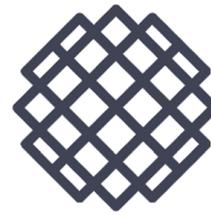




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE AIR NAVIGATION SERVICES AGENCY FOR YEAR 2021

Prishtina, May 2022

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This report is a translation from the original Albanian version. In case of any discrepancy, the Albanian version shall prevail.

1 Audit Opinion

We have completed the audit of the financial statements of the Air Navigation Services Agency for the year ended on 31 December 2021 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Air Navigation Services Agency, which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as at 31 December 2021.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Air Navigation Services Agency give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting.

Basis for Qualified Opinion

A1 Misclassification of expenditures was identified in four payments amounting to €112,622, as expenditures that by nature belonged to the capital investments and wages and salaries category, were paid from the category of goods and services.

A2 The amount of outstanding liabilities in the AFS was understated by €178,702 as they were not disclosed as liabilities pertaining to 2021.

For more details, see sub-chapter 2.1 Issues with impact on the audit opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO

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

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

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 underlined 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 matters described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of ANSA's budget have been, 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

B1 In nine payments amounting to €355,942 there was a delay of 30 days after the legal deadline in the payment of invoices. Delays ranged from seven days up to one year.

For more details, see sub-chapter 2.1 Issues with impact on the audit opinion

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

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

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

The Secretary General is responsible to ensure the oversight of the Air Navigation Services Agency's financial reporting process.

Management's Responsibility for Compliance

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

Auditor General's Responsibility for the audit of AFS

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

Our objective is also to express an audit opinion on compliance of respective authorities of the Air Navigation Services Agency 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

³ Collectively referred to as compliance with authorities

of expressing an opinion on the effectiveness of the Air Navigation Services Agency's internal control.

- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.
- We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations

During the audit, we have identified areas of possible improvement, including internal control that are presented for your consideration below in the form of finding and recommendations. This intends to improve internal controls regarding financial reporting and compliance with the authorities in regards to public sector funds management. We will follow up these recommendations during next year's audit.

This report has resulted in four recommendations, of which three are new recommendations and one is repeated.

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

2.1 Issues with impact on audit opinion

Issue A1 – Misclassification of expenditures

Finding Pursuant to Article 18.3 of the Financial Rule No. 01/2013 MF- Public Funds Expenditure, expenditures should have the adequate codes, as defined under the Administrative Instruction for the chart of accounts.

In four payments amounting to €112,622, expenditures that by nature belonged to the capital investments and wages and salaries categories, were paid from the category of goods and services. One of the payments was executed by the Treasury and was related to wages remuneration and other benefits for the employees, whilst the three other payments were executed through court decisions and were mainly related to compensation of damages for parcels/land.

This occurred because there were no sufficient funds in the category of goods and services to execute these payments.

Impact Payment of expenditures from the inadequate economic category leads to difficulties in executing the budget as planned and to the overstatement/understatement of respective expenditure categories, thus resulting in their unfair presentation in the AFS.

Recommendation A1 The Director should ensure that all necessary actions are taken in order for the expenditures to be planned in the adequate budget appropriations or to redesignate funds and that payment execution is done in the adequate category in order to have them fairly reported in the AFS in compliance with the chart of accounts.

Issue A2 – Failure to present liabilities in the AFS

Finding According to the Regulation MF- No.01/2017 on Annual Financial Statements of Budget Organizations, Article 17, section 3 requires that budgetary organizations shall report all liabilities (invoices) generated until December 31 of the reporting year.

While testing the disclosures of outstanding liabilities we found that six invoices amounting to €178,702 which belong to 2021 were not presented or disclosed in the annual financial statements as outstanding liabilities.

This occurred due to lack of internal controls in presenting or disclosing liabilities in the AFS.

Impact Failure to present the true value of outstanding liabilities in the AFS leads to understatement and untrue presentation of information for AFS users.

Recommendation A2 The Director should ensure effective controls in recording and presenting the true value of liabilities in accordance with the regulation on financial reporting in order to have them truly reported in the AFS.

2.2 Issues with impact on compliance conclusion

Issue B1 – Delayed payment of liabilities

Finding Financial Rule No.01/2013 MF-Public Funds Expenditure, Article 37.1 stipulates that all invoices received by a budget organisation should be paid within 30 days if not otherwise foreseen under the contract.

