



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE AIR NAVIGATION SERVICES AGENCY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Prishtina, June 2019

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

Our Mission is through quality audits to strengthen accountability in public administration for an effective, efficient and economic use of national resources.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with internationally recognized public sector auditing standards and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Air Navigation Services Agency in Consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Faik Thaqi (Team Leader) and Nora Rashiti-Nishefci (team member) under the management of the Head of Audit Department Astrit Bllaca.

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Executive Summary

This report summarises key issues arising from our audit of the AFS of Air Navigation Services Agency for 2018, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2018 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures that were necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in the External Audit Plan dated 23.11.2018.

Our audit focus has been on:



The level of work undertaken to carry out the audit was determined depending on the quality of internal controls implemented by the Management of the Air Navigation Services Agency.

Opinion of the Auditor General

Unmodified Opinion with emphasis of matter

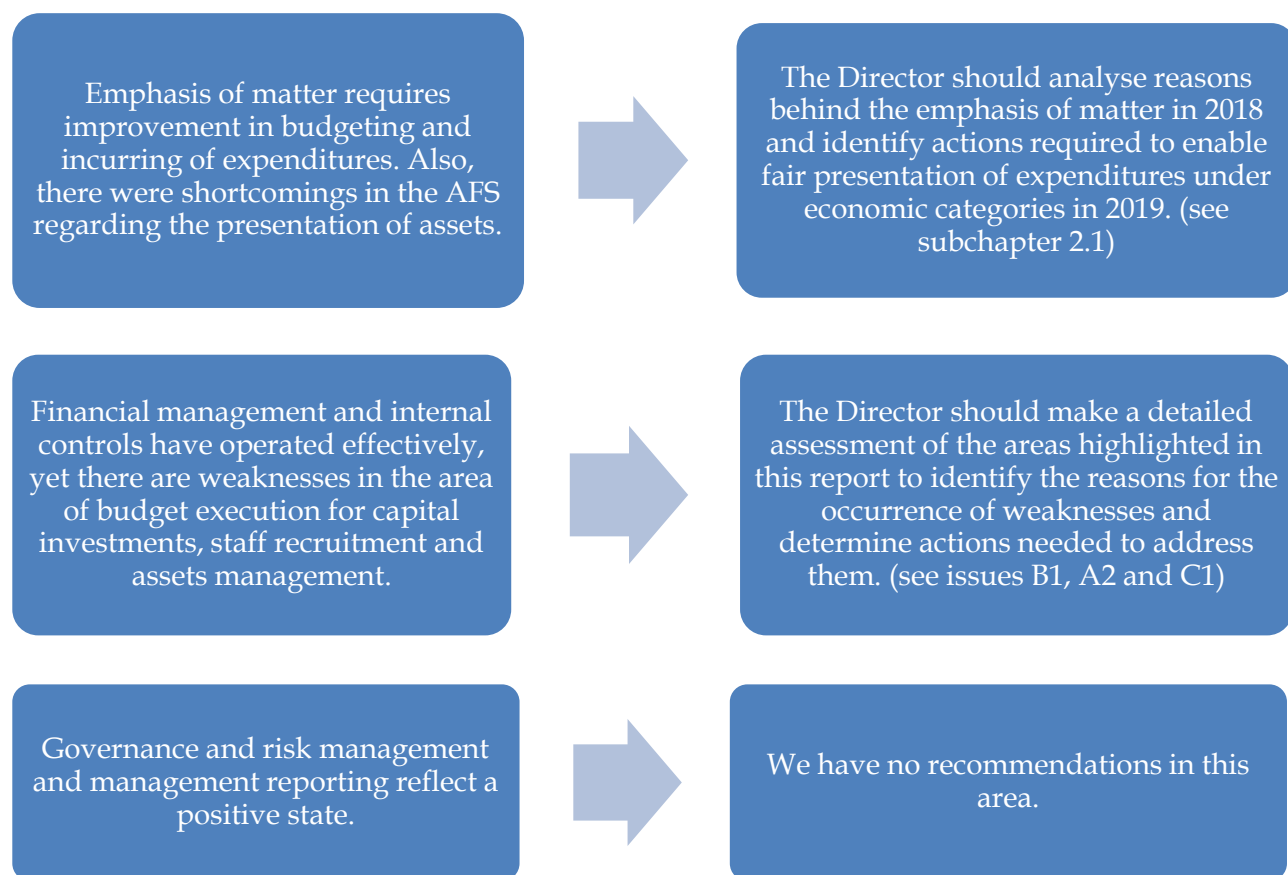
The Annual Financial Statements for 2018 *present a true and fair view* in all material aspects.

