



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE KOSOVO TELECOM J.S.C FOR YEAR 2024

Prishtina, June 2025

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1 Audit Opinion

We have completed the audit of the financial statements of Kosovo Telecom J.S.C for the year ended on 31 December 2024 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 on the financial statements and conclusion on compliance with authorities¹.

Unmodified opinion on annual financial statements

We have audited the annual financial statements of the Kosovo Telecom J.S.C, which comprise the statement of financial position for 2024, statement of comprehensive income, statement of cash flow, statement of changes in equity, explanatory notes to financial statements, including a summary of significant accounting policies and other reports, for the year ended as of 31 December 2024.

In our opinion, the enterprise's financial statements give a true and fair view in all material aspects of the financial position of the Kosovo Telecom J.S.C as of December 31, 2024, and its financial performance and its cash flows for the year 2024, in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS).

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.

Audit Conclusion on Compliance

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

In our opinion, except for the effects of the matter/s described in the Basis for Conclusion section of our report, the transactions carried out at the Kosovo Telecom J.S.C have been,

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

in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

Basis for the Conclusion

- A1 The enterprise had frequently used the minimum value procedure for supplies of the same nature.
- A2 The enterprise had failed to implement contract management and contractor performance evaluation through the respective modules of the e-procurement platform.
- A3 The enterprise incurred annual expenses on travel tickets and transport services, without having a contract with any economic operator for the supply of travel tickets and transport services.
- B1 Providing incentives to employees in lack of a remuneration policy adopted by the Board of Directors.
- B2 We have identified 55 cases where the enterprise had covered positions with acting officials (AO) who had exceeded the legal terms of engagement.

For more details, see sub-chapter 2.1 Issues with impact on the compliance conclusion

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

Material uncertainties related to going concern

- 1 During the audit, significant uncertainties that could affect the going concern of Kosovo Telecom J.S.C. were found.

In 2019, the Dardafon.net LLC Company initiated a second arbitration against the enterprise due to the non-renewal of the Basic MVNO Agreement and the failure to provide certain services during the basic agreement period. The value of the claim/lawsuit amounted to an approximate sum of €50,000,000. Consequently, in 2022, the Court of Arbitration decided in favor of Dardafon.net L.L.C by obliging Telecom to pay the amount of €13,466,089, including penalty interest. Even though Telecom has used all legal remedies in the country and abroad to challenge this decision, up to the end of 2024 all of them have been rejected.

On July 8, 2024, the Commercial Court assessed that the Arbitration Decision meets all the conditions for recognition and declared it enforceable. Despite this, the

enterprise has continued legal proceedings by filing a revision with the Supreme Court and a request for constitutional review with the Constitutional Court.

Consequently, the case is in the process of enforcement, where up to October 3, 2024, the amount of €1,077,932 has been withdrawn by the enforcement agent, while the amount of over €13,603,470 continues to be blocked in the enterprise's accounts.

Currently, all bank accounts of the enterprise, except for the one at the CBK, are blocked, thus making it impossible to fulfill contractual and legal obligations. As a result of this situation, the enterprise has not been able to pay around €1,600,000, obligations to TAK up to December 31, 2024, a loan installment of €1,200,000 and around €1,700,000 for unpaid investment invoices. These liabilities constitute a risk to the enterprise's liquidity in the short term.

Despite the fact that during 2024 the enterprise collected a net profit of €6,885,000, accumulated losses from previous years amount to €63,802,000. At the same time, current liabilities exceed current assets by €25,925,000, thus reflecting difficulties in the operational and financial capacity of the enterprise.

In financial terms, key indicators such as current liquidity, quick liquidity, net equity and debt ratio are negative. These indicators suggest difficulties in meeting liabilities without additional financial resources.

Whereas, in technological terms, the risks that threatened the principle of going concern due to the obsolescence of technological equipment have already been resolved as a result of significant investments in the mobile network infrastructure and support systems. The replacements of the core network, BTSs and billing systems have been completed by significantly improving the technological aspect and functionality of the services.

To cope with this situation, on March 14, 2025, the enterprise applied for a loan in the amount of €10,000,000 from the Ministry of Finance, in order to cover accumulated liabilities and ensure going concern of operations. With this loan, Telecom expects a significant improvement in its liquidity position.

The audit opinion has not been modified as a result of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the management report and the corporate governance statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We have considered whether the information included in the management report is in compliance with the information included in the financial statements and the corporate governance statement, including the disclosures required in articles 7 and 10 of the Law no.06/L-032 on Accounting, Financial Reporting and Auditing.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We do not have anything to report on.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs). Management is also responsible for establishing internal controls that management determines are necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error. This includes also the application of Law no. 03 / L-048 on Public Financial Management and Accountability (as amended), Law no. 04 / L-087 on Publicly Owned Enterprises (as amended), and Law 06 / L-032 on Accounting, Financial Reporting and Auditing.

The Board of Directors is responsible to ensure the oversight of the Kosovo Telecom J.S.C's financial reporting process.

Management's Responsibility for Compliance

The Kosovo Telecom J.S.C's Management is also responsible for the use of the Kosovo Telecom J.S.C's financial resources in compliance with the Law on Public Owned Enterprises and all other applicable laws, 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

² Collectively referred to as compliance with authorities

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 Kosovo Telecom J.S.C's authorities with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources. As part of an audit in accordance with the Law on NAO and ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kosovo Telecom J.S.C'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 CERN'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 shortcomings 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 for potential improvement, including internal controls, which are presented below for your consideration in the form of findings and recommendations. These findings and recommendations are intended to make the necessary corrections to the financial information presented in the financial statements, including disclosures in the form of explanatory notes, and to improve internal controls with respect to financial reporting and compliance with authorities in terms of the management of public sector funds. We will follow up on (review) these recommendations during the next year's audit.

