.	Implemented
18	Long-term assets	The Board of Directors should ensure that actions are taken so that depreciation costs are recorded according to accounting standards in order to enable their fair presentation in the financial statements	This year, too, was noticed that depreciation expenses were not recorded according to the requirements of the standards.	Implementation not started
19	Short-term Liabilities	The Board of Directors should ensure that actions are taken to make adjustments in the VAT declaration so that accounting records and amounts presented in the balance sheet reconcile with the balance in tax accounts in Tax Administration.	The Company has taken corrective action.	Implemented
20	Revenues	The Board of Directors should ensure that statutory non-compliances are corrected as soon as possible, by applying the service fees set by the Municipality, as the competent authority, and that each invoice is supported with evidence on the service provided.	The Company had taken corrective action regarding this recommendation.	Implementation not started
21	Revenues	The Board of Directors should ensure that remedial measures are taken as soon as possible for those cases where invoicing does not comply with provided services and that reconciliations between the Company and Prishtina Municipality are made	Reconciliations between the POE and Prishtina Municipality have not been made yet.	Implemented
22	Revenues	The Board of Directors should ensure that reconciliations in the invoicing and number of customs are made between the Company and Graçanica Municipality as soon as possible and	The Company had taken measures and during the audit, we did not encounter irregularities.	Implemented

		that accounting records are adjusted. In addition, it should ensure that invoicing takes place only when the number of customers is defined by the Municipality's contract manager in cooperation with the Company's coordinator		
23	Revenues	The Board of Directors should ensure that regulation on revenues setting forth clear procedures on the management of each type of revenue, is prepared.	The Company has not taken the necessary actions to draft the regulation.	Implementation not started
24	Revenues	The Board of Directors should provide for a proper analysis on operating costs, number of served customers, and revision of the terms of contract with Prishtina Municipality which should be reflected in an annex contract	Even during 2020, no recommendation was addressed.	Implementation not started
25	Operating costs	The Board of Directors should provide for a detailed planning of procurement activities, which would prevent the need to split the requests in the future and ensure application of adequate procedures such as public framework contracts. In addition, it should ensure that the requesting units submit their request in time in order to allow the procurement office to timely plan and initiate procurement procedures and activities.	During 2020, the Company continued with the same situation.	Implementation not started
26	Operating costs	The Board of Directors should provide for adequate controls in order to ensure that technical specifications in the tender dossier are defined fully in compliance with legal provisions of LPP, thus providing equal access to all economic operators.	The Company had taken measures and during the audit, we did not encounter technical specifications being not in accordance with the requirements of the PPL	Implemented
27	Operating costs	The Board of Directors should strengthen internal controls over procurement process in order to ensure that the requesting units submit their request in time in order to allow the procurement office to timely plan and initiate procurement procedures and activities.	Even in 2020, the Company had not included the activities in the procurement plan in time.	Implementation not started
28	Operating costs	The Board of Directors should ensure that needed actions to stop the supply when the contracted quantity if	The Company had taken action and we have not encountered	Implemented

		exceeded are taken as soon as possible. Improvement actions should also be taken in order to ensure that the amount of €24,935 is returned to Company's budget and that reconciliations are made between the suppliers and the Company	any breach of contract or overbilling.	
29	Operating costs	The Board of Directors should provide for corrective actions being taken in order to ensure that the presented value of expenses gives a true view of their balance and that economic events are recognised for the period they occurred.	The Company had taken actions and we have not identified any recognition of expenses in the relevant period	Implemented
30	Operating costs	The Board of Directors should ensure that allowances to employees based on management decision are paid through the payroll system and that tax charges are applied thereon.	During 2020, additional payments were made by the Company through the payroll system, as well as in accordance with the Personal Income Tax legislation.	Implemented
31	Salaries expenses	The Board of Directors should ensure that the Audit Committee prepares and publishes the regulation/policy on remuneration of directors and officers in line with the organisation structure	In 2020 as well, the Company had not prepared the regulation for the remuneration of the POE officials and employees.	Implementation not started
32	Salaries expenses	The Board of Directors should ensure that internal controls are established through internal regulations, which would prevent employees from being paid with not employment contract in place	The Company had taken corrective measures, and during the 2020 audit year we did not encounter irregularities.	Implemented
33	Salaries expenses	The Board of Directors should, through internal acts, establish adequate mechanisms that would enable the hiring of employees beyond the number planned by competent authorities and continuous monitoring of expenditures on salaries against the planned one. Should the need for more staff arise, it should be timely supported in the revised business plan	The Company during 2020 as well has exceeded the expenses of the salary category and exceeded the number of employees compared to the business plan.	Implementation not started
34	Salaries expenses	The Board of Directors should, through internal controls established in the Company's acts, prevent hiring of employees without conducting a	The Company had taken measures and during the audit, we	Implemented

		competition process according to the applicable legislation	did not encounter irregularities	
35	Salaries expenses	The Board of Directors should, through internal acts, prevent deadlines in recruitment processes from not being adhered to.	The Company had taken measures and during the audit, we did not encounter irregularities.	Implemented
36	Salaries expenses	The Board of Directors should ensure that recruitment procedures are not carried on unless at least three candidates meet the required criteria. Otherwise, the completion should be repeated	The Company had taken measures and during the audit, we did not encounter irregularities.	Implemented
37	Salaries expenses	The Board of Directors should ensure that commissions established to conduct recruitment procedures comply with statutory requirements in order to prevent manipulation of candidates' results.	The Company had taken measures and during the audit, we did not encounter irregularities.	Implemented
38	Salaries expenses	The Board of Directors should ensure that adequate controls are established through internal acts, which would prevent and eliminate payments to employees with no contract in place and no evidence on work attendance. In case mistakes eventually occur, payments should be withheld in the following months.	The Company had taken measures and during the audit, we did not encounter irregularities	Implemented
39	Salaries expenses	The Board of Directors should ensure that regular and transparent recruitment processes are conducted for establishing employment relations and that regular positions are covered with regular employment contracts	The Company even during 2020 hired employees with fixed-term contracts for specific jobs and tasks, without conducting recruitment procedures.	Implementation not started
40	Salaries expenses	The Board of Directors should, through internal acts, establish adequate controls which would prevent remunerations of the Board members based on decisions made by competent bodies authorised by the applicable law	The company made the compensation of BD members without a decision of the competent bodies	Implementation not started
41	Salaries expenses	The Board of Directors should ensure that all remunerations to directors and senior officers are made according to the remuneration policy and Shareholders' decisions	The Company for 2020 has not allocated any compensation as incentives to BoD and Management in	Implemented

