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RESEARCH ARTICLE

The Study and Application of Moral Principles and Values in the Fields of Accounting and Auditing

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ABSTRACT

The provision of high-quality and dependable financial information plays a vital role in the economic, social, and financial advancement of a nation. Accountants and auditors, in their role as creators and validators of financial information, find themselves in a position where they must balance the interests of those who provide the information (producers) and those who consume it (investors, banks, creditors, etc.). Accountants and auditors in this capacity play a crucial public role. The accounting profession plays a crucial role in a country's development by contributing to its economic growth, financial stability, effective operation of capital markets, and the public sector. The accounting profession facilitates and fosters the expansion and advancement of businesses, particularly small and medium-sized enterprises, by providing them with assistance in strategic and financial management. Its primary goal is to safeguard the interests of shareholders and the public who invest capital in these businesses. As the accounting profession evolved, professional organizations for accountants were established. These organizations have the goal of safeguarding the public's interests by promoting the growth of a robust profession and making valuable contributions to the stability and strength of the economy. Accounting operations (OPs) play a crucial role in serving the public's interests by contributing to the establishment of high-quality standards and guidelines in the accounting and auditing field. Their main objective is to create favorable conditions for the adoption and implementation of these standards, promote the growth of a robust accounting profession, and ensure the delivery of top-notch services by accounting professionals.

INTRODUCTION

Accounting ethics pertains to the veracity of accounting data, specifically financial statements and reports. It ensures the reliability of financial reports for users, advertising, responsible individuals, the reputation of the corporation or solo traders, as well as the safety and well-being of the personnel. According to classical economic theory, self-interest drives individuals primarily.

An individual makes decisions by considering the principles of costs and benefits, specifically focusing on what they stand to gain from a particular situation. One can experience life through various approaches, but there are also approaches that make life unattainable.

IFAC, established in 1977, is the global governing body for the accounting profession. The organization's goal is to improve the global accounting profession and support the growth of robust international economies. We achieve this by promoting the adoption of high-quality professional standards, advancing the international convergence of these standards, and openly addressing public interest issues where the profession's expertise is crucial.

In my reference, I will primarily address the importance of enhancing the legal and institutional framework in the accounting field over the past twenty years. Specifically, my focus will be on outlining future strategies to maximize the efficiency of accounting practices. Designed to be practical and responsive to the specific needs of contemporary society and the economy, the aim is to create a guiding tool that accurately indicates our current position and future destination. Throughout its evolution, human society has consistently required knowledge to facilitate many aspects of its operations, with a particular emphasis on economic endeavors. Accounting excels at providing this information.

Throughout its development, a variety of authors have provided accounting definitions and interpretations. Accounting serves as a comprehensive information and communication system for decision-making regarding the utilization of economic resources. It enables effective control over resource utilization and the evaluation of the outcomes of economic activities. Recognizing the significant importance of the financial statements, created based on accounting principles and shared with external parties, is crucial.

In contemporary times, financial reporting holds significant relevance as it serves as a universal means of communication in the creation of financial statements issued across various countries globally. Out of the 41 international accounting standards initially created, 29 are currently in effect. The process of transitioning from International Accounting Standards (IAS) to International Financial Reporting Standards (IFRS) began after 2000 and has resulted in the development of IFRS 13. The London Board, also known as the International Financial Reporting Standards Foundation, has held this designation since July 2010.

We reenter the realm of actuality within our nation, "for the purpose of accounting and preparing financial statements," thereby integrating conventional practices with contemporary approaches. The aforementioned legislation currently divides our country's financial reporting structure into three tiers.

The initial tier comprises economic organizations that adhere to the International Financial Reporting Standards (IFRS). The following economic entities are considered of public interest: second-tier banks, insurance and reinsurance companies, and securities funds. This category includes them regardless of their listing status on an official stock exchange. Additionally, other large economic entities are also included if they meet both of the following criteria in the past two years: they are unlisted and have fulfilled these criteria simultaneously.

A) An annual income above 1,250,000,000 euros;

B) The average yearly number of employees surpasses 100 individuals.

Small and medium-sized economic organizations that adopt 14 International Classification Standards (ICS), developed in alignment with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), make up the second level.

The micro-units at the third level provide reports based on SKK 15, which outlines the standards for micro-unit accounting and financial reporting. Through the implementation of this financial reporting framework, we have successfully ensured that all economic organizations are bound by accounting regulations while considering the importance of cost-benefit information and the capabilities of individuals. Albania stands out as one of the rare nations that has successfully implemented accounting standards at all three levels, a significant accomplishment in our view.

MATERIALS AND METHODS

The research for this paper primarily focused on the work aspect in Kosovo and the surrounding region. As a sample for the study, I examined the audit of the KEK in Kosovo. The research also explored the overall process of conducting audits and highlighted its effectiveness as a regular practice in the state and beyond.

The purpose of this audit is to assess the effectiveness of the revenue management process at KEK for the year 2011.

We have conducted a thorough evaluation of the financial management and control systems in this firm, including the essential tests and procedures to get a definitive judgment about this process.