Emphasis of matter

We draw your attention to the fact that from the category of capital investments were budgeted and paid €70,377 for goods and services, and from the category of goods and services were paid €11,769 for capital investments, while non-financial assets were underestimated by €41,682.

For more details, refer to Section 2.1 of this report.

Annex I explains different types of Opinions in line with ISSAIs.

Key conclusions and recommendations

The Director of ANSA has agreed with audit findings and conclusions, with exception of finding that relates to misclassification of expenditures. Comment of the Director on the issue that he did not agree upon are given in detail in Annex III.

The National Audit Office appreciates the cooperation of the management and staff of ANSA during the audit process.

1 Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records, as follows:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether have been taken appropriate actions for implementation of audit recommendations.

Audit work undertaken is based on risk assessment. We have analysed the business of Air Navigation Services Agency (ANSA), the level of reliance on management controls, in order to determine the level of detailed testing required to provide the necessary evidence and that support the opinion of the AG.

Our procedures have included a review of internal controls, accounting systems and related substantive tests, as well as related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following sections provide a detailed summary of our audit findings and recommendations in each area of review.

2 Annual financial statements and other external reporting obligations

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information presented in the AFS, including the declaration made by the Chief Administrative Officer and Chief Financial Officer.

The declaration on presentation of AFS includes a number of assertions relating to the compliance with the reporting framework and the quality of information within the AFS. These assertions intend to provide assurance to the Government that all relevant information has been provided to ensure that an audit process can be undertaken.

2.1 Audit Opinion

Unmodified Opinion with emphasis of matter

We have audited the AFS of the Air Navigation Services Agency for the year ended on 31st of December 2018, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2018 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

Basis for the opinion

The audit is carried out 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 AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

Emphasis of matter

We draw your attention to the fact that:

According to Article 18 clause 3 (Initiation of expenditures) of the Financial Rule no. 01/2013 MF Expenditure of public money - expenditures should be in adequate codes, as defined in the Administrative Instruction for the Accounting Plan. In addition, Article 3 of the Financial Rule on Management of Non-Financial Assets stipulates that - capital assets include all assets that have a term of use longer than one year and are intended to be used continuously, have a financial value of €1,000 or more and ownership and control of benefits remain at the BO. We have identified the following cases:

- **Misclassification of funds from the category of capital investments** - In three payments in the total amount of €83,090.95¹, we have encountered misclassification of expenditures from the category of capital investments which should have been paid from the category of goods and services. Within these payments, the value of €70,377 does not meet the criteria for being a capital investment, as it includes individual supplies under €1,000; and
- **Misclassification of funds from the category of goods and services** - In a payment in the amount of €11,769 for allocation and arrangement of offices within the ANSA facility, we have encountered misclassification of expenditures, as this payment should have been paid from the category of capital investments.

¹ Payment in the amount of €53,350.95 for supplying with computers and equipment for the meeting room; payment of €27,410 for supplying with office inventory, and payment of €2,330 for purchase of furniture.

This had happened due to incorrect planning upon budget preparation for the said projects.

Article 19, clause 3 of Regulation MF no. 01/2017 on Annual Financial Reporting by Budget Organizations, stipulates that - Reports on assets presented by Budget Organizations include capital assets over €1,000 registered in KFMIS, non-capital assets with value up to €1,000 registered in “e-assets” and stocks.

- Non-capital assets up to €1,000 of 2017 in the amount of €14,320 and non-capital of 2018 in the amount of €27,362 were not included in the AFS of 2018. Assets were understated for these values.

Our opinion has not been modified for this issue.

Responsibility of Management for AFS

The Director of ANSA and the Deputy Director for administrative financial services are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

The Director of ANSA is responsible to ensure oversight of ANSA’s financial reporting process.

Auditor General’s responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the entity’s circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

2.2 Compliance with AFS and other reporting requirements

From ANSA is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action plan for addressing of recommendations;
- Requirements of Financial Management and Control (FMC) procedures;
- Final Procurement Plan for 2018; and
- Reports on outstanding liabilities.

Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the AFS are submitted to the Ministry of Finance is considered correct, with exception of issues mentioned at the Emphasis of Matter.

