

BALKANS POLICY RESEARCH GROUP (BPRG)

Project number: KOS-18/0007

INDEPENDENT AUDITOR'S REPORT

and

Financial Report

for the period 01 January 2023 to 31 December 2023

Project: "Elevating peace & state building agenda and advancing European agenda"

Funded by: The Norwegian Ministry of Foreign Affairs

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SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

To: Balkans Policy Research Group (BPRG) management

Opinion

We have audited the accompanying financial report of project implemented by Balkans Policy Research Group (BPRG) ('organization'), funded by The Norwegian Ministry of Foreign Affairs ('The embassy') for project "Elevating peace & state building agenda and advancing European agenda" for the period 01 January 2023 – 31 December 2023 and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying statement of receipts and disbursements presents fairly, in all material respects, the cash receipts and disbursements of the project for the period 01 January 2023 – 31 December 2023 in accordance with the cash receipts and disbursements basis of accounting described in Note 2.2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) respectively ISA 800/805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Expenditure Specification section of our report*. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the Expenditure Specification in Kosovo, and we fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2.2 to the statement of receipts and disbursements, which describes the basis of accounting. The statement of receipts and disbursements is prepared to provide information to The Royal Norwegian Embassy. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the statement of receipts and disbursements

Management is responsible for the preparation and fair presentation of the statement of receipts and disbursements in accordance with the cash receipts and disbursements basis of accounting described in Note 2.2. this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the statement of receipts and disbursements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a statement of receipts and disbursements that is free from material misstatement, whether due to fraud or error.

In preparing the statement of receipts and disbursements, management is responsible for assessing the Organization's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Statement of Receipts and Disbursements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout audit. We also:

- Identify and assess the risks of material misstatement of the statement of receipts and disbursements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement of receipts and disbursements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the statement of receipts and disbursements, including the disclosures, and whether the statement of receipts and disbursements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lulzim Zeka
Statutory Auditor



Baker Tilly Kosovo L.L.C.
Prishtinë

Baker Tilly Kosovo
31 January 2024

BALKANS POLICY RESEARCH GROUP (BPRG)
Project "Elevating peace & state building agenda and advancing European agenda"
Project contract no. KOS-18/0007

Summarized financial report as per budget categories
 For the period 01 January 2023 - 31 December 2023
 All amounts in Euro

Summarized financial report as per budget categories

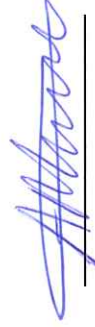
Category of expenditure	Budget for the period 01 Jan 2021 - 31 Dec 2021		Budget for the period 01 Jan 2022 - 31 Dec 2022		Budget for the period 01 Jan 2023 - 31 Dec 2023		Total budget 01 Jan 2021 - 31 Dec 2023		Expenses for the period 01 Jan 2021 - 31 Dec 2021		Expenses for the period 01 Jan 2022 - 31 Dec 2022		Expenses for the period 01 Jan 2023 - 31 Dec 2023		Total expenditures for the period 2021 - 2023	Balance as at 31.12.2023	Derivation %
	Dec 2021	Jan 2021 - 31	Dec 2022	Jan 2022 - 31	Dec 2023	Jan 2023 - 31	Dec 2021	Jan 2021 - 31	Dec 2022	Jan 2022 - 31	Dec 2023	Jan 2023 - 31					
Grant applicant, total	1,079,230		2,405,400		2,686,200		6,170,830		1,067,397		2,039,396		2,613,516		5,720,310	450,520	93%
Personnel costs	223,830		352,800		352,800		929,430		230,365		343,257		361,509		935,131	(5,701)	101%
Travel	23,400		43,200		43,200		109,800		22,729		42,606		42,919		108,254	1,546	99%
Specific project-related costs	745,800		1,864,500		2,092,700		4,703,000		729,043		1,516,683		2,029,081		4,274,807	428,193	91%
Operating costs	66,600		98,400		107,000		272,000		64,882		95,793		95,217		255,893	16,107	94%
Purchase of equipment	9,600		24,000		48,000		81,600		10,015		25,556		51,990		87,561	(5,961)	107%
Evaluation	5,000		12,500		32,500		50,000		5,363		5,500		22,800		33,663	16,337	67%
Audit	5,000		10,000		10,000		25,000		5,000		10,000		10,000		25,000	-	100%
Direct operating costs, total	1,079,230		2,405,400		2,686,200		6,170,830		1,067,397		2,039,396		2,613,516		5,720,310	450,520	93%
Indirect operating costs [5 %]	53,962		120,270		134,310		308,542		53,370		101,970		130,676		286,015	22,526	93%
Project costs total	1,133,192		2,525,670		2,820,510		6,479,372		1,120,767		2,141,366		2,744,192		6,006,325	473,046	93%