The revenues at KEK exhibit a favorable trajectory, with an increase of 8% in 2011 compared to the preceding year. The collection also grew by around 3% and reached 91% of the billed amount. The cumulative debts are significantly elevated. Energy losses have had a 3% reduction this year, but they remain very high, approximately at 37%.

We've noticed the management's dedication to following our interim audit recommendations. Their involvement included establishing regulations and procedures for administering additional incomes, establishing a standardized system for their documentation, and appointing a tax officer at the KEK level. These tips are currently being implemented.

The energy billing system has multiple vulnerabilities, and the inability to improve these flaws undermines the system's dependability. Energy loss is significant. The absence of a billing extension in the northern part of Kosovo exacerbates the situation. The management and supervision of contracts pertaining to other income inside KEK have been inadequate. The inadequate and delayed management of debts, as well as the disputed legitimacy of certain loans, are detrimental factors for KEK's administration and operations.

The financial management and control system pertaining to revenues in KEK still exhibits substantial deficiencies and vulnerabilities. Their ongoing presence will have a detrimental impact on the company's revenue generation process and overall business operations.

To enhance the efficiency of the financial management system and internal controls, we advise the Board to instruct the managing director to: 1. Undertake necessary measures to analyze the factors contributing to energy loss. 2. Conduct a comprehensive assessment of the billing system to ensure its reliability. 3. Improve the management of debts and conduct a thorough analysis of accounts receivable to verify their accuracy. 4. Establish a functional control system to promote transparency in revenue management, starting with the energy billing system and extending to contracts for other sales in KEK.

We have given the KEK management the opportunity to provide feedback on the preliminary version of this report. Appendix 1 contains an unresolved matter where the auditor and the audited entity hold divergent opinions on our final determination.

In addition, KEK Management has committed to making a diligent effort to address all the recommendations provided.

RESULTS

This audit pertains to KEK's revenue process administration and compliance for the period ending December 31, 2011. KEK has engaged a private firm to conduct the audit of the financial statements in accordance with legal obligations.

The KEK Board is responsible for implementing an effective revenue management system and ensuring sound financial management. KEK is required to create financial statements and reports in accordance with International Accounting Standards and Financial Reporting. KEK should prepare these statements and reports using the accrual accounting principle.
Managerial auditing is the process of verifying controls and evaluating financial management, which includes examining financial reports and assessing their value. During this audit, we have examined:

If the annual financial statements provide an accurate representation of the revenue account and associated financial matters throughout the audit period,
If the financial data pertaining to income, systems, and transactions are compliant with the current laws and regulations,
In order to ensure the effectiveness of the internal control functions pertaining to revenue and the internal audit process,
Regarding any matters that arise or are connected to this audit,.

We have conducted the interim audit of KEK. During that stage of the audit process, we focused on evaluating the effectiveness of financial management and controls. During the intermediate phase of the audit, we provided five key recommendations to the management of KEK on the enhancement of the revenue processing system.

The KEK management has acknowledged our advice and promptly initiated its implementation wherever feasible. We are delighted to promptly begin addressing the three primary recommendations, with two of them currently underway.

The advice given pertained to the establishment of a suitable revenue processing system. This included implementing appropriate regulations and procedures for other sources of income, creating a unified registration and reporting framework for these sources, and appointing a revenue officer at the KEK level. Currently, we are working on providing guidance on how to operate revenue controls in general and how to implement the AB's suggestions. We presented the audit memorandum in December 2011.

To meet our obligations for the KEK audit, we have engaged in the following endeavors:
We conducted a thorough examination of KEK's annual financial statements for 2011, comparing them to the approved plan. Our objective was to determine if KEK's financial reporting adhered to the International Financial Reporting Standards (IFRS) and the legal requirements for reporting of public enterprises (PEs) in the country. To achieve this, we used a combination of discretionary and case-sampling methods to select transactions for testing. Additionally, we assessed and tested the internal controls as needed.

We conducted extensive and thorough testing on financial transactions.
To evaluate the accuracy and consistency of financial transactions, we utilized a blend of interviews, analytical assessments, document examination, and physical verification. AND
we evaluated the quality of the Internal Audit Unit's performance in KEK with respect to our audit domain.

This report offers a succinct summary of this year's audit, emphasizing the management and compliance of the revenue process. It concludes by assessing the quality and effectiveness of the process in 2011.

Last year's opinion

Deloitte, a private auditing business, conducted the audit of KEK's Annual Financial Statements (AFS) last year. The 2010 financial statements received a qualified opinion.

The opinion was qualified based on limitations in the audit scope, specifically the absence of the auditor's participation in the physical counting of inventory, the accuracy of inventory balances at the end of the year, and the initial balance on January 1, 2010. These limitations could have impacted the statement of income and cash flow for the year ended December 31, 2010.

The highlighted difficulties include the ongoing reliance on government funding and the absence of asset damage analysis in the regulated price of electricity. Other concerns involve the ownership of assets recorded in KEK's books, taxes, and methods of asset depreciation.

In 2011, KEK's financial statements underwent an audit by the external independent auditing firm "Grant Thornton." This company has issued an unambiguous view, emphasizing multiple concerns.

