



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

## REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY OF KLINA FOR YEAR 2024

Prishtina, Jun 2025

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# 1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Klina for the year ended on 31 December 2024 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Unmodified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Municipality of Klina, which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports<sup>2</sup>, for the year ended as of 31 December 2024.

In our opinion, the annual financial statements of the Municipality of Klina, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting, Law no.03/L-048 on Public Finance Management and Accountability (as amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

## Basis for Opinion

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

## Conclusion on Compliance

We have also audited whether the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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

<sup>2</sup> Other reports are required under Article 8 of Regulation no.01/2017 on Annual Financial Report

In our opinion, except for the effects of matter/s described in the Basis for Conclusion on Compliance section of our report, transactions carried out in the process of execution of Municipality of Klina's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

### **Basis for the Conclusion**

- A1 Delayed implementation of contracted works.
- A2 Exceeding the quantities of the public framework contract and not complying with the weight specified in the tender dossier.
- A3 Failure to fulfil the legal obligation to verify 20% of taxpayers' real estate.
- B1 Delayed settlement of outstanding liabilities; payments made by the Treasury, based on judicial/executive decisions in the amount of €312,908.00. Of these, the principal debt was €238,110.00, while €74,798.00 were additional expenses on behalf of the judicial/executive procedure and interest

*For more, see sub-chapter 2.1 Issues with impact on the compliance conclusion*

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

### ***Responsibilities of Management and Those Charged with Governance for the AFS***

The mayor is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, the mayor is responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The mayor is responsible to ensure the oversight of the Municipality of Klina's financial reporting process.

## Management's Responsibility for Compliance

The management of the Municipality of Klina is also responsible for the use of the Municipality's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.<sup>3</sup>

## Auditor General's Responsibility for the audit of AFS

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

Our objective is also to express an audit opinion on compliance of respective Municipality of Klina's authorities with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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

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

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<sup>3</sup> Collectively referred to as compliance with authorities

- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

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

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

## 2 Findings and recommendations<sup>4</sup>

During the audit, we have found areas related to financial management and control where significant improvements are needed. Apparent weaknesses have been noticed in important financial areas, such as misclassification of expenses, poor management of public contracts, delays in the performance of works, failure of contract managers to report in the e-procurement system, as well as the lack of taking action to collect debts, which are presented below for your review in the form of findings and recommendations. These findings and recommendations are intended to make the necessary corrections to the financial information presented in the financial statements, including disclosures in the form of explanatory notes, and to improve internal controls related to financial reporting and compliance with authorities related to the management of public sector funds. We will follow up on and review these recommendations during next year's audit.

Also, due to the failure to fulfil obligations on time, the Treasury, according to judicial/executive decisions, had executed payments from the municipal budget for 2024 in the amount of €312,908. Of these, the principal debt was €238,110, while €74,798 were additional expenses on behalf of the judicial/executive procedure and interest.

This report resulted in eight (8) recommendations, of which three (3) are new recommendations, two (2) repeated and three (3) partially repeated

For the status of previous year's recommendations and the extent of their implementation, see Chapter 4.

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<sup>4</sup> Issue A and Recommendation A - means new issue and recommendation  
Issue B and Recommendation B - means repeated issue and recommendation  
Issue C and Recommendation C - means partly repeated issue and recommendation

## 2.1 Issues with impact on compliance conclusion

### Issue A1 – Delayed implementation of contracted works

#### Finding

Regulation 001/2022 on public procurement, article 70.23 states that the responsibility of the project manager is to manage the obligations and tasks of the CA specified in the contract and to ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract, evaluate the performance of contractors for contracts under his management.

We identified shortcomings in the management and execution of contracts as follows:

- The project “Construction of the final stage for the drinking water filtration system in Klina” worth €849,922, the contract was signed on 12.10.2023, and the deadline for the execution of the works was 11.10.2024. By the time we were in the audit (in the execution phase in May 2025), according to the contract manager, 75% of the payments had been made. There were delays in the execution of the works and the Economic Operator (EO) on January 31, 2025 had requested an extension of the deadline with the justification that there were difficult weather conditions and technical problems during the assembly of a pump that had not functioned, as well as the reassessment of additional works, by all parties involved in the project; and
- Project “Construction of central heating with heat pumps in “SHFMU Motrat Qiriazhi” in the amount of €64,975, the contract was signed on 07.05.2024, and the deadline for the execution of the works was 10.07.2024 (60 calendar days). The project was delayed in execution and the EO with the letter dated 21.10.2024 had requested an extension of the deadline until 13.12.2024 with the justification that the EO was unable to deliver the equipment due to the delay in import. While we were in the field (May 2025) the technical acceptance had not yet been carried out with the justification that a new electrical transformer must be provided

According to contract managers, delays in the implementation of the works were due to weather conditions, failure to resolve property issues, and failure to deliver equipment on time. However, it was found that delays also occurred as a result of lack of realistic planning and insufficient dynamic plans for the execution of the works.