This report has resulted in 14 recommendations, of which 4 are new recommendations, while 10 are repeated recommendations.

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

2.1 Issues with impact on the compliance conclusion

Issue A1 - Frequent use of the minimum value procedure

Finding

Articles 16, 17 and 18 of the Law on Public Procurement, among other things, state that the contracting authority shall not select or use evaluation methods that have the purpose of lowering the value of the supplies/services/works contract below the threshold set out in Article 19 of this law; and no contracting authority shall split the procurement requirement for a given quantity of products for the purpose of lowering the value of a supplies/services/works contract below the threshold set out in Article 19 of this law.

Based on the report of signed contracts, we noticed that the Enterprise had developed several procedures with minimal value for supplies of the same nature during the year. The cases are as follows:

- Supply of promotional material, nineteen (19) minimum value contracts in the amount of €17,159, as well as two (2) small value contracts in the amount of €8,283;
- Supply of IT equipment, six (6) small value contracts in the amount of €26,769;
- Supply of split air conditioners, four (4) minimum value contracts in the amount of €3,215 and two (2) small value contracts in the amount of €14,941;
- Supply of spare parts, three (3) small value contracts in the amount of €19,799;
- Supply of maintenance materials and equipment, three (3) small value contracts in the amount of €15,179.

The frequent use of minimal and low-value procedures had occurred as a result of a lack of planning by the requesting units.

Impact

The conduction of procedures in small and minimal values may affect the cost-effectiveness of the procurement activity; bid prices for smaller quantities may be higher than bid prices for larger quantities.

Recommendation A1 The Board of Directors should ensure that requests from requesting units are grouped so that procurement activities are more efficient and ensure higher competition. Entity's management answer (Do not agree)

Issue A2 - Failure to use the e-procurement system in the contract management and contractor performance evaluation

Finding The Public Procurement Regulation No. 001/2022 as supplemented/amended; Article 70.1 stipulates that Contract Management - refers to the administration of the performance of contracts by the Contracting Authority through the module for contract management in the electronic procurement system. All officers/persons assigned/appointed as contract managers by both the CA and the EO must administer and manage the performance of contracts in accordance with the manuals for the use of the contract management module.

Article 70.2 Contractor performance evaluation - refers to the evaluation of the performance of contractors during the implementation of public contracts and framework contracts. The evaluation of the performance of contractors shall be done: i) in the electronic procurement system through the module for evaluation of the performance of contractors; ii) by the contract managers and the direct supervisor of the contract manager, and iii) in accordance with the manuals for using the contractor performance evaluation module and the evaluation criteria.

During 2024, the enterprise has, in six (6) of the cases tested related to Telecom's needs for supplies and services, failed to apply contract management and contractor performance evaluation through the respective modules of the e-procurement platform.

This had occurred due to insufficient supervision of contract managers by the enterprise's management.

Impact Failure to apply the e-procurement system in the contract management process may lead to the contracts not being monitored in real time and potentially increase the risk of services or supplies not being provided in a timely manner.

Recommendation A2 The Board of Directors should ensure that the contract management and contractor performance evaluation are done through the e-procurement platform. Entity's management answer (agree)

Issue A3 - Lack of travel services contract

Finding Based on the Law on Public Procurement No. 04/L-042 as supplemented/ amended, Article 6, paragraph 1, all contracting authorities are under the obligation to ensure that public funds and public resources are used in the most cost-effective manner by taking into account at the same time the purpose and the object of the procurement.

The enterprise did not have a contract with any economic operator for the supply of travel tickets and transport services during 2024. We have noticed that the enterprise had incurred annual expenses in the amount of €34,691 for travel tickets and transport services through the supply of tickets from various operators, based solely on invoices.

The reason for not contracting such supplies was that the enterprise did not deem it necessary to enter into a supply contract due to the fact that it had not incurred significant expenses in previous years. The lack of a contract is a result of not planning the procurement activity for the supply of travel tickets.

Impact The lack of a contract increases the risk that the enterprise may pay higher prices for travel services and not be in compliance with the principles of the law on public procurement.

Recommendation A3 The Board of Directors should ensure that the enterprise contracts the services of supply of travel tickets through regular public procurement procedures. Entity's management answer (Do not agree)

Issue B1 - Providing incentives to employees in lack of a remuneration policy**Finding**

Pursuant to the Law on Publicly Owned Enterprises, Article 34.1, all POEs shall establish and put into force bylaws required by the Law on Business Organizations. Also, according to Article 9.4 of the Statute of Telecom J.S.C., the joint-stock company must issue regulations, which contain provisions for the administration and operation of the enterprise. The regulations are adopted, amended or revoked by the Board of Directors.

In 2024, the enterprise had provided incentives to some employees in the amount of €155,391. According to the minutes of January 31, 2023, the enterprise had approved the management's request for the allocation of €15,000 per month to the technical directorate for the stimulation of key employees of the enterprise. Moreover, on March 22, 2023, the chief executive officer had approved the conditions for incentives for deficit staff and those with distinct contributions drafted by the technical director. According to this document, the list of nominees is prepared by the technical director, which he thereupon sends to the chief executive officer for approval. However, there was no regulation or instruction approved by the board that would establish the manner, criteria, procedures and circumstances under which these remunerations are distributed.