Reporting

KEK is a state-owned company. The Managing Director of KEK is accountable to the Board of Directors, who in turn report to the Ministry for Economic Development, specifically the Unit for Policy and Monitoring of Public Enterprises. Reporting is conducted through quarterly reports that KEK publicly releases, providing a reflection of its financial performance. The company's annual report, which encompasses financial and operational events throughout the course of the year, is submitted at the conclusion of the year. KEK's reports and financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) for the public sector, following the accrual accounting principle. KEK has timely submitted its annual report. Additionally, it has created a PF in compliance with the external reporting system for NPs.

During this audit, we have examined the preliminary annual statements pertaining to income.
After analyzing the information in the statements and reports, we discovered the following deficiencies: We question the veracity of certain receivable amounts reported in the financial accounts, as their worth does not align with the purchasers' records, and in certain instances, the customers have not verified them.

Sometimes, accounting records income-related bills late, which affects the accuracy and thoroughness of financial reports.

The lack of thoroughness and accuracy in accounts receivable, as well as delays in maintaining accurate accounting records, have a negative effect on financial reporting's dependability. Furthermore, KEK's accounting plan must be altered.

DISCUSSION

KEK has timely filed the annual report and financial statements. Nevertheless, it is necessary to verify the accuracy and reliability of the information pertaining to income and receivables. Enhancements are required for the revenue control system to guarantee the accuracy and dependability of the information shown in the financial reports.

Financial management: income
Officially sanctioned budget and financial outcome
The examination of the outcomes in the annual financial statements in comparison to the approved budget reveals:

Table 1 Sources of income - actual against the budget 000 (€)

Sources of budget funds	Initial Budget 2011	Revised Budget 2011	Realization 2011	Realization 2010
Altogether	238,050	238,470	259,487	238,827
Income from energy supply	186,240	189,220	189,377	172,553
Energy export	9,200	9,200	15,264	9,580
Income from KOSTT	6,060	5,400	3,578	4,319
Total from energy	201,500	203,820	208,220	186,452
Other revenues outside of collection	3,500	7,300	12,457	8,320
Import subsidies	33,050	27,350	27,350	39,021
Recognition of income from depreciation of assets	0	0	10,683	5,034

The KEK board conducted the budget review in June 2011 and subsequently endorsed it. The actualization of their own revenues exceeds their projected projection. With the exception of KOSTT losses, the surplus was present in all revenue categories. The import subsidy experienced a decrease of €5.7 million. In comparison to 2010, total revenues have increased by around 8%.

The KEK's forecast for other revenues in 2011 was inaccurate, even after revising the budget in the latter part of the year. Effective budget planning will facilitate the development of a more accurate annual financial projection and enhance the company's operations.
Revenue and financial management.

In its financial statements and reports, KEK discloses the following categories of income (€000):
Energy-related activities generate €208,220 in income, while grants bring in €38,033.
Additional revenue amounts to €13,234. Management of electricity income
the distribution of energy revenues is based on tariff categories ranging from 4kV to 35kV, as well as for large consumers in the 110–220kV range. The CCP1 software documents the data for the initial group and then transmits it to the CAS system. The RCS program keeps separate records for major client invoices. The Supply Division at KEK generates these records. The main accounting center at the KEK level is responsible for the financial administration and reporting of these revenues.
According to KEK's report, energy output in 2011 reached around 5.6 million MW/h, which represents a gross increase of roughly 8% compared to 2010. It has invoiced approximately 3.5 million megawatt-hours, accounting for more than 63% of the total production. Production energy billing has increased by 3% compared to 2010.

At the onset of 2011, the client count stood at 424,234. Throughout the year, the customer base experienced a growth of around 20,000, resulting in a total of 441,884 active registered consumers. In terms of billing, the energy collection rate has increased significantly, reaching approximately 91%.

In 2011, total energy revenue amounted to €208,220 thousand, which includes both export revenue and revenue from KOSTT. However, the revenue from energy supply was only €189,377 thousand. We have tested 155 samples (invoices) on individual consumers. Analyzed data from four KEK districts. We have performed a comprehensive analysis in the District of Pristina (DPR).

The Energy Regulatory Office (ERO) establishes regulations and provisions for energy provision, which guide the conduct of energy billing. The Energy Regulatory Office (ERO) grants approval for energy tariffs. In relation to the invoicing procedure, KEK management has implemented a directive for meter reading, stipulating that it shall occur on a monthly basis.
The audit has revealed vulnerabilities and inadequacies in energy revenue administration and invoicing.

The energy losses incurred from electricity sales are currently at a significant level. The billing process fails to properly account for approximately 37% of KEK's generated energy. Of these, 16.8% remain uninvoiced due to technical losses or energy distribution losses. In addition to the overall economic losses of approximately 20%, the northern region of Kosovo also experiences losses of 4.5%. Commercial losses occur due to unauthorized energy consumption and KEK's inability to accurately measure and bill for it.

The District of Mitrovica (DMI) suffers the most significant losses, with a rate of approximately 63%. The inability to bill for energy in the northern region of the Republic of Kosovo, a result of the current national situation, accounts for the high proportion.

Energy tariffs pass on the losses to KEK consumers.
There is a significant proportion of clients who do not have a contract.
In 2011, KEK had a total of 441,884 registered active consumers. Out of the total, 166,280, or approximately 38%, do not have a contract. The majority of non-contract clients enrolled before 1999. Local power supply rules and regulations require the provision of necessary equipment to clients with contracts.

