



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 2020

Prishtina, June 2021

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For: Z. Bahri Nuredini – Director of the Air Navigation Services Agency

Address: Vrellë, Lipjan, 10070,

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 2020 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Unmodified opinion on financial statements

We have audited the annual financial statements of Air Navigation Services Agency, which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including the Summary of significant accounting and other reports², for the year ended at 31 December 2020.

In our opinion, 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 the Opinion

The audit was 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 Financial Statements* section of our report. In accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. The NAO is independent from the audit subject. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

² Other reports are a requirement of the article 8 of the Regulation 01/2017 on Annual Financial Reporting.

Audit Conclusion on compliance

We have also audited the compliance of the ANSA management with the defined audit criteria deriving from the applicable legislation for the audited subject in the usage context of financial resources

In our conclusion, besides the impact of the issue described in the Basis for Compliance Conclusion section, transactions carried out in the process of execution of the ANSA budget have been, in all material respects, in compliance with the determined audit criteria which derive from the applicable legislation for the audited subject in the usage context of financial resources.

Basis for the conclusion

During our engagement we found that the entity did not act in accordance with the authorities such as:

- ANSA had paid 16 payments in the amount of €424,619 with delays and had not reported a part of the invoice in the amount of €20,000.

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

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

The Director of the Air Navigation Services Agency 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 Director of the Air Navigation Services Agency 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 (amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Director of the Air Navigation Services Agency is responsible to ensure the oversight of the ANSA financial reporting process.

Management's Responsibility for Compliance

The management of the Air Navigation Services Agency is also responsible for the use of Air Navigation Services Agency 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 conclusion on compliance of respective Air Navigation Services Agency authorities with the determined audit criteria which derive from the applicable legislation for the audited subject in the usage context of financial resources.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Air Navigation Services Agency internal control.

³ Collectively referred to as compliance with authorities

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Above other matters, 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 our audit, we noticed areas for improvement including internal control over the registration of capital assets, delays in payments and reporting of liabilities, which are presented below for your consideration in the form of findings and recommendations. We will follow up (review) on these recommendations during next year's audit.

We have also reviewed the status of prior year recommendations and assessed the level of their implementation. (For details see chapter 4)

2.1 Issues that impact on the compliance conclusion

Issue B2 - Delay in payment and weakness in reporting outstanding liabilities

Finding Based on the financial regulation, article 37.1 of the Financial Rule 01/2013 MF, stipulates that all invoices received by the budget organization must be paid within 30 days, unless otherwise provided by the contract. Whereas based on the MF Regulation No. 01/2017 on Annual Financial Reporting by Budget Organizations of article 17, point 3 it is required that Budget Organizations report all liabilities (invoices) created by December 31 of the reporting year.

The ANSA had reported outstanding liabilities to the MF every month. However, during the audit we have noticed the following:

- In 16 payments in the amount of €424,619 there were delays in payment from 18 to 294 days, after the allowed deadline for payment of 30 days; and
- After payment of an invoice in the amount of €37,927, the remaining outstanding invoice in the amount of €20,000 was not reported in the report of outstanding liabilities in the AFS.

This has occurred due to the non-functioning of internal controls and the work with essential staff.

Impact Failure to report monthly liabilities impacts incorrect reporting, while delays in payment of liabilities increase the risk of additional court or law enforcement costs.

Recommendation B1 Director must ensure the efficient functioning of the control site that verifies that the payment of invoices is done in accordance with the deadlines set by law and that are presented correctly in the report of monthly obligations to the MF.

2.2 Findings on financial management and compliance issues

2.2.1 Capital and non-capital assets

The value of capital assets presented in the AFS is €5,485,621, non-capital assets is €46,452, and stocks €11,179. We have tested 7 samples for substantial and compliance tests in the amount of €708,694.

Issue B1 – Failure to register assets in accounting ledger

Finding Following the article 6 paragraph 3 of the Reg. 02/2013 on the management of non-financial assets in budget organizations, which stipulates that - capital assets must be registered in KFMIS while non-capital assets and stocks must be registered in the "e-assets" system.