**Impact** Failure to fulfil the contract according to the conditions specified in the contract indicates that the planning of deadlines, dynamic plans, but also the preparation of contracts have significant weaknesses, causing the works to be delayed and not implemented as per the contract. As a result, the citizens of the municipality do not receive the services on time.

**Recommendation A1** The mayor should ensure that before initiating procurement procedures, the projects are detailed and executable, the volume and realistic deadlines for completion of the works are determined, and property problems in the places where the projects are to be carried out are resolved in advance. He must also ensure that contract managers supervise the implementation of the projects to eliminate all obstacles that prevent the implementation of the contract according to the foreseen conditions.

**Response of entity's management (Agree).**

**Issue A2 - Exceeded quantities in the public framework contracts, non-compliance with the weight specified in the tender dossier**

**Finding** Regulation No. 001/2022 on public procurement, Article 17.35, stipulates that whenever the Contracting Authority does not know the indicative quantity, unit price contracts, the CA must determine weighting based on the importance of each "category of service" or "item" or "group of items" so that the contracting authority can determine the bid with the lowest price based on scoring, such as maintenance of vehicles, maintenance of generators, etc. Consequently, the weighting of the items must be done based on the weighting and importance of the respective category, which means that the quantity collected (spent) cannot and should not differ from the ratios according to the weighting given in the Tender Dossier. The contract manager remains responsible for clearly demonstrating that the quantity ordered and spent is in harmony with the given weighting and with the real needs of the contracting authority.

In the public framework contract "Provision of health services, palliative care" with an estimated value of €550,000, and a contract duration of 36 months, which by 31.12.2024 had been paid in the amount of €439,151 or 80%. There were excesses of the invoiced and paid quantities in the following items:

- Item 4 “Social services in the field” according to the tender dossier was given a weight of 5% or €27,500 per item based on importance. From the analysis of the implementation for this item, we found that until 31.12.2024, the amount of €212,075 or 48% of the total costs for the contract had been invoiced and paid; and
- Item 5 “Social services of primary health care at the Main Center of Family Medicine”, according to the tender dossier was given a weight of 5% or €27,500 per item based on importance. This item until 31.12.2024 had been invoiced and paid a total of €210,625 or 48% of the total costs for the contract.

It is worth noting that until 31.12.2024, a total of €422,700 has been spent on these two items, which constitutes 76.85% of the contract value expenditure according to the tender dossier. This indicates a major discrepancy between the planning and implementation of the contract.

These overruns occurred as a result of poor planning of needs and improper determination of the weighting of categories based on the importance of the works/services in the tender dossier, but also of improper contract management.

#### **Impact**

Exceeding the permitted quantities by weight defined in the tender dossier and in the contract leads to the lack of transparency in decision-making for selecting the bid with the lowest price. It may also lead to increase the expenditures planned in the budget.

**Recommendation A2** The mayor should ensure, through the requesting units, that during the preparation of requests and tender dossiers for weighted public framework contracts, he plays an active role in determining the real needs of the municipality, so that these contracts are implemented in full compliance with the weights set out in the tender dossier. He must also ensure that the quantities foreseen by the contract are not exceeded.

**Response of entity’s management (Agree).**

**Issue A3 - Failure to comply with the legal obligation to inspect 20% of taxpayers' immovable properties**

**Finding** Law No. 06/L-005 on Immovable Property Tax, Article 15, point 2, stipulates that the Municipality shall annually inspect at least twenty percent (20%) of all buildings within the territory of the Municipality and may also engage private inspectors to assist in inspection activities.

The municipality had 15,299 properties registered in the Protax system for property tax in 2024. We have noticed that the municipality had not managed to inspect (verify) 20% of the properties as required by the law in force, but had only verified 1,516 properties or close to 10%.