			the name of their annual performance.	
42	Internal Audit Function	The Board of Directors should, through internal acts, establish mechanisms that provide for systematic monitoring on implementation of IAU recommendations by the Management, according to commitments made on final recommendations.	The Company had drafted the Report on the Status of follow-up and fulfilment of Internal Audit recommendations for 2020.	Implemented
43	Internal Audit Function	The Board of Directors should, through the Audit Committee, ensure that the IAU enhances internal auditors' knowledge, skills, and other competencies through continuing professional development, as stipulated in the applicable standards.	The Internal Audit Officer during 2020 had attended on regular basis the continuing professional education.	Implemented
44	Internal Audit Function	The Board of Directors should, through the Audit Committee, ensure that IAU develops a quality assurance and improvement program that covers all internal audit activity by increasing human resources with sufficient knowledge of internal audit practices	The Company even during 2020 has not managed to fill the IAU with staff	Implementation not started
No	Audit area	Recommendations of 2020		
1.	Basis for opinion	The Board of Directors should ensure that necessary actions are taken to identify customers whose funds are registered in the account "Unknown customer" and that liabilities paid to the Company are deducted.		
2.	Basis for opinion	The Board of Directors should ensure that errors made during handling of assets after their revaluation are rectified so that a true and fair view is given in the financial statements		
3.	Basis for opinion	The Board of Directors should ensure that Explanatory Notes contain the basic principles used for the preparation of financial statements and that information on the content of items in the statements is given as required by the accounting standards, ensuring a fair presentation		
4.	Basis for opinion	The Board of Directors should ensure that necessary corrective measures are taken regarding the liabilities in accounting records in order to enable a true presentation in the financial statements. In addition, mechanisms allowing regular revision of the liabilities' register should be established in order to prove the completeness and accuracy of the list of liabilities towards suppliers		
5.	Basis for opinion	The Board of Directors should ensure that assets register is reviewed in detail and that corrective actions are taken regarding the increase/decrease of assets value following their revaluation in order to enable a true presentation of the revaluation reserve in the financial statements.		

6.	Basis for opinion	The Board of Directors should ensure that effective processes are in place in order to confirm that identified cash flow errors are corrected and to ensure a true and fair view
7.	Basis for opinion	The Board of Directors should ensure that effective processes are in place in order to confirm that identified cash flow errors are corrected and to ensure a true and fair view
8.	Basis for opinion	The Board of Directors should ensure that an analysis on the causes behind incorrect presentation of the Statement of Changes in Equity is made and that actions are taken to address these systematically in order to enable it true and fair presentation
9.	Basis for opinion	The Board of Directors should ensure that Explanatory Notes contain the basic principles used for the preparation of financial statements and that information on the content of items in the statements is given as required by the accounting standards
10.	Basis for opinion	The Board of Directors should, within the shortest period of time possible, consider and take improvement measures in order to ensure that all customers registered with the naming "XX", "XN" and "?", are actually registered under the name of the service user. At the same time, review the accounts of other creditors for whom there is no identifying information in the register
11.	Basis for opinion	The Board of Directors should ensure that the billing office deactivates customers only by following the procedures through the verification commission, which are supported by decisions
12.	Basis for opinion	The Board of Directors should revise the terms of the contract with the Municipality of Prishtina ensuring that these terms are favourable for both of the parties
13.	Basis for opinion	The Board of Directors should provide for proper assessment and planning of the Company's needs, ensuring similar items are grouped, and procurement procedures are used as required by the LPP
14.	Basis for opinion	The Board of Directors should ensure drafting of regulation on revenues that contain clear procedures for managing each type of revenue. It shall also prepare and publish the regulation/policy on remuneration of directors and officers in line with the organisation structure
15.	Basis for opinion	The Board of Directors should, that upon establishing employment relationship, conduct proper and transparent recruitment processes, and ensure that regular positions are covered by regular job contracts
16.	Basis for opinion	The Board of Directors should, through internal acts, establish adequate controls, which would prevent remunerations for extraordinary meetings without decision of the shareholder
17.	Stocks	The Board of Directors should ensure that it will eliminate the causes behind difference in terms of quantity of stocks, so that they are not repeated in the future, and also ensure a true and fair presentation of stocks book value
18.	Revenues	The Board of Directors should ensure that statutory non-compliances are corrected as soon as possible, by applying the service fees set by the Municipality, as the competent authority, and that each billed service is supported with operation reports as evidence on the service provided

19.	Revenues	The Board of Directors should ensure that client contracts comply with the tariffs set out in the Municipal Regulation
20.	Operating costs	The Board of Directors should ensure that, prior to the initiation of procurement procedures, no procurement activity that diminishes or eliminates competition between economic operators or discriminates to the detriment or benefit of one or more economic operators is carried out. The technical criteria should ensure that the bid evaluation process is equal to all and non-discriminatory. In addition, it must ensure that public funds and public resources are used in the most economical way in order to ensure that value for money is obtained
21.	Operating costs	The Board of Directors should strengthen internal controls over the procurement process by ensuring that requesting units submit their requests in a timely manner, to allow for the procurement office to plan and initiate procurement activities and procedures in a timely manner
22.	Salaries expenses	The Board of Directors should establish adequate mechanisms that would disable the hiring of employees beyond the planned number. Moreover, it should perform a continuous monitoring of expenditures on salaries against the planned one, and should the need for additional expenditures arise, it should be timely supported in the revised business plan
23.	Internal Audit function	The Board of Directors should, through the Audit Committee, ensure that IAU develops a quality assurance and improvement program that covers all internal audit activity by increasing human resources with sufficient knowledge of internal audit practices

Besnik Osmani, Auditor General

Arvita Zyferi, Assistant Auditor General

Fitim Haliti, Head of Audit)

Jetmira Isufi, Team leader

Vlora Duraku, Team member

Ernes Beka, Team member

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

Issue	Comments from the BO	KNAO view
B1	We have started using the new software program from 2018. Once we entered the data in the new program, we encountered a difference between analytics and synthetics. To make a reconciliation between analytics and synthetics we have opened an account in analytics in which we have made a reconciliation with the inscription Unknown Client. We have treated this accounting action as a prepayment to reconcile the AR, but these are not financial means having derived from banking institutions nor have they been treated as collected and not recorded, i.e. the treatment was for accounting adjustments purposes, whereon we have through that until 2020 there might have been any request from any customer who has paid the debt but the deduction has not been applied until 31.12.2020. We did not have any request, this non-reconciliation from 1999 to 2013. We have received no request from the parties who have paid and the debt was not deducted. Over 90% of clients who have debts to our company are subject to enforcement and litigation procedures.	In the financial statements of 2019, the amount of €423,962 was presented within the deferred revenues. Based on official confirmations of RWC Pastrimi, this amount refers to the funds paid by customers in previous years, funds which have not been deducted from adequate customers but registered in a special account with the description "Unknown customer". In the 2020 AFS, the Company performed the accounting operation, where it increased the accounts receivable and increased the retained earnings on the grounds that the accounting operations in previous years were wrong and that this amount was not presented to customers' payments, but is as a result of inconsistency of analytical and synthetic records. Such a statement puts to question the statement given in the Letter of Representation stating that "We acknowledge our responsibility for the fair presentation of the financial statements".