We derived our judgment regarding the degree of energy losses and the number of consumers without a contract from the reports provided by KEK. We have not conducted any analysis verifying the accuracy of their claims.

Non-metered or flat-rate billing
The lack of meters led to a fixed amount invoice of €1,041,745 in 2011. This method resulted in an invoice of €8,669 for the 2011 DPR. The recipient of the bill remains unknown, as the customer's name is not listed on the bill. The outstanding debt for this billing method exceeds €82,000. This casts doubt on the veracity of the generated debt and the accuracy of the reported income.
There is a significant volume of consumer complaints, as well as a substantial number of cases filed by the KEK.

According to KEK's records, the number of complaints received from customers this year is 27,417. The majority of them were related to inaccurate meter readings and other grievances. We examined a total of 32,086 cases in 2011. This compilation includes both complaints carried over from previous years and self-initiated complaints from departments within KEK.

However, in 2011, KEK brought up around 5,380 complaints to the court, primarily for the unlawful utilization of electricity. However, according to corporate executives, the Court has not yet resolved any of the cases from 2011.Errors and weaknesses plague the billing procedure, undermining its trustworthiness.

We have identified a significant number of invoices with zero value and exclusively flat fee charges.

We have displayed the numerical data for four districts in a tabular format:

Table 2 Number of invoices with zero value and only with a fixed fee for the year 2011 (€)

	Bills with	**Fixed rate invoices**	**Fixed rate invoices**
	zero value (€0)	**housekeeping (€2.41)**	**business (€3.39)**

DPR	10,971	159,033	58,835
DPZ	3,860	117,848	31,356
DPE	2,580	98,117	32,998
DMI	5,711	62,638	20,217
Total for 4 districts	23,122	437,636	143,406

We conducted a thorough analysis of multiple examples to identify the underlying factors that contribute to these types of billing issues.

Some of these issues arise from KEK's compliance with energy supply regulations. These include replacement meters due to measurement errors, inconsistent and erroneous readings, meter damage, instances where energy consumption is zero, and other incidents of energy mismanagement identified by KEK. Given the significant volume of invalid bills, we cannot rule out the possibility that consumers or KEK's inaction may have generated additional errors.
We have discovered two instances in which a customer possessed one meter number but had two identification numbers. As a result, they received two monthly bills throughout the year, the majority of which included a set cost.

Another disconnect from KEK occurred in 2008. Despite the disconnect, the client has continued to be active and has consistently received invoices at a fixed rate since then.
We limited the scope of our audit to a small number of samples, which effectively demonstrated the many issues present in the billing process. Hence, the KEK administration should identify, examine, and eradicate these shortcomings.

KEK has implemented measures aimed at enhancing the situation; nevertheless, the deficiencies remain apparent and the outcome is still inadequate. Consequently, a thorough study by the management is imperative.
The large number of energy losses poses a formidable task for KEK. The lack of billing and administration capabilities in Kosovo's northern region has a significant impact on energy losses, tariff rates, and the organization's overall operations.

The invoicing system in KEK remains unreliable. The process of energy measurement, reading, and invoicing exhibits a significant degree of error and anomaly. The organization has not yet achieved a consistent and reliable system for generating income through invoicing, and there is a lack of effective control and oversight in this process.

Table 3 Other income (€)

Description	Value in €
Income from the sale of coal and ash	2,334,346
Revenue from services and steam	1,564,079
Income from energy consents, penalties, participation in tenders, etc.	3,942,562
Income from rent and others	209,708
Extraordinary income from previous years	4,506,721
All other incomes	12,457,416
Financial income, interest	776,738
TOTAL	13,234,153

Income from the sale of coal

The coal sales revenue for 2011 amounted to €2,201,043. Our audit included the examination of samples valued at €563,808, which represents Kosova Thngjillin sh.a.'s sales.
We conducted the coal sale in accordance with the May 2007 agreement, which stipulated a duration of two years. In 2009, an addendum extended this agreement until November 2011.

The monitoring of coal sales was insufficient.

We conducted coal measurements using two methods: truck weighing and autoclave filling. Kosova Coal Ltd. houses the autoclaves, which have an estimated capacity of around 30 tons. Their measurement is only derived from the reports submitted by Kosova Thëngjilli to KEK. These reports served as the basis for the coal invoice.

In this instance, there was insufficient evidence about the controls used by KEK to guarantee precise measurement and counting of the coal filling in autoclaves.
The designated official supervised the truck measurement process at the KEK premises, adhering to the specified protocols.

There is a lack of documentation on how to operate controls for measuring coal quantities using autoclaves. Thus, there is no guarantee that the measurement is comprehensive and in compliance with the specified regulations.

