

**Telecommunication Regulatory Authority**

AUDITING REPORT OF THE FINANCIAL  
STATEMENTS FOR YEAR THAT ENDS  
ON 31 DECEMBER 2006

**“Audit & Conto”**  
**UÇK 2a, Prishtina**

**12.03.2007**



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## **REPORT OF THE INDEPENDENT AUDITORS**

### **RELATED TO THE AUDITING OF THE FINANCIAL STATEMENTS OF THE TELECOMMUNICATION REFULATORY AUTHORITY (TRA) IN KOSOVO FOR YEAR THAT ENDS ON 31 DECEMBER 2006**

#### **To the Board of Telecommunication Regulatory Authority Prishtina**

We have audited reconciled accountancy balance of TRA for the period 1<sup>st</sup> of January 2006 until 31<sup>st</sup> of December 2006, corresponding statements of incomes and expenditures for the performed year ended on this date.

Preparation of the financial statements is the responsibility of TRA; our responsibility is to present an opinion about them, based on the performed investigation and examinations.

We have completed our auditing in accordance with International Auditing Standards. Mentioned auditing standards require that auditing should be planned and to execute auditing procedures with the goal to present reasonable assurance that the financial statements are free from the material mistreatments.

Auditing includes examination, based on the tests; of the documentations that are supporting amounts and other information's presented in the financial statements.

Auditing includes also the evaluation of the used accountancy principles and important valuations done from the management, as well as evaluation for the general presentation of the financial statements.

We believe that our performed auditing is providing a reasonable base for the presented opinion.

Based on our opinion, financial statements are presenting correctly, in all material aspects, financial situation of the TRA on the date 31<sup>st</sup> December 2006, and also the result of the activities for reserved practice in accordance with the Kosovo Accountancy Standards.

**"AUDIT & CONTO" sh.p.k.**

**Auditor**

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Street UÇK B1/32 Prishtina  
Tel :038 247724 mob 044 506 702

Prishtina, on 12.03.2007



## **II. Introduction**

Based on the contract of the date 10.02.2007, we accepted the responsibility to audit the financial statements of the Telecommunication Regulatory Authority for Kosovo, office in Prishtina, for the year that ends on 31.12.2006.

In accordance with the terms of references which were determined in the contract of the date 10.02.2007, we have finalized auditing.

Telecommunication Regulatory Authority is established in the year 2003 based on the UNMIK regulation 2003/16, as the independent and nonprofit authority.

TRA executes policies of the PISG and the Ministry (MEF), always in accordance with the entire Administrative regulations and other regulations adopted for implementation of this Law.

Telecommunication Regulatory Authority is responsible for licensing, regulation (foster) and management of the telecommunication service providers in Kosovo; encouragement of the private sector to participate in the loyal competition in accordance with the provision in force, adjustments of the unique standards for all service providers and protection of the consumers of those services.

TRA is established from the above mentioned Law as the independent body inside the IPVQ, they are responsible for implementation of the PISG and the Ministry policies, leaded by this law and also all legislative parts adopted in accordance with this law.

TRA is competent to draw administrative regulations and instructions for implementation of the Law.

Consolidated budget of Kosovo financially supported establishment of the TRA and the first year of its establishment. Ministry proposed and the Kosovo assembly approved the amount of the initial budget for TRA and they have allowed adequate funds from BKK.

Afterwards, TRA was self financed, by covering the reasonable costs and necessary administrative and technical support, the amount which will not be less comparing with the amount allowed for previous year, except if the assembly decides differently.

TRA collects incomes through the application of the regulation rates, including, but not limited only in:

- (a) Authorizations;
- (b) Licensing;
- (c) Providing numbers, and
- (d) Accordance of the right for using the frequency span.

*Telecommunication Regulatory Authority , Prishtina*  
*Auditing Report of the Financial Statements for year that ends on 31.12.2006*

Entire collected funds from TRA will be deposited in one account, opened especially for their use in the Kosovo Authority for banks and payments (BPK).

TRA will use accountancy standards for all accounts in accordance with the Laws in Kosovo. Overbalances created from the taxes, licensing and authorizations that are more than the amount of the budget approved from the Assembly of Kosovo for TRA, will be transferred in the Kosovo Consolidated budget.

TRA will select one external qualified auditor to work on auditing (revision) of the accounts in accordance with the Laws in Kosovo.

TRA will present the budget for discussion or approval in the Assembly, not less than two months before beginning of each fiscal year.

Not later than six months after closure of each fiscal year, TRA will prepare and present to the Assembly the annual report which includes financial details that belong to the activities of TRA implemented previous year. One electronic version of that report will be released in the official page of TRA in internet.

Law authority of TRA will remain in the board of the TRA. Decisions of the board will be made in transparent way, independent from the political influences, industrial or any other influences.

Board will be consisted from five (5) members.

Members of the regulatory board, with the recommendation of the Ministry of Transport and Telecommunication, will be proposed from the Government and they will be appointed from the assembly.

Members of the regulatory board will be paid in accordance with the applicative scheme for the salaries of the members of the assembly, which will be stated in the initial budget of TRA and it will be presented in the assembly for approval.

Minister of transport, post and telecommunication in consultancy with the prime-Minister, will nominate the member of the board to be chairman of the board. Chairman, will chair the meetings and activities of the board, he will be responsible for administration of TRA and also he will monitor selection, employment and ending of the contracts as well as general administration of the employees.

Each member of the board will work during the 5 years mandate, starting from the day of nomination.