It is worth mentioning that, according to internal records, the board had encouraged the management to draft a regulation for providing bonuses or rewards, but up to the point when we were carrying out the audit, the management had failed to draft such a regulation.

Despite encouragement from the board, such a regulation was not drafted. Nevertheless, the management had deemed it necessary to stimulate the employees of the technical department in order to retain professional staff and not jeopardize the development of investment projects.

Impact

Providing incentives without a regulated procedure adopted by the Board of Directors may lead to the increase of employee dissatisfaction within the enterprise, which can consequently lead to the failure of achieving objectives.

Recommendation B1 The Board of Directors should ensure the drafting of a regulation or guideline on the procedure and manner of distributing rewards to employees. Entity's management answer (Do not agree)

Issue B2 - Covering job positions with Acting Officials

Finding According to the Regulation on Employment Relationship No. 01-2978/22 dated 27.06.2022, Article 11, point 3—planning and recruitment procedures — the Chief Executive Officer may appoint an employee as acting official for a period up to six (6) months.

We have identified 55 cases where the enterprise had covered job positions with acting officials (AO) who had exceeded the legal terms of engagement. According to the records, job positions involving acting officials are as follows:

- There are eight (8) cases of acting managers of various units,
- Nine (9) cases of acting team leaders,
- 20 cases of acting officials in different positions,
- 10 cases of acting technical officials, and
- Eight (8) cases of other positions involving acting officials.

This had occurred because the enterprise was undergoing the process of restructuring all positions through recruitment procedures.

Impact The practice of covering job positions with acting officials for longer periods of time, in addition to not being in compliance with legislation, risks having job positions managed by people who do not meet the adequate criteria. This may adversely impact the performance of the organization in general.

Recommendation B2 The Board of Directors should ensure that all legal actions are taken for the conduction of recruitment procedures to fill regular job positions that function with acting officials. Also, the duration of the function as acting officer/employee should not exceed the legally defined period. Entity's management answer (Do not agree)

2.2 Other financial and compliance management issues

2.2.1 Internal controls on financial reporting

The issues relating to the presentation of data and preparation of Financial Statements are as follows.

Issue A4 - Failure to approve the risk management document and failure to update the Standard Operating Procedures

Finding The Code of Ethics and Corporate Governance for Publicly Owned Enterprises, par. 15.9 as well as in principle no. 5 of the “Good Governance” stipulates that among the duties and responsibilities of the Board is to establish risk management policies and control through business risk indicators.

Article 32 of the Regulation MF- no. 01/2019 on financial management and control, Drafting of PSE processes list, paragraph 1 1. Each PSE prepares a list of processes with purpose to ensure uniformity on realizing work processes, identification of realized activities, responsibilities on performing of an activity and deadlines in frame of which the activities have been executed. Article 7. Each Public Sector Entity maintains and updates process descriptions covering all its activities in electronic and/or hard copy format.

The enterprise has drafted a draft regulation on risk management in January 2024 but has not yet managed to have it discussed and approved by the Board of Directors. Further, Telecom J.S.C., although it has drafted Standard Operating Procedures (SOPs), has not yet managed to adapt them to the changes that have occurred in the organizational structure.

The failure to approve the risk management document occurred because the Board of Directors failed to place it on the agenda during 2024. Likewise, the failure to update the standard operating procedures occurred due to a long restructuring process that has not yet been completed.

Impact The lack of a regulation on risk management leads to the inability of the enterprise to respond in a timely manner or to reduce risks to acceptable levels, while the failure to update SOPs can lead to work progress obstacles, uncertainties and confusion among staff regarding work activities and processes.

Recommendation A4 The Board of Directors should ensure the approval of the regulation on risk management and ensure that the SOPs are updated in accordance with changes in the organizational structure. Entity's management answer (agree)

2.2.2 Accounts Receivable

The value of accounts receivable, presented in the AFS, was €5,370,000 (net value). They relate to receivables from customers from the regular business of the enterprise.

Issue B3 - Difference between accounting system and billing system

Finding According to IAS 1, paragraph 15, financial statements should present fairly the financial position, financial performance and cash flows of an entity. 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, income and expenses set out in the Conceptual Framework.

The accounts receivable item in the financial statement disclosures was presented at a gross value of €19,286,000, but, according to the annual reconciliation between the billing system and the accounting system for fixed and mobile postpaid services, a difference of €149,600 was reflected.

The differences relate mainly to previous years, and they have occurred due to manual transfers of monthly billing from the billing system to the accounting system, and eventual corrections in one of the systems were not reflected in parallel in these two systems. However, Kosovo Telecom managed to narrow this difference by €48,880 compared to the previous year.

Impact The lack of coordination of systems leads to eventual corrections of records not being harmonized with each other and consequently may result in an untrue presentation of information in the financial statements.

Recommendation B3 The Board of Directors should ensure that procedures are established so that any corrections of records in one system are reflected in parallel in the other system, too. Entity's management answer (agree)

2.2.3 Salary Expenses

The salary expenses presented in the annual financial statements for 2024 amounted to €18,641,000. We have performed substantive and compliance tests for this category. On December 31, 2024, the enterprise had a total of 1,712 employees.

Issue B4 - Payment of employees with different grades for the same position

Finding The Law on Labour No. 03/L-212, Article 55, paragraph 3, stipulates that the employer shall provide equal remuneration to employees for work of equal value, a compensation which covers the basic salary and other allowances.