In nine payments amounting to €355,942 we found that the received invoices were not paid on time. Delays ranged from seven days up to one year after the allowed legal deadline of 30 days.

There were delays this year too due to lack of funds in the capital investments category upon receipt of invoices.

Impact Exceeding the legal deadline for payment of liabilities may put ANSA subject to lawsuits by economic operators causing extra court/enforcement costs for the following year.

Recommendation B1 The Director should ensure the efficient operation of the payment control unit verifying that invoices are paid in compliance with the set legal deadlines.

2.3 Findings on financial management and compliance issues

2.3.1 Capital and non-capital assets

The amount of capital assets presented in AFS is €6,133,148, that of non-capital assets is €96,112, and of stock is €14,883. We tested 25 samples of €5,030,621 as part of substantive and compliance testing.

Issue A3 – Failure to depreciate assets under €1,000

Finding Regulation MR-02/2013 on Management of Non-Financial Assets by Budget Organisations, Article 22.1 specifies that depreciation of assets shall be carried out based on a linear method. The assets shall be evaluated with due consideration of depreciation accumulated since the time of its acquisition.

Non-capital assets under €1,000 presented in the AFS of ANSA do not present the true value because the depreciation for the year was not calculated, thus the value of assets was presented in gross value.

This occurred because the asset officer had not manually calculated the depreciation while the e-asset system was dysfunctional.

Impact Presenting asset value without calculating the depreciation value leads to overstatement of assets in the AFS.

Recommendation A3 The Director should ensure that assets under €1,000 are presented in the AFS according to the net book value in order to have true and fair reporting.

3 Summary on budget planning and execution

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

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

Description	Initial Budget	Final Budget ⁴	2021 Outturn	2020 Outturn	2019 Outturn
Sources of Funds	5,907,467	5,448,318	5,402,833	5,425,954	6,295,234
Government Grant - Budget	1,632,550	1,172,203	1,172,103	2,202,644	1,442,737
Designated revenues	4,274,917	4,276,114	4,230,730	3,223,310	4,458,847
Revenues from PAK	0	0	0	0	393,650

The final budget is lower than the initial budget by €459,149. This decrease or budget change is a result of Government's decisions.

In 2021, the ANSA spent 99% of the final budget for 2021, or €5,402,833, with an improvement of 32% compared to 2020. Explanations for the current position are given in more details below:

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

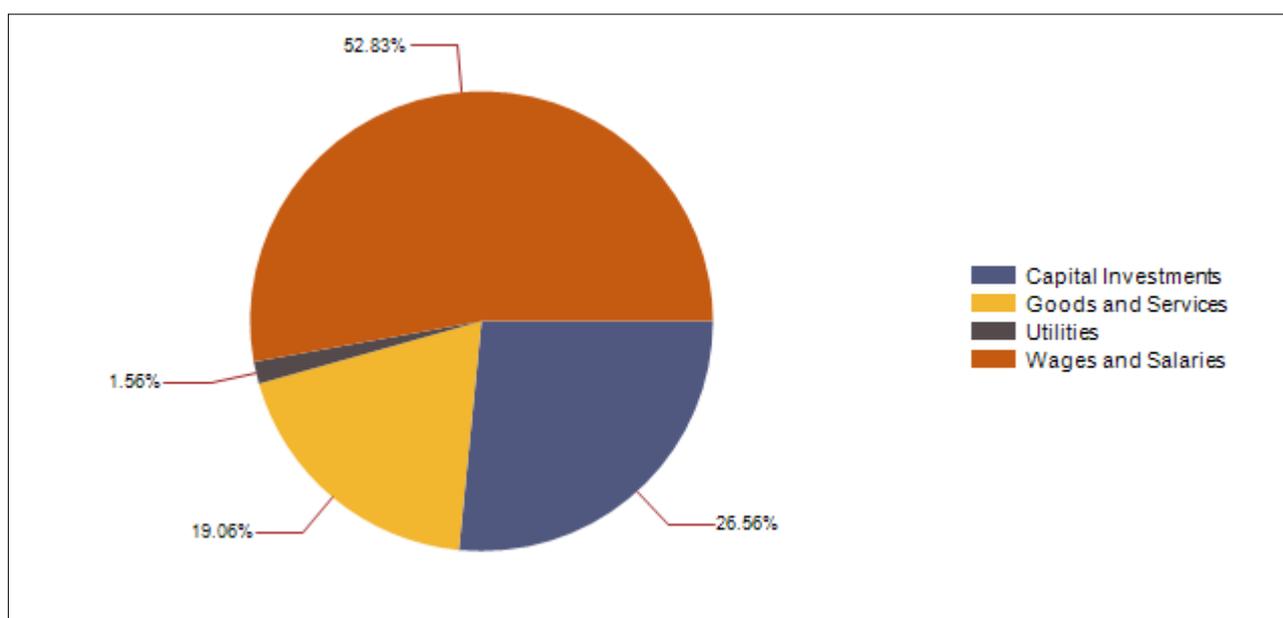
Description	Initial Budget	Final Budget	2021 Outturn	2020 Outturn	2019 Outturn
Spending of funds by economic categories	5,907,467	5,448,318	5,402,833	5,425,954	6,295,234
Wages and Salaries	2,853,010	2,854,207	2,854,207	2,756,812	2,757,216
Goods and Services	1,319,537	1,056,000	1,029,805	772,286	1,391,945
Utilities	102,370	102,370	84,064	54,272	98,721
Capital Investments	1,632,550	1,435,740	1,434,757	1,842,583	2,047,352