### **III. Purview – Objectives and auditing scope**

We have performed auditing in accordance with the International Standards for Auditing / ISA. Mentioned standards require that we should plan and execute auditing with the goal to gain the reasonable assurance that the presented situations in the financial statements, for the calendar period 01 .01.2006 until 31 December 2006, are stating true and correct view of the financial situation in TRA, and that the financial statements in TRA are in accordance with the International Accountancy Standards for the Public Sector (IASPS), with the “Accountancy Financial Report based on cash” and frame of the annual financial reporting of the Budgeted organizations – administrative instruction 2005/15 and 2006/14 about the content of the financial statements of the budgeted organizations.

To provide a professional opinion for the financial statements of TRA for the year that ends on 31.12. 2005.

That the usage of all funds and resources from TRA were done in accordance with the entire regulations and applicative procedures in Kosovo, by focusing especially in efficacy and effectiveness, and that the funds and resources were used only for the planned destinations.

Our auditing includes examination of the random gathered information’s with the goal of verifying amounts and correctness of the financial transactions.

To verify if the procedures that are applied from TRA are in accordance with Policies and procedures determined from Ministry of Finances and Treasure, and also to evaluate how much are effective procedures of internal control.

Main objective of this auditing is to provide the possibility to the auditor to present an opinion if the financial statements for year 2006 are presenting the true and correct state for the incomes gathered and for the costs (expenditures) done during 2006 and if those statements are compiled in accordance with the International Accountancy Standards for Public Sector (IASPS) related to the “Financial report based on the accountancy of the cash flow”. IASPS are issued from the board of the International Accountancy Standards for the public sector of the International Accountancy Federation (IAF).

And also if the financial statements are compiled in accordance with the reporting frame AI 2006/14 and 2006/15 of the Ministry of Finances.

Objective of auditing will be to provide possibility to the auditor to present opinion if it was applied the Law for incomes generating and the Law for expenditures of the public money and also if the services provided are in accordance with the Law frame in Kosovo in economical, effective and efficacy method.

***We were also making sure that:***

- Accountancy for presentation of the accounts is in accordance with the amounts presented and registered.
- Amounts were spent for the specified situations.

- Auditing was performed in accordance with the requested regulations in the auditing instructions related to the auditing of the Financial Statements of the budgeted agencies.
- If the assets are in the function of entity.
- Accountancy policies are consistent or not from one year to another.
- Amortization policies are in accordance with the Kosovo Accountancy Standards and with the regulations of the Tax administration.
- There are included entire realized incomes, including donor funds or the governmental grants.
- Summary of the presented costs are presented in the main titles of the Statement and in the main categories of the costs for the fiscal year 2006.
- Balance that presents assets – based on the Administrative instruction 2005/11
- Registration of the assets on 31.12.2006 based on the administrative instruction 2005/11
- Respecting the procedures of the Law 2003/17 related to the management of the Public Finances and responsibilities, and also other administrative instructions.
- Comments about the correctness, efficacy and effectiveness of the costs performed based on the applied financial procedures.

#### **IV. Knowing and evaluating internal control and the accountancy system,**

- We have selected the strategy of mistrust (independent tests) in the internal control. We had discussions with the relevant level of management, supervisors and other personnel. This process includes the inspection of the documentation, reports and electronic files.
- During the auditing procedures, based on what we have achieved to see, we can conclude that in this case all the daily, monthly and other financial documents are controlled in few different levels.
- TRA didn't engage the internal auditor and neither the auditing department but applies the system of control through the regular policies and procedures.
- In the accountancy field, TRA uses a program FREE BALANCE, created from the Treasure. The program makes possible any time to receive necessary information's only based on cash, there for the decision making can be based on the data's generated from the program FREE BALANCE, but only on the bases of collection and payments and not in the accrual bases.
- Documentation is well archived, classified and completed.

- Entire personnel showed high level of cooperation and readiness to work under pressure and tensed conditions.

### **Application of Lawfulness; Law No: 2002/7 for Telecommunication**

- Lawful functioning in the entire territory of Kosovo is not done do to an objective obstacles that are making impossible the control in the entire Kosovo.
- There are barriers for realization of the incomes from two aspects:
  1. Firstly, PTK as the only company of this nature in Kosovo is not ready to pay the agreed amount since TRA was not able to control (monitor) entire territory of Kosovo.
  2. Secondly, there were illegal companies that operated in the territory of Kosovo and they were not submitted to this authority or paid any costs, they operated illegally.
- Based on the Law, article 3, point 2, TRA should coordinate whole transmitting activities together with the Temporarily Commissioner for Medias. This is issue which was not achieved to be realized.

#### ***Recommendation:***

- ***TRA should use the rights, liabilities and obligations that are resulting from the Law No: 2002/7 FOR TELECOMMUNICATION***
- ***TRA should monitor (control) entire territory of Kosovo in the field of telecommunication***
- All companies that are operating in the territory of Kosovo should be submitted to the above mentioned Law.

## **2. Functioning of the TRA Board**

Based on the Law No: 2002/7 “FOR TELECOMMUNICATION” it is determined the functioning of the Board of TRA.:

- In application of the article 6, point 7, Board should meet at least once per month; the same obligation was not respected from TRA. For the better run of the work, Board of TRA decided to establish the commission for licensing, authorization and monitoring. In this commission are included three members of the Board. Also, on the date 12.06.06, Board approved entire documentation which was earlier approved from the commission for licensing, authorization and monitoring. We are suggesting that the board should approve the decisions of the commission case after case and not as



mentioned above, to approve in the same time entire documentation. This can be achieved if the board respects the request of the Law for at least one meeting per month.