During the testing phase we have noticed that ANSA had not registered assets over €1000 in the capital assets ledger in the amount of € 85

- Payment for the Project supply installation of radiocommunications system in Germia in the amount €46,174, a part of payment from the invoice 429,032€;
- Payment for projector APP/TWR in the amount €37,927€; and
- One TV LED 75 Ultra HD in the amount €1,711.

This occurred as a result of end of year payments and improper control that assets purchase payments are registered in the relevant ledgers, as well as due to non-payment of invoices as a result of declining revenues related to the flight delays, out of which ANSA generates revenue.

Impact Failure to register assets in the relevant ledgers impacts the incorrect presentation of assets in the AFS of ANSA by undervaluing them.

Recommendation B2 The Director must ensure that all assets are registered in the relevant ledgers, so that their presentation in the AFS is complete and accurate.

3 Summary on budget planning and execution

In this chapter we have considered a summarized information on the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the following tables and charts:

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

Description	Initial Budget	Final Budget ⁴	2020 Outturn	2019 Outturn	2018 Outturn
Sources of Funds	8,092,593	8,145,900	5,425,954	6,295,234	3,729,812
Government Grant -Budget	2,392,726	2,446,033	2,202,644	1,442,737	423,016
Designated revenues	5,699,867	5,699,867	3,223,310	4,458,847	3,306,796
Revenues from PAK	-	-	-	393,650	-

The final budget is higher than the initial budget by €53,307. This increase is a result of Government Decision.

In 2020, the BO had spent 67% of the final budget for 2020 or €5,425,954, with a decrease of 16% compared to 2019. Explanations on how the budget was executed according to the categories are given in the following table.

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

Description	Initial Budget	Final Budget	2020 Outturn	2019 Outturn	2018 Outturn
Spending of funds by economic categories	8,092,593	8,145,900	5,425,954	6,295,234	3,729,812
Wages and Salaries	2,838,816	3,079,509	2,756,812	2,757,216	2,543,064
Goods and Services	1,418,857	1,653,476	772,286	1,391,945	669,249
Utilities	102,370	119,454	54,272	98,721	94,483
Capital Investments	3,732,550	3,293,461	1,842,583	2,047,352	423,016