Failure to inspect properties results in incomplete information on current taxable property and impacts the inaccurate assessment of property tax revenues.

**Impact** Failure to conduct real estate inspections may result in incomplete information about the current condition of the properties, potentially lower revenues collected for the benefit of the municipality, and may also result in an inadequate tax burden.

**Recommendation A3** The mayor should ensure increased real estate inspections activities, according to legal requirements, so that any property changes are integrated into the database to reflect the correct tax liability.

**Response of entity's management (Agree).**

**Issue B1 - Delayed settlement of outstanding liabilities and judicial/enforcement costs****Finding**

Law on Public Financial Management and Accountability, Article 39.1, provides that the FCO of the budget organization is responsible for ensuring that any valid invoice and payment request for goods and services supplied and/or works performed for the budget organisation are paid within thirty (30) calendar days after receipt of the invoice or payment request from the relevant budget organization. Also, Article 40.3 of the Law No. 03/L-048 on Public Financial Management and Accountability states that upon receipt of a final decision or order, the Ministry is authorized and has the responsibility to immediately take any necessary measures for the payment of the decision or order from available budget appropriations; provided that if the final decision is issued against a municipality, only the appropriations of the municipality may be used to execute this decision.

In three (3) cases of outstanding liabilities (invoices) in the amount of €19,546, the obligations were not paid within the legally prescribed deadline. The delays in two cases were 90 days, while in one (1) case the delay was close to 5 months

Also, due to the failure to settle the liabilities on time, the Treasury, according to judicial/executive decisions, had executed payments from the municipal budget for 2024 in the amount of €312,908. Of these, the principal debt was €238,110, while €74,798 were additional expenses on behalf of the judicial/executive procedure and interest.

This happened because the municipality entered into liabilities without conducting any proper budget analysis.

**Impact**

Delayed settlement of liabilities has caused additional costs and in addition to the invoice, the municipality had to pay additional costs including interest and other judicial/executive procedural costs.

**Recommendation B1** The mayor should improve the management of funds to ensure that financial obligations are fulfilled on time and within the 30-day deadline, including drafting a detailed budget analysis to avoid delays in bill payments.

**Response of entity's management (Agree).**

## 2.2 Other financial management and compliance issues

### 2.2.1 Revenues

The revenues collected by the Municipality of Klina in 2024 totalled €1,289,661. They relate to receipts from property tax, construction permits, administrative fee, business activities, rent, etc. In addition to the revenues generated by the Municipality, which are presented in the table below, the Municipality has also received indirect revenues generated by the central level (court fines and traffic penalties) in a total amount of €478,599.

#### Issue C1 - Deficiencies in the database of property taxpayers

**Finding** Law No. 06/L-005 on Real Estate Tax, Article 12, stipulates that the municipality is responsible for registering and managing property tax data in the property tax registers as defined in the bylaw.

While auditing the property tax data for the previous years, we found 1,846 taxpayers of buildings whose personal number was missing in the database and who, based on their first names, surnames, and the name of the parent, could potentially be beneficiaries who have benefited several times from allowed deduction. Out of this number, referring to the year 2024, the municipality has managed to identify and register 311 taxpayers with a personal number.

This happened as a result of improper controls and monitoring of the property tax sector to verify all taxpayers of buildings by personal numbers.

**Impact** The lack of data in the database concerning the personal numbers of taxpayers may enable some earlier taxpayers to illegally benefit from the allowed primary residence deduction.

**Recommendation C1** The mayor should take the necessary actions to ensure that the property tax database is supplemented with all personal numbers of taxpayers, so as to enable the verification of all potential cases that may be found to benefit several times for primary residence.

**Response of entity's management (Agree).**

## 2.2.2 Capital Investments

The final budget for capital investments was €4,987,997, while €4,605,207 or about 92% of the budget was spent. They relate to: construction of facilities, local roads, water supply, sewage, national parks, river regulation, etc.

### Issue B2 - Classification of expenses into inappropriate economic categories

**Finding** Financial Rule No. 01/2013/MF on Public Funds Expenditure, Article 18, paragraph 3, provides that expenditures must have adequate codes, as determined by the Administrative Instruction on the accounting plan. The Treasury accounting plan defines the relevant codes and categories of expenditures that BOs must apply.