	Therefore in the absence of adequate software, changes that have been made each year have created this difference which is also presented to the Board of Directors. Following their approval thereon, we have made the accounting adjustments by increasing the Accounts Receivable and retained earnings. In 2018 and 2019 we treated this case and presented it as prepayments to make reconciliations in accounting.	Moreover, this accounting action is not supported by a preliminary analysis to identify the difference problem and has increased the debts of customers without any preliminary analysis, only in a synthetic way. Such an action makes it impossible to reduce these debts as there is a lack of analytical evidence as to which customers owe the Company. Further, in the communications made during the audit of 2020, we have received written confirmation from the CFO that these funds represent the payments of customers in the previous year and that revenues are recognized for this amount.
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Kompania Regjionale e Mbeturinave
Regjionale Kompania e Mbeturinave Pastrimi sh.a. d.d.

"PASTRIMI" sh.a. d.d.
Nr.br. 2325 dt. 22-06-2021
Prishtinë - Priština

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për vitin 2020 dhe
për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës së Auditorit të Përgjithshëm për auditimin e Pasqyrave Financiare të Ndërmarrjes KRM Pastrimi sh.a, për vitin 2020 (në tekstin e mëtejme "Raporti");
- Nuk pajtohem me të gjeturen dhe me opinionin e dhënë rreth PF për vitin 2020 në draft raportin e Auditimit: E gjetura B1, dhe
- 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.

Z. Musa Bislimi

Kryesuesi i Bordit të Drejtorëve,

Data: 22. Qershor 2021, Prishtinë,



KRM PASTRIMI Sh.a.
Statement of Financial Position
on 31 December 2020

	Records	01 January 2019 (redeclaration)	on 31 December 2019 (redeclaration)	on 31 December 2020
			€	
ASSETS		€ 10,397,125.08	€ 8,760,586.04	€ 8,948,814.07
Current assets		€ 4,380,640.05	€ 4,113,850.17	€ 4,058,753.74
Cash and its equivalents	6	€ 1,562,255.03	€ 1,062,393.00	€ 1,082,519.43
Receivable and other accounts	7	€ 2,535,037.63	€ 2,692,770.05	€ 2,634,036.78
Receivable and other accounts				
Stocks	9	€ 170,956.16	€ 188,713.12	€ 251,585.97
Derivative financial instruments				
Financial assets at fair value	8	€ 40,304.44	€ 94,582.34	€ 31,064.89
Assets classified as held for sale				
Other current assets	8a	€ 72,086.79	€ 75,391.66	€ 59,546.67
Total current assets		€ 4,380,640.05	€ 4,113,850.17	€ 4,058,753.74
Fixed assets		€ 6,016,485.03	€ 4,646,735.87	€ 4,890,060.33
Property, plant and equipment	10	€ 6,015,490.03	€ 4,608,839.33	€ 4,792,770.47
Investment held until maturity				
Financial assets held for sale				
Investments treated according to the equity				
Investment property				
Ongoing investments				
Goodwill				
Intangible assets	10a	€ 995.00	€ 37,896.54	€ 97,289.86
Deferred tax assets				
Other fixed assets				
Total fixed assets		€ 6,016,485.03	€ 4,646,735.87	€ 4,890,060.33
Total assets		€ 10,397,125.08	€ 8,760,586.04	€ 8,948,814.07
LIABILITIES AND EQUITY		€ 10,397,125.08	€ 8,760,586.04	€ 8,948,814.07
LIABILITIES				
Current Liabilities		€ 2,043,059.73	€ 1,601,863.52	€ 1,250,380.06
Receivable and other accounts	11	€ 1,649,307.31	€ 932,802.46	€ 962,011.07
Credits and loans, current part	7		€ 468,153.37	€ 59,466.01
Current taxes payable				
Deferred revenue	14	€ 312,041.72	€ 135,047.22	€ 154,988.26
Payable interest				
Profit tax payable	12	€ 73,383.50	€ 50,825.41	€ 61,312.95
Other current liabilities	12.a	€ 8,327.20	€ 15,035.06	€ 12,601.77
Current provisions				
Total current liabilities		€ 2,043,059.73	€ 1,601,863.52	€ 1,250,380.06
Long-Term Liabilities		€ -	€ -	€ -
Credits and loans, long term part				
Long-term provisions				
Leasing liabilities, long-term part				
Deferred tax liabilities				
Benefits of employees payable				
Other long-term liabilities				
Total long-term liabilities		€ -	€ -	€ -
Total liabilities		€ 2,043,059.73	€ 1,601,863.52	€ 1,250,380.06
EQUITY		€ 8,354,065.35	€ 7,158,722.52	€ 7,698,434.01
Shared Capital		€ 25,000.00	€ 25,000.00	€ 25,000.00
Withheld profit		€ 8,329,065.35	€ 6,392,479.95	€ 7,079,524.75
Revaluation reserves			€ 741,242.57	€ 593,909.26
Total equity		€ 8,354,065.35	€ 7,158,722.52	€ 7,698,434.01
Total equity and liabilities		€ 10,397,125.08	€ 8,760,586.04	€ 8,948,814.07

Chief executive
Burim Kelmendi

Chief Finance and
Treasury Officer
Gazmend Rexhepi



Certified Accountant
Hasan Softolli

KRM PASTRIMI Sh.a.
Comprehensive income statement
for the year ended 31 December 2020

	Records	2019	2020
		€	€
Revenues	15	€ 7,378,399.02	€ 7,183,994.89
Sales cost	17	€ 1,534,785.26	€ 1,556,341.59
Gross profit / loss		€ 5,843,613.76	€ 5,627,653.30
Other revenues	16	€ 424,421.68	€ 863,340.02
Depreciation costs		€ 432,558.81	€ 470,577.81
Wage costs	20	€ 4,010,590.64	€ 4,457,112.99
Administrative costs	19	€ 320,395.31	€ 135,358.13
Maintenance costs	18	€ 219,234.86	€ 292,400.28
Other costs	21	€ 374,529.85	€ 346,353.75
Operating profit/loss		€ 910,725.97	€ 789,190.36
Financial costs		€ 717,605.01	€ 664,636.72
Financial revenues	16	€ 150,949.92	€ 177,840.26
Profit / loss before tax		€ 344,070.88	€ 302,393.90
Profit tax expenses		€ 34,407.09	€ 30,239.39
Net profit / (loss) of the year		€ 309,663.79	€ 272,154.51
Other comprehensive revenues:			
Exchange differences from the translation of financial			
Loss from land revaluation		€ (2,242,000.00)	
Total comprehensive income / (losses) for the year		€ (1,932,336.21)	€ 272,154.51

Chief executive
Burim Kelmendi



Chief Finance and
Treasury Officer
Gazmend Rexhepi



Certified Accountant
Hasan Softolli



KRM PASTRIMI Sh.a.
Statement of Changes in Equity
for the year ended 31 December 2020