During the audit, we identified that salary differences of employees holding the same position persisted even during 2024. Some of the cases that are paid differently for the same position are: administrator, grades 5 and 7; system administrator, grades 9 and 11; sales coordinator, grades 9 and 10; and media monitoring officer, grades 7 and 10. According to the records provided by the enterprise, it is worth mentioning that the number of these cases during the year varied from 32 in January to 13 in December 2024.

Even though the enterprise in its action plan had pledged to rectify this issue, it had still not managed to fully address the given recommendation.

Impact Paying employees for the same positions with different grades can lead to potential lawsuits being filed against the company for unequal treatment, which can consequently result in judicial costs and reduced work efficiency of employees.

Recommendation B4 The Board of Directors should ensure that employees are compensated according to their grade and provided equal compensation for the same job positions as envisaged in the internal regulations. Entity's management answer (Do not agree)

2.2.4 Information Systems

This area includes only the monitoring of the implementation of recommendations concerning the IT section of Telecom J.S.C. Summary of findings for information systems.

Issue B5 - Activation of the service without prior customer registration

Finding According to the Regulation on “Registration of Mobile Telephony Subscribers” No. 30 (RAEPC), service providers must register all customers prior to the service being activated, regardless of whether they are contract customers or subscribers, and must not activate numbers without being previously registered as customers.

The enterprise has initiated the implementation of this recommendation by holding a meeting and continuing communication via email with officials of the Civil Registry Agency (CRA) in the period November 2023 - January 2024. Although Telecom had initiated the request to the relevant institutions - ARC, the personal and business number validation function is still not applied.

This has occurred due to lack of a liaison with the civil status and business register systems.

Impact Failure to implement validity rules makes it difficult to identify customers using the operator's services.

Recommendation B5 The Board of Directors should ensure that the mandatory identification fields for customer registration in the CRM system are functionalized in order to prevent activation of the service without customer registration. In addition, CRM system is to be interconnected with ARC system for validating the personal number and the Kosovo Business Registration Agency system for validating the unique business number. Entity's management answer (Do not agree)

Issue B6 - Failure to define the time period in the procedure for monitoring the creation and storage of log files on the platforms

Finding Based on ISO/IEC 27001 and ISO/IEC 27002, Audit Trails that record all activities in information systems must be maintained and periodically monitored to identify unusual activities.

In 2022, Telecom adopted the procedure for “Monitoring the creation and storage of log files on platforms”, which it also implements in practice by regularly storing and monitoring audit trails. However, this procedure lacks the definition of time periods for storing and monitoring these trails, even though the enterprise practically stores and monitors trails on a regular basis, but the lack of formal definitions in the procedure document for “Monitoring the creation and storage of log files on platforms” may create uncertainties in the standardization and continuous supervision of the process.

This has occurred due to the failure to establish a time period for monitoring audit trails in the procedure.

Impact A full implementation of the recommendation will ensure more effective supervision and better management of user activities by improving the overall level of security and enabling a rapid response in the event of potential incidents.

Recommendation B6 The Board of Directors should ensure that the time period for monitoring activities is included in the procedure for monitoring, creating, and maintaining audit trails so that monitoring is carried out at regular time periods. Entity’s management answer (Do not agree)

Issue B7 - Non-termination of employees' rights and access to information systems upon termination of their contract

Finding ISO/IEC 27001, namely control A.9.2.6 – “Removal or Adjustment of Access Rights” in ISO/IEC 27002, stipulates that: access rights of all employees, contractors or external party users to information systems need to be removed upon termination of their contract.

Following the analysis of the list of employees whose employment contracts were terminated and the list of users whose access to information systems was terminated, out of the eight (8) cases analysed, we have identified five (5) cases relating to the change of positions where KT failed to provide the status and clarification of the type of access for those positions but only the last access to AD; two (2) other cases concern suspensions from work for a fixed period of time. As well as one (1) case involving termination of the employment relationship of an official whose account was deleted from AD, and thereby also the traceability and history of that account's activities.

The justification of the Technical and IT Directorate was that for all cases of termination of employment, they use the same practice and do not have any other guidelines or standards for handling accounts in AD.

Impact Users who do not possess an employment contract with Kosovo Telecom must not have their user's account in AD completely deleted but only deactivated, as it leads to the loss of audit trails and history of that user's activities, which would make it impossible for the organization to identify any intentional or unintentional actions.

Recommendation B7 The Board of Directors should ensure that employees' access rights to the information systems are immediately terminated upon termination of the contract and that the accounts are only deactivated and not completely deleted from the platforms in order for the traceability of their activities and history to be retained. Entity's management answer (Do not agree)

Issue B8 - Failure to periodically review users' access rights to information systems

Finding Based on ISO/IEC 27001 and control A.9.2.5 – “Review of User Access Rights” in ISO/IEC 27002, the enterprise should conduct a periodic review of user accounts, including a review of users' access rights/privileges to ensure that they remain adequate for their function.

During the audit and assessment of the implementation of the recommendation, Telecom was requested to provide the procedures for reviewing users' access to information systems. The enterprise has drafted and approved a procedure for creating, changing, and terminating access to information systems. However, this procedure has not envisaged the review of existing users' access to information systems.

This is because the company has considered that the regulation for creating, changing and terminating accesses is sufficient.

Impact The lack of periodic review of users' access rights to information systems increases the risk for users to have rights that do not correspond with their responsibilities and may access sensitive or unnecessary information.