- There is no approved statute. The draft statute was sent to the UNMIK Law office on the date 22.03.2006, but still it is not signed and returned. TRA prepared the internal regulation trying to fulfill the gap which was created do to a lack of statute.
- Point 2 of the article 6 of the above mentioned Law was not applied. Actually the board is functioning with 4 members. The Kosovo assembly didn't yet nominate the fifth member of the board. As the result of this situation, the Board approves decisions with the 2/3 of the 4 nominated members.

**Recommendation:**

- *The board should be completed with 5 members and the professional staff based on the law.*
- *Board meetings should be regular as required from the Law.*
- *To approve as soon as possible the statute of TRA.*

### **3. Management of the incomes and financial expenditures (costs)**

- Based on the article 5, point 2, TRA is self financed, by covering the administrative and technical costs. Since the budget is approved from the assembly, experience until now showed that the budget proposal of the TRA was not approved from the assembly and in the other hand the reduced budget which was approved from the assembly became obstacle for implementation of the development policies of TRA. Assembly approved without any changes the capital investments which were proposed from TRA. We believe that the investment related to including the professional staff is also capital investment. Limitations that TRA has in the budget related to the costs for salaries is not motivating professionals of this field. This is not in accordance with the applied practices in the region.
- In the article 5, point 4, it is determined that entire collected funds of TRA should be deposited in the account which was specially opened for use of TRA in the Authority of Banks and Payments of Kosovo (BPK). This article of the Law, during year 2006 was not applied since TRA is obligated from Ministry of Economy and Finances (MEF) to do all the payments through the treasure, same as all other budgeted agencies. This

resulted with the procedural obstacles that TRA is facing in the management of the budgeted funds and in one level they lose the independency as the independent institution.

- TRA is submitted (applies) to the procedures of the treasure, but in the other hand the TRA is not financed from the budget, it is self financed and has liability to apply the Kosovo Accountancy Standards. This treatment made impossible application of the accountancy standards that are required based on the point 4 of the article 5 of the Law, TRA to compile financial statements based on the incomes and payments (Cash).

**Recommendation:**

- **For implementation of the development policies the assembly should approve the planned budget of TRA.**
- **Since it is non profit institution, from TRA are taken the generated incomes (for those that TRA didn't present plan for investments or expenditures), there for we propose that there is needed to find a form of harmonizing the requests of TRA, of the development policies and planning and finally the budget to be approved from the assembly of Kosovo.**
- **Account of TRA to be transferred in Central Bank of Kosovo (CBK), to be monitored from MEF and (CBK), this account should be managed by TRA without any interfere.**
- **TRA should not be considered as the budgeted agency**
- **To keep the independence of the institution**

#### **4. Financial Reporting / Frame of the reports**

- TRA compiles the financial statements based on UA 2006/14 and 2006/15 of MEF.
- But this frame is not representing entire "IASPS" or "INTOSAJ" International Accountancy Standards for Public Sector related to the "Financial reporting based on the accountancy of the cash flow".
- In the article 41, point 1, it is required that the service providers should submit the annual report to TRA, including financial information's based on the independent auditing and in accordance with the applied Laws in Kosovo. This article is not applied from the PTK as the only service provider for this period and TRA is forced to receive this kind of information's from the PTK internet pages.

**Recommendation:**

- ***From the standards “IASPS” to proceed with “IAS” International Accountancy standards and Kosovo Accountancy Standards and the frame of reporting to be based on accrual method. Or in the reporting frame prepared by MEF to have space for presentation of the requests and liabilities (in this case the assembly will have clear statement for the requests which were not used from TRA but there is a plan for use, and also to follow up in the future what happened with those requests, and to requests reports for collecting incomes or not collecting incomes).***
- ***All service providers in this field to submit the audited annual reports to TRA.***

## **5. Accountancy**

- In the article 41, point 1, it is required that the service providers should submit the annual report to TRA, including financial information's based on the independent auditing and in accordance with the applied Laws in Kosovo. This article is not applied from the PTK as the only service provider for this period and TRA is forced to receive this kind of information's from the PTK internet pages.
- For the period which is the object of control, the accountancy was kept from one accountant; the accountancy is kept in FRE BALANCE, a system of the Payments-Incomes approved from the Treasure, adopted for the accountancy based on cash. From this system it is not possible to analyze liabilities and requests. From the statements prepared based on cash which were approved from MEF and Treasure, the assembly will not have the possibility to know how much is the amount of collected incomes, same time they can not follow up the realization of the incomes in future (as for the monitoring of the TRA from the assembly, TRA can forgive their requirements to any service provider and the assembly will not be informed about that).
- Also in this system of FREE BALANCE it is not given the possibility of accounting data's related to the movable and immovable property.
- In this period there was a movement of the management staff (change of the management staff); during 2006 there were replacements in the financial department and also in the general management of the TRA. New engaged staff is properly incorporated in the relevant fields.
- Financial department did the annual balance with the branch of the treasure in Prishtina related to the situation of the costs and incomes.

**Recommendation:**

- **All service providers should submit the annual reports to TRA, including financial information's based on the independent auditing and in accordance with the applied Laws in Kosovo.**
- **From the accountancy system based on cash to proceed in the accrual accountancy system.**
- **To account the movable property and real estates**

## **6. Procurement**

Based on the gathered and verified evidences in TRA, we concluded that entire cases of procurement that we have inspected are in accordance with the procurement procedures and in harmony with the applied Laws in Kosovo (Reg. 2004/03, Law 2003/17). We found out that the procurements are done through the Central unit of TRA.