	Shared Capital	Withheld profit	Other reserves	Total
	€	€	€	€
Condition on 1 January 2019	€ 25,000.00	€ 6,082,816.16		€ 6,107,816.16
Net profit / (loss) of the year		€ 309,663.79	€ -	€ 309,663.79
Differences from foreign				
Dividends				
Additional capital deposits				
Reserve allocation			€ 741,333.57	€ 741,333.57
Condition on 31 December	€ 25,000.00	€ 6,392,479.95	€ 741,333.57	€ 7,158,813.52
Net profit / (loss) of the year		€ 272,154.51		€ 272,154.51
Differences from foreign		€ 414,890.29		€ 414,886.73
Dividends				
Revaluation reserves			€ 593,909.26	€ 593,909.26
Reserve allocation				€ -
Condition on 31 December	€ 25,000.00	€ 7,079,524.75	€ 593,909.26	€ 7,698,434.01

Chief executive
Burim Kelmendi



Chief Finance and
Treasury Officer
Gazmend Rexhepi



Certified Accountant
Hasan Softolli



KRM PASTRIMI Sh.a.
Cash flow statement
for the year ended 31 December 2020

	Records	Redeclaration 2019	2020
		€	€
Cash flow from operating activities			
Net profit / (loss) of the year	€	344,070.88	€ 292,898.57
Adjustments for non-cash items of expenditure and revenue			
Depreciation of property, plant and equipment	€	431,447.35	€ 462,776.21
Damage of property, plant and equipment	€	-	€ -
Depreciation of intangible assets	€	1,111.46	€ 7,801.60
Impairment losses on intangible assets	€	-	€ -
Changing the value of investment property	€	-	€ -
Financial revenues	€	(1,383,833.16)	€ (1,345,961.68)
Financial costs	€	1,041,528.80	€ 873,034.43
Profit/loss from the sale of property, plant and equipment	€	(30,002.01)	€ -
Profit tax expenses	€	34,407.09	€ 30,239.39
	€	438,730.41	€ 320,788.52
Changes in operating assets and liabilities			
(Increase) / decrease at receivable and other accounts	€	485,772.19	€ 473,620.00
(Increase) / decrease in stocks	€	(17,111.80)	€ (64,317.64)
(Increase) / decrease in other assets	€	-	€ -
Increase/ (decrease) at payable and other accounts	€	(1,115,958.54)	€ 29,208.61
Increase / (decrease) in other liabilities			€ 8,054.25
	€	(647,298.15)	€ 446,565.22
Profit tax payable	€	(34,407.09)	€ (30,239.39)
Interest paid	€	-	€ -
Net cash flow from operating activities	€	(242,974.83)	€ 737,114.35
Cash flow from investment activities			
Payments for purchase of property, equipment and plant	€	(491,980.05)	€ (716,991.92)
Receivables for the sale of property, equipment and plant	€	30,002.00	
Payments for the purchase of intangible assets	€	-	€ -
Receivables for sale of intangible assets	€	-	€ -
Receivable interest	€	-	€ -
Dividends collected	€	-	€ -
Net cash flow from investment activities	€	(461,978.05)	€ (716,991.92)
Cash flow from financing activities			
Additional capital deposits	€	-	€ -
Dividends paid	€	-	€ -
Receivables from loans and credits	€	-	€ -
Financial leasing payments	€	-	€ -
Net cash flow from financing activities	€	-	€ -
Net increase / (decrease) of cash and its equivalents	€	(704,952.88)	€ 20,122.43
Cash and cash equivalents at the beginning of the year	€	1,767,345.88	€ 1,062,393.00
Cash and cash equivalents at the end of the year	€	1,062,393.00	€ 1,082,515.43

Chief executive
Burim Kelmendi



Chief Finance and
Treasury Officer
Gazmend Rexhepi



Certified Accountant
Hasan Softolli



Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)



Regional Waste Company 'Pastrimi' Sh.A.

Disclosure of Financial Statements

For the year ended on 31 December 2020

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

1 General background

Regional Waste Company 'Pastrimi' Sh.A. (hereinafter "Company") is a company established under Law 03/L-087, On Publicly Owned Enterprises, Law no. 02 / L-123, On Business Organizations, and the decision of the Ministry of Finance of Kosovo no. 218/1 and is the heiress of RWC Pastrimi Sh.A. Prishtina with address in Tahir Zajmi street nn. The company's shareholders are the municipalities of the Prishtina region including Prishtina, Fushë Kosovë, Obiliq, Lipjan, Podujeva, Drenas and Gracanica.

The company is registered in the Business Registration Agency in Kosovo with number NRB 70465142 and unique number 811276957. The main activities of the company are collection services, waste disposal and treatment, similar sanitary activities, garbage collection, street cleaning and washing, etc.

2 Basics of preparation and compliance

(a) Statement of conformity of financial statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Measurement base

The financial statements have been prepared on a historical cost basis,

(c) Functional and reporting currencies

The financial statements are presented in Euro, which is the functional currency for the Company.

(d) Use of evaluations and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions which affect the application of policies and reported amounts of assets and liabilities, income and costs.

Estimates and assumptions are constantly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected.

3 Adoption of new and revised international financial reporting standards Implementation of

new and amended International Financial Reporting Standards (IFRSs)

Changes in IFRS that are mandatory and effective for the current year

In the current year, the Company has implemented a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory for accounting periods beginning on or after 1 January 2020.

Amendments to IAS 7 Disclosure Initiative

The company has implemented the changes for the first time in the current year. The amendments require the entity to provide disclosures to enable users of financial statements to assess changes in liabilities from financial activities, including changes in cash and non-cash.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Non-occurring Losses

The company has implemented these changes for the first time in the current year. The amendments clarify how the entity should assess whether there will be sufficient taxable profits in the future against which it can use the deductible temporary differences.

The implementation of these changes has not had an impact on the Company's financial statements as the Company has already assessed the adequacy of future taxable profits in such a way as to be consistent with these changes.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

Amendments to IAS 1 Disclosure Initiative

The company has implemented these changes for the first time in the current year. The amendments clarify that an entity does not need to provide the specific disclosures required by IFRSs if the information resulting from the disclosures is not material and provides guidance on the basis of aggregation and disaggregation of information for disclosure purposes. However, the amendments reiterate that the entity should consider providing additional disclosures when compliance with the specific requirement in IFRS is insufficient to enable users of financial statements to understand the impact of specific transactions, events and conditions on the entity's financial position and financial performance.

Regarding the structure of financial statements, the changes provide examples of systematic ordering or grouping of records.

The implementation of these changes has not resulted in any impact on the financial performance or financial position of the Company.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Impairment and Depreciation Methods

The company has implemented these changes for the first time in the current year. Amendments to IAS 16 prohibit entities from using income-based depreciation as a method of impairment for property, plant and equipment. The amendments to IAS 38 present conflicting assumptions that revenue is not an appropriate basis for the depreciation of an intangible asset. This assumption can be refuted in the following two limited circumstances.

- a) When intangible asset is expressed as a measure of income; or
- b) When it can be demonstrated that revenues and consumption of the economic benefit of intangible assets are in a high correlation.