Recommendation B8 The Board of Directors should ensure that a procedure has been drafted and approved for reviewing users' access rights to information systems and that user roles and responsibilities are reviewed on a regular periodic basis in order to ensure that they are valid and adequate for the users' job function. Entity's management answer (partially agree)

Issue B9 - The enterprise had not yet managed to implement the country code**Finding**

With respect to the implementation of the country code (+383) assigned by the International Telecommunication Union (ITU), the Regulatory Authority of Electronic and Postal Communications has taken a decision that by June 1, 2018, the geographic country code +383 should be fully implemented and all other codes (+377, +381 and +386), which are used by fixed and mobile telephone networks, shall be discontinued, and by December 31, 2018, the implementation of the mobile country code should be fully completed.

In the initial contract implementation plan, Kosovo Telecom has foreseen the full implementation of the country code 383 during 2024. In June 2024, the migration to Ericsson Core for DSC, SAPC, UDM, and RAN re-homing was fully completed, despite serious problems encountered during the migration. However, during the implementation and as a result of created circumstances, KT has approved a request for an extension of deadlines. In relation to the implementation of the 383/221 code throughout the network, several stages of testing have been carried out in certain regions, and necessary analyses have been carried out in relation to the action plan.

They intended to postpone the implementation of the changes until the end of January 2025. They deliberately avoided December due to practices related to increased activities during the end-of-year holidays.

However, even this January goal has been postponed due to the timing of the elections so that in the event of any telephony problems, the electoral process would not be harmed.

Also, by defining the technical details of numbers portability and the way of interconnecting with the Central Authority, it has become possible to study the configuration options and functional changes in Ericsson Core, Intracom Nginus, Altima CRM, and Ouroboros SMSC, respectively. The considered deadline for commercial readiness is September 2025.

Therefore, the technical acceptance protocol remains to be concluded once the complete changes related to the MCC 221 code on the radio have been completed.

The modernization of the network and the implementation of the country code have been completed in different stages but have not yet been fully implemented due to the complexity of the implementation of the code. Now in 2025, this process is in the final phase of implementation.

Impact

The incomplete implementation of the country code +383 has resulted in the continued use of the 212 code and reliance on Monaco's services and agreements relating to the Roaming part as a consequence of the non-implementation of the 221 code.

Recommendation B9 The Board of Directors should ensure that the Kosovo Country Code is fully implemented as soon as possible. Entity's management answer (partially agree)

Issue B10 - Lack of standard planning documents for the deployment of BTSs for expanding the network in the territory of Kosovo**Finding**

Expanding of mobile technology network must be done according to the needs set by the management or according to the analyses carried out through network planning with detailed analyses based on simulations, customer complaints, measurement results, etc. Standard Operating Procedures (SOP) for the BTS coverage planning process enable the enterprise to operate in a structured manner with high and consistent quality of service in all areas.

Prior to deploying a BTS, Telecom conducts a detailed preliminary analysis and makes a plan for the BTS deployment area and coverage. However, KT does not document these analyses but only prepares them in the form of an informational report via email. We have also requested from KT a planning document with a complete map of the areas that they have analysed for BTS deployment needs, but they did not possess such a document, because the planning for deploying BTSs is done on a one-by-one basis, by looking at the current needs in the field. And for the deployment of each BTS, a separate analysis is carried out without considering any general planning of network coverage.

Kosovo Telecom still does not yet have a clear overview of BTS coverage needs for all areas, as they have not drafted a general plan. But they do have an analysis for specific areas prior to deployment of the BTS, even though they keep this planning documentation in their emails only and not in the standard planning documents.

This has occurred due to the lack of drafting the necessary standard planning documents for the entire network coverage territory, which would enable inspection of detailed planning and analysis prior to the deployment of BTSs.

Impact

Kosovo Telecom does not yet have a clear overview of BTS coverage needs for all areas, as they have not drafted a general plan. But they do have an analysis for specific areas prior to deployment of the BTS, even though they keep this planning documentation in their emails only and not in the standard planning documents.

Recommendation B10 The Board of Directors should ensure that KT possesses a planning document on BTS deployment needs for all areas. And that detailed network development and planning measurements and analyses in accordance with standard operating procedures of the Technical and IT Directorate are well documented prior to the deployment of BTSs so that each BTS has the best possible coverage of the areas and the highest possible quality of service. Entity's management answer (Do not agree)

3 Issues resolved in the course of audit process

Several issues were identified and were thereafter communicated to the management and effectively resolved during the current audit. They do not require any further action and are reported only for the purpose of documenting the communication in question, the actions taken and their results. These were as follows:

Issue 1	Failure to harmonise accounts payable
Finding	During 2024, the enterprise did not make the harmonisation of suppliers, and this resulted in corrections being made to the samples of the accounts payable category after we received the final statements by increasing them by €567,180 and decreasing them by €1,077,932.
Required Action	All corrections are to be made by comparing and verifying records of accounts payable with documentation so that accounts payable are presented accurately.
Result	The enterprise had taken corrective actions during the audit process.

4 Progress in implementing recommendations

The audit report for the 2023 AFS resulted in nine (9) recommendations for financial statements. Kosovo Telecom has prepared an action plan presenting how it will implement the given recommendations.

During 2024, the following issues were concluded: failure to harmonise the records of provisioned accounts receivable according to legal requirements, as well as shortcomings in recruitment processes through internal and external competitions, as they were no longer applicable.

By the end of our audit for the year 2024, four (4) recommendations had not yet been implemented (see Chart 1). Whereas Table 1 provides a more complete description of the recommendations and how they were addressed.