We have found misclassifications of expenses across economic categories in the amount of €57,599, out of which the Treasury had paid by executive order according to the court decision for jubilee salaries, €55,506 from the capital investment category, and €1,993 from the goods and services category.

This occurred due to the lack of budget allocations in the adequate economic category to make payments of court enforcement decisions.

**Impact** Payments made from inappropriate categories lead to the presentation of incorrect entries in the Municipality's Financial Statements, where data on expenditure categories are not accurate and as such provide misleading information to users of the PFVs.

**Recommendation B2** The mayor should ensure that expenditures are planned and executed in accordance with adequate economic categories, to enable their fair reporting according to public sector accounting standards in accordance with the accounting plan.

**Response of entity's management (Agree).**

## Issue C2 - Contract management records not kept through the e-procurement platform

**Finding** Regulation No. 001/2022 on Public Procurement, Paragraph 70.24.f., provides that the contract manager shall ensure that all contract management records are prepared, kept and archived in the contract management module in the e-procurement system.

Contract managers have started maintaining and archiving documents through the electronic public procurement system in contract management and contract execution performance evaluation. However, from 17 samples tested, we found that in 10 cases contract management records were not developed through the e-procurement platform.

This happened as a result of inefficient controls over the contract management process through the e-procurement platform.

**Impact** Failure to maintain and archive contracts through the public procurement system may lead to ineffective management of contracts and does not provide the management with sufficient opportunities for receiving timely information regarding the progress and performance of contracts.

**Recommendation C2** The mayor should require all project managers to ensure that contract management records are maintained and archived through the electronic public procurement system.

**Response of entity's management (Agree).**

### 2.2.3 Accounts Receivable

The municipality, in its 2024 AFS, has disclosed receivables in the amount of €3,384,665. This amount consists of receivables from property tax in the amount of €2,058,227, business activity tax in the amount of €1,097,138, and municipal rent in the amount of €229,300.

#### Issue C3 - Poor management of accounts receivable

**Finding** According to Article 26 of the Law no. 06-L 005 on Immovable Property Tax, the Municipality, the Ministry of Finance and the competent enforcement bodies have the authority and powers to collect unpaid tax liabilities exceeding the amount of ten (10) Euros and Article 27. If a taxpayer or debtor has not fully paid the tax and fine, if any, or unpaid tax liabilities, in accordance with the established deadlines, the Municipality issues a final written notice within ten (10) working days after the last day for payment, requesting full payment of the unpaid tax liabilities, no later than ten (10) calendar days after the day the final notice is deemed to have been received by the debtor. The collection of other revenues must be carried out according to the deadlines specified in the invoice for each type of revenue.

Accounts receivable for 2024 totalled €3,384,665. Compared to the previous year, they were reduced by €356,024, because the management had taken action by sending a request to initiate enforcement proceedings against some debtors for the fulfilment of unpaid property tax liabilities. However, the value of these debts is still high and the municipality must continue taking actions to collect the debts.

This had occurred as a result of the lack of continuous action by the responsible departments in attempting to collect the debts.

**Impact** Failure to implement mechanisms established by law and regulations leads to the continuous increase in receivables, which results in fewer funds to achieve goals and encourages other debtors not to settle their debts.

**Recommendation C3** The mayor should ensure that officials in the relevant departments will intensify actions and take all measures to collect receivables and reduce their increasing trend over the years.

**Response of entity's management (Agree).**

### 3 Summary on budget planning and execution

This chapter gives a summary of the sources of budget funds, spending of funds, and revenues collected by economic categories. This is highlighted in the following tables and charts:

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

Description	Initial budget	Final budget <sup>5</sup>	2024 Expenditures	2023 Expenditures	2022 Expenditures
<b>Sources of funds</b>	<b>14,648,717</b>	<b>15,866,597</b>	<b>15,408,878</b>	<b>14,691,283</b>	<b>11,547,857</b>
Government Grants – Budget	13,212,457	13,368,029	13,261,524	12,048,247	9,910,436
Funding through borrowing	0	0	0	0	97,023
Carried forward from previous year	0	942,122	834,666	1,227,234	850,471
Own source revenues	1,436,260	1,436,260	1,249,988	951,375	663,127
Domestic Donations	0	117,611	62,699	37,023	21,362
External donations	0	2,575	0	427,403	5,438

The final budget of the Municipality of Klina is higher than the initial budget by €1,217,880. This budget increase is the result of the Government's decision for a budget allocation of €155,572, the inclusion of carried forward revenues of €942,122 and donations of €120,186.