This financial report has been approved and signed on behalf of the management on 22 January 2024 by:

Naim Rashiti, Executive Director



Arena Miftari, Finance Officer




BALKANS POLICY RESEARCH GROUP (BPRG)
Project "Elevating peace & state building agenda and advancing European agenda"
Project contract no. KOS-18/0007

Financial report

For the period 01 January 2023 - 31 December 2023

All amounts in Euro

Financial report

Budget description	Budget for the period 01 Jan 2021 - 31 Dec 2021	Budget for the period 01 Jan 2022 - 31 Dec 2022	Budget for the period 01 Jan 2023 - 31 Dec 2023	Total budget 01 Jan 2021 - 31 Dec 2023	Expenses for the period 01 Jan 2021 - 31 Dec 2021	Expenses for the period 01 Jan 2022 - 31 Dec 2022	Expenses for the period 01 Jan 2023 - 31 Dec 2023	Total expenditures for the period 2021 - 2023	Balance as at 31.12.2023	Derivation %
Grant application, total	1,079,230	2,405,400	2,686,200	6,170,830	1,067,397	2,039,396	2,613,516	5,720,310	450,520	93%
1 Personnel costs	223,830	352,800	352,800	929,430	230,365	343,257	361,509	935,131	(5,701)	101%
2 Travel	23,400	43,200	43,200	109,800	22,729	42,606	42,919	108,254	1,546	99%
3 Specific project-related costs	745,800	1,864,500	2,092,700	4,703,000	729,043	1,516,683	2,029,081	4,274,807	428,193	91%
3.1 Empower institutions and inclusive policy making and support domestic consensus	52,800	100,800	110,000	263,600	51,810	88,077	71,649	211,536	52,064	80%
3.2 Executive Program for the Youth in Politics	53,000	53,000	53,000	159,000	53,450	55,567	30,320	139,338	19,663	88%
3.3 Expert support for the dialogue with Serbia to the government	477,000	1,457,200	1,469,200	3,403,400	457,130	1,151,267	1,571,428	3,179,825	223,575	93%
3.3.NMK Expert support for the North Macedonia Outreach and Communication to enhance public support for the dialogue and compromises with Serbia	-	-	216,000	216,000	-	-	222,324	222,324	(6,324)	103%
3.4 Assisting path toward normalization: Increasing support in Kosovo and Serbia for the dialogue, enhance exchanges and promote stronger public voices in support of the dialogue	51,000	74,000	68,000	193,000	51,724	81,033	61,124	193,881	(881)	100%
3.5 Enhance Kosovo participation in regional initiatives and programs	20,000	60,000	60,000	140,000	21,000	41,425	-	62,425	77,575	45%
3.6 Support for the EU - related agendas - Implementation of the SAA and ERA	55,000	90,000	87,000	232,000	54,928	77,457	57,235	189,620	42,380	82%
4 Operating costs	37,000	29,500	29,500	96,000	39,000	21,858	15,000	75,858	20,142	79%
5 Purchase of equipment	66,600	98,400	107,000	272,000	64,882	95,793	95,217	255,893	16,107	94%
6 Evaluation	9,600	24,000	48,000	81,600	10,015	25,566	51,990	87,561	(5,961)	107%
7 Audit	5,000	12,500	32,500	50,000	5,363	5,500	22,800	33,663	16,337	67%
Direct operating costs, total	1,079,230	2,405,400	2,686,200	6,170,830	1,067,397	2,039,396	2,613,516	5,720,310	450,520	93%
Indirect operating costs [5 %]	53,962	120,270	134,310	308,542	53,370	101,970	130,676	286,015	22,526	93%
Project costs total	1,133,192	2,525,670	2,820,510	6,479,372	1,120,767	2,141,366	2,744,192	6,006,325	473,046	93%

The project will continue until December, 2023, the presented financial report is for the years 2021, 2022 and 2023. The foreseen amount of the project for the whole period is EUR 6,479,372 (year 2021; EUR 1,133,192 year: 2022; EUR 2,525,670, year 2023; EUR 2,820,510).

