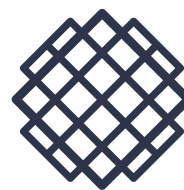




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

ANNUAL AUDIT PLAN

(FOR THE AUDIT SEASON1
SEPTEMBER 2023 - 31 AUGUST 2024)

Prishtinë, October 2023

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1. VISION, MISSION, AND VALUES

Vision

A reliable and role model Supreme Audit Institution that adds value to the use of public funds.

Mission

Through quality audits we provide assurance on the way public money and assets are used, aiming at improving the delivery of services to citizens and increasing public accountability.

Values of the National Audit Office (NAO)

- **Independence**

Independence means the whole audit process being subject to professional standards' requirements only and free from influence by third parties. Independence is the key element for obtaining the public's trust and the Assembly of Kosovo's, by providing them with reliable and unbiased information.

- **Professionalism**

In conducting its audit activities, NAO applies INTOSAI's professional standards and best practices of the countries.

- **Integrity**

NAO is engaged in embedding best ethical, moral, and professional values. The audit activity is carried out without any conflict of interest.

- **Transparency**

NAO is an open organisation and will publish all its important activities. It will also provide the general public with information obtained from the audit in line with regulations and professional standards. NAO will engage in promoting transparency in the auditees, as an element of good governance.

- **Team spirit**

In NAO the audit process is conducted in a professional and cooperation approach amongst the team members and at different organisation level, thus promoting team spirit as an added value to the NAO.

2. INTRODUCTION

The National Audit Office (NAO), as the Supreme Audit Institution (SAI), carries out external audit of the public sector in the Republic of Kosovo. The mandate and powers of the Auditor General are set forth in the Constitution of the Republic of Kosovo and the Law on the Auditor General and the National Audit Office of the Republic of Kosovo (hereinafter: Law on NAO).

NAO audits the Annual Financial Statements (AFS) of all budget organisations to assess whether they give a true and fair view and whether public money has been spent for the intended purposes. The NAO also conducts performance audits aimed at improving services to citizens and value for money.

The Law no.05/L-055 on NAO, article 20, instructs the Auditor General (AP) to prepare the Annual Audit Plan (AAP), which includes all audit activities for the 2023/24 audit season, and is to be submitted to the Committee for Oversight of Public Finance (COPF) as of October 31st, every year

This document has been prepared by taking into account the Law on NAO in the fulfilment of constitutional and legal obligations to carry out regularity audits.¹

Performance audits topics have been selected based on the assessment of the impact on improvement of citizens' welfare, improvement of governance and the possibility of adding value to the public finance management. As a regular process in consultations with stakeholders and NGOs, the level of risk (risk-based approach) has been assessed. This has also served as a basis for including the audits of POEs and addressing the specific requests from the Assembly and other stakeholders.

The annual audit plan contains relevant information about the audits selected by the Auditor General for the audit season, including projects, activities, deadlines, required resources, budget, results and the risks that the NAO might face.

Audits will be carried out in accordance with International Standards on Supreme Audit Institutions (ISSAIs) and the Framework on Professional Pronouncements (IFPPs). The audit process shall also be based on the universal principles of SAIs and the NAO's, such as independence, professionalism, integrity, transparency and team spirit. All NAO reports shall be made accessible to the stakeholders and published on the official website.

¹ Although the "regularity audit" term is still used in the law on NAO, it is no longer in use with the updated ISSAIs. This type of audit is now called the Financial and Compliance Audit, as ISSAIs handle financial and compliance audits separately.

3. AUDITS – TYPES AND PROCESS

The purpose of financial and compliance audit is to increase the intended users' reliability on the financial statements and to ensure that the public funds are used in compliance with the authorities.

3.1. Audit types

In line with its mandate and scope, NAO will – during the audit season 2023/24 – carry out:

- **Financial and Compliance audits** of budget organisations and publicly owned enterprises;
- **Compliance audits;** and
- **Performance Audits, including IT audits.**

Financial and Compliance Audit: includes the audit of the institution's AFS aimed at assessing whether: the reports are reliable and give a fair view of the budget outturn; the management has complied with applicable laws and regulations and the funds have been used for their intended purposes; and whether the financial management system, internal audit functions and internal control systems are functioning.

The financial and compliance audit objectives are defined as reasonable assurance given to users of the Financial Statements that the audited financial statements are, in all material respects, true and fair (or fairly presented) and that transactions reported therein are in compliance with the authorities².

Financial and compliance audits are performed annually. The audit process begins in September, while the individual audit reports on BOs are published by the end of June. The audit cycle concludes at the end of August with the submission of the Annual Audit Report.

Compliance audit: the purpose of the independent compliance audit is to provide the intended user(s) with information on whether the audited public entities comply with the Assembly's decisions, laws, legislative acts, policy, established codes, standards, and agreed-upon terms of contracts and memorandums of understanding.

Compliance auditing includes both the aspects of regularity (adherence to formal criteria such as relevant laws, regulations and agreements) and/or propriety (observance of the general principles governing sound financial management and the conduct of public officials). Regardless of the source of criteria, the auditor performs the audit and forms a conclusion with the selected level of assurance, in accordance with the requirements in ISSAI 400 and 4000³.