For the period which is object of the control, in this institution were developed 24 procurement procedures, "requests for quotation" with the limited fund 83,659.07€ , In the annual report there were presented 24 procurement situations. The annual report is signed from APP. From the working team we controlled 63, 12% of the total procurement situations.

**Recommendation:**

- Evaluation of the offers based on the lowest price doesn't prove that the best offer was selected, especially in the cases when it is not précised the value of the points for each unit and their influence in the total amount,
- Evaluation of the offers based on the price for unit or to be completely eliminated, or in this cases the units to be received from the different bidders (to separate specific articles from the cheaper bidders), or to plan total of the requested quantity for unit and the offer to be received as total which will eliminate the possibility of manipulation through this form.
- Planning – determination of the preconditions (planning, prediction, request projection) to be done with the highest level of responsibility.

## **7. Personnel/employment contract**

- Approximate number of employees during year 2006 was 28 workers of the different profiles,
  - Members of the board should have superior qualification and specialized knowledge for telecommunication in the fields of policy, frequencies, interconnection, tariffs, jurisdiction, economy, standardizations or to have at least 10 years experience in the telecommunication sector.
1. In the article 15, pint 1 it is written that TRA will elect inspectors for verification of the execution of the Law of the license conditions and to enforce usage by the law of the frequency specter. Because of lack of the budget approved from the assembly, TRA didn't implement this point of the Law by engaging permanent inspectors, but instead they have engaged inspectors for specific cases (from case to case).
  2. We are skeptic if the requests of the Law, article 7, point 3, will be fulfilled, and we couldn't conclude if only through the presentation of CV the requests will be fulfilled without presentation of any other relevant documentation.

### ***Recommendation:***

- ***Staff needs continues training and professional capacity building, especially the staff engaged in telecommunication in the field of policy, frequencies, interconnection, tariffs, jurisdiction, economy, standardization, management of the public finances and procurement.***
- ***To have personnel which is engaged to analyze financial statements of the service providers which are monitored from TRA***
- ***TRA to nominate permanent inspector who will verify the execution of the law of the conditions of licensing***

## **8. Petty Cash**

For the period which is object of the control, there were ten replenishments of the petty cash and one advance withdrawal for the business travel expenses.

- Petty cash is withdrawn from the account in accordance with the regulations

of the Treasure

- We didn't find separation of the receipts
- No purchases or expenses (costs) are not overlapping the limit planned based on regulation.
- All the advances for the business travel expenses are enclosed on time.
- In the end of the period that we are auditing there were no available cash, which means that the financial resources in the end of the period are in the account of TRA.
- Cash box is managed based on the frames approved from the Treasure
- All self earned incomes are in the account; nothing is collected from the cash box.
- Purchases are supported with the requests for purchase.

## **9. Assets /ownership**

In the balance of the situation there are not presented ownerships and liabilities – based on the administrative instruction 2005/11

TRA had one commission for evaluation of the assets as determined in the AI 2005/11, but the accounting of these assets was not done.

This accounting was not done do to a lack of clear administrative instructions from MFA and also do to a lack of the comprehensive reporting frame.

Registration of the assets on 31.12.2006 is finalized

### **Observation:**

Registration of the assets on the date 31.12.2006, based on the administrative instruction 2005/11 was done physically (quantity), also in the values. The assets in the registration list have their numbers and their location, number of identification, but there is no balance even physical between what was registered (found) and what should exists.

### **Reaction:**

TRA is in contradiction with the administrative instruction 2005/11.

Balance of the situation doesn't present correctly the assets of the entity on the date 31.12.2006 (in the position of the assets, requests, liabilities and capital).

TRA in the end of year should balance the value, in the numbers or other units for measure of the assets/property.

Misbalance makes us be worried that the risk for losing of the property exists, or

to not discover if there are losses, because in the end of the year the balance was not done.

Balances in the value and in quantity will make possible much more trusted management of the public assets.

**Recommendation:**

- To fully respect the Administrative instruction 2005/11
- The property/assets to be accounted

In the tasks of the commission for registration of the assets, it is necessary to enforce the balance of the actual situations with those from the accountancy, or with those that should really exist, and to ascertain the eventual differences. Those differences should be reported to the management, who should bring the decisions about them and also in writing to inform the accountancy about further decisions.

**Using the assets – Fleet**

**Observation:**

There is no plan for using the vehicles of the fleet of TRA, there for requests are received from on to another moment (case).

Also there are no criteria for approval of the costs for use of the official vehicles, there for the expenditures are received in the amounts that are presented for the fuel costs. Supply of the vehicles with fuel is done from the person who is using the vehicle but with previous authorization from the responsible personnel.

Usage of the vehicles is done with the written bylaws, the destination is known, the log book is kept, the registration of the costs is kept and well as the registration of the maintenance.

Such a monitoring, even without the procedures of controls, in fact is preventing the cases of misusing the vehicles for the private needs.