In the context of external reporting requirements, we have no issue to raise

2.3 Recommendations related to the Annual Financial Statements

For the above-mentioned issue is given the recommendation:

Recommendation A1 The Director should ensure that is conducted an analysis to determine the causes for Emphasis of Matter by taking specific actions to eliminate errors in classification of expenditures and accurate presentation of the value of non-financial assets.

3 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources as well as assets and liabilities.

Financial Management and Control Conclusion

ANSA in general had good controls in relation to its statutory obligations. However, there are some weaknesses that need to be addressed. Challenging for the institution remains correct classification of expenditures, fair presentation of assets and planning and execution of the budget from capital investments. This reflects lack of proper oversight by management in these areas.

3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and by economic categories. This is highlighted in the following tables:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2018 Outturn	2017 Outturn	2016 Outturn
Sources of Funds	6,844,088	5,294,846	3,729,812	3,581,634	2,928,967
Government Grant -Budget	1,400,000	648,282	423,016	376,618	200,000
Own Source Revenues ³	3,444,088	3,447,564	3,306,796	3,205,016	2,728,967
Dedicated revenues from PAK	2,000,000	1,199,000	0	0	0

The final budget compared to the initial budget was decreased by €1,549,602. This decrease was as a result of budget movements under the Government Decisions⁴.

In 2018 ANSA has spent 70% of the final budget or €3,729,812, or 11% less compared to the previous year. Budget execution remains at an unsatisfactory level. Below are given explanations.

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

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
Spending of funds by economic categories	6,844,088	5,294,846	3,729,812	3,581,634	2,928,967
Wages and Salaries	2,539,588	2,543,064	2,543,064	2,276,854	2,200,358
Goods and Services	810,000	810,000	669,249	555,879	482,290
Utilities	94,500	94,500	94,482	61,375	46,319
Capital investments	3,400,000	1,847,282	423,016	687,526	200,000

² Final budget – the budget approved by the assembly, which was subsequently adjusted for by the Ministry of Finance.

³ Receipts used by the entity to finance own activities

⁴ Decision no. 11/79 dated 11.12.2018 in the amount of €801,000, no. 07/80 in the amount of €26,964 and no. 12/81 in the amount of €721,638.

Explanations for changes in budget categories are given below:

- The final budget for wages and salaries was increased by €3,476 with the Government Decision. Budget for this category was spent at 100%;
- The final budget for goods and services did not change from the initial one. The budget for goods and services was spent at 83%, while the one on utilities was spent around 100%; and
- The final budget compared to the initial budget for capital investments was reduced by €1,552,718 under Government decisions. As a result of these decisions, the government grant was reduced by €751,718 as well as the fund of dedicated PAK revenues in the amount of €801,000. The budget for this category was spent only €423,016 or 23% of the final budget.

Issue B1⁵- Insufficient execution of budget for capital investments

Finding

For 2018, the execution of the budget for capital investments is 23% compared to the final budget. Projects that were planned to be implemented during the year for which contracts were signed in December 2018 are Surveillance System MSSR Mode S, relocation and updating of APP/TWR, supplying with spare parts for PSR and MSSR Mode M+S.

This occurred as a result of late allocation of funds from the PAK fund in the amount of €2,000,000 and due to the deadline for implementation of projects which is over 6 months from the date of signing contracts. These were carried overs as a contractual obligation in 2019. This has adversely affected the overall budget performance.

Risk

Poor budget execution and failure to implement projects for 2018 results in inefficient use of available resources and leads to non-achievement of organization's objectives.

Recommendation B1 The Director should ensure that is done a comprehensive evaluation of tendering activities, by setting practical options for improvement of budget execution before defining programs for the coming years.

3.1.1 Revenues

Revenues collected by ANSA in 2018 were in the amount of €4,001,872. This level of collection is higher than in the prior year by €699,214 or 21%. The increase of revenues is as a result of increased flights at the Prishtina International Airport during 2018.

⁵ Issue A and Recommendation A - means new issues and recommendations.

Issue B and Recommendation B - means repeated issues and recommendations.

Issue C and Recommendation C - means partially repeated issues and recommendations.

Table 3. Own Source Revenues (in €)

Description	2018 Receipts	2017 Receipts	2016 Receipts
Own Source Revenues	4,001,872	3,302,654	2,705,866
Total	4,001,872	3,302,654	2,705,866

ANSA generates revenues by providing air navigation services to the International Airport "Adem Jashari" about 95%, and based on the agreement with Hungarian air control about 5% of the collected revenues for 2018.

Recommendations

We have no recommendations in this area.