² "Compliance with the authorities" means compliance with acts or resolutions of the legislature or other statutory instruments, directives and guidelines issued by public sector bodies with statutory powers, which the audited entity is expected to adhere to. In other words, it is compliance with all laws, rules, regulations, standards and good practices.

³ Compliance audit manual (separate compliance audit).

Performance audit: is an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities, or organizations are operating in accordance with the principles of *economy* (minimizing the costs of resources), *efficiency* (getting the most from available resources) and *effectiveness* (meeting the set objectives and achieving the intended outcomes).

Audit topics, objectives and timing are determined on a case-by-case basis, by taking into consideration the audit relevance, risk, scope, existing capacities and other relevant criteria.

Performance audit focuses on the way public sector organizations have used the resources available to achieve their objectives. To conduct an examination of the auditee's performance, the NAO uses one of three approaches:

- **Results** - oriented approach, which assesses whether the established objectives have been achieved;
- **Problem** - oriented approach, which verifies and analyses causes of the problem/s; or
- **System** - oriented approach, which examines the functioning of management systems: or a combination of the three approaches.

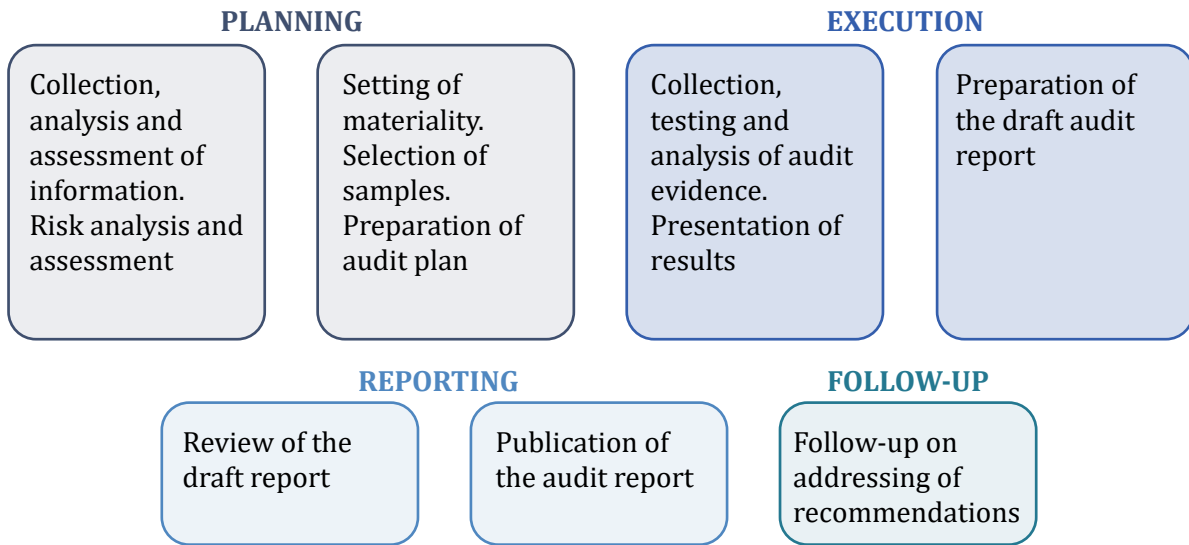
Information Technology (IT) audit, which is part of performance audit, is defined as the examination and evaluation of information technology systems and related controls in order to obtain assurance or to identify the risks related to the principles of legitimacy, efficiency, economy, and effectiveness of IT systems and related controls.

3.2. Audit process

A. Financial and compliance audit process - is based on the audit methodology described in the Financial and Compliance Audits Manual (combined approach methodology) and ISSAIs. Regularity audit is carried out in several stages starting from knowing the business and risks analysis, over to:

- Audit planning;
- Audit execution;
- Issuing of audit conclusions and opinion;
- Reporting to the Assembly and informing public opinion (publication of reports); and
- Follow up on addressing of audit recommendations.

Chart 1: Stages of financial and compliance audit process



Stage 1. Overall audit planning includes obtaining as much information on the auditee as possible, which can be done more effectively by conducting preparation work in the NAO and by a one-day visit to meet the auditee’s top management.