Chart 1. Progress in implementing previous year’s recommendations

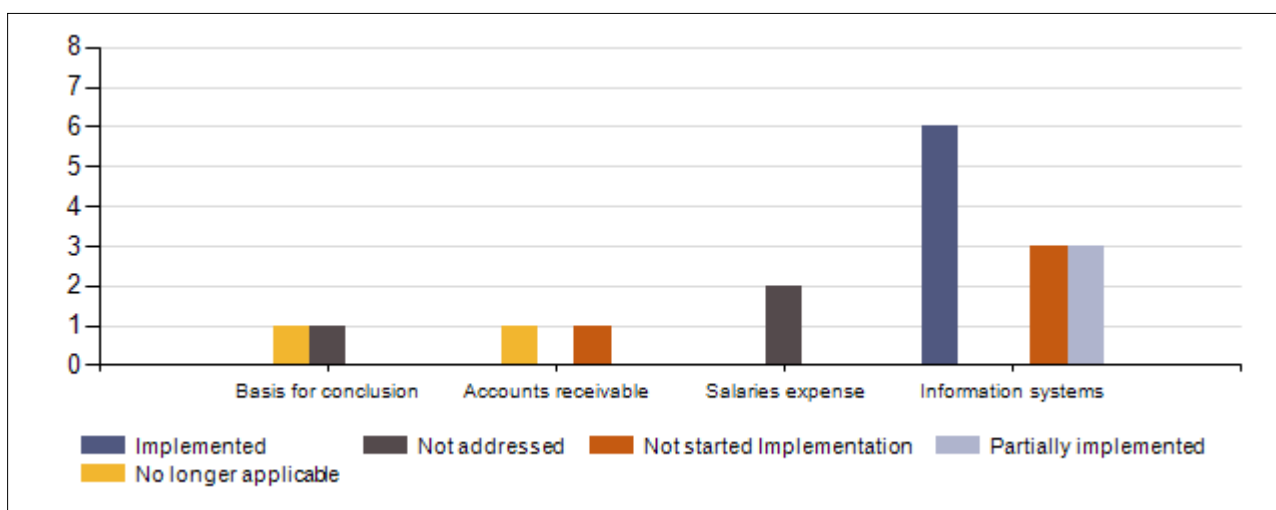


Table 1. Summary of prior year’s recommendations

No.	Audit area	Recommendations of 2023	Actions undertaken	Status
1.	Basis for Conclusion	The Board of Directors should ensure that laws and administrative instructions are applied in every recruitment procedure and that internal regulations comply with legal requirements.	The legal basis was amended; Administrative Instruction MFLT- No 01/2024 No.01/2025 on Regulating	No longer applicable

			Recruitment Procedures in the Public Sector was approved.	
2.	Basis for Conclusion	The Board of Directors should ensure the drafting of a regulation or guideline for the procedure and method of allocating bonuses to employees.	The enterprise had not succeeded in drafting a regulation or guideline for the procedure and method of distributing bonuses to employees.	Not addressed
3.	Accounts Receivable	The Board of Directors should ensure that the necessary actions are taken to reconcile data between the revenue and accounting departments, to provide accurate information on the value of receivables.	Telecom of Kosovo JSC managed to reduce this discrepancy by €48,880 compared to the previous year.	Implementation not started
4.	Accounts Receivable	The Board of Directors should ensure a review of the receivables register by updating records with the respective legal decisions, so that the financial statements accurately reflect the company's situation.	According to IAS 9, if AR are provisioned 100%, they are not required to be removed from the main ledger. The standard advises only removing them from the balance sheet to reflect the financial position accurately.	No longer applicable

5.	Salary Expenses	The Board of Directors should, through internal acts, strengthen internal controls to prevent employees in the same positions from being paid at different grades.	The enterprise still has not fully implemented the regulation for the systematization of job positions and the labour regulation.	Not addressed
6.	Salary Expenses	The Board of Directors should ensure that recruitment procedures are conducted so that these positions are filled with regular contracts. The duration of acting positions should not exceed the legal time limits.	The enterprise was in the process of restructuring all positions through recruitment procedures.	Not addressed
7.	IT Systems	The Board of Directors should ensure the full implementation of the Kosovo national code as soon as possible.	The modernization of the network and the implementation of the national code was carried out in stages, but it is still not fully implemented due to the complexity. As of 2025, this process is in its final implementation phase.	Implementation not started
8.	IT Systems	The Board of Directors should ensure that KT possesses a planning document for the need to place BTSs in all areas. Detailed measurements and analysis for planning and developing the network according to SOPs of the Technical and IT Directorates should be well	Before placing a BTS, Telecom now performs a preliminary detailed analysis and drafts a plan for the area and coverage.	Partially implemented

		documented to ensure optimal coverage and high-quality service.	However, these analyses are not documented, only shared as informative reports via email.	
9.	IT Systems	The Board of Directors should ensure that the CRM system has mechanisms that control and restrict the registration of more than ten SIM cards per individual consumer, to prevent potential misuse.	This request was addressed by the Technical and IT Directorate and implemented by the EO during 2023. On July 25, 2023, testing and operationalization of this feature were completed. Since then, CRM does not allow more than 10 SIMs per individual.	Implemented
10.	IT Systems	The Board of Directors should ensure that mandatory identification fields are functional in the CRM system to prevent service activation without consumer registration. Additionally, CRM should be integrated with the ARC system for personal number validation and with the Business Registration Agency system for business ID validation.	The enterprise has initiated the implementation of this recommendation; however, the functions for personal and business number validation are not yet applied due to a lack of integration with civil status and business registry systems.	Implementation not started