Income generated from the sale of ash and steam
The revenue generated from the sale of ash in 2011 amounted to €131,556, but the revenue from the sale of steam was €362,488. We conducted an audit of two contracts for the sale of ash, totaling €16,318. We have examined the invoices totaling €116,305 for the sole transaction involving the sale of steam. In relation to these revenues, we have noticed the following deficiencies:

The contract for the sale of ashes was not fulfilled within the specified timeframe.
The contract between KEK sh.a. and Trepça-Mitrovica is set to last for a period of 45 days, starting from the commencement date. The sale of ashes persisted for a duration of six months subsequent to the termination of this contract. The management has not pursued any additional measures regarding this matter. This demonstrates inadequate oversight of such agreements.
The monitoring and supervision of ash and steam sales was insufficient. There was insufficient oversight of their contracts, and there was no system in place to determine their expiration and ensure their appropriate implementation.

Revenue generated from the disposal of garbage
The revenues generated from garbage sales in 2011 totaled €418,455. The majority of the revenue, amounting to €411,149, or 98%, comes from the sale of metal trash, with the remaining portion generated from the sale of oils and tires.

We have conducted tests on a total of 10 samples, consisting of six samples obtained from the sale of scrap metal, three samples obtained from the sale of oil waste, and one sample obtained from the sale of tires. The results of our tests are as follows:

The metals were not categorized, and the market was not analyzed prior to their sale.
SCRAP2, a type of metal waste, consists of various metals, including chromium, steel, iron, aluminum, copper, and other metals that vary in quality and value. Despite the differences between these metals, KEK did not classify them, but instead sold them as combined metals at a uniform price per unit.
The sale of metals (SKRAP) followed a sales procedure in the form of a public auction, where the highest price paid (€0.21/kg with VAT) determined the winner. However, we did not conduct market price research before establishing the price as a benchmark for competitiveness.

KEK has established a price of €0.16/kg (including VAT) as the minimum requirement for competitors to qualify. We calculate the price using the sales technique from the previous year. The tendering process lacked sufficient study and research to ensure that the price aligned with the market. The Internal Audit examined the issue of the low pricing in the previous year's sale procedure for SKRAP, namely the sale of copper wire.

The company's records listed the equipment for sale as usable in the tender specification.
At the Kosova A Power Plant, it has been discovered that certain equipment (namely, Transformer T2 and Transformer T4) was included in the sale offer without being officially declared unsuitable in the KEK registers. Six months after contracting the transformers, KEK decided to form a commission to assess the technical condition of these transformers. However, they did not undergo any assessment. One year after signing the contract, in April 2012, SKRAP presented a proposal for the disposal of the items.

The act of procuring functional equipment for the purpose of selling it as scrap metal suggests inadequate management and a deficiency in oversight about the sale of scrap metal.
Some divisions have surpassed the projected sales volume for metals.
Each division's approximate quantity of metal waste is part of the specification of the goods for sale. The Coal Production Division (DPQ) offered a total of 1,000 tons of SKRAP. However, the trash sales report for 2011 shows that EO purchased 1,197 tons. Similarly, this situation occurred in TC Kosova

B, located in the District of Pristina, as well as in the Directorate in Pristina. In Thermal Power Plant B, the quantity of metal available for sale was 200 tons, but the actual sale amounted to 417 tons. The District of Prishtina offered 10 tons of metal for sale, but only 15 tons sold. Similarly, the Directorate (Prishtina) offered a sale quantity of 2.5 tons, but the actual sale reached 21 tons. This suggests a deficiency in accurately assessing the value of the metals offered for sale.

Insufficient management of the sales process
We found a deficiency in the procedures for removing goods from the warehouse during the analysis of the sold waste samples. The oil sales brochures lack the signatures of the seller's authorized personnel. The authorized individual did not sign the pamphlet advertising the sale of oil worth €1,548 in the District of Prizren.
The metal trash sale, specifically the SCRAP, was poorly managed. The aforementioned flaws were due to a lack of clarity in the contracting procedure and inadequate monitoring.
KEK has conducted the sale of waste materials without adequate oversight in several instances, resulting in the departure of commodities that do not meet the contractual requirements. Furthermore, the higher magnitude of the surpassed quantity indicates a lack of effective strategizing.

Rental income

KEK possesses a variety of facilities and equipment that it leases to others. In 2011, KEK earned €191,246 in rental income. The subsequent rental categories determine their realization.
Apartment rentals are available to both current and former KEK employees. Additionally, KEK has separated facilities and equipment for joint-stock businesses to hire.

We lease hydropower plants through a tendering process.

We conducted tests on a total of 13 rental revenue samples. Out of these, 7 samples are from the category of renting apartments, while the remaining 6 samples are from the category of renting joint-stock firms and hydropower plants. The results of our tests are as follows:
Erroneous financial reporting and inadequate presentation of rental status
According to the accounting records in KEK, Company "Ushqimi" Sh.A. has an outstanding prepayment for rent until the end of April 2011, even though it has not made any rent payments to KEK. Thus far, the imprecise portrayal has stemmed from erroneous inputs in the accounting records. The "Food" company erroneously recorded a payment of €20,922, made on behalf of its loan to KEK, as a rent payment. The rent includes an unattributed payment of €13,079 from 2009. Following our advice, the management has implemented measures, which indicates that the longstanding deficiencies in their management have been perpetuated for years.
In some cases, official records and documentation of the 2011 rental obligation date back to 2012.

The cause of this is the postponement of finalizing contractual agreements. Therefore, the corporation, adhering to the accrual principle, considers this €2,880 registration as unfair and untimely.