3.1.2 Wages and salaries

Wages and Salaries are paid through a centralised payment system that is managed by MPA and MoF. Key controls that confirm the accuracy and completeness of the payments are the payroll lists which heads of organisational units sign.

Expenditures for Wages and Salaries during 2018 were €2,543,064 or 100%. The approved number of employees at ANSA was 166, while the current number at the end of the year was 154.

Issue A 2 - Shortcomings in the internal recruitment process

Finding

According to the Internal Regulation of ANSA for setting the minimum job criteria no. ref: ANSA-ZYDR-KRM and based on the vacancy advertised for internal recruitment for the position of Procurement Officer, within the qualification and experience as a minimum criterion is required for the recruit to have a university degree.

We have noticed that the candidate for this position did not complete the university.

This had happened due to lack of internal controls over the selection and due to negligence of members of the evaluation committee to fulfil this criterion.

Risk

Failure to meet the minimum criterion for the position of the procurement officer poses a risk as ANSA may employ inadequate persons for respective positions. This may result in operational inefficiency and failure to the organization's objectives.

Recommendation A2 The Director should ensure that selection of staff is conducted in accordance with the criteria set out in the internal regulation and the competition, by adhering to legal provisions of civil servants.

3.1.3 Goods and Services and Utilities

The final budget of Goods and Services and utilities in 2018 was €904,500, out of which were spent €763,732 or 84%. These expenditures relate to navigation maintenance services, other contracting services, maintenance and repairs, equipment maintenance, travel and accommodation costs, utilities etc.

Based on our testing, we have noticed that controls have not functioned effectively and identified shortcomings are disclosed in section 2.1 Audit Opinion.

3.1.4 Capital investments

The final budget for capital investments was €1,847,282, out of which in 2018 were spent €423,015 or 23%. These expenditures relate to different supplies for radar parts, systems, security equipment, other equipment etc.

Based on our testing, we have noticed that controls have not functioned effectively and identified shortcomings are disclosed in section 2.1 Audit Opinion.

3.2 Capital and non-capital assets

Capital assets over €1,000 presented in the AFS for 2018 were €4,065,225, assets under €1,000 were in the amount of €57,100, and stocks in the amount of €7,763. ANSA had established the Inventorying Commission and the Commission for the Evaluation of Non-Financial Assets. From our testing, we have identified the following irregularities:

Issue C1 - Non-reconciliation of inventory registers with asset registers

Finding Article 19 of the Regulation No. 02/2013 stipulates that the assets inventorying commission should produce a general report on inventory of assets and compare the state of inventory with the condition of the non-financial assets register.

We noticed that this commission had drafted a general report but had not reconciled individual inventory records with the condition of non-financial assets register due to lack of knowledge and requirements that derive from the Treasury Regulation 02/2013 on non-financial assets.

Risk Due to the failure to reconcile assets registers non-financial assets are exposed to risk of misstatement of assets value.

Recommendation C1 The Director should review existing controls to ensure efficient management of assets registry, specifically to reconcile inventory reports with the condition of assets registers, in accordance with regulation requirements.

3.3 Receivables

Accounts receivable according to the data in the AFS for 2018 are €602,543, relate to invoices from the concessionaire "Limak Kosovo Adem Jashari" where according to the agreement it is foreseen that the transfer of funds shall be done 45 days after the billing for the respective month.

Recommendations

We have no recommendations in this area.

3.4 Outstanding liabilities

The statement of outstanding liabilities owed to suppliers at the end of the year was €86,858. These liabilities are for expenditures incurred after the closing of the deadline of payments for hygiene maintenance, training, fuel which were carried forward to be paid in 2019.

Recommendations

We have no recommendations in this area.

4 Good Governance

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, and coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

Governance in ANSA in general has good controls in relation to its legal obligations. Financial management and control has proved a good process of review and assurance in implementation of legislation and other control processes.

Governance in ANSA in the area of managerial reporting and accountability as well as risk management reflects a positive situation. The management of ANSA has taken specific actions for implementation of recommendations given by NAO and has prepared the risks register with all measures, by identifying all significant risks that could have an impact on the organization in achieving its objectives.

4.1 Internal Audit System

ANSA has an Internal Audit Unit (IAU) as an important segment of overall controls, which consists of the Director of the Internal Audit Unit.

IAU for 2018 had planned seven regular audits. At the end of the year, only four audits were carried out which covered areas such as procurement procedures system, management system of goods and works - scope 2017/2018, as well as warehouse management and contracts management. However, the audit plan was not fully met due to various trainings. In addition, IAU has prepared quarterly reports on its activities for the CHU/IA in MoF.