Since the Company already uses the straight-line method of impairment and amortization for non-current assets and intangible assets respectively, the implementation of these changes has no impact on the Company's financial statements, the nominal impairment of assets is 20% for assets Vehicles, Containers, Furniture and Equipment and Buildings by 5%.

Amendments to IAS 16 and IAS 41 Agriculture: Carrier plants

The company has implemented these changes for the first time in the current year. The amendments define carrier plants and require that biological assets that meet the definition of a carrier plant be treated as property, plant and equipment in accordance with IAS 16, instead of IAS 41. Fruits grown on host plants continue to be treated in accordance with IAS 41.

The application of these amendments has no impact on the Company's financial statements as the Company is not involved in agricultural activities.

Annual Improvements to IFRS - 2014-2016 cycle

The Company has implemented the amendments to IFRS 12 included in the 2014-2016 annual improvement cycle for the first time in the current year. Other changes included in this package are not yet effective and have not been previously adopted by the Company.

IFRS 12 states that an entity should not provide aggregate financial information about interests in subsidiaries, investments in companies or joint ventures which are classified (or included in the selling group that is classified) as held for sale. The amendments clarify that this is the only exemption from the disclosure requirements of IFRS 12 for these interests.

The implementation of these changes has not had an impact on the Company's financial statements as none of the interests in these entities are classified or included in the sale group which is classified as held for sale.

Amendments to IFRS 5 provide specific guidance in IFRS 5 for entities that reclassify an asset (or settlement group) from that held for sale to assets held for disposal to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original settlement plan/sales, therefore the requirements set out in IFRS 5 regarding the change in the sales plan are not mitigated. The amendments also clarify the guidelines for when maintenance accounting for distribution is discontinued.

Amendments to IFRS 7 provide additional guidance to clarify whether a utility contract is a continuing inclusion in a transferred asset for the purpose of the required disclosures relating to the transferred asset.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

The amendments to IAS 19 clarify that the discount rate used for post-employment liabilities should be determined by reference to market performance at the end of the reporting period in high quality corporate bonds. The market depth estimate for high quality bonds should be at the level of the currency (i.e. in the same currency in which the benefits will be paid). For currencies for which there is no deep market in such high quality corporate bonds, market performance should be used at the end of the reporting period for government bonds denominated in that currency.

The implementation of these changes has not had an effect on the Company's financial statements.

Standards, amendments and interpretations to existing standards which are not yet effective

At the date of authorization of these financial statements, some new standards and amendments to existing standards have been published by the IASB which are not yet effective and have not been adopted by the Company. Information on changes that are expected to be relevant to the Company is provided below.

Management expects that all publications will be adopted in the Company's accounting policies for the first period beginning after the effective date of the publications. New standards, interpretations and changes that are not adopted or are not listed below are not expected to have material effect on the Company's financial statements.

IFRS 9 Financial Instruments

The new Financial Instruments Standard (IFRS 9) introduces significant changes to the guidance in IAS 39 on the reclassification and measurement of financial assets and introduces the new 'expected credit loss' model for impairment of financial assets. IFRS 9 also provides new training on the implementation of hedge accounting. Management has begun assessing the impact of IFRS 9 but is not yet in a position to provide quantified information.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2019.

IFRS 15 Revenues from contracts with customers

IFRS 15 introduces new requirements for revenue recognition, replacing IAS 18 'Revenues', IAS 11 'Construction Contracts' and some revenue-related interpretations. The basic principle of IFRS 15 is that an entity should recognize revenue in a way that illustrates the transfer of goods or services promised to customers to an amount that reflects the consideration to which the entity is entitled in exchange for those goods or services.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2019.

IFRS 16 Leasing

IFRS 16 will replace IAS 17 and three related interpretations. IFRS 16 provides a comprehensive model for identifying leasing arrangements and accounting treatment for lessors and lessees. IFRS 16 distinguishes between service contracts based on whether an identified asset is controlled by the consumer. The differences between operating lease (off-balance sheet) and financial lease (on balance sheet) have been removed for the lessee's accounting and replaced with the model according to which the right to use the property and the corresponding liability must be recognized for all leases by the lessee (i.e. all on balance sheet) except for short-term leases and leases for low value assets.

IFRS is effective for annual reporting periods beginning on or after 1 January 2020. Management is still expected to fully assess the impact of this standard and is therefore unable to provide quantified information.

4 Summary of accounting policies

(a) Non-current assets

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

-The revaluation of assets was done on 07.11.2019 by the company BAKERETILLY, where as a result of the revaluation we have a reduction of the financial value of the land 2,242,000.00 and the surface, we also have a revaluation of assets of vehicles and equipment 741,242.57 Euros.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized at the carrying amount of the item if it is probable that future economic benefits attributable to that item will fall to the Company, and if its cost can be measured reliably. Daily service costs of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation or amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. Depreciation methods, useful lives and residual value (if not negligible) were revalued at the reporting date at a rate of 5% per building, 20% per vehicle and more.

(b) Financial instruments

The Company holds only non-derivative financial instruments, which include accounts receivable, cash and cash equivalents, loans and credits, and accounts payable. Non-derivative financial instruments are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. The following recognition of non-derivative financial instruments is described below.

A financial instrument is recognized if the Company becomes a party to the contractual terms of the instrument. Financial assets are not recognized if the Company's contractual rights to cash flows arising from the financial asset expire, or if the Company transfers the financial asset to another party without retaining control or all of the assets' risks and rewards. Normal purchases and sales of a financial asset are recorded on the trade date, for example, the date on which the Company commits to purchase or sell the asset. Financial liabilities are not recognized if the Company's obligations under the contract expire, are discharged or canceled.

(b) Financial instruments (continued)

Monetary means and its equivalents

Cash and cash equivalents include cash on hand, current accounts with banks, other short-term investments with an original maturity of three months or less, which are subject to a non-significant risk of changes in value, and are used by the Company in the administration of short-term commitments. Cash and cash equivalents are carried at amortized cost.

Receivable requests

Receivables are recognized initially at fair value and subsequently at a reduced cost for impairment losses.

Provision of accounts receivable according to the program and classification older than 360 days where the provisioning expenses are debited and the provision of accounts receivable are credited, as well as the collection of provisions which are classified according to the collection of debts on annual invoicing, credits provision income debit accounts receivable accounts receivable.

- Write off of debts for the clients who have evidence for not using the services of the company, based on the evidence the decision is made, write-off based on court decisions, etc.

Accounts payable

Accounts payable are presented at fair value and subsequently at amortized cost.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

Borrowings

Loans from the parent company are initially recognized at cost. Other borrowings are initially recognized at fair value. Borrowings are carried at amortized cost using the effective interest method.

Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, and less impairment losses.

4 Summary of accounting policies (continues)

(c) Essential capital

The company has 25,000 Euros registered as share capital.