11.	IT Systems	The Board of Directors should ensure continuous monitoring of users with full access and that all accounts are personalized to maintain data integrity and system availability.	After analysing user lists, roles, responsibilities in the information systems, and the EO maintenance contract, it was found that Telecom user accounts with DWH access are personalized and have read-only access. Administrative accounts are managed by the EO, who holds contractual responsibility.	Implemented
12.	IT Systems	The Board of Directors should ensure that data across information systems is harmonized and that these systems are continuously monitored. Errors that arise during data reconciliation for customers should be addressed.	The reconciliation process is done manually once a month across all systems.	Implemented
13.	IT Systems	The Board of Directors should ensure that the CRM and ERP systems are interconnected so that data for 'PostPaid' bill payment transactions at sales points is reported daily.	From the data analysis generated by these two systems, it was found that they are interconnected and report the same figures daily, through SASP, CRM POS, the sales ledger,	Implemented

			and CRM/ERP reporting data.	
14.	IT Systems	The Board of Directors should ensure that password complexity is enforced in information systems.	The system is now configured to enforce password complexity, including length and character use, according to information security standards.	Implemented
15.	IT Systems	The Board of Directors should ensure that the alarm system for detecting fraud and risks is functional and that appropriate measures are taken for quick identification and prevention of incidents, to maintain customer trust and minimize potential financial losses.	The enterprise provided evidence, and monitoring was verified in real-time by the audit team.	Implemented
16.	IT Systems	The Board of Directors should ensure that a procedure is drafted and approved for reviewing user access rights in information systems, and that regular periodic reviews of user roles and responsibilities are conducted to ensure validity and appropriateness.	The enterprise has drafted and approved a procedure for creating, changing, and terminating access to information systems. However, this procedure does not include the review of existing users' access rights.	Partially implemented

17.	IT Systems	The Board of Directors should ensure that access rights to information systems are immediately revoked upon contract termination, by deactivating accounts and retaining traceability of their activities and history, rather than deleting them from platforms.	Telecom has not implemented the recommendation to deactivate accounts while maintaining traceability of activities and history, rather than fully deleting them.	Implementation not started
18.	IT Systems	The Board of Directors should ensure that the time period for activity monitoring is included in the procedure for monitoring, creating, and preserving audit logs so that monitoring is done regularly.	In November 2022, Telecom approved the procedure for "Monitoring the creation and preservation of log files on platforms."	Partially implemented

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

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Annex I: Letter of confirmation/ Comments of BO regarding the audit report (if any)

Issue	Comments from the BO	KNAO view
A1 - Frequent use of the minimum value procedure	<p>We do not agree – The procurement procedure with minimal value is a procedure allowed under the Law on Public Procurement (LPP).</p> <p>This procedure has been used in order to meet the specific needs of the enterprise, and at no point has the division of purchases been made to avoid specific procurement procedures.</p> <p>Although in some cases the purchases had similar titles, they were carried out at different times (depending on when the needs arose), and most involved different products.</p> <p>In all cases, the enterprise ensured that purchases were made at market prices through a competitive process.</p> <p>Moreover, the enterprise takes care to avoid unnecessary purchases in advance, ensuring sound financial management and minimizing unnecessary stock to the greatest extent possible.</p>	The finding remains, as the issue was addressed from the perspective of the frequent use of the minimal value procedure for the same or similar supplies.
A3 - Lack of travel services contract	We do not agree – Due to the nature of the service, the purchase of tickets cannot be carried out through a contract, as	<p>The finding remains.</p> <p>As for the entity's reasoning that it is not possible to know the exact date, time, and</p>

	<p>it is impossible to determine in advance the exact dates, times, and destinations of travels for the upcoming calendar year. As a result, it is not feasible to contract ticket prices in advance.</p> <p>Prior to each ticket purchase, TK J.S.C. ensures that it obtains offers for the relevant travel within a reasonable period before the officials' departure.</p> <p>In all cases during 2024, tickets were purchased at reasonable prices.</p>	<p>destination, this is a matter of internal planning.</p> <p>Nevertheless, this does not exclude the possibility of contracting such services in order to ensure fair competition and transparency in these types of purchases.</p>
<p>B1 - Providing incentives to employees in lack of a remuneration policy by the board of directors</p>	<p>We do not agree, and the finding should be removed from the report – The awarding of the bonus was carried out following a careful assessment by the executive management and with the approval of the Board of Directors. This bonus was granted to the key and scarce staff of the Technical Directorate due to the importance of their roles and their specific engagements.</p> <p>The Technical Directorate distributed the monthly bonus amount of €15,000 based on established criteria. The effects of this bonus had a direct positive impact on the achievement of the company's objectives.</p>	<p>The finding remains.</p> <p>At the meeting held on 28.10.2024, the Board of Directors requested the management to draft a Regulation for granting bonuses (rewards) to employees, including other directorates (not only the Technical Directorate). This confirms the validity of the issue, and the management is expected to proceed with the drafting of the regulation.</p>