⁴ Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance

Chart 1 Expenditures by economic categories

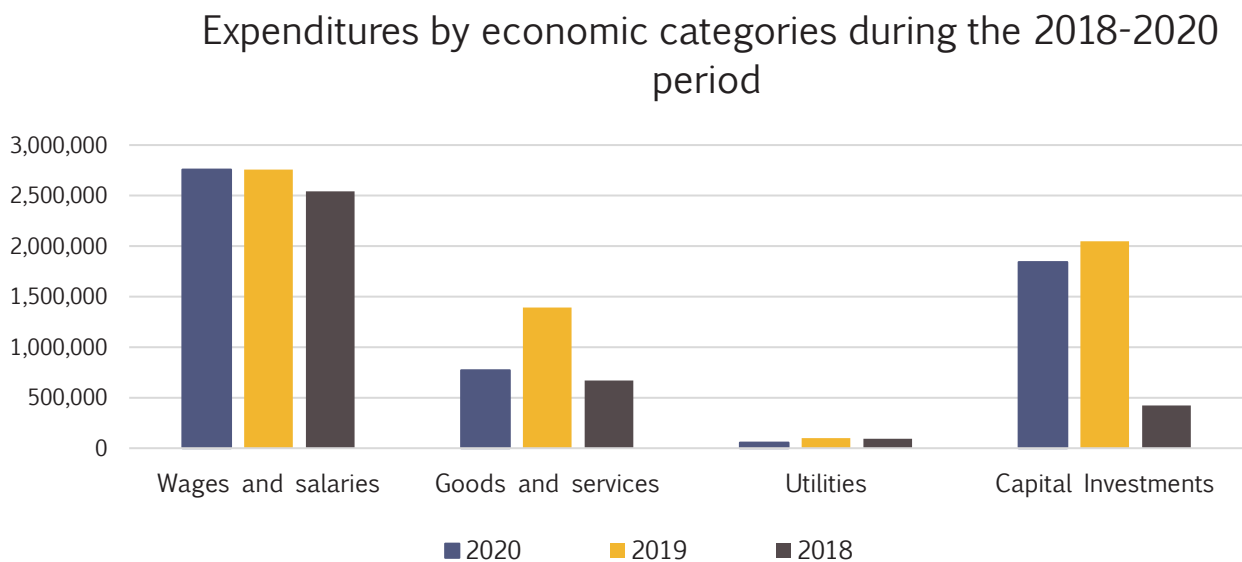
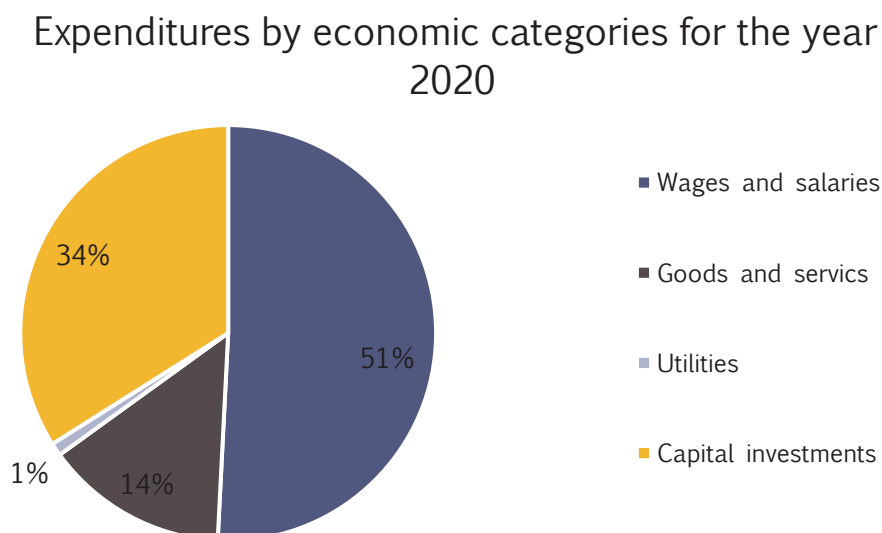


Chart 2 Expenditures by economic categories for the year 2020



Explanations for changes in budget categories are given below:

- The final budget for wages and salaries compared to the initial budget had an increase by €240,693, which was carried out following the Government decision. Expenditures in this category were at 90% of the budget;

- The final budget for goods and services compared to the initial budget was increased by €234,619, following the Government decision. The expenditure of the budget was at 47%, due to the budget reduction as a result of pandemic situation;
- Furthermore, following the Government, the final budget of the utilities was increased in the amount of €17,084. Expenditure in this category was 45%; and
- Unlike other categories, the final budget of Capital Investments was reduced compared to the initial one by €439,090. Initially, the reduction occurred following the budget review by €843,704, then followed by the government decision it was increased again for €404,615. Expenditures were at 56% of the budget.

Revenues generated by ANSA in 2020 were in the amount of €2,472,980. They relate to terminal services or delivering services at Prishtina International Airport

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2020 Receipts	2019 Receipts	2018 Receipts
Designated revenues	-	-	2,472,980	4,518,808	4,001,872
Total	-	-	2,472,980	4,518,808	4,001,872

ANSA generates designated revenues by providing airnavigation services to the Pristina International Airport .

4 Progress in implementing recommendations

The audit report on the 2019 AFS of ANSA has resulted in four main recommendations. ANSA had prepared an Action Plan outlining how it will implement given recommendations.

By the end of the 2020 audit, two recommendations have been implemented whereas for two of them implementation hasn't started yet, as it is presented in the Chart 3 below. For a more complete description of the recommendations and how they have been addressed, see table 4.