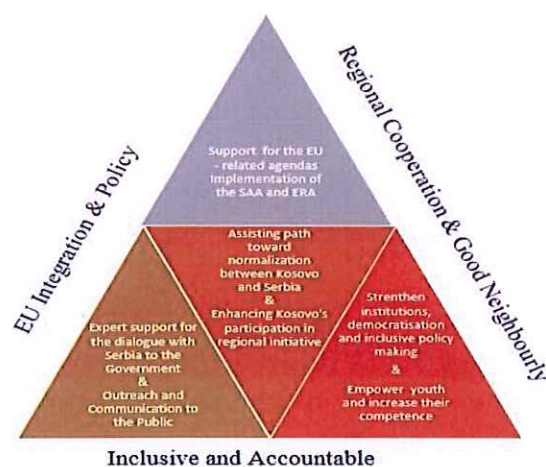
The Royal Norwegian Embassy provided a grant to Balkans Policy Research Group-BPRG for the project "Elevating peace & state building agenda and advancing European agenda" on 11 December 2020. There are four Addendums for extension of the project and budget changes that are approved by the Contracting Authority.

1. General

The Balkans Policy Research Group (BPRG) is an independent institute dedicated to contributing to state-building and social harmony in Kosovo, as well as facilitating state reconciliation in Kosovo and peace in the Western Balkans. Through research, analysis, advocacy, dialogue, and evidence-based expertise, its ultimate goal is to bring the region closer to the European Union (EU). The Balkans Group was established in Kosovo in 2013, succeeding the work of the International Crisis Group (ICG). Its strategic orientations address the key challenges of the state-building process, which proves to be a monumental task for Kosovar society. They are committed to supporting the optimal functioning of institutions, democratic consolidation, minority integration, resolution of neighborly disputes, and advancing the EU agenda. All work is based on extensive field research conducted by the BPRG staff, accompanied by interviews with local and international leaders, enabling the EU staff to develop a wide network of contacts in the Western Balkans.

1.1. Project Description

The overall objective of the project is Elevate Peace, state building and European agenda, through consensus-building, inclusive policymaking, expert input and increasing political and societal support for peace, educating political representatives, supporting regional cooperation and advancing the implementation of reforms. The three-year project target broad range of stakeholders who can affect change and advance critical agendas for Kosovo, including the institutions (the government, the president, the parliament, line ministries of Defense, foreign affairs, etc.), political parties, youth and women, minorities and municipalities, civil society organization in Kosovo and the region and experts of fields.



1.2. Overall Objective

Elevate peace, state-building and European agenda, through consensus building, inclusive policymaking, expert input, and increasing political and societal support for peace, educating political representatives, supporting regional cooperation, and advancing the implementation of reforms.

1.3. Specific Objectives

- Improve consensus and inclusive policymaking and increase accountability by improving policymaking and policy-coordination processes.
- Assist the political transition by empowering youth and equipping them with knowledge and skills.

1.3. Specific Objectives (continued)

- Advance the Kosovo-Serbia dialogue by providing and increased expert support to the Government of Kosovo and the Kosovo negotiation team as well as increase the transparency and public outreach of the dialogue for citizens.
- Assist Kosovo’s Assembly by providing expert support on the dialogue, oversight and specific law making aimed at increasing its capacity. The support will be used to better prepare for the dialogue with Serbia, aligned with the Government and build consensus in the assembly.
- Provide expert support for the President of Kosovo in law making, check and balances, functioning of institutions, secure policies, dialogue with Serbia international cooperation.
- Increase support for the Ministry of Defense Ministry by providing expertise and policy support.
- Provide support for the ministry of Rerun and Communities and four northern Serb-majority municipalities through providing expert support and advice in the areas of governance, local governance, public policy and Kosovo law and administrative system.
- Advance normalization between Kosovo and Serbia by enhancing cooperation between civil society, communities, public officials, and experts of Kosovo and Serbia.
- Enhance regional cooperation by increasing Kosovo’s participation in regional initiatives and agendas through policy inputs and agenda settings.
- Promote the agenda of the government of Kosovo and other institutions, its needs, and interest at the broader European level through high-level advocacy events, outreach and dialogue.
- Advance the implementation of EU approximation-related agendas, the SAA and ERA, through monitoring, mobilizing institutions, and public support.
- Provide Expert Support for the Government and other public institutions in North Macedonia.