At the end of 2017 ANSA had established the Audit Committee, which had held four meetings during 2018.

Recommendations

We have no recommendations in this area.

4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, oversee activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent manner. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

Management had designed a good system of internal control and financial management. The internal reporting process at ANSA functions according to the organizational structure. In this regard, the management keeps regular meetings with all department heads and they are accompanied by appropriate minutes and reports to enable an effective and timely response to identified operational problems. In addition, the risks register was also prepared by ANSA.

5 Progress in implementing recommendations

Our audit report on the AFS for 2017 of ANSA has resulted in 12 recommendations. ANSA had prepared an Action Plan showing how it will implement recommendations given by the National Audit Office.

By the end of our 2018 audit, nine recommendations were implemented and one was not addressed, one was partially implemented, and one is considered closed. For a more complete description of the recommendations and how they are handled see Table 4.

Table 4. Summary of prior year recommendations and of 2018

No.	Audit area	Recommendations of 2017	Actions taken	Status
1	Budget Planning and Execution	The General Director should ensure that a comprehensive assessment of potential revenue sources is made on the occasion of budget planning and determine the practical options for improvement of execution for 2018. Budget performance is systematically monitored to identify and address barriers for budget execution at the planned level of intended revenues.	No measures were taken by the Management as even this year the budget for capital investments was not spent.	Unimplemented
2	Wages and Salaries	The Director General should ensure that all legal actions are taken, for the development of recruitment procedures for the fulfilment of regular positions that function with Acting. Further on, the duration of the function as Acting, should not be longer than the defined legal period.	Management has undertaken actions by developing internal recruitment procedures to cover positions with Acting.	Implemented
3	Personnel Management	The General Director should ensure that a systematic review of personnel files is undertaken, to ensure that all necessary documentation is included within a short period of time in the employee's personal file by applying the HRMIS.	Management has taken steps regarding the implementation of this recommendation.	Implemented
4	Personnel	The General Director should ensure that	The management had taken actions to	Implemented

	Management	during the development of promotion procedures, to comply with regulatory requirements, giving priority to all civil servants who meet the criteria needed for promotion, and promote transparency and open competition.	implement this recommendation by conducting internal competition procedures, where at the beginning of 2019 were completed as procedures of internal competition.	
5	Personnel Management	The General Director should ensure that an appropriate solution is found to cover the position of the Certifying Officer under the LPFMA.	Management had conducted internal recruitment procedures for the position of the Certification Officer.	Implemented
6	Goods and Services and Utilities	The Director General should ensure that all internal control procedures for the circulation of documentation and invoices are registered at the time of acceptance.	Management had taken appropriate actions by ensuring that all bills are registered.	Implemented
7	Capital Investments	The Director General should ensure that the procurement procedures are conducted in line with the LPP, by contracting the supplies in accordance with the specifications required by tender dossier.	Management through the procurement office had taken actions to address this recommendation.	Implemented
8	Capital Investments	The Director General should ensure that commitment of funds is made prior to signing the contract.	Management through the finance office had taken actions to address this recommendation. None of tested contracts was made without the commitment of funds.	Implemented
9	Capital and Non-	The Director General	Management had	Partially

	Capital Assets	should review the existing controls to ensure efficient management of asset registers, specifically to ensure the removal of assets out of use according to the assessments of the relevant committee and reconcile the evaluation and inventory reports that precede the presentation of accurate data assets in AFS. Further on, the establishment of the Asset Evaluation and Inventory Committee should be in accordance with regulatory requirements.	taken actions regarding the assets removal. The second bullet of the recommendation was not implemented, as even this year was not done proper reconciliation of asset registers with inventory registers. The third bullet of the recommendation was implemented as the management had appointed members of the Inventory Commission who do not have assets controls.	Implemented
10	Capital and Non-Capital Assets	The Director General should ensure that users of official vehicles comply with the instructions on filling the travel log by each user in order to identify their use for official needs.	Management had taken appropriate actions to implement this recommendation by identifying all uses of official vehicles.	Implemented
11	Outstanding Liabilities	The Director General should ensure that all invoices received are executed within the 30-day deadline, to avoid opening of court disputes and execution of payments directly from the Treasury/bailiffs. Further on, outstanding liabilities should be reported in line with regulatory requirements.	Management has taken action to implement this recommendation by paying in time all outstanding liabilities and by reporting them on time to the Ministry of Finance / Treasury.	Implemented
12	Progress in implementing recommendations	The Director General should analyse the reasons and causes having an impact in		