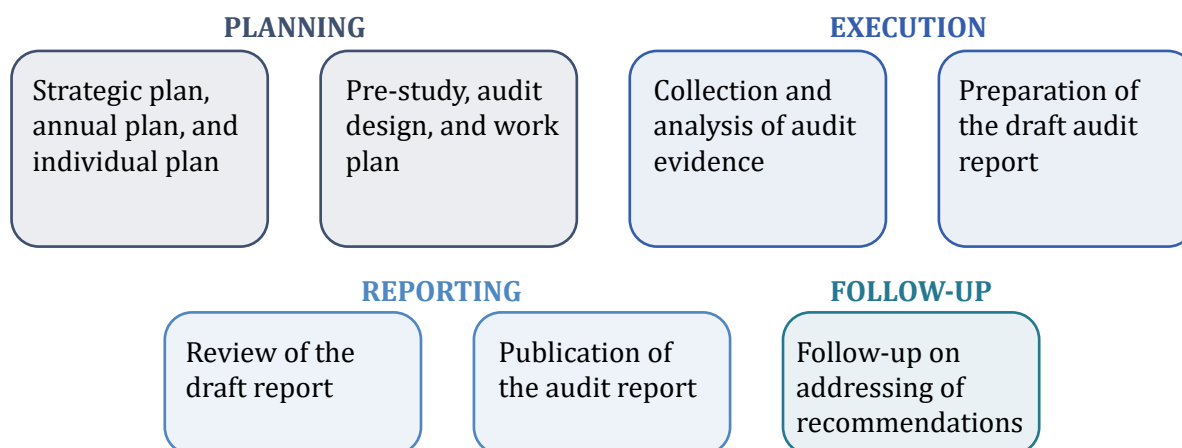
Stage 2. Detailed audit planning. Based on our preliminary analysis, detailed risk assessment and internal control assessment, the substantial auditing procedures should be designed to meeting our audit objectives. This should be summarised in an audit planning memorandum.

Stage 3. Audit execution. The audit is carried out (executed) and the achieved results are assessed.

Stage 4. Reporting and follow-up. We draw our conclusions and report on the audit results. The audit of financial statements and compliance with authorities will result in formal audit opinions/ conclusions. The implementation of recommendations should be followed up through subsequent audits using whichever of the relevant audit procedures, in order to ensure that the management’s declarations on their implementation are true and fair.

B. Performance and compliance audit process - is based on the audit methodology described in the Performance Audit Manual and ISSAIs. Performance and compliance audits follow the same approach and are conducted in the following stages:

Chart 2: Stages of performance audit process



Stage 1. Planning - includes the proposal of audit topics and preparation of pre-study memos. Proposals are considered through an evaluation process related to adequacy and relevance of the audit topic. In addition, audit teams conduct a more in-depth study of the respective topic at this stage, where the audit problem, objectives, motive, scope, etc. are defined.

Stage 2. Execution of fieldwork – having prepared the detailed work plan, the audit teams start with the execution of fieldwork and prepare the draft audit report.

Stage 3. Reporting – the audit team finishes the draft audit report, which should be objective, comprehensive, reader- friendly, etc. Having passed the quality control process and received the respective approvals, the report is then published.

Stage 4. Audit follow-up – Having passed sufficient time, NAO may conduct an assessment of the audited entity’s progress in responding to the audit findings and implementing the recommendations and report them through a follow-up audit. Based on the audit standards and the Performance Audit Manual, follow-up audits are not necessarily conducted for each audit carried out. When it comes to conducting follow-up audits, decisions are made based on the relevance of the audit topic.

The financial and compliance audit process in NAO is monitored and reviewed by the Methodology Department and the Quality Assurance Department, which are responsible for providing the management with the assurance that audits are conducted in accordance with the methodology approved by the Auditor General and the ISSAIs.

4. OBJECTIVES OF THE ANNUAL AUDIT PLAN

The National Audit Office plans the audit work on annual basis, which is based on the objectives of the Strategic Plan. The NAO's objectives for the audit season 2023/24 are in compliance with legal requirements aiming at enhancing the impact on the improvement of governance and at the possibility of adding value to the management of public finances.

For the audit season 2023/24 we have planned 123 audits, as presented in Table 1. The audit plan includes all mandatory regularity audits as defined in Article 18.3 of the Law on NAO, i.e. 85 BOs; 1 AAR; 8 donor-funded projects by request; 13 POEs; and 16 performance audits.

Table 1: Number and type of audits planned for the audit season 2023/2024

Llojet e auditimit	Numri i auditimeve
Auditime të rregullsisë (financiare dhe të pajtueshmërisë)⁴	107
• Buxheti i Kosovës	1
• Institucione të nivelit qendror ⁵	47
• Komuna	38
• Ndërmarrje publike ⁶	13
• Projekte të financuara nga fondet e jashtme	8
Auditime të performancës⁷	16
• Auditime të performancës	6
• Auditime të prokurimit	7
• Auditime të TI-së	3
Gjithsej	123

All audits are presented in **Annex 1** of this document.

Individual regularity (financial and compliance) audit reports shall be finalised as of 30th of June, 2024. According to the statutory deadline, the Annual Audit Report on the Kosovo Budget shall be submitted to the Assembly of Kosovo not later than 31st of August, 2024.

Performance audits and projects audits shall be published within the schedule defined and approved by the Auditor General.

Human sources shall be deployed considering: the availability of human resources and staff qualification and experience; the size of the budget to be audited; and the risks and complexity of the audit topic.

4 The audit of 12 independent institutions and 10 municipalities will be outsourced to private audit companies.

5 The number of audits has decreased by 5 audits compared to last year as a result of agencies being merged with the ministries and because the audit of TAK and Kosovo Customs is carried out within the MFLT.

6 POEs and RTK.

7 On selected performance audit topics, pre studies will be conducted before deciding to carry out the audit thereon.

4.1. Objective of regularity audits

Unlike the last season, NAO's management has decided to include the financial and compliance audit of POEs, such as Trepça j.s.c., KOSTT and Hidrodrini j.s.c, in the annual audit plan in addition to the regular annual audits.