2. Summary of significant accounting policies and general information

2.1 Organization

Balkans Policy Research Group-BPRG is a Non-governmental Organization registered under Kosovo legislation with its registration no. 5400241-6 .The organization is located in Pristina, Kosovo.

2.2 Basis for presentation

The accompanying financial report have been prepared on the modified cash basis of accounting with respect to note 5. Expert consultancy (Payable) in amount of 35,300.00 Euro. with the agreement between Balkans Policy Research Group-BPRG and The Norwegian Ministry of Foreign Affairs in Prishtina. Accordingly, revenue and expenses are recognized when received and paid respectively.

The accompanying financial reports present the activity of the project funded by The Norwegian Ministry of Foreign Affairs and not the activity of the organization as a whole.

2.3 Functional currency

The program incurs transactions in Euros. All amounts reported in the Statement of sources and uses of funds are in Euro.

2.4 Fixed assets

Balkans Policy Research Group-BPRG policy is to expense all furniture and equipment purchased with restricted funds.

BALKANS POLICY RESEARCH GROUP (BPRG)
Project “Elevating peace & state building agenda and advancing European agenda”
Project contract no. KOS-18/0007
Notes to the financial report
For the period 01 January 2023 - 31 December 2023
All amounts in Euro

3. Funds received

Donor	Date transferred	Disbursed in EUR
The Royal Norwegian Embassy	28 April 2023	1,611,656
Total donor funding		1,611,656

4. Reconciliation of funds and expenditures

Reconciliation of funds for the period:	January 01, 2023 to December 31, 2023	January 01, 2022 to December 31, 2022
Initial balance of cash	1,134,503	1,265,895
Disbursed funds for the period	1,611,656	2,009,974
Expenses for the period	2,744,192	2,141,366
Remaining Balance	1,967	1,134,503

5. Payable expenditures

Budget lines	Amount
3.6. Enhance Kosovo participation in regional initiatives and programs	15,000
3.7. Support for the EU - related agendas - Implementation of the SAA and ERA	6,500
6. Evaluation	13,800
Total	35,300

We draw attention to note 5. in the budget Lines: 3.6. Enhance Kosovo participation in regional initiatives and programs, 3.7. Support for the EU - related agendas - Implementation of the SAA and ERA and 6. Evaluation the above expenditures are reported as accrual expense as at 31.12.2023. These expenses will be paid during January 2024.

BALKANS POLICY RESEARCH GROUP-BPRG

PROJECT FUNDED BY THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

Project " Elevating peace & state building agenda and advancing European agenda"
Project no. KOS-18/0007

For the period 01 January 2023- 31 December 2023

LETTER OF MANAGEMENT



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31 January 2024

LETTER OF MANAGEMENT

To: Balkans Policy Research Group-BPRG management

Introduction

We have audited the accompanying statement of receipts and disbursements of the Balkans Policy Research Group-BPRG, funded by The Norwegian Ministry of Foreign Affairs ('The Ministry') for project "Elevating peace & state building agenda and advancing European agenda", for the period 01 January 2023 –31 December 2023. In planning and performing our audit, we considered its internal control over financial reporting as basis for designing our auditing procedures, obtained an understanding of the design effectiveness of internal controls, determined whether internal controls have been placed in operation, assesses control risk, and performed tests of the project's internal controls for the purpose of expressing our opinion on the financial report, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting.

We noted certain matters involving internal control that are presented in the attachment to this letter for your consideration. We believe these matters warrant management's attention. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the organization's internal controls or result in other operating efficiencies.

This report is intended solely for the information and use of the Balkans Policy Research Group-BPRG and The Norwegian Ministry of Foreign Affairs and should not be used by anyone other than these specified parties.

