



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE PRIVATIZATION AGENCY OF KOSOVO FOR 2023

Prishtina, June 2024

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

1 Audit Opinion

We have completed the audit of the financial statements of the Privatisation Agency of Kosovo for the year ended on 31 December 2023 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Unmodified opinion on annual financial statements

We have audited the annual financial statements of Privatisation Agency of Kosovo (PAK), which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as of 31 December 2023.

In our opinion, the annual financial statements of Privatisation Agency of Kosovo, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee, in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion on compliance

We have also audited whether the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

In our conclusion, transactions carried out in the process of execution of PAK budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

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

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

Basis for the conclusion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

The Managing Director of PAK is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, the Managing Director of PAK is responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Managing Director of PAK is responsible to ensure the oversight of the Privatisation Agency of Kosovo 's financial reporting process.

Management's Responsibility for Compliance

Privatisation Agency of Kosovo 's management is also responsible for the use of Privatisation Agency of Kosovo 's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.³

Auditor General's Responsibility for the audit of AFS

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

³ Collectively referred to as compliance with authorities

Our objective is also to express an audit opinion on compliance of respective Privatisation Agency of Kosovo 's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Privatisation Agency of Kosovo 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

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

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

2 Findings and recommendations⁴

During the audit, we identified areas for potential improvement, including internal controls, which are presented below in the form of findings and recommendations for your consideration.

This report comprises three (3) recommendations, one (1) new recommendation and two (2) repeated recommendations. We will follow up on these recommendations during next year's audit.

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

2.1 Findings on financial management and compliance issues

2.1.1 Goods and services, and utilities

The final budget for goods and services in 2023 was €1,238,714, of which €961,941 had already been spent. These expenditures are mainly related to other contracting services, building rent, rent for other spatial uses, public information expenditures, vehicle maintenance and repair, municipal expenditures, etc

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

Issue A1 - Shortcomings in bid evaluation

Finding Article 59 point 4 of Law No. 04 L-042 on Public Procurement specifies that “A contracting authority shall regard a tender as responsive only if it conforms to all requirements set forth in the contract notice and the tender dossier.”

In the contract notice for the procedure titled "Provision of services for marketing, design, video production and publication on portals" with a total amount of €67,472, under requirement III.2.4 concerning technical and professional capacities, professional staff were required. Specifically, a video editor with the necessary CV, references and portfolio evidence was needed. However, references for the requested position were missing in the file.

This occurred due to the commission members' lack of responsibility when evaluating the tenders.

Impact Failure to comply with the required criteria during the evaluation of tenders affects the contract award for an irresponsible EO. This also increases the risk that the implementation of the contract will not reach the intended goal.

Recommendation A1 The Board of Directors should ensure that the evaluation committee conducts evaluations in full compliance with the requirements outlined in current legal acts, under the oversight of responsible individuals.

Entity management response (Disagree)

In more detail, see Appendix I

Issue B1- Issuing the purchase order after receiving the invoice

Finding Financial Rule No. 01/2013 on Public Funds Expenditure, specifically Article 22 on General Procedures for Processing Payments outlines the necessary steps to be followed. First, a purchase request is submitted, then the goods/services are accepted, and finally, the designated EO presents the invoice for payment.

During the testing of payments in PAK, we identified eight (8) cases with a total value of €66,381 where purchase orders were processed after the receipt of the invoice. For example, in the case of the payment for "Supply of hygiene material, in the amount of €5,297", delivery was required within 48 hours of issuing the purchase order by CA as per Contract, Article 2.1 Delivery Conditions. However, the EO was delayed by 13 days in delivering the goods. Penalties could not be applied as the purchase order was issued eight days after the goods arrived, and the order was placed via email.

This was due to the lack of proper controls by the procurement office in processing purchase order.

Impact Accepting goods and services, as well as the invoice, before processing the purchase order, not only represents a deviation from the procedures outlined in financial rules, but also makes it impossible to monitor the fulfilment of the contract in terms of goods delivery.

Recommendation B1 The Board of Directors should ensure that purchase orders are issued before goods and invoices are received. This will help ensure that proper procedures are followed and prevent uncontrolled purchases.

Entity management response (Agree)

2.1.2 Capital and Non-Capital Assets

The value presented in the AFS of capital assets is €62,876, of non-capital assets is €101,959, and of stocks is €20,420.

Issue B2 – Dysfunctional ‘e-assets’ system

Finding According to Article 6.3 of Regulation 02/2013 on the Management of Non-Financial Assets by Budget Organizations, “Capital assets must be recorded in KFMIS, while non- capital assets and stocks in the “e-assets” system”.