In 2024, the Municipality spent €15,408,878 or about 97% of the final budget, an increase of 3% compared to the previous year. The Municipality, through judicial/executive decisions, has executed €312,908 from various economic categories.

**Table 2. Spending of funds by economic categories (in €)**

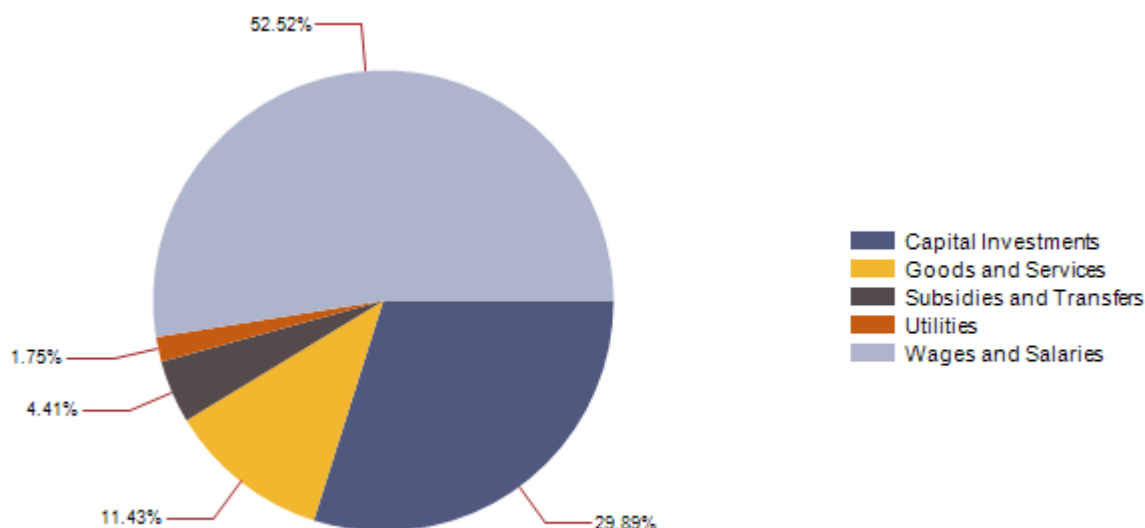
Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
<b>Spending of funds by economic categories</b>	<b>14,648,717</b>	<b>15,866,597</b>	<b>15,408,878</b>	<b>14,691,283</b>	<b>11,547,857</b>
Wages and Salaries	7,936,857	8,092,429	8,092,429	7,406,952	6,441,464
Goods and Services	1,710,000	1,807,649	1,761,497	1,716,951	1,340,624
Utilities	250,000	270,001	269,888	235,176	166,972
Subsidies and Transfers	600,000	708,522	679,857	420,963	401,429
Capital Investments	4,151,860	4,987,997	4,605,207	4,911,241	3,197,368

Explanations for the changes in the budget categories are provided below:

The explanations for the changes in the budget categories are given below:

- The final budget for wages and salaries compared to the initial budget increased by €155,572. This increase comes from the government grant by Decision of the Government of Kosovo, to cover the shortfall in wages that were paid through court decisions enforcing collective contracts.
- The final budget for goods and services compared to the initial budget increased by €97,649. The increase was from the transfer of unspent own source revenues from 2023.
- The final budget for Utilities compared to the initial budget increased by €20,001. The increase was from the transfer of unspent own source revenues from 2023.
- The final budget for subsidies and transfers compared to the initial budget increased by €108,522. The increase was from the carryover of unspent own source revenues from 2023 for €24,149 and from the donor grant for €84,373.
- The final budget for Capital Investments compared to the initial budget had an increase of €836,137. The increase was from the carryover of unspent own source revenues for €800,323, as well as an increase from donations for €35,814.

**Chart 1. Expenditures by economic categories in 2024**



Budgeted revenues of the Municipality of Klina for 2024 were €1,436,260, while a total of €1,289,661 or close to 90% of the budget planning was collected. They relate to revenues from property tax, revenues from construction permits, administrative taxes, revenues from business activities, revenues from rent, etc. In addition to the revenues collected by the Municipality which are presented in the table below, the Municipality has also received

indirect revenues collected from the central level (court fines and traffic penalties) in a total amount of €478,599.