Chart 3. Progress in the implementation of prior year's recommendations

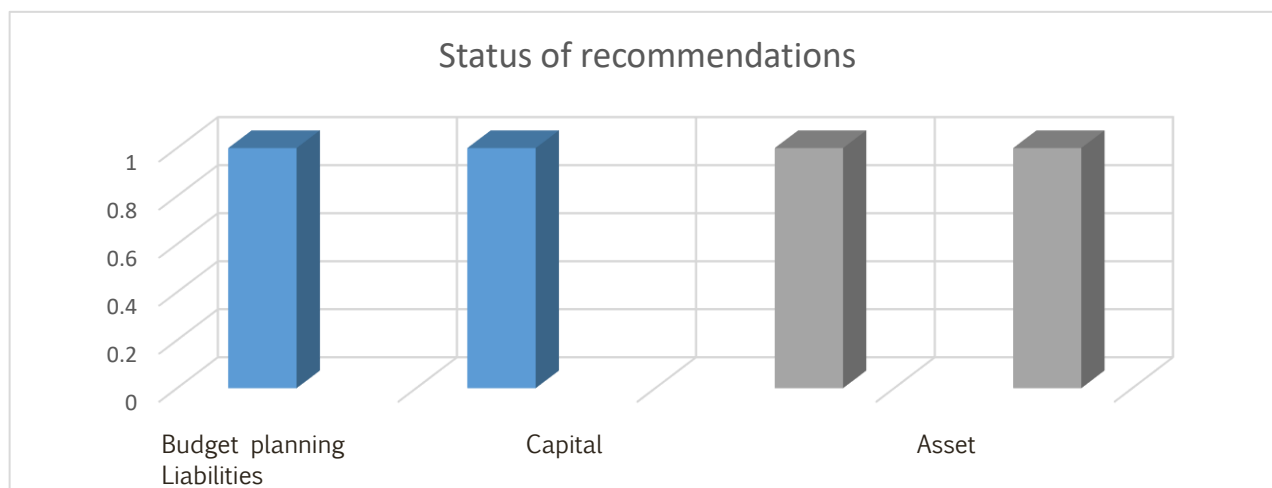


Table 4 Summary of prior year's recommendations and of 2020

No	Audit area	Recommendations of 2019	Actions taken	Status
1	Budget planning and execution	The Director must ensure that for all expenditures, plannings are made on time, in a way that their expenditure and registration is done in appropriate economic categories.	Management has taken measures and we do not have such cases in 2020.	Implemented
2	Capital Investments	The Director must ensure that the contracted supplies are made within the deadlines of the contract by ensuring in advance that procedures of commitments or purchase order steps are made in time.	In 2020 we did not have such cases. It is worth emphasizing that as a result of the pandemic situation, these cases have been reasonable.	Implemented
3	Capital and Non-capital assets	The Director must ensure that all assets are registered into the relevant registries, in a way that their presentation into AFS is full and accurate	This year as well, we have capital assets which are not registered.	Implementation hasn't started

4	Outstanding liabilities	The Director must ensure controls in reporting of monthly obligations, so that accurate data are reported for time periods and as such are followed from month to month until they are paid.	This year as well, we have significant delays in payments and weaknesses in their reporting.	Implementation hasn't started
No	Audit area	Recommendations of 2020		
1	Capital and Non-capital assets	The Director must ensure that all assets are registered in the relevant ledgers, so that their presentation in the AFS is complete and accurate.		
2	Outstanding liabilities	Director must ensure the efficient functioning of the control site that verifies that the payment of invoices is done in accordance with the deadlines set by law and that are presented correctly in the report of monthly obligations to the MF.		

Signatures:

Besnik Osmani, Auditor General

Astrit Bllaca, Head of Audit

Etika Co L.L.C, (Fatmir Mehmeti, authorized person in charge of the company)

Annex I: Letter of confirmation



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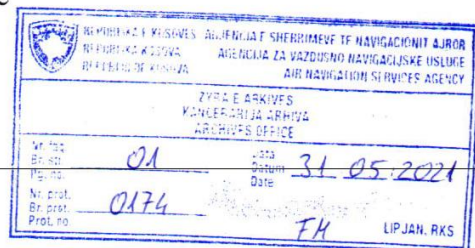
ASHNA

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

LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2020 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 2020 (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.

Bahri Nuredini



Drejtor – Agjencia e Shërbimeve të Navigacionit Ajror

Data: 31.05.2021

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 statements ⁵ 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.