Even though the PAK had established a commission to input notes into the e-assets system, they were unable to make the system functional this year. Instead, they used an internal register for internal purposes and reporting of non-capital assets.

This occurred because there were problems (data duplication, items with zero value, and items with multiplied values) when entering entries for non-capital assets into the system.

Impact The non-functioning of the e-assets system impacts the proper fulfilment of legal requirements for asset management. Similarly, registering non-capital assets in Excel, where changes can be made at any time without any record, increases the risk of inaccurate and incomplete information being included in the AFS

Recommendation A2 The Board of Directors should take necessary and ongoing actions to ensure that the e-assets system is fully operational.

Entity management response (Agree)

3 Summary on budget planning and execution

This chapter gives a summarised information on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is highlighted in the following tables and charts:

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

Description	Initial budget	Final budget ⁵	2023 Expenditures	2022 Expenditures	2021 Expenditures
Sources of funds	5,698,956	4,874,485	4,594,243	5,944,598	6,531,932
Government Grants – Budget	5,698,956	4,874,485	4,594,243	5,944,598	6,531,932

The final budget is €824,471 lower than the initial budget. The budget changes have resulted from three decisions made by the Government: No. 69-1/2023, No. 16/174, and No. 40/178, aimed at saving and allocation funds in the categories of expenditures in budgetary organizations.

In 2023, the PAK has spent 94% of the final budget or €4,594,243, which represents a 1% reduction compared to the previous year (2022 – 95%), while the total expenditures in 2023 were reduced by 29% compared to the previous year. Explanations for the current position are provided below.

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

Description	Initial budget	Final budget	2023 Spending	2022 Spending	2021 Spending
Spending of funds by economic categories	5,698,956	4,874,485	4,594,243	5,944,598	6,531,932
Wages and Salaries	4,211,752	3,620,071	3,619,603	4,926,016	5,348,022
Goods and Services	1,312,204	1,088,714	879,369	883,787	1,079,742
Utilities	150,000	150,000	82,572	100,680	61,419
Subsidies and Transfers	5,000	0	0	0	0
Capital Investments	20,000	15,700	12,700	34,115	42,749

Explanations for changes in budget categories are given below:

- The final budget for salaries and wages was reduced by €591,681 compared to the initial budget, due to Government Decision No. 69-1/2023 dated 28.12.2023. These funds were withdrawn as budget savings. The realization of the final budget was 100%;
- The final budget for goods and services was reduced by €223,490 compared to the initial budget, due to Government Decision No. 40/178 dated 13.12.2023 on budget savings. The realization of the final budget was 81%;
- The final budget for utilities remained the same as the initial budget. The realization rate of expenditures was €82,571.64 or 55%;
- The initial budget for subsidies and transfers was €5,000, however, with Government Decision No. 40/178, this budget was considered as budget savings due to non-spending; and
- The final budget for capital investments was reduced by €4,300 compared to the initial budget, due to Government Decision No. 16/174 on budget savings.

Chart 1. Expenditures by economic categories for year 2023

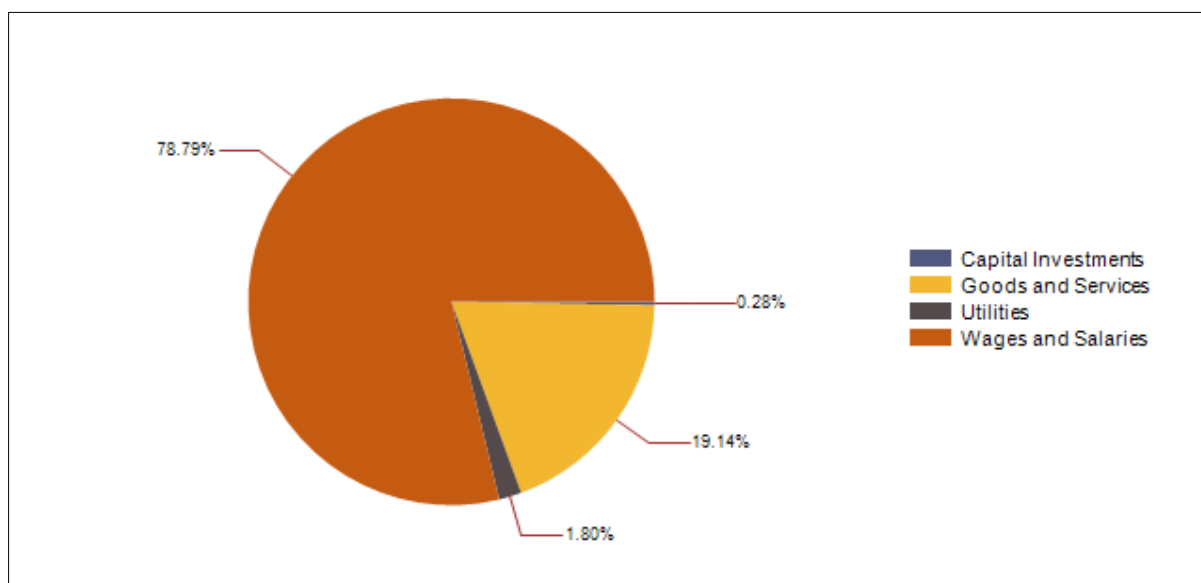


Table 3. Revenues (in €)