## VIII. Financial statements



**INSTITUCIONET E PËRKOHSHME VETËQEVERISËSE**  
**PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA**  
**PROVISIONAL INSTITUTIONS OF SELF - GOVERNMENT**



**Autoriteti Rregullator i Telekomunikacionit**  
**Telecommunication Regulatory Authority**  
**Regulativni Autoritet Telekomunikacije**

Reporting unit

Reporting the financial statements for year that ends on 31<sup>st</sup> December 2006

**- Table 1. Article 7 – Situation of the cash flow**

| 31.12. 2006<br>Description                               | Note     | General Fund      |        | Fund of donor | Humanitarian fund | Total (3+4+5+6)   |
|--|----------|-------------------|--------|---------------|-------------------|-------------------|
|  |          | Self – incomes    | Budget |               |                   |                   |
| 1  | 2        | 3                 | 4      | 5             | 6                 | 7                 |
| <b>Assets (1a until 1d)</b>                              | <b>1</b> | <b>462,852.62</b> |        |               |                   | <b>462,852.62</b> |
| Cash in cash box   | 1a       |                   |        |               |                   |                   |
| Cash in the Bank accounts                                | 1b       |                   |        |               |                   |                   |
| Cash in the accounts of CBK, Comerzbank, sub-accounts in | 1c       | 462,852.62        |        |               |                   | 462,852.62        |
| Cash in transit  | 1d       |                   |        |               |                   |                   |
|  |          |                   |        |               |                   |                   |
| <b>Liabilities (2a until 2d)</b>                         | <b>2</b> | <b>462,852.62</b> |        |               |                   | <b>462,852.62</b> |
| Fund for the self incomes                                | 2a       | 462,852.62        |        |               |                   | 462,852.62        |
| BKK fund   | 2b       |                   |        |               |                   |                   |
| Fund of the deposits in trust                            | 2c       |                   |        |               |                   |                   |
| Designated Grants of the donors                          | 2d       |                   |        |               |                   |                   |
|  |          |                   |        |               |                   |                   |

*Check the annex 1 – Elements of the balance of the available cash – general destinations.*

*The amount of 462,852.62 is allocated based on this order:*

Allocation in the amount of 137,920.00 is remaining in the end of 2006 from the self incomes.

Means in the amount of 312,600.00 are committed amounts and transferred from year 2006 in the year 2007, committed amount for the capital project (Project IT) which are still in the process, and the amount 12,825.41 are presenting the unspent amount from 2006.



**- Table 2. Article 8 – Statement of income and expenditures of the organizations**

| No.      | Description                                       | Allocations       |   | Fund of donors | Privatization fund | Total             |
|----------|---|-------------------|---|----------------|--------------------|-------------------|
|          |   | General fund      | Account of the treasure – Grant from the government |                |                    |                   |
|          |   | Self-incomes      |   |                |                    | (3+4+5+6)         |
| 1        | 2   | 3                 | 4   | 5              | 6                  | 7                 |
| <b>1</b> | <b>Incomes ( 1a to 1g)</b>                        | <b>931,712.00</b> |   |                |                    | <b>931,712.00</b> |
| a        | Grant of the Government                           |                   |   |                |                    |                   |
| b        | Self incomes                                      | 931,712.00        |   |                |                    | 931,712.00        |
| c        | Designated grants                                 |                   |   |                |                    |                   |
| d        | Incomes from privatization                        |                   |   |                |                    |                   |
| <b>2</b> | <b>Costs (a to f)</b>                             | <b>468,829.38</b> |   |                |                    | <b>468,829.38</b> |
| a        | Salaries of the staff                             | 162,781.72        |   |                |                    | 162,781.72        |
| b        | Goods and services                                | 306,047.67        |   |                |                    | 306,047.67        |
| c        | Utilities   |                   |   |                |                    |                   |
| d        | Subventions and transfers                         |                   |   |                |                    |                   |
| e        | Capital costs                                     |                   |   |                |                    |                   |
| f        | Costs of the fund for privatization               |                   |   |                |                    |                   |
| 3        | Situation of the unspent incomes ( nr 1- nr 2 )   | 462,852.62        |   |                |                    | 462,852.62        |
| 4        | Unspent grant from the government ( - nr 3 kol.4) |                   |   |                |                    |                   |
| 5        | Total ( Nr. 3 +- 4)                               | 462,852.62        |   |                |                    | 462,852.62        |

*Check the annex 2: - elements of the income and expenditure statement*  
 Incomes during year 2006 were in the amount of 811,550.00, and transferred from 2005 were 120,162.00.

**- Table 3. Article 9 – Statement of the Budget execution**

|                           | <b>Approved budget</b> | <b>Budget allocations</b> | <b>Expenditures</b> | <b>Unspent budget</b> | <b>Unspent Allocation</b> |
|---------------------------|------------------------|---------------------------|---------------------|-----------------------|---------------------------|
| Salaries of the staff     | 164,354.80             | 201,322.19                | 162,781.72          | 1,573.00              | 38,540.47                 |
| Goods and services        | 317,300.00             | 413,840.47                | 306,047.95          | 11,252.33             | 107,792.52                |
| Utilities                 |                        | 3,920.00                  |                     |                       | 3,920.00                  |
| Subventions and transfers |                        |                           |                     |                       |                           |
| Capital costs             | 312,600.00             | 312,600.00                | -                   | -                     | 312,600.00                |
| <b>Total</b>              | <b>794,254.80</b>      | <b>931,682.66</b>         | <b>468,829.39</b>   | <b>12,825.41</b>      | <b>468,852.27</b>         |

**- Table 4. Article 10 – Statement of the changes in the budget**

| <b>Description of the budget division</b> | <b>Reg. 2005/55</b> | <b>Admin. Instruction 2006/10</b> | <b>Admin. Instruction 2006/14</b> |
|---|---------------------|-----------------------------------|-----------------------------------|
| <b>Salaries</b>                           |                     |                                   |                                   |
| <b>Goods and services</b>                 |                     |                                   |                                   |
| <b>Utilities</b>                          |                     |                                   |                                   |
| <b>Subventions and transfers</b>          |                     |                                   |                                   |
| <b>Capital costs</b>                      |                     |                                   |                                   |
| <b>Reserve</b>                            |                     |                                   |                                   |
|   |                     |                                   |                                   |

**Explanation of the Table 3-** TRA budget based on the law for telecommunication 2002/7 is approved from the Kosovo assembly, and the financing is done through the self earning of incomes, and TRA for year 2006 didn't have any changes in the budget.