Explanations for changes in budget categories are given below:

⁴ Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

- The final budget for Wages and Salaries compared to the initial budget was increased by €1,198 following the Government's decision. Budget outturn for this category was 100%;
- The final budget for Goods and Services compared to the initial budget was decreased by €263,537 following the Government's decision. Budget outturn for this category was 98% of the final budget;
- The final budget for Utilities compared to the initial budget had no changes. Budget outturn for this category was 82% of the final budget; and
- The final budget for Capital Investments compared to the initial budget was decreased by €196,810 following the Government's decision. Budget outturn for this category was 100% of the final budget.

Chart 1. Expenditures by economic categories in 2021



Revenues generated by ANSA in 2021 were in the amount of €4,645,232. They relate to terminal services or delivering services at Prishtina International Airport.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2021 Receipts	2020 Receipts	2019 Receipts
Total of revenues	0	0	4,645,232	2,472,980	4,518,808

Non-tax revenues	0	0	4,645,232	2,472,980	4,518,808
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4 Progress in implementing recommendations

Our audit report on 2020 AFS of the Air Navigation Services Agency resulted in two key recommendations. ANSA prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2021 audit, one recommendations has been implemented, whilst one has not been addressed yet. For a more thorough description of the recommendations and how they are addressed, see Table 4.

Table 4. Summary of prior year's recommendations

No.	Audit area	Recommendations of 2020	Actions undertaken	Status
1	Assets	The Director should ensure that all assets are recorded in the relevant registers in order to have them truly and completely presented in the AFS.	ANSA had recorded capital assets in KFMS	Implemented
2	Outstanding liabilities	The Director should ensure the efficient operation of the payment control unit verifying that invoices are paid in compliance with the set legal deadlines and are presented truly in the monthly liabilities report in MF.	There were delays in the payment of invoices in this year too.	Implementation not started

Vlora Spanca: Auditor General

Naser Arllati: Assistant Auditor General

Blerina Krasniqi: Head of Audit

Astrit Bllaca: Team leader

Albana Kadriu: Team member

Annex I: Letter of confirmation



Republika e Kosovës
Republika Kosovo
Republic of Kosovo

ASHNA

Agjencia e Shërbimeve të Navigacionit Ajror
Agjencia za Vazdušno Navigacijske Usluge
Air Navigation Services Agency

REPUBLIKA E KOSOVES		AGJENCIA E SHËRBIMEVE TË NAVIGACIONIT AJROR	
REPUBLICA KOSOVO		AGENCIJA ZA VAZDUSNO NAVIGACIJSKE USLUGE	
REPUBLIC OF KOSOVO		AIR NAVIGATION SERVICES AGENCY	
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KANCELARIJA SHËRBIME			
ARCHIVES OFFICE			
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LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2021 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Agjencisë së Shërbimeve të Navigacionit Ajror për vitin 2021 (në tekstin e mëtejshëm "Raporti");
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

z.Samir Bllacaku

Drejtor i Përgjithshëm i ASHNA,

Data: 05.05.2022, Prishtinë

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

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

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

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

(Extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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

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

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

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

Modifications to the opinion in the auditor's report

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

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

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

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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