(d) Recognition of revenues

Revenue includes the fair value of the amount received or receivable from the sale of services or goods in the ordinary course of business of the Company. Revenues are presented net of value added tax, returns and deductions. Revenue is recognized when the principal risks and rewards of ownership of the goods are transferred to the purchaser, the amount of revenue can be measured reliably, and the costs incurred or to be incurred in connection with the transaction can be measured reliably and the Company is no longer involved in the management of the goods sold.

(e) Benefits of employees

Pension contribution

Each Employer shall be obligated to contribute on behalf of its Employees to the Savings Pension Fund in value of 5% of the gross salary. Employees are also required to contribute 5% of gross pay.

(f) Expenses

Operating expenses

Operating expenses are recognized when they occur.

(g) Financial income and expenses

Financial income includes interest income from bank accounts and net exchange rate gains recognized in profit or loss. Financial expenses include interest expense, bank charges and net exchange rate losses recognized in profit or loss.

(h) Profit tax

Profit tax or loss for the year includes current tax and deferred tax. Profit tax is recognized in profit or loss except for the part relating to items recognized in the statement of comprehensive income.

Accrual tax is the tax that is expected to be paid on the taxable profit for the year, using the tax rate in force or that enters into force immediately on the reporting date.

Deferred tax is calculated using the balance sheet liability method, from the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base. The amount of deferred tax is calculated based on the method of realization or offsetting the carrying amounts of assets and liabilities, using tax rates that are in effect or effective immediately at the reporting date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is not possible to obtain a fiscal benefit.

(i) Government Grants

Government grants are recognized in profit or loss on a systematic basis over the period in which the Organization recognizes as an expense the relevant costs for which the grants are intended to be reimbursed. Specifically Government grants, for which the primary condition is that the Organization should acquire, construct or recognize non-current assets as deferred income in the statement of financial position and transfer it to profit or loss on a systematic basis; and rational throughout the life of the use of the respective asset.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

Grants are recognized only when there is reasonable assurance that:

- The organization will meet all the conditions attached to them; and
- Grants will be accepted.

Operating grants are recognized as income over the period necessary to link them to the costs for which they are intended to be reimbursed on a systematic basis. Grants marked for the acquisition of assets are deferred and recognized as received over the life of the respective assets.

5 Financial Risk Management

The Company is exposed to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for risk measurement and management, and capital management. Further quantitative notes are included in these financial statements. The Company Administrator bears overall responsibility for establishing and overseeing the Company's risk management policies.

The Company's risk management policies are in place to identify and analyze the risks facing the Company, to set appropriate limits and controls, and to monitor the risks and compliance with the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company, through training and management standards and procedures, aims to develop a constructive and disciplined control environment in which all employees understand their roles and responsibilities.

The main financial instruments of the Company consist of cash and bank values, borrowings, accounts receivable and payable and other short-term liabilities.

(i) Credit risk

The default risk exists when the other party is unable to meet the obligations to pay the accounts receivable.

The maximum credit risk for non-derivative financial instruments is theoretically equal to the fair value of all accounts receivable less liabilities to the same debtor when compensation is allowed. The credit risk that has been identified is taken into account through impairment, the Company assesses the quality of accounts receivable that are neither past due nor impaired as very satisfactory.

(ii) Liquidity risk

The company must meet the needs for cash, mainly for operating costs arising from its activities. There is a risk that cash may not be available to repay liabilities on time at a reasonable cost. The Company monitors liquidity on a periodic basis in order to manage its liabilities when required.

(iii) Market risk

Interest rate risk

The Company does not have financial instruments of interest as of 31 December 2020.

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)***6 Cash and its equivalents**

Cash and cash equivalents as of 31 December 2020 and 2019 are presented as follows:

	<u>31 December 2020</u>	<u>31. 12. 2019</u>	<u>01.01.2019</u>
Cash in bank	1,081,018.98	1,061,429.93	1,561,389.85
Cash in hand	1,500.45	963.07	865.08
Total	1,082,519.43	1,062,393.00	1,562,255.03

All money is kept in financial institutions, in current accounts, not as termed deposits.

7 Receivable Accounts

Accounts receivable as of 31 December 2020 and 2019 consist of:

	<u>31 December 2020</u>	<u>31. 12. 2019</u>	<u>01.01.2019</u>
Accounts receivable from the household	12,687,623.80	12,395,681.99	12,650,339.52
Commercial receivables	4,384,315.64	4,174,404.22	4,091,447.80
Accounts receivable from the institutions	1,390,055.83	1,333,683.48	1,532,640.90
Contracted receivable accounts	1,710,156.53	1,594,307.21	1,709,403.87
Accounts receivable from the employees		23.50	13.50
Total	20,172,151.80	19,983,862.59	19,983,845.59
Provisions for accounts receivable	(17,597,581.03)	(17,273,483.72)	(17,448,807.96)
LLA prepayments	59,466.01	468.153	
Net Receivable Account	2,634,036.78	2,692,770	2,535,037.63
Total LLA	2,634,036.78	2,692,770	2,535,037.63

The Provisioning Method is made on the basis of age classified according to the program older than 360 days according to the categories and the Internal Regulation approved by the Board of Directors, and based on the decision by the Board of Directors for:

Households	321,202.38 Euro
Businesses	167,973.57
Contract	117,218.78
Institutions	22,483.98 Euro
Total	628,878.71 Euro

Expenses for write off from LLa according to decisions 35,758.01 Euros

Total 664,636.72 Euro.

Accounts receivable in value have increased 414,886.73 from corrections based on analytics and the real state of analytical books by software and profit retained is increased for this value 414,886.73 Euros.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

8 Advance payment

Prepayments as of 31 December 2020 and 2019 are:

	<u>31 12 2020</u>	<u>31 12 2019</u>	<u>01.01.2019</u>
Advance payment for workers	9745	23,441	19,881.07
Borrowings for legal entities			
Vehicle insurance prepayment	19310.46	17,813	20325.64
LLP prepayments	2009.43	53,327	97.73
Other prepayment			
Total	<u>31,064.89</u>	<u>94,581</u>	<u>40,304.44</u>

8a Other assets

Other assets as of 31 December 2020 and 2019 are

	<u>On 31 December 2020</u>	<u>On 31 December 2019</u>	<u>On 01.01.2019</u>
Payable tax	49,860.11	66,421.02	41,389.14
Payable VAT	7,624.42	0	0
Tender Security	2,062.14	8970.64	28,970.64
Other			1,727.01
Total	59,546.67	75,391.66	72,086.79

Other assets are Payable Tax value 49,860.11, VAT Paid 7,624.42 and Tender security prepayment 2062.14.

- Profit tax 49,860.11 was also part of the profit of the year 30,239.39 Euros, which is presented as an asset from the total value of examinations from previous years on 31.12.2020, the tax account in profit is 49,860.11.