Trepça j.s.c. is a central publicly owned enterprise, with 80% of the shares owned by the Government of Kosovo and the other 20% by the Trepça employees. Failure to being subject to NAO audits for years, as well as the impact and weight of this wealthy resource for Kosovo in the overall economic development of the country, employment generation, export growth and GDP.

KOSTT j.s.c. is the Electricity Transmission, System and Market Operator of Kosovo with 100% of the shares owned by the Republic of Kosovo. According to the Law no. 05/L-085 on Electricity, adopted in 2016, the shareholder's rights are exercised through the Assembly of the Republic of Kosovo.

Hidrodrini j.s.c. is a professional public institution licensed by the Water Services Regulation Authority for the provision of basic and sewerage services and supply with potable water.

The National Audit Office will conduct the financial and compliance audit of these POEs.

It is worth noting that we have increased the number of outsourced audits of independent institutions from 11 to 12 and that of municipalities from 6 to 10. This is due to lack of staff as a result of the phenomenon that the NAO is currently facing that is the professional staff leaving the office mainly due to non-competitive salaries in this profession.

The audit of 12 independent institutions and 10 municipalities will be carried out by the private companies, whilst the monitoring will be made and the audit opinion will be given by the Auditor General based on the NAO methodology and the ISSAIs.

For the audit season 2023/24, NAO has planned the regularity audit (financial and compliance, AAR excluded) of 85 BOs, 13 audits of POEs, and 8 projects funded by the World Bank.

NAO has established internal mechanisms to handle various requests received from external parties for audits, which have been addressed effectively.

Method of selecting the regularity audits: In addition to the mandatory regularity audits, as established by the law, and to provide efficient risk-based audits, special focus has been given to audits of public institutions and publicly owned enterprises which have not been subject to the state audit for a long time, such as: Trepça, KEK, KOSTT, RTK and capital projects with high financial weight.

The audit scope or the audit approach will not be any different from the previous years', but a greater focus will be put on the areas expected or estimated to be riskier and to have departed from legal regulations.

The audit planning is an important part of the audit process as it provides the audit approach based on the assessment of risks related to the entity. Thus, a proper planning of processes and procedures is the foundation of an effective and efficient audit.

We have developed a detailed strategy and approach for the specific work so that the audit is carried out in an efficient and timely fashion. Our goal is to ensure that audit matters are given due importance and that problematic issues are identified and properly addressed within the constitutional and legal mandate. We will consider and describe the nature, duration and extent of the necessary audit procedures. We will get to know the entity's business, including internal controls, sufficiently enough to be able to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statements and sufficiently enough to be able to establish and carry out further audit procedures.

4.2. Audit risks

Prior to preparing the audit plan for financial and compliance audits, risk assessment is conducted for all institutions. In developing the annual audit plan, we also consider potential significant risks. Significant risks are identified and assessed risks of material misstatement that, in the auditor's judgment, require special audit consideration, which have been identified during individual audits of the BOs and presented in the AAR. This audit season, in addition to other issues, attention will be paid to:

- Misclassification of expenditures in the BOs; and
- Management of financial assets.

According to the Financial Rule no.01/2013 on Spending of Public Funds, expenditures should have their adequate code, as defined in the Chart of Accounts. In addition, the AI no.19/2009 on the Chart of Accounts, requires the CAOs and CFOs to ensure that all transactions are recorded in KFMIS in line with the structure of the chart of accounts and the classifications set forth in this AI.

Moreover, the MoF Regulation no.02/2013 on the Management of Assets in Budget Organisations obliges all budget organisations to keep records on the non-financial assets they own and to update them on regular basis depending on the purchases/acquisitions or following the systematic examination of their useful life.

Audit response

We will put special focus on these risks. In order to be responsive to these risks, we will conduct extra work in designing a special audit program on the classification of expenditures and management of assets.

We will make use of other accounting systems and management controls to the extent that we consider necessary for conducting an effective audit. As a result, our examinations might not cover all the shortcomings or the improvements that could be made. When we find any significant shortcoming or weakness, we will report them together with the recommendation on improving them.

In the annual audit plan, for large and complex institutions, the focus will be put on the deployment of staff based on their qualifications, experience and professional competence.

For the purpose of being able to cover the mandatory audits considering the insufficient number of regular staff, NAO will conduct an audits risks assessment in order to outsource the less risky ones to licenced private audit firms.

4.3. Objective of performance, procurement, IT audits

The National Audit Office continues to pay particular importance to the performance, procurement and IT audits in its annual audit plan. The 2023-2024 audit season, will cover areas of economic, social, health, education, media, culture and sport importance, as well as important topics in the area of public procurement and donor projects. Audits on information systems have been planned as well.

Method of selecting the performance audits - In order to maximize resources and enhance the audits impact on the citizens' well-being, NAO conducts an audit areas/topics selection process. First, the main areas are identified, then regularity or compliance audit reports are analysed to identify key shortcomings. Auditors are invited to propose topics based on their knowledge and issues encountered during previous audits.