**- Table 5. Article 11 – Statement of collected incomes – Central organizations**

| <b>Economic code</b> | <b>Description of incomes</b> | <b>Collected</b>  | <b>Allocated</b>  | <b>Difference</b> |
|----------------------|-------------------------------|-------------------|-------------------|-------------------|
| 50210                | Incomes from licenses         | 811,250.00        | 673,600.00        | 137,650.00        |
| 50210                | Incomes from tender of IT     | 300.00            | -                 | 300.00            |
| <b>Total</b>         |                               | <b>811,550.00</b> | <b>673,600.00</b> | <b>137,950.00</b> |

**- Table 6. Article 14 – Statement of the unpaid receipts (liabilities)**

\*The amount 6,800.00 € and 12,420.00 € are the amount that are collected from the fund gathering for participation in the tender for second mobile GSM operator paid by bidders during 2007.

| <b>Date of Receipt</b> | <b>Receipt Number</b> | <b>Supplier</b> | <b>Amount</b>    |
|------------------------|-----------------------|-----------------|------------------|
| 01.11-31.11.2006       | 051004004282/95       | PTK Vala 900    | 68.06            |
| 01.11-31.11.2006       | 051122004363/95       | PTK Vala 900    | 54.06            |
| 01.11-31.11.2006       | 051004004283/95       | PTK Vala 900    | 120.00           |
| 01.11-31.11.2006       | 040311002870/95       | PTK Vala 900    | 257.14           |
| 01.11-31.11.2006       | 051122004364/95       | PTK Vala 900    | 120.00           |
| 01.11-31.11.2006       | 051004004284/95       | PTK Vala 900    | 120.00           |
| 01.12-31.12.2006       | 8                     | Bife Shtrojera  | 678.5            |
| 01.12-31.12.2006       | 127110562007          | PTK tel fiks    | 311.99           |
| 23.12.2006             | 919                   | gazeta express  | 345              |
| 30.12.2006             | 42683                 | Aks petrol      | 572.2            |
| 01.12-31.12.06         | 051004004284/97       | ptk vala 900    | 63.89            |
| 01.12-31.12.06         | 051122004363/97       | ptk vala 900    | 120              |
| 01.12-31.12.06         | 051122004363/97       | ptk vala 900    | 54.06            |
| 01.12-31.12.06         | 051122004364/97       | ptk vala 900    | 120.00           |
| 01.12-31.12.06         | 051004004282/97       | ptk vala 900    | 69.79            |
| 01.12-31.12.06         | 040311002870/97       | ptk vala 900    | 223.61           |
| 01.12-31.12.06         | 051004004283/97       | ptk vala 900    | 120.00           |
| 11.10.06               | 630197                | ilir kosova     | 166.75           |
| 16.12.06               | C132623               | The Economist   | 6,800.00         |
| 31.12.2006             | 008276                | Zeri            | 460.00           |
| 23-24/12/2006          | 146                   | Koha Ditore     | 1150.00          |
| 01.12.06               | SADI267154            | Financial times | 12,420.00        |
| 04.12.06               | 0661204/01            | DAXA electronic | 279.90           |
|                        |                       |                 |                  |
| <b>Total</b>           |                       |                 | <b>24,785.95</b> |

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TRA as self financed and nonprofit institution presents the financial statements of the incomes and expenditures for year 2006. Budget of TRA for year 2006, approved from the Kosovo assembly is in the amount of 794,254.80 € , and divided in categories:

Salaries and Per – Diem: 164,354.80 €

Goods and services: 317,300.00 €

Capital Investments: 312,600.00 €

Self earned incomes transferred from year 2005 to 2006 are 120,162.00

Total incomes during 2006 are in the amount of: 811,550.00 €

Allocated amount for 2006 to cover the costs of TRA is: 793,762.00 €.

Salaries and Per-diems; 164,322.10 €

Goods and services; 316,840.40 €

Capital Investment: 312,600.00 €

Balance (remain) is in the amount of 137,920.00 € from the incomes collected during 2006 were allocated in December 2006 which will be transferred as allocations for 2007.

The amount of 30 Euro was not allocated (transferred) because of the technical problem that occurred during the registration of incomes.

Total of expenditures for year 2006 are in the amount of 468,829.38 € divided based on categories:

Salaries and Per-Diems: 162,781.72 €

Goods and services: 306,047.65 €

In the category “goods and services” are included also the costs for utilities.

And the amount dedicated for the capital investments were not spent during 2006 and the total amount 312,600.00 € was transferred as allocation for year 2007

**Date:** 08.02.2007

### **XIII. EXPLANATION NOTE**

#### **1. EXPLANATION NOTE**

Based on the law 2002/7 Telecommunication Regulatory Authority (TRA), is established as the independent authority, nonprofit inside the PISG, responsible for the implementations of the PISG and Ministry policies led by this Law. Head Quarter of TRA is located in Peyton City, Street Pashko Vasa, No.12 Prishtina.

#### **2. REPORTING PERIOD**

Reporting period covers the 12 months period, starting from 1<sup>st</sup> of January until 31<sup>st</sup> December 2006.