We had a delay in extending contracts with joint stock firms, specifically with the "Inkos Institute." Their contract with KEK ended in August 2011, but they continued to invoice without a contract until the end of the year. They executed the new agreement on January 31, 2012. Due to inadequate management of rental contracts, the recording of rental income does not align with the principle of accrual accounting, as mandated by KEK. The late registrations do not have a significant impact on KEK's financial statements. However, these shortcomings indicate a lack of controls in managing contracts and accounting records.

Table 4 Debts for confirmations (€)

Customer Description	Balance on 31.12.2011 in €	Confirmation from the customer in €
Trepca-AKP, the southern part	4,979,915.86	2,348,495.69
Kosova Tëngjilli sh.a	2,332,862.90	It has not been answered
Kuwait Quarter, Ballovc	1,182,736.17	It has not been answered
UNMIK 1 Press Palace	1,162,344.15	It has not been answered
WDG sh.a	368,726.04	1,771.30
Termokos substation directory	273,137.29	It has not been answered
Ms. Ramiz Sadiku	208,211.43	He denied the value of the debt
Totali	**10,507,934**	

Several clients have displayed a lack of willingness to respond regarding their outstanding debt to KEK. The three responses obtained show significant disparities in the debt values recorded in KEK and customer data.

This is a factor that affects KEK's accuracy in reporting accounts receivable.
This is due to their advanced age and KEK's inability to gather them promptly. The absence of consistent communication with clients is a drawback and has adverse consequences.

KEK made an adjustment of €2,076,125 for the buyer Trepça-AKP, the southern division, which had a debt balance of €4,979,915 on December 31, 2011, reducing its debt and transferring the same amount to the northern division of Trepca. However, the representatives from the northern Trepça region did not take part in this rectification (agreement).
In addition, we have conducted supplementary audit procedures pertaining to two balances:
The entity known as "UNMIK 1 Palati i pressit Rilindja" is listed as owing a debt of €1,162,344. Palati i Stypit Rilindja has undergone a change in ownership, but the matter of the previous debt remains unresolved. A commission established by KEK to ascertain this debt has determined that the sum of €824,235 should be rectified (repaid) due to duplicate billing. However, no corresponding action has been implemented thus far. Regarding the remaining debt, it is uncertain whether it will be deemed valid and able to be collected from KEK.

Kuwait Neighborhood in Ballovc is the next buyer, with a balance of €1,182,732. Multiple households (consumers) reside in this locality; nevertheless, KEK has issued a single collective monthly invoice for all residents. The legitimacy of this debt is questionable, as it has been abandoned without a registered address and a legal owner. We installed separate meters for each customer in this neighborhood in 2009. The outstanding debt issue remains unresolved. Therefore, we have not yet

received any verification regarding the specific amount of the debt.
Regarding the buyer, "Ms. Ramiz Sadiku," who has refused to acknowledge the amount owed to KEK, Since 2006, we have completed the privatization of this property, but the debt issue remains unclear and under the authority of the former KTA, now KPA.

Poor debt management and insufficient debt collection efforts
KEK has failed to conduct thorough analyses regarding the age of outstanding debts and other analyses pertaining to uncollected debts from individual customers.
This approach to their administration is suboptimal and has a detrimental impact on the equitable and efficient treatment of debts. Providing unique treatment based on their seniority and specific needs will enhance credibility in management and in relation to consumers. Furthermore, apart from the substantial debts incurred from energy, there has been a noticeable deficiency in the prompt collection of revenues in other categories as well as from former KEK divisions. Invalid input: Kompania Kosova Thëngjilli sh.a. has not met its obligations to make prompt payments for coal and steam to KEK. At the end of 2011, the debt amounted to €2,332,863 for coal and €419,964 for steam. The agreement mandates monthly payments, with the deadline being the 10th day of the following month. In 2011, both Instituti Inkos SH.A. and the Institute of Occupational Medicine did not fulfill their obligation to make rent payments to KEK. The accumulated rent arrears by the end of 2011 amount to €43,426 for "Instituti Inkos SH. A" and €62,432 for the "Institute of Occupational Medicine."

We also noted instances of tenants failing to pay their rent in 2011 when renting apartments. Furthermore, there is a deficiency in terms of prompt retrieval of these items.
The company's indebtedness to KEK is a significant concern in its corporate operations. The management should handle the full disclosure of LLA and the issue of provisions appropriately due to their significant importance and high financial worth. The advanced age of LLAs and the concern regarding their legitimacy present a future difficulty for their collection.
Similarly, the inability to treat debts equally, particularly those of individual consumers, impacts the effectiveness of debt collection and undermines the company's management credibility.

Managerial control

Internal control systems

An effective internal control system is essential for budgetary organizations to successfully achieve their objectives and provide accurate financial reporting while maximizing the use of public funds.
Control Environment: KEK is now in the process of establishing a suitable control environment. In late 2011, KEK implemented a regulatory framework for revenue management and control. The current stage entails implementing these policies and processes. Management should prioritize achieving desired outcomes and ensure that the policies in place are suitable and adequate for the organization.

Observations have revealed a deficiency in establishing targets when doing risk assessments for alternative income planning. This has resulted in inadequate risk assessment and an inability to monitor performance due to the absence of specified objectives.