In addition, NAO communicates with the external stakeholders and organises a roundtable with civil society such as NGOs, professional organizations, the donor community and field experts to discuss on topics, thus giving the participants the opportunity to make proposals. Afterwards, the audit plan becomes final, which includes topics proposed by civil society, at the request of the Assembly of Kosovo, as well as donor projects.

Through these audits, NAO aims at promoting efficiency, accountability, effectiveness and transparency in the public administration.

While selecting the areas to be covered with performance, procurement and IT audits, we have also taken to consideration the UN 2030 Agenda on Sustainable Development Goals and the Government's actions thereon.

Goal: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation.

Land/property management by the Kosovo Agriculture Institute: The Kosovo Agricultural Institute is an institute for scientific research in agriculture, based in Peja, which operates under the Ministry of Agriculture, Forestry and Rural Development. By the establishment decision, the Institute has been allocated a considerable area of agricultural land in various cadastral areas which are managed by the Institute.

The proceeds from rental of public premises and property in the 2012-2022 period by the DFSC and KAI are to the tune of €830,053. Agriculture land shall be used for agricultural produce only, unless otherwise stipulated by the law.

The purpose of this audit is the management of land/premises by KAI and to assess the lands/premises renting process.

Goal: Achieve gender equality and empower all women and girls

Gender equality and empowerment of women from rural areas through their inclusion in the labour market: Although the Kosovo's legal framework is quite upgraded when it comes to ensuring and guaranteeing gender equality, the latter still remains an unachieved standard. Women suffer lack of presentation in many spheres of society such as decision-making, employment and other social ones. The women's share in the labour market continues to remain the lowest compared to other countries in the region.

The purpose of this audit is to assess the effectiveness and impact of policies, programs and measures aimed at promoting the inclusion of women from rural areas in the labour market.

Goal: Make cities and human settlements inclusive, safe, resilient and sustainable for the citizens

Problems with the management of car parking lots in the Municipality of Prishtina by "Prishtina Parking": The Prishtina Parking publicly owned enterprise has started with the implementation, management and maintenance of parking lots in the Municipality of Prishtina to meet the citizens' needs for car parking. Yet, problems on the way this enterprise is managing parking lots have been continuously identified, causing numerous complaints from citizens and residents of the areas where the project is being implemented.

The purpose of this audit is to assess the parking lots management and implementation process in the municipality of Pristina and the company's activities related to the parking lots.

Goal: Ensure healthy lives and promote well-being for all at all ages

Patients waiting list: Health plays an important role in the live of every citizen. In order to provide healthcare services adequately and timely, should provide for the infrastructure and the professional staff. Public health institutions continue to face challenges in the delivery of healthcare services, thus creating long waiting lists of the citizens seeking treatment in public hospitals. Due to lack of maintenance and management of equipment such as CT, MRI, etc., patients cannot receive the needed services. The purpose of this audit is to assess the way patients waiting lists are managed by public health institutions and its impact on putting the patients' health at risk.

Sports sponsorship: Sports are important components of the socio-economic development of a country. Active participation in sport improves community health and productivity, reduces medical costs, generates great leaders and increases social cohesion. According to the Law on Sports Sponsorship, decreed in 2017, businesses have the opportunity to sponsor sports activities of general interest for the improvement of the citizen's lifestyle. On the other hand, businesses that sponsor sports activities are allowed a profit tax exemption of up to 30%. The civil society has proposed this topic, because of the suspicions regarding the sponsoring of sports by businesses and because both the sports clubs and businesses do not meet the criteria established by the law. Based on the assessments made, NAO considers this to be an important audit topic. Numerous shortcomings have been reported in the individual financial reports prepared by NAO concerning this area, such as: untrue reporting by the sports federations; failure to provide reasoning of projects in time and in accordance with the regulation; poor reasoning of expenditures by the

federations, etc. The purpose of this audit is to assess as to what extent sports federations and clubs in Kosovo have achieved the objective which they have been sponsored by the businesses and respective ministries for.

Media Licensing: The media, as the main source of information, plays a very important role in our society influencing public opinion and the development of culture and identities. The institution responsible in our country for licensing the media is the Independent Media Commission (hereafter IMC), which ensures that all companies providing media services are equipped with the necessary licenses and that these licenses are in compliance with the legal criteria. Accounts receivable from the licencing fee and fines in the amount of €795,970, are liabilities which have not been paid by the media service providers to the KPM over the years, created as a result of failure to pay the license fee, interest and fines. The purpose of this audit is to assess the processes and procedures of the IMC in relation to media licensing, the collection of license fees and media fines as well as to identify the reasons behind the difficulties faced by the ICM in relicensing the media, collection of funds and failure to pay liabilities in particular.

Goal: Industry, innovation and infrastructure

Kosovo Railways Infrastructure Infrakos - Audit of the project for the rehabilitation of line 10 Hani i Elezit-Leshak: The Government of the Republic of Kosovo has signed an agreement with the EU WBIF Grant, EBRO and EIB for the co-financing of the project for the rehabilitation of Line 10 Hani i Elezit – Leshak - Phase I (Hani i Elezit - Fushë Kosovë) and Phase II (Fushë Kosovë - Mitrovica). The construction of infrastructure alone is worth 126.6 million euros. The beneficiary of this project is Infrakos POE, which is charged with returning these funds together with the interest on the loan.