#### **3. BASES FOR PREPARATION**

Financial statements are prepared with the purpose of reporting in the Kosovo assembly for the activities performed by TRA in accordance with the financial and reporting requirements of the International Accountancy Standards for Public Sector (IASPS); Financial reporting based on the accountancy of the cash, and they are in harmony with the administrative instruction 2006/14 about content of the financial statement of the budgeted organizations.

Financial Statements are presented in Euro, functional currency in the territory of Kosovo.

Responsible for the financial statements,  
The responsibility belongs to the Financial Manager

#### **4. Funds, budget, revision and reporting**

TRA budget for year 2006 approved from the Kosovo assembly is in the amount of 794,254.80 €, and divided based on the categories:

|                        |                     |
|------------------------|---------------------|
| Salaries and Per-Diem: | <b>164,354.80 €</b> |
| Goods and Services:    | <b>317,300.00 €</b> |
| Capital Investment:    | <b>312,600.00 €</b> |

Self earned incomes forwarded from 2005 to 2006 are in the amount of 120,162.00  
Total incomes for year 2006 are in the amount of: 811,550.00 €

Allocated amount during 2006 to cover the costs of TRA is: 793,762.00 €.

|                         |                     |
|-------------------------|---------------------|
| Salaries and Per-Diems; | <b>164,322.10 €</b> |
| Goods and Services;     | <b>316,840.40 €</b> |
| Capital Investment:     | <b>312,600.00 €</b> |

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| Description  | Approved Budget   | Budget Allocation | Expenditures      | Unspent Budget    | Unspent allocation |
|--------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>Total</b> | <b>794,254.80</b> | <b>793,762.00</b> | <b>468,829.38</b> | <b>325,425.54</b> | <b>324,932.62</b>  |

| <i>Economic categories</i> | <i>Financial allocations</i> |                     | <i>Total Allocation</i> |
|----------------------------|------------------------------|---------------------|-------------------------|
|                            | Resource fund 21             | Resource fund 22    |                         |
| Salaries and Per-Diem      | 136,000.00 €                 | 28,322.19 €         | 164,322.10 €            |
| Goods and Services         | 225,000.00€                  | 91,840.47 €         | 316,840.40 €            |
| Capital Investment         | 312,600.00 €                 | -                   | 312,600.00€             |
| <b>Total</b>               | <b>673,600.00 €</b>          | <b>120,162.60 €</b> | <b>793,762.60 €</b>     |

\* The amount 120,162.60 are amounts transferred from year 2005

Report of the budget execution for year 2006

| <i>Economical Categories</i> | <i>Approved</i>     | <i>Allocated</i>    | <i>Expenditures</i> | <i>Left from allocations</i> |
|------------------------------|---------------------|---------------------|---------------------|------------------------------|
| Salaries and Per-Diems       | 164,354.80 €        | 164,322.10 €        | 162,781.72 €        | 1,540.00 €                   |
| Goods and services           | 317,300.00€         | 316,840.40 €        | 306,047.67 €        | 10,793.28 €                  |
| Capital Investments          | 312,600.00 €        | 312,600.00 €        | -                   | 312,600.00                   |
| <b>Total</b>                 | <b>794,254.80 €</b> | <b>793,762.60 €</b> | <b>468,829.39 €</b> | <b>324,933.28 €</b>          |

## **5. EXPENDITURES (COSTS)**

### 4.1. Salaries and Per-Diems

Based on the law for telecommunication 2002/7, article 6, point 3, members of the TRA Board will be paid in accordance with the applicative scheme of the salaries for the members of the assembly, which will be stated in the initial budget of TRA and it will be proposed to the assembly for approval, and the administrative staff will be paid based on the decision of the Board 086/06.

### 4.2. Goods and Services:

All expenditures in this category were in accordance with the law and procedures for procurement and the law for Management of the public finances as well as regulation of the Treasure – 02 “expenditure of the public finances”.

## **6. OPERATIONAL PAYMENTS FROM OTHER FINANCIAL ENTITIES**

TRA didn't receive any donation or payment from other institution.

## **7. COLLECTION**

Activities of TRA will be financed from the amount that will be collected through the transparent application of the regulatory tariffs in harmony with the Law for telecommunication 2002/7, including but not limited only in::

- Authorizations,
- Licensing,
- Number distribution
- Accordance of the right for use of the frequency specter.

## **8. AVAILABLE CASH AND EQUIVALENTS OF CASH**

Available cash are presented in the real amounts which were available in the moment of flowing in the account of TRA in BPK.

## **9. SELF EARNED INCOMES OF TRA**

TRA prepared the financial statements of incomes for year 2006, which is in the amount of 811,550.00, as the self earned incomes.

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| Payment date   | Operators Name  | Amount              |
|----------------|---|---------------------|
| 23/03/06       | Partial payment for licensing - LICENCIM<br>N.P.KUJTESA         | 80,000.00€          |
| 13/04/06       | From IPKOS 12/04/06   | 75,000.00 €         |
| 28/04/06       | Payment from PTK DT:30/12/05-PCB                                | 150,000.00 €        |
| 11/05/06       | Payment for license COMPANY IPKO.NET.LLC                        | 12,500.00 €         |
| 15/06/06       | Payment for license COMPANY IPKO.NET.LLC                        | 12,500.00 €         |
| 03/07/06       | Transfer from AURORA ISRAPHONE for<br>LICENCE for TRA           | 18,750.00 €         |
| 08.08.06       | Payment for license from Ipko net                               | 12,500.00 €         |
| 15.08.06       | Payment for license from Ipko net                               | 12,500 .00 €        |
| 16.08.06       | Payment for license from Ipko net                               | 25,000 .00 €        |
| 12.09.06       | Payment for license from Ipko Net Land line<br>telephone        | 87,500.00 €         |
| 12.10.06       | Payment for license from N.P. Kujtesa                           | 70,000.00 €         |
| 20.11.06       | Payment for tender IT   | 30.00 €             |
| 21.11.06       | Payment for tender IT and payment from PTK for<br>annual tariff | 250,060.00 €        |
| 23.11-01.12.06 | Incomes from Tender IT  | 210.00 €            |
| 21.12.06       | Incomes from the license of TVN Kabelnet                        | 5,000.00 €          |
| Total          |   | <b>811,550.00 €</b> |