Control activities: Overall, KEK lacks an effective framework for control and associated activities. Their inefficiency has been particularly noted in the sales of ash and coal and in their measurements. Control measures have been lacking in the disposal of metal trash. Although KEK has made efforts to optimize the energy sales process, it has been unsuccessful in establishing a dependable system for this purpose. The large number of incorrect invoices is a negative signal of this process.
Based on the audit findings, it is evident that KEK's information and communication preparation needs improvement. Effective communication should be established both internally and externally

within the organization. Establishing and cultivating communication with clients, particularly debtors, is crucial to validate the amount due.
Monitoring: KEK has failed to conduct consistent monitoring and assessment of the activity and operations. Operational or functional managers must perform these tasks, along with specific evaluations by internal audit. These measures allow us to determine the effectiveness and presence of internal controls.

Our audit findings indicate that the controls in place for revenue management and processes are unsatisfactory. The oversight and surveillance of contracts for other sources of income is inadequate, thereby resulting in the clear existence of anomalies. The debt management is unsatisfactory.

Considering the absence of controls regarding revenues in KEK, it is evident that the internal audit should prioritize the field of revenues as being of significant importance. Increasing the emphasis on artificial intelligence (AI) in the revenue system and invoicing would assist KEK management in implementing controls more effectively.
The absence of oversight in the energy export process suggests a departure from the intended responsibilities.

Recommendations

Recommendation 1:

We recommend that the KEK Board ensure that the Managing Director initiates the following actions: It is necessary to enhance the financial control system in order to guarantee accurate reporting on revenues and a thorough examination of receivables.

Recommendation 2:

We advise the KEK Board to guarantee that the Managing Director takes proactive measures to investigate the factors contributing to energy loss, eradicate them, and enhance the company's overall performance.

KEK and the Government of Kosovo should prioritize addressing energy billing and debts in the northern part of Kosovo. KEK and the Government of Kosovo should provide consumers with energy supply contracts and individual meters to eliminate flat-rate billing. We should analyze and address the causes of the high number of consumer complaints, and take appropriate actions against irresponsible consumers. Additionally, we should conduct a comprehensive analysis of the billing system. Exclude invoices that have a value of zero, fixed-fee invoices, and invoices that are generally questionable.

Additional revenue
The primary accounting center reports the additional revenues generated by KEK Divisions through the CAS program. Invoices are issued by the divisions responsible for generating revenues. The revenue officer oversees the RCS program, where the divisions store the data pertaining to the generated revenues.
The other revenues recorded in the Profit and Loss Statement for 2011 amount to €13,234 thousand. These revenues consist of the following:

Recommendation 3:

We advise the KEK Board to ensure that the Managing Director takes the necessary steps to oversee and supervise the management and execution of contracts for coal, steam, and ash sales. This involves guaranteeing the adherence to all measurement conditions and their timely fulfillment.
Improved oversight by managers of sales procedures for various types of metals, particularly scrap metals; and

Compiling leasing contracts and ensuring their timely renewal, while also reporting and presenting income in accordance with the accrual accounting principle.

Management of accounts receivable
The financial statements reflect receivables in their net value, whereas their disclosure is made in their gross value together with relevant allowances. The financial statements of 2011 show that the net value of accounts receivable from energy sales is €13,250,000.
The financial statements reveal a gross value of €376,746,000 for LLA. KEK consumers have billed but not yet collected approximately €58,356 thousand of VAT, surpassing this value. The Ministry of Economy and Finance (MEF) and the Korea Tourism Association (KTA) established the Memorandum of Understanding (MOU) in 2006, which this presentation adheres to. According to it, public enterprises remit VAT during the collecting process rather than during the billing process. This memorandum was intended to be temporary, with a duration of only 12 months. However, the Tax Administration Authority (TAK) made a comparable provisional ruling regarding the management of value-added tax (VAT) in 2012.
The total amount of money owed to KEK, including the value-added tax (VAT), at the end of 2011 was €435,092,237. KEK's accounting records document a provision of €421,851,594 for debts that are likely to be uncollectible. The financial statements declare this information and provide explanations for the value-added tax component. As a result of the circumstances that arose, the financial statements of KEK for 2011, which were examined by an independent external auditor, revealed a discrepancy of approximately €58 million. Full disclosure and presentation of gross receivables in compliance with IAS and IFRS rules are essential.
Hence, given the potential influence on KEK's financial statements, it is imperative for the management to give proper consideration going forward. The majority of these loans originate from earlier years. As previously mentioned, the rate of collection has significantly increased in recent years, reaching a peak of 91% of billing in 2011.
The company's ineptitude in debt collection has led to deficiencies in its administration and reporting, which we will disclose below:
Certain accounts receivable belonging to KEK lack complete legitimacy.
The accuracy of LLA balances shown in KEK's financial statements is incomplete due to the absence of confirmation and acceptance of the value of some LLA balances by buyers.
We have solicited verification of some customer account balances. We requested the confirmation of accounts with a total value of €10,507,934, as illustrated below:

Recommendation 4:

We advise the KEK Board to ensure that the Managing Director takes appropriate measures to oversee and report on LLA management, as well as implement strategies to improve debt collection efficiency.
Ensuring effective communication, particularly with significant debtors, and doing essential verifications regarding the debt amounts.