The implementation of this project is suffering setbacks affecting the Infrakos, the railway transport in general and the companies using this means of transportation. In addition, there are indications that the project has departed from the preliminary contractual terms.

The purpose of this audit is to assess the implementation of this project.

Management of construction sector in Kosovo: The rapid development of the construction sector in post-war Kosovo has been accompanied by numerous shortcomings. Obtaining construction permits is considered bureaucratic, whilst granting construction permits and construction control, on the other hand, is considered a critical issue and a challenge for public institutions and the lives of citizens. For this reason, NAO deems this a high priority area.

The purpose of this audit is to assess the construction permits management process and the impact it has on the public infrastructure and the technical acceptance of residential buildings.

Goal: Health and welfare

Contracts of the Public Institutions of the Republic of Kosovo with Caritas Kosova: For the purpose of meeting their objectives in providing healthcare services to the citizens of Kosovo, central and local level organisations have chosen to deliver some these services through Caritas Kosova by entering into agreements, developing procurement procedures or through public calls.

NAO, NGOs and the media have reported on various problems that these contracts have led to.

The purpose of this audit is to assess the way the outsourcing procedures have been conducted; whether these contracts have been managed in compliance with the applicable legislation; and whether the intended results have been achieved.

Goal: Sustainable citizens and communities

The effectiveness of quality assurance mechanisms for the data reported for MPMS and MPG: The cooperation between NAO and Demos has started in 2019, when the first contract on the audit of the Municipal Performance Grant was and has continued ever since. This is the fifth time that DEMOS has asked the NAO to carry out an audit, this time focusing on the way control mechanisms for data quality assurance are operating.

The purpose of this audit is to assess the functioning of control mechanisms for data quality assurance and the assessment reported in the Municipality Performance Management System (MPMS) and the Municipality Performance Grant (MPG).

Documentation and verification of the municipal performance for year 2020:

The Municipality Performance Management System (MPMS) consists of 19 areas. These areas include 119 indicators used to measure the municipalities' performance. MPMS is filled out by the responsible coordinators and officials appointed by the Mayors and monitored by the MLGA officers. The assessment of the MPG is conducted on three key areas, broken down to 10 sub-areas whilst the number of indicators is 30, of which 28 have been assessed by the MPG technical group and commission. Assessment groups of MPG consist of representatives of MLGA, public officials from relevant ministries, donors and civil society,

The purpose of this audit is to assess the municipality performance assessment and reporting process.

Direct sales - KPA: KPA establishes new enterprises from the Socially Owned Enterprises by putting the current assets and liabilities of SOEs (for the last three months of unpaid accounts payable and the last year of unpaid VAT) for sale. Thus, making it possible to invest in key assets, whilst the liabilities of the SOE are handled during the Liquidation process.

With the establishment of new enterprises, investors submit their offers only for certain assets - and only for a limited number of current liabilities - of the SOE rather than submitting offers for the SOE as a whole.

For the 2006-2023 period, the value of direct sales from KPA amounts to €41,483,732. The sale with the highest value is a manufactory at €30,100,000, constituting 73% of the total value of the sales of PAK so far. The sale of agricultural land amounts to €6,039,468, followed by the sale of construction land to the tune of €4,566,477. Other sales for the 2006-2023 period amount to €771,000 and include sales of commercial land, houses or administrative buildings as well as movable assets.

The purpose of this audit is assess whether PAK has been effective in managing the direct sales process.

This audit is a request of the Assembly of Kosovo and triggered by the performance audit on the proceeds from the rent, carried out in the last audit season.

Goal: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development – technology

Information Technology (IT): IT audits also contribute to the goals set in the development agenda. The importance and need for IT audits has increased along with the increased need to apply information and communication technology. These audits are an examination and review of IT systems and related controls to obtain assurance on the principles of legality, efficiency, economy and effectiveness of the information systems. NAO has paid particular importance to the IT audits given the shortcomings in this area in general, and the need of responsible institutions to improve the governance and safety of information systems as well as the efficiency in using and managing these systems.

For the 2023/2024 audit season we have planned three (3) IT audits: “Pharmaceutical Stock Management System”, “Modernisation of Education System in Kosovo through the e-education”, and the “Kosovo Customs System - ASYCUDA World”. The latter is part of the LOTA Project of INTOSAI Development Initiative.

The purpose of these audits is the development and management of ICT projects/systems; assessment of application controls; information security; as well as the integrity and availability of data.

Pharmaceutical Stock Management System (PSMS): The University Hospital and Clinical Service of Kosovo has operationalized the Pharmaceutical Stock Management System (PSMS), through which the Central Pharmacy, Clinic Pharmacies and Ward Pharmacies record the drug planning, requests, orders and stock of medicines, patient discharges as well as other services including medication charts, reports, etc. This system enables medicines to be monitored electronically from the moment they leave the central pharmacy to the end user - the patient.