## **10. PAYABLE ACCOUNTS (REQUESTS)**

On the date 31.12.2006 the situation of the payable accounts is in the amount of 434,468.00€

| <b>Operators Name</b> | <b>Type of the services</b>  | <b>Unpaid</b>       |
|-----------------------|--|---------------------|
| <b>PTK</b>            | 1% of the incomes for year 2005 for the land line and mobile telephone | 415,718.00 €        |
| <b>Isra-phone</b>     | License for the international telecommunication services               | 17,500.00 €         |
| <b>Isra-phone</b>     | License for the services with the added value                          | 1,250.00 €          |
| <b>Total</b>          |  | <b>434,468.00 €</b> |

## **11. PAID ACCOUNTS (LIABILITIES)**

### **Paid accounts are in the amount of 24,785.95€**

These receipts were not paid on time because the receipts were received with delay: For more details please refer to the table 6 of the financial statements. Receipts “The Economist” in the amount 6,800.00 and the receipt “The Financial Times” in the amount 12,420.00 should be paid from the incomes earned from the payment of participation in the tender for second Mobile.

**12. CONTINGENCY LIABILITIES** – Management is not aware for such liabilities.

## **13. EVENTS AFTER THE BALANCE DATE**

There are not evident the important cases which can influence the financial statement.

## **14. CONTINUATION PRINCIPLE**

Possibility of continuing the activities of the subject for another 12 months based on the available funds, active projects and planned activities from management are not under question.

## **15. MOVABLE AND IMMOVABLE PROPERTY**

In the reporting frame prepared from the department of treasure there was no position (place) to present any group or class of the properties (movable or immovable), or liabilities in the Passive.

**16. Equipment and machinery:** Reports included in this category are presenting equipments of TRA and they are recognized as assets if there are chances tha: Benefits/economical profits in future will flow in the entity. Cost of the equipment should be measured with trust; in the beginning they are registered based on the costs. Costs include all the expenditures necessary to bring the equipment in the useful condition. TRA keeps the property based on the purchased cost and still they didn't start with the devaluation account.

Devaluation levels are:

|                 |       |
|-----------------|-------|
| Buildings       | 5 %   |
| Heavy machinery | 15 %. |
| Equipment       | 20 %  |

| Description        | Status | Price              |
|--------------------|--------|--------------------|
| Vehicle            | Used   | 191,833.56         |
| Server             | Used   | 4,605.00           |
| Laptop             | Used   | 15,285.00          |
| Printer& Photocopy | Used   | 14,068.00          |
| Telephone          | Used   | 8,400.00           |
| Air-condition      | Used   | 3,960.00           |
| Furniture          | Used   | 18,232.67          |
| Computer           | Used   | 32,874.78          |
| GIS License        | Used   | 16,480.00          |
| Total              |        | <b>305,739.00€</b> |

**XIV. List of the consulted and audited documentation**

- Balance of situation for the financial period until 31.12.2006
- Statement of incomes and costs from 01.01 until 31.12.2006
- Other Financial Statement for year 2006
- Statement of all balances and main books for year 2006
- Law for the Management of the public finances
- Administrative instruction 2005/15
- Administrative Instruction 2005/11
- Administrative instruction 2006/14
- Administrative instruction 2006/15
- Samples of the receipts (sale/services/rent)
- Samples of the licenses
- Registration of the Assets/equipment and inventory on the date 31.12.2006
- Report from the treasure on 31.12.2006
- Law about telecommunication
- Regulations of TRA
- Minutes from the Board meetings
- Process prepared from the commissions of TRA
- Entire internal regulations
- Planned budget
- National legislation, in particular laws that are related to the finances
- Actual mandate and terms of references for auditing

## **XV. Contacting officials responsible for the auditing process**

| <u><b>Name of Official</b></u> | <u><b>Position</b></u>     |
|--------------------------------|----------------------------|
| 1. Anton Berisha               | President of the TRA board |
| 2. Mark Buzhala                | Chief of administration    |
| 3. Fatmir Gervalla             | Chief of finances          |
| 4. Petrit Derguti              | Chief of the Law office    |
| 5. Arian Qorolli               | Procurement official       |

## **XVI. Abbreviations:**

- 1. KAS – Kosovo Accountancy Standards**
- 2. ISA – International Standards of Auditing**
- 3. IAS – International Accountancy standards**
- 4. PISG – Provisional Institutions of Self Governance**
- 5. IASPS – International Accountancy Standards for Public Sector**
- 6. MEF- Ministry of Economy and finances**
- 7. SRGS – Special representative of the General secretary**
- 8. AI- Administrative Instruction**
- 9. MA – Municipal assembly**
- 10. TRA – Telecommunication Regulatory Authority**
- 11. CBK – Consolidated Budget of Kosovo**
- 12. CFA – Central fiscal authority**
- 13. UNMIK – United Nation Mission in Kosovo**