**Table 3. Revenues (in €)**

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
<b>Total of revenues</b>	<b>1,436,260</b>	<b>1,436,260</b>	<b>1,340,173</b>	<b>1,440,250</b>	<b>1,208,535</b>
Tax revenues	654,421	654,421	550,999	621,791	453,281
Non-tax revenues	781,839	781,839	788,301	818,459	755,254
Other revenues	0	0	873		

## 4 Progress in implementing recommendations

The audit report for the 2023 PFV of the Municipality of Klina resulted in eight (8) key recommendations. The Municipality had prepared an Action Plan outlining how it will implement the recommendations given.

By the end of our 2024 audit, three (3) recommendations had been implemented; three (3) were in progress and two (2) had not yet been implemented, as shown in Chart 2, below.

For a more complete description of the recommendations and how they have been addressed, see Table 3 (or the Table of Recommendations).

Chart 2. Progress on implementation of prior year’s recommendations

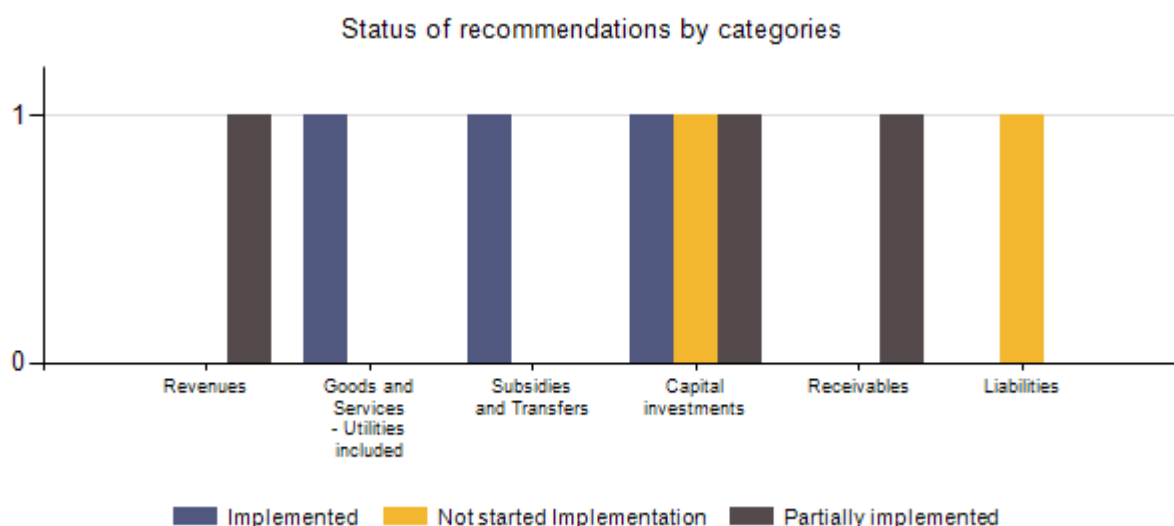


Table 4. Summary of previous year’s recommendations

No	Audit Scope	Recommendations for 2023	Actions taken	Status
1.	Revenues	The mayor should take the necessary actions to ensure that the property tax database is supplemented with all personal numbers of taxpayers, so as to enable the verification of all potential cases that may be found to benefit several times for primary residence.	The recommendation has been partially implemented as shortcomings regarding taxpayer personal numbers in the PROTAX system still persist.	Partly implemented
2.	Goods and Services and Utilities	The mayor should increase controls at the procurement office to ensure that all required documents are uploaded on the public procurement electronic platform	From the sample testing, we found that the documents that were supposed to be uploaded to the e-procurement system	Implemented