9 Stocks

Stocks and expenses from the stock with the FIFO method on 31 December 2020 and 2019 consist of:

	<u>On 31 December 2020</u>	<u>31 December 2019</u>	<u>01 Jan. 2019</u>
Goods in stock	239,342.78	163,755	161,746.89
Derivatives stocks	12,243.19	20,854	7,912.88
Other	0	4,104	1,296.39
Total	<u>251,585.97</u>	<u>188,713</u>	<u>170,956.16</u>

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

10 Properties, plants and equipment

Properties, plants and equipment as of 31 December 2020 and 2019 consist of:

	Land	Building	Equipment, vehicles and machinery	Total
Cost				
01 January 2019				
	4,745,000	890,683.41	1,572,683.45	7,208,366.86
Addition				
(Sales)	(2,242,000.00)	35,778.25	1,231,146.60	(975.075)
		-	(104,168.34)-	(104,168.34)
On 31 December 2019	2,503,000.00	926,461.66	2,699,661.71	6,129,123
Accumulated depreciation				
01 January 2019	-	531,319.11	557.389	1,088,708
Costs for the year	-	45,874.87	385.572	431.447
(Sales)	-	-	-	-
On 31 December 2019	0	577,193.98	942,961.86	1,520,156
VNL ON 31 DECEMBER 2019	2,503,000.00	349.267	1,756,700	4,608,967.52
Cost				
01 January 2020	2,503,000.00	926,461.66	2,699,661.71	6,129,123.37
Addition		293,682.73	500,140.55	793,823.28
(Sales)		-	-	-
On 31 December 2020	2,503,000.00	1,220,144.39	3,199,802.27	6,922,946.6
Accumulated depreciation				
01 January 2020	-	577,193.99	942,961.86	1,520,155.85
Costs for the year	-	47,212.88	563,005.13	610.218
Purchases	-	-	-	-
(Sales)	-	-	-	-
On 31 December 2020	-	624,406.87	1,505,966.99	2,130,373.86
VNL ON 31 DECEMBER 2020	2,503,000.00	595,737.52	1,693,835.28	4,792,572.80

On 08.11.2019, the assets were revalued by the licensed company for asset revaluation, from this revaluation the value of the land was reduced to 2,242,000.00 which directly affected the Equity by reducing the retained earnings 2,242,000.00 and the long-term assets for 2,242,000.00, long-term assets (vehicles and machinery) were also revalued in the amount of 741,242.57 Euros by debiting the Assets at the Statement of Financial Position and Credited Equity Revaluation Reserves 741,242.57 whereby, during 2020 they decreased by decreasing the assets by 147,333.31.

- Profits held have increased in value 414,886.73 from accounts receivable for previous years.

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

10a). Intangible assets - software

Intangible assets as of 31 December 2020 and 2019 consist of:

Cost	Software	Total
01 January 2019	9.950	9.950
Additions / (removal)	39,008.00	39,008.00
On 31 December 2019	48.958	48.958
Amortization		
Accumulated depreciation/damage	9950	9950
Costs for the year	1,111.46	1,111.46
Additions / (removal)	-	-
On 31 December 2019	11,061.46	11,061.46
VNL ON 31 DECEMBER 2018	37,896.54	37,896.54
Cost		
01 January 2020	39.008	39.008
Additions / (removal)	67,194.92	67,194.92
On 31 December 2020	106,202.92	106,202.92
Depreciation		
Accumulated depreciation/damage	1,111.46	1,111.46
Costs for the year	7,801.60	7,801.60
Additions / (removal)	-	-
On 31 December 2020	8,913.06	8,913.06
VNL ON 31 DECEMBER 2020	97,289.86	97,289.86

Under IAS 38 an intangible asset is a non-monetary asset without physical substance. Intangible assets consist of expenses in computer software. Computer software is presented separately because the standard defines that an asset must be 'identifiable' meaning it must be separable from other non-current assets. *(can be sold without selling the whole business).*

Regional Waste Company 'Pastrimi' Sh.A.

Explanatory notes to the financial statements for the year ended 31 December 2020

(Value in €)

11 Trade and other payables

Trade and other payables as of 31 December 2020 and 2019 consist of:

	<u>31 Dec. 2020</u>	<u>31 December 2019</u>	<u>01 Jan. 2019</u>
KLMC - Landfill / Prishtina / Podujevë	649,088.67	701,562.37	1,456,020.04
Local suppliers	302,711.40	221,035.10	200,289.19
Other short-term payables / ERWO	10,211	10,211	10,211
Supplier prepayments	-2009.43	-53,290.79	-17,212.92
Total suppliers	962,011.07	932,808.47	1,666,520.023
Total	960,001.64	879,517.68	1,649,307.31

Prepayments for supplier is presented in the balance sheet as assets, here is the mathematical description to show the total balance.

12 Tax payable

Intangible assets as of 31 December 2020 and 2019 consist of:

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>01 January 2019</u>
Personal Income Tax	21,344.52	16367.86	14927.73
Employer pension contributions	39,869.42	33,741.82	32,710.74
Payable VAT	0	622.72	25,677.88
Rent tax	99.01	93.01	67.18
Total	61,312.95	50,825.41	73,383.50

12.a Other liabilities

	<u>On 31.12.2020</u>	<u>On 31.12.2019</u>	<u>On 01.01.2019</u>
Other liabilities	8,182	8,182	8182
Union	1,945.23	2,260.68	
Provisions and other taxes	2474.54	2,529.97	
Payable salaries	0	2,063.01	145.20
Total	12,601.77	15,035.06	8,327.20

13 Profit tax payable from previous years

Profit tax payable from previous years on 31 December 2020 and 2019 consist of:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Profit tax payable	30,239.39	34,407.09
In total	30,239.39	34,407.09

14 Deferred grants

Revenues from deferred grants as at 31 December 2020 and 2019 consist of:

Revenues from Grants 2020 are mainly from the Government of Kosovo with a total value of 727,000.00 Euros, for operating expenses according to package 4a, also from the Municipality of Prishtina 50,000.00 for operating expenses, Municipality of Kastriot 20,000.00 operating expenses, Municipality of Lipjan 25,155.00 co-financing for capital

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)*

investments where for 197 days of the revenues recognized are 2,715.36 Euros from the date of use of the grant. Municipality of Fushë Kosova co-financing for the repair of the new facility in the amount of 25,303.00 which will be recognized when the use of the facility which is under construction begins.

Recognition of income from other grants with initial balances in capital investments is done by using the Asset by recognizing income based on depreciation, for example, 20% is amortized and also known as income 20% of value.

	31 December 2020	31 12 2019	01.01.2019
01 January	135,047.22	312,042.72	
Grants won during the year	847,458.00	139,008.00	
Total	982,505.22	451,050.72	
Revenue recognized from deferred grants		(316,002.50)	
Total	(827,516.96)		
	154,988.26	135,047.22	312,041.72

15 Operating revenues

Operating revenues for the year ended 31 December 2020 and 2019 consist of:

For the year ending on:	31 December 2020	31 December 2020
Revenues from households	4,448,418.02	4,247,035.77
Revenues from commercial part	715,931.31	690,905.18
Revenues from institutions	215,977.63	213,075.06
Revenues from contracts	1,498,887.13	1,388,919.44
Collecting debt (household, business)	304,781.40	838,463.57
Total	7,183,995.45	7,378,399.02

Revenues for the billing service are based on regulations which are approved by the Shareholding Municipalities in the Company, the Municipality of Prishtina owes the billing for household customers on the basis of a contract of 3.80 Euros with VAT, while for other municipalities based on regulations 4.70 Euros for households and the company does the collection itself.