Description	Initial budget	Final budget	2023 Receipts	2022 Receipts	2021 Receipts
Total of revenues	496	496		1,220	
Non-tax revenues	496	496		1,220	

4 Progress in implementing recommendations

Our audit report on 2022 AFS of PAK resulted in seven (7) recommendations. The PAK prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2023 audit, five (5) recommendations have been implemented whilst two have not been implemented yet.

For a more thorough description of the recommendations and how they are addressed, see Table of recommendations no. 4 or (Table of recommendations).

Chart 2. Progress in implementing prior year's recommendations

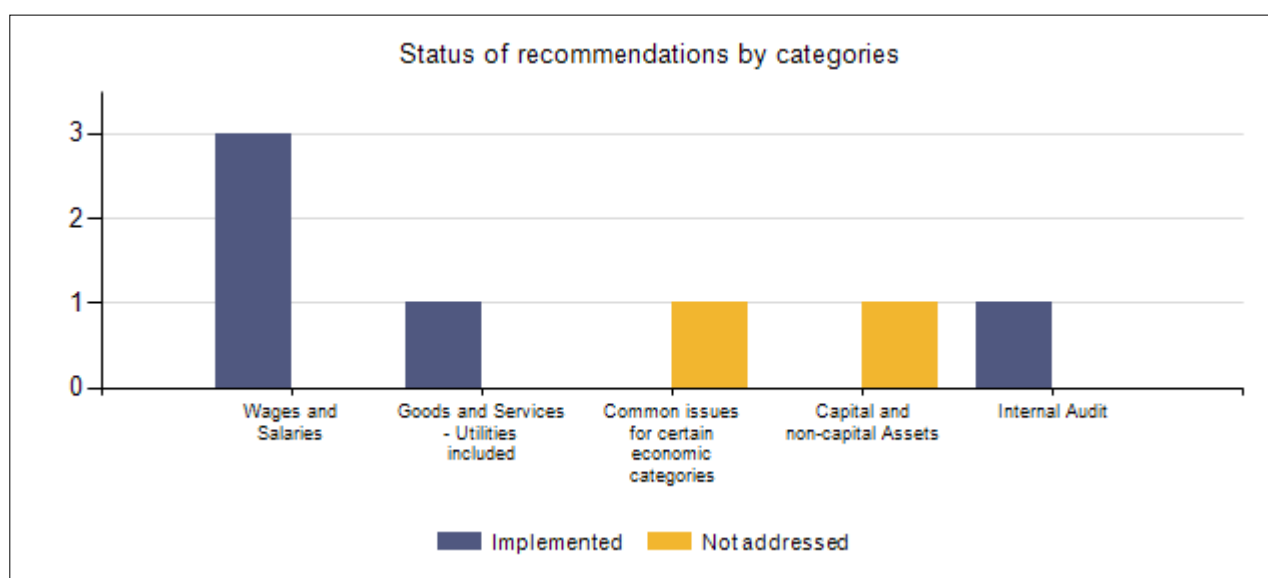


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of 2022	Actions taken	Status
1.	Wages and Salaries	The Board of Directors should ensure that the institution runs smoothly and that normal activities in all units are developed by reviewing and updating the plan.	During 2023, PAK reorganized its staff in accordance with the regulations approved by BD	Implemented
2.	Wages and Salaries	The Board of Directors should ensure that they are monitoring and controlling staff registration in the electronic entry/exit attendance system to ensure their presence at work.	During the year, PAK has implemented measures to monitor the entry/exit of staff	Implemented