Yours sincerely,

Lulzim Zeka
Statutory Auditor



Baker Tilly Kosovo L.L.C.
Prishtine

Baker Tilly Kosovo
31 January 2024

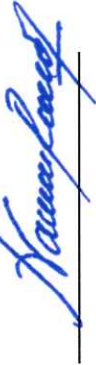
RECOMMENDATIONS

BALKANS POLICY RESEARCH GROUP-BPRG Management Letter (internal control findings)

Reported observation from previous period/New observation	Status at year - end	Priority of improvement	Recommendation	Management comment
Reported observations from previous period				
<p>1. Deliverables from Experts</p> <p>The timesheets and the reports provided by the Experts, consultants and individuals contracted under different terms or assigned with different nature of work for the institutions do not fully meet the requirements for projects of this nature. The organisation requires reports and timesheets for full time consultants and experts and those sitting in the office with beneficiaries, which constitute majority of the contracted consultants.</p> <p>Yet, some consultants in a smaller number of cases are contracted on short term basis and on deliverable basis, and the organisation does not require them to provide any detailed reporting and timesheets</p>	Partly Resolved	C	<p>For more accurate reporting by the experts, we recommend the organization to request reports and timesheets for the work completed/performed for each month, for all type of contracts</p>	<p>Balkans Group contracts external experts and consultants for the beneficiaries, institutions of Kosovo, North Macedonia, Albania and EUSR Miroslav Lajcak.</p> <p>As per request, BPRG contracts experts from different fields and with different nature of engagement. Majority are full time or sitting in the office with beneficiaries. Others include short term or a service for some strategic documents. All experts contracted for full time or to work in the office with beneficiaries fill their timesheets and provide their reports each month, before payments. See the reports in the office.</p> <p>Few advisors work on strategic advice and outputs, and few others like an expert for the EUSR, and another to the Prime minister are not required to report due to the nature of their work. Yet, 90 per cent of experts report properly</p>
<p>2. Policy on reimbursement of travel expenses for seminar/meeting from Experts</p> <p>The organization does not have a policy on reimbursement of travel expenses for participants and beneficiaries who are attending meetings/workshops or seminars outside the organisational activities, in particular when traveling with third parties (beneficiaries as they are called by the terms of contracts).</p>	Partly Resolved	C	<p>We recommend that organization develops a policy for reimbursement of travel expenses which can be applied consistently for all participants and beneficiaries and with sufficient documentation for each travel purpose.</p>	<p>No travel expenses reimbursements have occurred or been paid for experts and consultants that are engaged to work with the beneficiaries. BPRG sometimes pays for travel expenses, but all other expenses are covered by the beneficiaries, as per contracts.</p> <p>Experts and consultants travel with beneficiaries with BPRG approval. Most of the time, the beneficiaries pay the travel costs, including hotels, flights, meal and per diems etc.</p> <p>BPRG makes some reimbursements for its activities:</p>

Reported observation from previous period/New observation	Status at year - end	Priority of improvement	Recommendation	Management comment
				<p>BPRG reimbursed for local transports (10 EUR per person) for participants of the Youth Executive Program</p> <p>Only in few occasion BPRG reimbursed for transport for participants in BPRG activities: We reimbursed few members of political parties for travel to Tirana (200 EUR each) for the Political Dialogue event held in Tirana.</p> <p>We reimbursed few participants from North Kosovo (50 - 70 EUR each) for BPRG activities, and a travel cost for a trip to Belgrade (300 EUR) for a speaker at our conference</p> <p>We maximally avoid reimbursements, and we will further enforce.</p>
<p>3. Update of procurement procedures.</p> <p>BPRG has the procurement procedures within the financial manual and follows some of the procedures. One procedure which is followed is obtaining of three different offers.</p>	Resolved	B	<p>We recommend the management to update the procurement procedures and to add supporting selection and assessment of vendors (legitimacy), bid evaluation and contract, threshold for procurement purchases, procurement report, procurement checklists, list of past vendor's performance, authorization threshold etc. regarding the amount of purchase through procurement procedures.</p>	
New Observations				
N/A				

Naim Rashidi, Executive Director



- Priority:
- A Urgent action required: High organization risk to be brought to the attention of BPRG management and to be addressed as matter of urgency.
 - B Financial report, accounting procedures or control weakness exists with medium risk of financial loss or incorrect accounting treatment being applied.
 - C Financial report, accounting procedures or control weakness exists with low risk of financial loss or incorrect accounting treatment being applied.