However, it is a challenge to register the actual number of drug prescriptions and distribution of drugs to the patient and their administration. This system is neither connected to the health information system (HIS) and the distribution of drugs to the patient is not identified.

The purpose of this audit is to assess the administration of PSMS and information security, namely the integrity and availability of data.

Modernisation of Education System in Kosovo through the e-education:

The Modernisation of the Education System in Kosovo through E-education project aims at using information and communication technology (ICT) to improve the quality of education and the educational offer in Kosovo. It also aims at including the development of technology-supported learning platforms, training of teachers on the use of ICT in teaching, creating the learning materials in electronic format, and much more.

The project is a product of an international loan agreement and was expected to be completed in 2017. But, according to preliminary information, the project has not yet been operationalized, especially the part of the e-Matura program. This project also generates financial implications as the expenses paid for the interest are €50,000 per year.

The purpose of this audit is to assess whether the Ministry of Education, Science and Technology has properly managed the resources and processes for the development of e-Education and has implemented this system to achieve the goal of digitising the educational processes.

Kosovo Customs System - ASYCUDA World: The ASYCUDA World system was created in August 2011 and was put into operation in September 2012. This system was developed by the United Nations Conference on Trade and Development (UNCTAD), in Geneva.

The main role of this system is the management of customs operations for the clearance of goods, as well as managing all types of customs duties, over 1.5 billion euros that are collected by the Kosovo Customs annually.

The objective of this audit will be to assess ASYCUDA World's administration and information security, the integrity and availability of data.

5. BUDGET AND HUMAN RESOURCES

NAO is an independent institution financed from the Budget of the Republic of Kosovo, which is approved by the Assembly of Kosovo according to the procedure established in the Law no. 03/L-048 on Public Financial Management and Accountability. The budget is managed and spent with the highest degree of responsibility and accountability.

Based on the Law on Budget for year 2023, the funds appropriated for NAO are to the tune of €3,266,591. Compared to the Law on Budget Appropriations for year 2022, the budget of 2023 has increased by 6.5%. The budget was allocated in four economic categories: Wages and Salaries; Goods and Services; Utilities; and Capital Investments.

NAO has 180 job positions approved in the annual budget, but at present is has 163 employees. Of which 130 are directly engaged in audit work and whilst the others are engaged in other management, professional, administration, and support services.

In order to achieve the strategic goals, NAO is investing in the continuous professional development of human resources. Audit staff will be able to continue training and achieve the threshold set by the ISSAIs for continuous professional education, as one of the basic factors for conducting audits with competence, quality, and in accordance with ISSAIs requirements.

Based on the requirements for audits and the increase in the audits portfolio, the number of auditors is not sufficient to cover all these audits. This makes it difficult to meet the institutional objectives for covering all the budget organisations with financial and compliance audit, covering of more publicly owned enterprises with regularity audits and increasing the number of performance audits.

Due to insufficient resources, the NAO is obliged to contract private audit companies every year to conduct the mandatory financial audits of a certain number of budgetary organisations.

6. IMPLEMENTATION OF THE ANNUAL PLAN

The plan will be implemented from September 1st, 2023 until August 31st, 2024.

To implement this plan, NAO will prepare the audit operational plans by areas, budget organisations, projects, budget size and the staff to implement the plan for this audit season supported by the IT audit system – SITA. Based on this, NAO will also prepare the time schedule for each audit project which will be uploaded in SITA and its implementation shall be monitored continuously.

Prishtina, October 2023

Vlora Spanca
Auditor General

Annex 1. Entities/topics and budget to be audited

FINANCIAL AND COMPLIANCE AUDITS

Table 1.

Central level institutions/AAR [1 + 47 = 48]

Auditees		Budget 2023
1	Audit of the Annual Budget Report of the Republic of Kosovo	3,211,603,100
1	Kosovo Assembly	10,859,441
2	Office of the President	3,803,568
3	Office of the Prime Minister	21,986,762
4	Ministry of Finance, Labour and Transfers (KC and TAK)	1,111,170,611
5	Ministry of Local Government and Administration	9,691,668
6	Ministry of Agriculture, Forestry, and Rural Development	86,710,224
7	Ministry of Trade, Entrepreneurship and Industry	39,827,685
8	Ministry of Economy	52,850,827
9	Ministry of Health	81,006,877
10	University Hospital and Clinic Service of Kosovo	139,665,909
11	Health Insurance Fund	8,938,806
12	Ministry of Culture, Youth and Sports	57,017,862
13	Ministry of Education, Science and Technology	82,799,243
14	University of Prishtina	32,666,582
15	Ministry of Communities and Returns	4,393,340
16	Ministry of Environment, Spatial Planning and Infrastructure	251,684,838
17	Ministry of Internal Affairs	179,768,259
18	Ministry of Justice	46,042,568
19	Ministry of Foreign Affairs and Diaspora	35,945,052
20	Ministry of Defence	123,227,261
21	Ministry of Regional Development	5,277,788
22	Prosecution Council of Kosovo	15,913,983
23	Independent Commission of Mining and Minerals	1,499,088
24	Judicial Council of Kosovo	34,155,572
25	Public Procurement Regulatory Commission *	866,200
26	Kosovo Academy of Science and Arts*	1,196,159
27	Electronic and Postal Communications Regulatory Authority	1,500,221