		failure to implement previous year recommendations and ensure the preparation of an action plan, which sets out exact deadlines for the implementation of the recommendations made by the AG in cooperation with the responsible staff involved, focusing primarily on high priority areas.		
No.	Audit area	Recommendations of 2018		
1	Annual financial statements	The Director should ensure that is done a comprehensive evaluation of tendering activities, by setting practical options for improvement of budget execution before defining programs for the coming years.		
2	Budget planning and execution	The Director should ensure that is conducted an analysis to determine the causes for Emphasis of Matter by taking specific actions to eliminate errors in classification of expenditures and accurate presentation of the value of non-financial assets.		
3	Wages and salaries	The Director should ensure that selection of staff is conducted in accordance with the criteria set out in the internal regulation and the competition, by adhering to legal provisions of civil servants.		
4	Capital and non-capital assets	The Director should review existing controls to ensure efficient management of assets registry, specifically to reconcile inventory reports with the condition of assets registers, in accordance with regulation requirements.		

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

Annex I: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

Form of opinion

147. 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.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or 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 modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. 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, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705¹⁹ provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

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

157. 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.

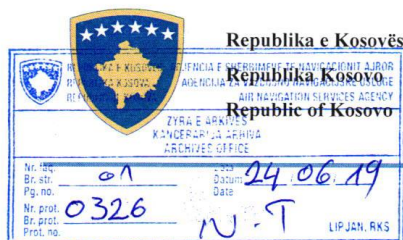
158. An Emphasis of Matter paragraph should:

- 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.

159. 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.

Annex II: Confirmation letter

**ASHNA**

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

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2018 dhe për zbatimin e rekomandimeve

Për: Zyrën 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 e përfunduar më 31 dhjetor 2018 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat, rekomandimet dhe përmbajtjen e Raportit, përveç të gjeturës të Theksimi i Çështjes për të cilën i kemi bashkangjitur komentet e mospajtimit; 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 implementimin e tyre.

z. Bahri Nuredini

Drejtor - Agjencia e Shërbimeve të Navigacionit Ajror

Data: 24.06.2019, Prishtinë,

Annex III: Comments of ANSA regarding findings in the report

Findings/issues	Agree Yes /no	Comments of BO in case of disagreement	Views of NAO
<p>Issue 1:</p> <p>Emphasis of Matter,</p> <ul style="list-style-type: none"> • Misclassification of funds from the category of capital investments - In three payments in the total amount of €83,090.95, we have encountered misclassification of expenditures from the category of capital investments which should have been paid from the category of goods and services. Within these payments, the value of €70,377 does not meet the criteria for being a capital investment, as it includes individual supplies under €1,000; and • Misclassification of funds from the category of goods and services - In a payment in the amount of €11,769 for allocation and arrangement of offices within the ANSA facility, we have encountered misclassification of expenditures, as this payment should have been paid from the category of capital 	Jo	<p>1.1 Budgetary planning for this capital investment was done with a value over €1,000 and we have approved budget with this value, and based on market research for the purchase of computers with higher performance and other equipment, as the existing systems require a higher performance of computer equipment where in this payment in the amount of €53,350.95 for supplying with computers and other equipment, are devices that are linked to the existing systems.</p> <p>Also, expectations in the near future are that the new ATM (Air Traffic Management) system to be installed on ANSA requires the equipment to be of high performance such as in data processing (Database Processing, Flight DataProcessing, Aeronautical Flight Telecommunication Network), communication, meteorological systems, air traffic control (Geotitan System - which requires high image processing) The required equipment helps easier achievement of standards set by Eurocontrol where we intend to achieve.</p> <p>In this case, due to lack of a regulation that enables handling-arrangement of such expenditures (transactions) in classification of capital expenditures on Goods & Services, and vice versa, which prevents a change in approved budget planning after the occurrence of expenditure. (Administrative Instruction 2005/08 on Economic Classification of Expenditures.)</p>	<p>The issue was emphasised on errors in planning and budget spending for this category. Comment provided by ANSA management do not change the status of misclassified expenditures. Therefore, the recommendation remains unchanged.</p>

<p>investments.</p> <p>This had happened due to incorrect planning upon budget preparation for the said projects.</p> <p>- Non-capital assets up to €1,000 of 2017 in the amount of €14,320 and non-capital of 2018 in the amount of €27,362 were not included in the AFS of 2018. Assets were understated for these values.</p>			
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