Recommendation 5:

We advise the KEK Board to guarantee that the Managing Director takes the following actions:

Conduct a comprehensive analysis of revenue management and controls.

Implement appropriate measures in each area where shortcomings have been discovered.
Regular monitoring and reviews are conducted to ensure the effective functioning of communication and internal controls.

A system for conducting internal audits
In 2011, the Internal Audit Unit performed audits for various purposes. In relation to our audit

objective, there were two reports: the report pertains to the examination of "Accounts receivable in the Energy Corporation of Kosovo" and the "Audit of Zero Invoices" conducted in early 2012.
The Internal Audit Office did not oversee the energy export procedure.
The Internal Audit Department is responsible for observing, evaluating, and ensuring the appropriate application of the operating policies and rules for energy sales.
The AB office did not carry out the observation in 2011 to ensure effective execution or provide any report on the progress of these procedures.
The management lacks sufficient confidence in the procedures' adherence to operating policies due to ZAB's lack of involvement in energy sales processes.

Recommendation 6:

We strongly advise that the KEK Board guarantee that the internal audit fulfills its duties and obligations in accordance with its commitments and the authorized plan.
Overall assessment of income management in KEK
This study indicates a consistent upward trend in KEK's revenues in recent years. In 2011, there was an increase in collections compared to the previous year, as well as a decrease in energy losses.
KEK still needs to improve its revenue process management and controls. Various deficiencies plague the invoicing system, including a significant volume of invalid invoices and a substantial number of consumer complaints that disrupt the process. The lack of energy management and billing infrastructure in the northern region of Kosovo is a significant difficulty for KEK, the state-owned energy company, and its board of directors and shareholders, the government.
The significant magnitude of the indebtedness, coupled with the absence of feasible means for timely and equitable resolution, poses a formidable challenge for the management and the board of KEK. The country's judicial and legal authorities play an important role in this matter. As a result, it is critical to establish a robust control environment and implement effective quality management practices to ensure KEK's overall financial stability.
The persistent existence of documented vulnerabilities can undermine KEK's favorable patterns. The management of KEK should actively participate in formulating a strategy to address the current situation. To rectify the existing weaknesses, this plan should outline specific targets and activities.

Recommendation 7:

We advise the KEK Board to assess and examine the areas with significant shortcomings and implement measures to enhance the internal control and management system. This will aid KEK in accomplishing its specified goals.

Ethics is a highly significant matter that receives a great deal of attention in numerous places worldwide. Training programs offered by both domestic and foreign universities have failed to adequately address the social and ethical obligations of management. Currently, there is a pressing need to address concerns related to the qualification of individuals to understand the fundamental concepts of the market economy. This includes implementing comprehensive programs at various educational levels, ranging from middle school to university, rather than solely relying on training programs.

CONCLUSION

One of KEK's main objectives is to establish industry standards in the financial sectors in which we operate, both in terms of our activities and the services we provide. In order to foster positive transformation for our business clientele as well as uphold principles of ethical conduct, In this context, our strong company principles are critical. KEK institutions adhere to six fundamental

principles that govern their operations:
Clear

We provide clear and unambiguous information to our customers, the general public, and our workers. As an illustration, we ensure that our customers have a comprehensive understanding of the employment conditions and contracts they have entered into with us. We engage in financial education to raise public awareness about the risks associated with non-transparent offers.

A culture of open communication
We maintain an atmosphere of openness, fairness, and constructive communication among ourselves and address workplace disputes in a professional manner by working together to find resolutions.
Ethical obligation and acceptance of diversity
we provide our customers with important guidance. We help people choose beneficial options without overwhelming them.

Customer-centric approach
we attend to each customer with amiable, considerate, and proficient conduct. Regardless of the customer's background or the size of their enterprise, our staff is committed to providing exceptional service.

Elevated levels of expertise and conduct
our staff is accountable for the caliber of their work and endeavors to further their professional development.
Exhibiting a strong sense of personal honesty and dedication
we expect complete transparency from all KEK personnel at all times, and we promptly and strictly address any breach of this principle.

Our day-to-day activities extensively deliberate and implement the six values, which serve as the bedrock of our corporate culture. KEK incorporates these concepts into its Code of Conduct, translating its ethical values into specific instructions for all staff members. To ensure a comprehensive understanding of the established principles, the initial training for new workers includes exclusive sessions focused on the Code of Conduct and its significance for all individuals within our team. Consistent training hours guarantee staff dedication to the highest ethical principles and keep them well-informed about new ethical challenges and developments within our institution. These enable current staff to stay updated on recent and troublesome cases.

Furthermore, we ensure that we evaluate financing proposals according to the applicant's adherence to ethical business principles.

Our institution's commitment to upholding the highest ethical standards also includes our ongoing adoption of worldwide best practices and procedures to prevent the bank's use for money laundering. Funds obtained through illicit means, such as engaging in unlawful activities or providing financial support for terrorist actions, the guiding idea that our staff adheres to is "Know your customer." In line with this principle, we prioritize doing thorough reporting and implementing the current requirements.

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