28	Anti-Corruption Agency*	557,844
29	Energy regulatory Office	799,856
30	Procurement Review Body*	419,631
31	Constitutional Court of Kosovo	2,107,861
32	Kosovo Competition Authority*	393,868
33	Kosovo Council for Cultural Heritage*	230,532
34	Electoral Panel for Complaints and Appeals	207,742
35	Independent Supervisory Council for the Civil Service of Kosovo*	374,714
36	Water Services Regulatory Authority*	399,835
37	Railway Regulatory Authority	353,332
38	Civil Aviation Authority	922,281
39	Independent Media Commission	881,348
40	Central Election Commission	6,397,741
41	Ombudsperson Institution	1,296,704
42	Academy of Justice*	892,367
43	Kosovo Agency for Property Comparison and Verification	2,574,368
44	Information and Privacy Agency*	418,637
45	Trust Funds	-
46	Kosovo Privatization Agency	5,698,956
47	Air Navigation Services Agency	7,232,550

**Independent institutions the audit of which will be outsourced to the private audit firm*

Municipalities [38]

Auditees		Budget 2023
1	Prishtina	106,388,981
2	Obiliq	12,921,229
3	Podujeva	27,406,567
4	Fushë Kosova	15,093,936
5	Mitrovica e Jugut	25,011,350
6	Graçanicë	8,767,352
7	Mitrovica North*	5,979,551
8	Zubin Potok*	3,032,542
9	Zveçan*	2,737,405
10	Prizren	57,491,944
11	Mamusha*	2,276,221
12	Malisheva	18,124,837
13	Rahovec	17,548,240
14	Lipjan	19,779,849
15	Shtime	8,756,040
16	Suhareka	19,807,625
17	Shtërpca	4,184,093
18	Klllokot*	1,282,328
19	Gjilan	32,599,281
20	Viti	14,996,356
21	Novobërda	3,329,628
22	Ferizaj	38,103,752
23	Klina	13,051,595
24	Peja	33,290,700
25	Istog	13,051,471
26	Glogoc	18,156,892
27	Skenderaj	16,291,891
28	Vushtrri	23,373,910
29	Gjakova	31,558,422
30	Deçan	12,119,805
31	Dragash*	10,871,961
32	Junik*	1,877,346
33	Kamenica	12,381,899
34	Leposaviq*	5,476,871
35	Partesh*	1,363,064
36	Ranillug	1,790,463
37	Kaçanik	10,674,689
38	Hani i Elezit*	3,349,715

**local institutions the audit of which will be outsourced to the private audit firm*

Publicly Owned Enterprises [12]

Auditees	
1	Kosovo Electricity Corporation (KEK)
2	Kosovo Railways - InfraKos, sh.a
3	Trepça Sh.A
4	RWC "Prishtina" sh.a - Prishtina
5	Public Housing Enterprise - Prishtina
6	Telecom of Kosovo
7	KOSTT
8	RWC "Pastrimi", sh. a - Prishtina
9	RWC "Uniteti" sh.a - Mitrovica
10	Central Heating "Termokos" - Prishtina
11	NPH "Ibër - Lepenc" sh.a - Prishtina
12	Hidrodrini sh.a -Peja

Other budget organisations [1]

1. Radio Television of Kosovo

Projects financed by state borrowing and donors [8]

Auditees	
1	Competitiveness and readiness for export (MIET-WB)
2	Renewable Energy Efficiency - consultation (ME - WB)
3	Digital Economy in Kosovo (code) (ME- WB)
4	The Covid-19 emergency in Kosovo (MoH - WB)
5	Properties and Geospatial Infrastructure (KCA - WB)
6	Municipalities for youth in Kosovo – MLGA
7	Reform in the Social Assistance system (MFLT)
8	Program for the exploitation and promotion of opportunities for water security (MESPI)

B. PERFORMANCE AUDIT**Performance audits topics [6]**

Audit topics	
1	Gender equality and empowerment of women from rural areas through their inclusion in the labour market
2	Patients waiting list
3	Media Licensing
4	Prishtina Parking
5	Sports sponsorship
6	Land/property management by the Kosovo Agriculture Institute

Procurement audits topics [7]

Audit topics	
1	Management of construction sector in Kosovo
2	Contracts of the Public Institutions of the Republic of Kosovo with Caritas Kosova
3	Kosovo Railways Infrastructure Infracos - Audit of the project for the rehabilitation of line 10 Hani i Elezit-Leshak
4	Direct sales - KPA
5	Follow-up audit on Effectiveness in the Management of Cases at the Basic Court
6	Documentation and verification of the municipal performance for year 2020
7	The effectiveness of quality assurance mechanisms for the data reported for MPMS and MPG

IT audit topics [3]

Audit topics	
1	Pharmaceutical Stock Management System (PSMS)
2	Modernisation of Education System in Kosovo through the e-education
3	ASYCUDA World

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