			were uploaded, therefore we conclude that this recommendation has been implemented.	
3.	Subsidies and Transfers	The mayor should ensure that the evaluation commission will evaluate the applications of farmers in accordance with the criteria defined by the Public Call	From the samples tested, we have found that during the evaluation of subsidy applications, the evaluation committees evaluate farmers' applications in accordance with the criteria set out in the Public Call. Therefore, we conclude that the recommendation has been implemented.	Implemented
4.	Capital Investments	The mayor should ensure that the expenses are planned and incurred under the adequate economic categories, to enable their fair reporting pursuant to the accounting standards of the public sector and in accordance with the chart of accounts	Even during 2024, misclassifications of expenditures were made, therefore we have concluded that the recommendation has not yet been implemented.	Implementation has not started.
5.	Capital Investments	The mayor should require all project managers to ensure that contract management records are maintained and archived through the electronic public procurement system	Although the entity had taken action to manage contracts through the e-procurement system, there are still cases where contracts are not managed through the electronic e-procurement platform.	Partly implemented
6.	Capital Investments	The mayor should ensure that internal controls in the payment execution process are strengthened. Payments must be processed according to the chronology of events and in full compliance with the steps defined by the financial rule on public funds expenditure.	From the samples tested, we have not identified the same cases as last year, therefore we conclude that the recommendation has been implemented.	Implemented
7.	Accounts Receivable	The mayor should ensure that officials in the relevant departments intensify actions and take all measures to	The balance of accounts receivable compared to the previous year has	Partly implemented

		collect accounts receivable and reduce their increasing trend over the years	decreased; however, sufficient measures have not been taken to collect them by the relevant departments.	
8.	Outstanding liabilities	The mayor should improve the management of funds to ensure that financial liabilities are met on time and within the 30-day deadline, including the drafting of a detailed budget analysis to avoid delays in the payment of invoices	The necessary actions have not been taken to address this recommendation.	Implementation has not started.

This Report is a translation from the original version in the Albanian language. In case of inconsistency, the version in the Albanian language prevails.

Vlora Spanca: Auditor General

Lavdim Maxhuni: Audit Director

Xhevat Seferi: Team leader

Valon Halimi: Team member

Xhevat Hasolli: Team member

## Annex I: Letter of confirmation



REPUBLIKA E KOSOVËS  
REPUBLIC OF KOSOVO  
REPUBLIKA KOSOVO

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KOMUNA E KLINËS  
MUNICIPALITY OF KLINA  
OPŠTINA KLINA



### LETËR E KONFIRMIMIT

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2024 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

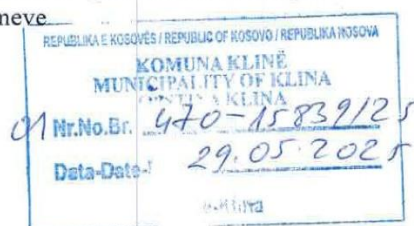
Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Komunës së Klinës, për vitin 2024 (në tekstin e mëtejme "Raporti");
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Z. Zenun Elezaj

Data: 29 maj 2025, Klina



## Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements<sup>5</sup> should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities<sup>6</sup>. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

For the purpose of concluding whether an opinion on the financial statements is modified or unmodified an auditor should assure himself/herself whether audit results include or not (a) detected material or pervasive misstatement(s) or potential one(s) presumed in the event of a limitation of scope.

A misstatement is a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

(Extract from ISSAI 200)

### *Forms of opinion*

#### **Unmodified opinion**

It is formulated when no misstatements or non-compliance were detected or misstatements and/or non-compliance were detected, a single one or aggregate, that do(es) not equal or exceed the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions do(es) not equal or exceed the level of lower materiality established for this class of transactions. It is also formulated if there is no limitation of scope or a limitation of scope may not lead to omission of (a) material misstatement(s) and/or non-compliance).

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<sup>5</sup> Financial statements in the public sector include also the statement(s) of budget execution

<sup>6</sup> Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

Limitation of scope occurs when an auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

The auditor should express **an unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

#### Modifications to the opinion in the auditor's report

The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement and/or non-compliance, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and/or non-compliance, the auditor should modify the opinion in the auditor's report. A modified opinion may be:

- Modified (qualified)
- Adverse, or
- Disclaimer

#### **Qualified opinion**

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that equals or exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions equals or exceeds the level of lower materiality established for this class of transactions. It is also formulated if there is a limitation of scope that may not lead to omission of (a) material misstatement(s).

#### **Adverse opinion**

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that pervasively exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions pervasively exceeds the level of lower materiality established for this class of transactions.

“Pervasive is a term used, in the context of misstatements and/or non-compliance, to describe the effects of misstatements and/or non-compliance on the financial statements or the possible effects on the financial statements of misstatements and/or non-compliance, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- a) Are not confined to specific elements, accounts or items of the financial statements

- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

### Disclaimer of opinion

It is formulated when limitation of scope, i.e. inability to obtain sufficient appropriate audit evidence, is material and pervasive.

### *Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report*

If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.