	Therefore, the auditors' conclusion that this affects the non-achievement of the company's objectives is unfounded.	Moreover, all explanations provided in the entity's comment are already presented within the context of this issue in the report.
B2 - Covering job positions with Acting Officials	<p>We do not agree, and the finding should be removed from the report, as Kosovo Telecom is in the final phase of the restructuring process. With the implementation of this process, the earlier finding is being addressed, and acting positions (AO) are being converted into regular positions in accordance with the new organizational structure.</p> <p>The Executive Committee has the authority to ensure the functioning of the company by appointing staff to the respective organizational positions. All appointments have been made only after verifying the employees' personal files to confirm that they meet the criteria required for the respective positions.</p> <p>During 2024, many of the acting positions were filled through internal competitions, and in 2025, it is expected that all positions will be filled through internal recruitment as regular positions.</p>	<p>The finding remains.</p> <p>We have clarified in the report that Kosovo Telecom is in the final phase of organizational restructuring and that acting positions (AO) are expected to be replaced with regular appointments through internal competitions. However, this does not exclude the validity of the finding for the audit period.</p> <p>Therefore, the comment provided by the entity is not based on any other legal basis that would contradict the issue.</p>
B4 - Difference between accounting system and billing system	We do not agree; the finding should be removed from the report because this issue is in the	The finding remains, as it is also confirmed by the entity in their provided comment.

	<p>process of being eliminated through the implementation of the enterprise's restructuring process. As noted by the audit, this phenomenon is decreasing and is expected to be completely eliminated upon the completion of the restructuring process.</p>	
<p>B5 - Activation of the service without prior customer registration</p>	<p>We do not agree – At Kosovo Televom, we initiated two meetings with AIS (CRA – Civil Registration Agency) in January and February 2024. However, we have not found an adequate solution from CRA for a one-time data update from their database, which would enable accurate registration of customers with missing registration records. We are currently awaiting the next meeting with CRA.</p> <p>Meanwhile, as we have informed you, we are updating the data as much as individual customers respond to us.</p>	<p>The finding remains.</p> <p>The comment confirms what has already been elaborated in the report and is a repetition of the facts presented.</p>
<p>B6 - Failure to define the time period in the procedure for monitoring the creation and storage of log files on the platforms</p>	<p>We do not agree – KT infrastructure is complex, and it is impossible to have a single centralized logging environment for all platforms. KT possesses a "centralized log environment," but this is organized separately for each platform/infrastructure.</p> <p>During the audit period, we presented to NAO the SOP approved in November 2022,</p>	<p>The finding remains. The content of the comment is part of the issue presented in the audit report.</p>

	<p>which outline the procedure for “Monitoring the creation and storage of log files on technical platforms.”</p> <p>We conclude that we have addressed this finding from 2020, as with the migration of platforms, we have centralized logs depending on each platform. However, it is impossible for Telekom to have all company logs stored in one centralized location due to the complexity of the platforms and services.</p>	
<p>B7 - Non-termination of employees’ rights and access to information systems upon termination of their contract</p>	<p>We do not agree – Upon receipt of the decision to terminate the employment relationship, the Human Resources Department officially notifies the Finance Department (salary control), the Technical – IT Department, and the Logistics Department via email to close all access and carry out the process of returning assets held by the employee to KT.</p> <p>Access is closed on the employee’s last working day with the company (according to point 2.5.1.9.4 of the HR Policy and Procedures Manual).</p> <p>Clarification: If the termination occurs before the end of the full month, all access for the employee is revoked, but the employee remains active in the HR system until the end of that month due to salary payment for days worked</p>	<p>The finding remains, as described in the report.</p> <p>The entity’s clarification regarding the employee’s “active” status in the HR system due to salary payment is valid in an administrative context but does not justify maintaining active access to technical systems. Clear control and documentation of the exact moment when access is revoked is required.</p>

	during that month. After the month ends, the employee status changes to inactive. In cases of temporary suspension, the employee's access is revoked, but the employee remains active in the HR system due to receiving 50% salary payment.	
B8 - Failure to periodically review users' access rights to information systems	<p>We partially agree – Telekom i Kosovës periodically reviews user access; however, we have not established a regular, periodic review of existing user access in information systems because TK has a complex infrastructure and platforms separated across departments, making such reviews nearly impossible to carry out.</p> <p>TK records each user activity in real time, and these logs contain sufficient information. Monitoring is conducted occasionally and based on specific requests.</p>	<p>The finding remains.</p> <p>The complexity of the infrastructure is not a sufficient reason; on the contrary, it makes this even more important.</p> <p>Therefore, the finding remains, and we recommend that the enterprise include periodic access reviews in the existing procedures.</p>
B9 - The enterprise had not yet managed to implement the country code	<p>We partially agree – Due to the complexity of the project and the need for a complete replacement of the previous platforms, the network modernization and implementation of the national code have been carried out in different phases.</p> <p>MSISDN 383 has been implemented, while MCC 221 is expected to be completed this year, as soon as possible.</p>	<p>The finding remains.</p> <p>The entity's comment confirms the issue presented in the report.</p>

<p>B10 - Lack of standard planning documents for the deployment of BTSs for expanding the network in the territory of Kosovo</p>	<p>We do not agree. The installation procedure is entirely professional. All activities and procedures, along with analyses and requirements, adhere to the established methodology. Emails are official and serve as documentation. Furthermore, the location and all other technology-related details are recorded in the telecommunications platforms. There is no need for an additional archive.</p>	<p>The finding remains.</p> <p>As described in the finding, the analyses are not documented in a consolidated form, and there is no overall planning document for the placement of BTS sites across the territory of the Republic of Kosovo. In the absence of these, there is a risk that the process remains reactive, lacking a clear vision for fair and effective coverage throughout the entire territory.</p>
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