



UNMIK

Investigation Task Force

16 August 2004

**REPORT ON ALLEGATIONS OF EVASION OF PRISTINA AIRPORT CHARGES
(ITF CASE NO. 0262/04)**

I. INTRODUCTION

1. In July 2004, the Investigation Task Force (ITF) received information alleging that Pristina Airport failed to collect all revenues for landing, handling and passenger tax. The ITF was advised that the Airline, a regular user of Pristina Airport, was not paying the correct landing charges and airport passenger tax. The information indicated that the airline always paid its charges in cash. It was also alleged that there was also no record of any airport passenger tax being paid for passengers departing with the airline.

II. BACKGROUND INFORMATION

2. The Airline flies to Pristina Airport from a European Airport every Thursday carrying Kosovar passengers who have been found to enter the referred European state illegally. The Airline is contracted with the foreign state's Immigration Department. A representative of the Immigration Department and 25 or more "Securicor" security staff routinely escort the passengers on the flights to Pristina.
3. On the return leg to the mentioned state, the Airline flight carries passengers from Pristina, consisting of the returning Securicor escorts, the representative of Immigration, and in addition, a number of police officers of the concerned state currently working for UNMIK CIVPOL. These CIVPOL officers travel to the UK without payment, but with the knowledge and approval of both Airline and the U.K. Immigration Department.

III. INVESTIGATIVE DETAILS

4. ITF Investigators obtained a number of documents from Pristina Airport officials including records of funds received from the Airline for the period January to June 2004. These funds are broken down into handling, landing, airport passenger, and departure tax. The schedule also lists the individual Airport receipt number recorded for each cash payment. There was no record of the Airline having paid airport tax.

5. ITF Investigators spoke to both Official 1 and Official 2 of the Airline and requested copies of receipts issued by Pristina Airport in respect of fees paid by the Airline to the airport, as well as the Aircraft "Load Sheets" for May and June 2004. These documents record details such as the weight of the aircraft including the MTOW (maximum take off weight).
6. Airline Official 1 explained that the Airline paid cash for handling and landing charges to the Pristina Airport Passenger Handling Services Department on each occasion his aircraft used the airport. Airline Official 1 explained that he/she had endeavored to open a credit account with Pristina Airport, but without success.
7. The ITF sought the assistance of the Security Officer at Pristina Airport, in order to monitor Airline passenger movements. On 22 July 2004, ITF Investigators monitored the Airline's inward and outward flights and related airport activities. It was noted that whilst the arriving Kosovar passengers went through immigration procedures before entering into the arrivals lounge, the 25 security escorts and the representative of the related Immigration Department remained airside at all times awaiting instructions to return to the aircraft. They did not enter the terminal building.
8. Other passengers departing with the Airline met in the Airport public lounge. Their identities were checked against a list provided by an UNMIK CIVPOL officer in consultation with the Immigration representative. They then went through conventional immigration and X-Ray searches and were escorted into the departure lounge before boarding the Airline aircraft. They did not, however, pass through regular check-in procedures at any time.
9. ITF Investigators reviewed all paperwork relating to this flight. An Official of the Passenger Handling Services, Pristina Airport, provided the receipt book used to evidence cash payments for landing, handling and airport passenger taxes. It was noted that other airlines, particularly those not visiting Pristina on a regular basis, pay in cash for handling services.
10. Details shown on the records provided by Pristina Airport officials were reconciled with this receipt book. The dates, amounts and breakdown of charges were confirmed. The pilot is required to sign the receipt book, and the ITF verified the recorded signature against the Airline "Load Sheets" as genuine.
11. The charges themselves, as calculated by the Airport Handling Services Department for Airline flights, were scrutinized against the published "Price List for Basic Airport Services" issued on 1 January 2002.
12. Details recorded on the "Load Sheets" confirmed the handling charge of 1074 Euros was also found to be correct. The landing charge of €676.44 was, however, reduced by 50% as this flight was identified as a "humanitarian flight" and as such qualified for the discount. The Official of the Passenger Handling Services, Pristina Airport told the ITF Investigators that she regarded the returning Kosovars as refugees and the discount as appropriate. The ITF Investigators checked this matter with the Official of the Airport General Services, who confirmed he/she was aware of this discount and did not dispute this interpretation of the flight.

13. ITF Investigators asked the Official of the Passenger Handling Services, Pristina Airport to describe the airport tax obligations for such flights. The Official stated that the tax of €15 per passenger is payable in respect of departing passengers only. The Official explained that this tax is normally collected by the airlines using the check-in facilities as part of normal boarding procedures. He/She explained that the security guards and U.K. Immigration staff who remained airside awaiting return to the UK had not technically entered the Airport and as such were not liable for airport taxes. In respect of the other departing passengers, the Official said there was no obligation for the payment of this tax because neither the carrier nor the passengers used the regular check-in facilities of the Airport.
14. The ITF reviewed the conventional check-in procedures at the Pristina Airport and confirmed they complied with observations provided by the Senior Official of the Pristina Airport in response to a Management Letter dated May 2004 on the 2003 Financial Audit from auditing company. An extract of the advice states the following:

*'53. Passenger Fees
OBSERVATION*

In the process of modernization of the Airport, Entity has acquired and implemented a so-called automatic checking system. This system provides accurate evidence of passengers' arriving and departure. However, PA has still not integrated and/or connected the automatic checking system with financial reporting

54. Establishment of an integrated system could provide efficient monitoring controls and accurate evidence, completeness and reconciliation of the number of passenger recorded by the automatic checking system and the revenue from passenger fees in the financial statement.

***Management Comment:** Full integration will be achieved by the new system. At present, passenger and baggage check-in and boarding is automatically connected to the load sheet. The load sheet contains all relevant facts concerning the flight, including type and quantity of passengers. This report is signed by Airport load control staff, compared to a head-count on board the aircraft conducted by aircraft staff and is thereafter signed by the pilot before take-off. A copy of this confirmed report is used as a basis for invoicing. We use the information that later will be retrieved automatically by the new system.'*

15. The possible loss of revenue of departing passenger taxes is another matter requiring attention from airport management.

IV. FINDINGS AND CONCLUSIONS

16. There is no evidence that the Airline have sought to avoid any charges levied by Pristina Airport. All charges levied upon the Airline by Pristina Airport for incoming and outgoing flights have been paid and receipts issued. The charges applied to the Airline flights are in accordance with listed charges for services.
17. The identification of the flight as "humanitarian" is a matter for closer review by Airport Pristina management to ensure compliance with airport charges.

18. The recently appointed Senior Official of the Pristina Airport, when advised by the ITF of the number of cash transactions, was unaware that this practice continued within the Passenger Handling Services Department.
19. The information as to a credit arrangement for the Airline was also provided to the Pristina Airport Senior Official by the ITF for his/her action.
20. The charges shown in the "Price List for Basic Airport Services" correspond with those charged to the Airline. In addition, the audit trail in respect of the cash handling receipts, recording, and reconciliation with the cashbooks and airport's records showed no discrepancies.

V. RECOMMENDATIONS

21. Recommendation No. 1: Airport Pristina management address the request of the Airline to be granted conventional credit facilities without further delay (IV04/262/01);
22. Recommendation No. 2: The Official of the Airport General Services immediately review the reasons why cash transactions still occur for standard services such as handling and landing, and endeavour to cease this practice where possible (IV04/262/02);
23. Recommendation No. 3: Airport Pristina Management Group review the matters raised in this report and provide a written response to the issues described herein to the Office for Coordination of Oversight of Publicly-Owned Enterprises (IV04/262/03).