Billing of small businesses is done by categories based on the regulation of Municipalities, while for Businesses with contracts, billing is done on the basis of contracts, as well as Institutions.

16 Other revenues and grants

Other revenues and revenues from grants for the year ended 31 December 2020 and 2019 consist of:

For the year ending on:	31 December 2020	31 December 2020
Revenues from the Enforcement Tax	35,823.06	78,417.17 -
Other revenues	177,840.26	150,949.92
Revenues from grants	827,516.96	316,002.50
Total	1,041,180.28	545,369.59
Revenues from the sale of Assets		30,002.01
Total revenues	8,225,175.17	7,953,770.62

Revenues from the collection of taxes from the enforcement processes, other revenues are revenues paid from the payment of damages by insurance companies, from payment by agreement from the municipalities for the payment of workers, etc.

Revenues from Grants 2020 are mainly from the Government of Kosovo with a total value of 727,000.00 Euros, for operating expenses according to package 4a, also from the Municipality of Prishtina 50,000.00 for operating expenses, Municipality of Kastriot 20,000.00 operating expenses, Municipality of Lipjan 25,155.00 co-financing for capital investments.

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)*

Recognition of income from grants in capital investments is done by using the Asset by recognizing income based on depreciation, for example, 20% is amortized and also known as income 20% of value.

17 Direct costs of services provided

Direct costs of services provided for the year ended 31 December 2020 and 2019 consist of:

<u>For the year ending on:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Landfill costs	790,301.36	772,687.05.
Derivative costs	596,759.02	606,043.16
Contract costs (subcontractors)	169,281.21	156,055.05
Industrial salt costs		
Total	<u>1,556,341.59</u>	<u>1,534,785.26</u>

Direct costs are expenses of the period which are recognized at the time they occur, these costs are for the disposal of waste, the removal of waste from illegal landfills and the cost of fuel.

18 Maintenance costs

Maintenance costs for the year ended 31 December 2020 and 2019 consist of:

<u>For the year ending on:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Repair costs	48,934.42	41,512.19
Costs of consumables	147,339.06	89,685.66
Small inventory costs		
Tyre costs	38,716.61	41,693.89
Protection	32,040.91	26,584.07
Direct maintenance of vehicles spare parts	25,390.81	19,759.05
Total	<u>292,421.81</u>	<u>219,234.86</u>

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)***19 Administrative costs**

Administrative costs for the year ended 31 December 2020 and 2019 consist of:

<u>For the year ending on:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Advertisement costs	218	300
Internet costs	10,313.47	6,389.71
Banking provisions	1,275.12	1,448.39
Vehicle insurance costs	37,527.82	37,165.14
PTK costs	8,319.79	9,301.73
Costs of stationery	11,817.00	17,470.33
Other administrative costs	51,813.33	35,383.68
Interest costs	10,892.00	207,418.53
Technical check of vehicles	3,182.20	5,517.80
		300
Total	<u>135,358.13</u>	<u>320,395.31</u>

19.1 Provisions

-

Provision is made on the basis of age classified according to the program older than 360 days based on the regulation for provisions and the decision of the board of directors.

Households	321,202.38 Euro
Businesses	167,973.57
Contract	117,218.78
Institutions	22,483.98 Euro
Total	628,878.71 Euro

- Expenses and write-offs from LLa according to decisions 35,758.01 Euros, when dealing with decisions by the court for the write-off of debts or for non-performance of services.

Total 664,636.72 Euro.**20 Staff costs**

Personnel costs for the year ended 31 December 2020 and 2019 consist of:

<u>For the year ending on:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Salaries	4,245,039.08	3,819,737.98
Mandatory contributions	212,073.91	190,852.66
Total	<u>4,457,112.99</u>	<u>4,010,590.64</u>

The total number of employees is 737, employed during 2020 are 80, unpaid leave 3, suspended 3, terminated 3, change of position 18.

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)***21 Operating costs**

Operating costs for the year ended 31 December 2020 and 2019 consist of:

<u>For the year ending on:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Water costs	3194.71	2,932.91
Court costs	177,582.32	180,557.76
Tax expenses	20,474.30	20,128.00
Employee allowance costs	25,003.00	33,070.00
Costs for per diem and representation	33,394.98	20,120.42
Other costs	33,256.71	28,406.32
Building maintenance costs	834.75	1,582.97
Energy costs	29,777.22	29,159.32
Other costs	22,835.76	58,572.15
<u>Total</u>	<u>346,353.75</u>	<u>374,529.85</u>

Regional Waste Company 'Pastrimi' Sh.A.**Explanatory notes to the financial statements for the year ended 31 December 2020***(Value in €)***22 Financial instruments****Credit risk**

The net asset value of the financial assets represents the maximum exposure to credit. The maximum credit exposure to credit risk at the reporting date is:

	31 December 2020	31 December 2019
Cash and its equivalents	1,082,519.43	1,062,393.00
Receivable accounts	2,219,150.05	2,692,770.05
Total	3,301,669.48	3,755,163.05

Liquidity risk (continues)

	31 December 2019				
	Up to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Receivable accounts	2,692,770.05				2,692,770.05
Cash and Cash equivalents	1,062,393.00				1,062,393.00
	3,755,163.05				3,755,163.05
Accounts payable	932,802.46				932,802.46
Other payables	65,860.47				65,860.47
	998,662.93				998,662.93
Liquidity risk 31 December 2019	2,756,500.12				2,756,500.12

Liquidity risk

	31 December 2020				
	Up to 6 months	6 – 12 months	1 to 5 years	Over 5 years	Total
Accounts receivable	2,219,150.05				2,692,770.05
Cash and Cash equivalents	1,082,519.43				1,082,519.43
	3,301,669.48				3,301,669.48
Accounts payable	962,011.07				962,011.07
Other payables	73,914.72				73,914.72
	1,035,925.79				1,035,925.79
Liquidity risk 31 December 2020	2,265,743.69				2,265,743.69

23**Contingent liabilities:**

- Court disputes during 2020 are a total of 26 for which RWC Pastrimi is a Respondent, these disputes continue to be proceedings before the courts, and so far in 2020, 6 were concluded and 20 are pending, where the financial implications can not be determined whether they will result in favor or disadvantage for the company. The company has referred 5138 clients to the enforcement procedure, and their collection is expected during the following years.

24 Subsequent events

There is no event after the date of the statement of financial position that requires adjustments or disclosures in the financial statements.

25. Going Concern

-Management predicts that the company's activities will continue for at least another 12 months, with financial stability and liquidity.