3.	Wages and Salaries	The Board of Directors should ensure that legal requirements are respected when filling positions with substitutes.	During the year, PAK did not have any Acting Officers positions serving longer than the stipulated term	Implemented
4.	Goods, services and utilities	The Board of Directors should ensure that the evaluation of offers is completed within the specified time limits, allowing for the timely acceptance of goods/services.	During the testing of the procurement files for the year 2023, we did not find any instances of non-compliance with the time limits for evaluating tenders.	Implemented
5.	Common issues	The Board of Directors should ensure that purchase orders are issued before accepting goods and processing invoices to adhere to proper procedures and prevent uncontrolled purchases.	Similar cases in the category of goods and continue to occur in 2023. Reference B1	Not addressed
6.	Assets	The Board of Directors should take necessary and continuous actions to ensure the e-assets system is operational.	Even this year, the e-assets system has not been operationalized. Reference B2	Not addressed
7.	Internal audit	The Board of Directors should ensure that the appointment of members to the Audit Committee complies with the requirements outlined in the Law on Public Internal Financial Control.	The Audit Committee was formed in accordance with legal requirements.	Implemented

Vlora Spanca, The Auditor General

Emine Fazliu, Assistant Auditor General

Jusuf Kryeziu, Audit Director

Vlora Duraku, Team Leader

Mirlinda Beqiri, Team member

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

Issue	Comments from the BO	KNAO view
<p>Issue 1: Shortcomings in bid evaluation</p>	<p>During the evaluation of the offers for the professional technical requirements AND also for other requirements, the Guideline no. 001/2023 for Public Procurement defines the cases where clarifications and additions to the documents are required for the specified criteria. Also, the Rules and Operative Guidelines for Public Procurement foresees "If, for any valid reason, the economic operator is unable to provide the references required by the contracting authority in accordance with articles 69 of the LPP, the economic operator in question may be allowed to show technical and/or professional skills through any other document that the contracting authority, ensuring competition and equal treatment of economic operators, considers appropriate" (p.93/94). The evaluation committee has the right to ask for clarifications and additional documentation, but taking into consideration the documentation before the date of submission of the offers, the Committee did not do such a thing after finding that documentation submitted</p>	<p>We analyzed the comment/reasoning forwarded by KPA regarding issue A1 presented in the report. In relation to this issue, KPA has not forwarded any additional evidence, apart from those that were provided to us during the audit.</p> <p>In the tender DOSSIER 'Providing services for marketing, design, video-production and publishing on portals', among other things, it is requested that: The tenderer must have professional staff employed in the company, have professional experience which must be proven with a CV, Reference and portfolio. The AWARDED OE lacked references for the requested position.</p> <p>Furthermore, according to the evaluation committee, one of the bidders was eliminated precisely as a result of the lack of these REASONS (reference for the requested position).</p> <p>The finding and recommendation remain unchanged.</p>

	<p>to the EO recommended for the awarding of contract has fulfilled the required request, based on:</p> <p>In the document submitted by EO for the requested position, from the presented CV it can be seen that the entire professional experience of the person presented in the capacity of the requested position (video editor) is in the bidding company, therefore the inclusion of this person as part of the professional staff required within the offer, can be considered as a reference, as long as the reference as a document is required to prove the experience. In addition, the list of works as a reference and portfolio is presented.</p>	
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AGJENCIA KOSOVARE E PRIVATIZIMIT
KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
PRIVATISATION AGENCY OF KOSOVO

II

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 Nr. 3 Data 2. 04. 2024
 Nr. l. Pg. Data
 Nr. Str. Date
 No. Pg. Date
 Prishtinë / Pristina

AGJENCIA KOSOVARE E PRIVATIZIMIT
KOSOVSKA AGENCIJA ZA PRIVATIZACIJU
PRIVATISATION AGENCY OF KOSOVO

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 dhe për zbatimin e rekomandimeve.

Për: **Vlora Spanca**
 Auditore e Përgjithshme
 Zyra Kombëtare e Auditimit

REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO
 ZYRA KOMBËTARE E AUDITIMIT
 NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

DATE/PRILJEN DORËZUAR:
 DATUM/PRILJEN GOSTAVLJEN:
 DATE RECEIVED/SUBMITTED: 02-04-2024

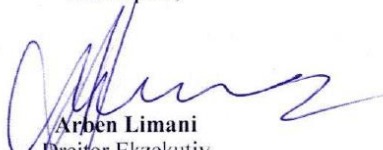
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<u>05</u>	<u>47</u>	<u>440</u>	<u>3</u>

E nderuar znj. Spanca,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Agjencisë Kosovare të Privatizimit, për vitin 2023 (në tekstin e mëtejshëm "Raporti");
- Pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit, përveç çështjes A1 që kemi komente; si 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.

Me respekt,


Arben Limani
 Drejtor Ekzekutiv
 Agjencia Kosovare e Privatizimit

Data: 18 prill 2024

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Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements⁵ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁶. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

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

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

(extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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

⁶ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

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

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

Modifications to the opinion in the auditor's report

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

- a) Are not confined to specific elements, accounts or items of the financial statements

- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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