



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

## AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY OF FUSHË KOSOVA FOR YEAR 2024

Prishtina, June 2025

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\*This report is a translation from the original Albanian version. In case of any discrepancy, the Albanian version shall prevail.

# 1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Fushë Kosova 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 on the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Municipality of Fushë Kosova, 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, except for the effects of the matter/s described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Municipality of Fushë Kosova, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting, the Law no.03/L-048 on Public Finance Management and Accountability (amended/supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

## Basis for Qualified Opinion

- B1 Payment of €899,352 were executed from inadequate economic categories;
- A1 Unfair presentation of the final budget of Reserves in the Budget Execution Report in the AFS, by €80,000, and unfair disclosure of contingent liabilities.

*For more details, see sub-chapter 2.1 Issues with impact on the audit 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.

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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

## Audit Conclusion on Compliance

We have also audited if 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.

In our opinion, except for the effects of the matter/s described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of Municipality of Fushë Kosova'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

- A2 In five (2) contracts, payments were made for uncompleted works and supplies;
- A3 In six (6) capital projects, the performance security was not extended for the contract duration and in two (2) cases the bank guarantee for the quality of works was not provided;
- A4 In two (2) capital investments, the contracts values were higher than the planned budget;
- B2 In one (1) public procurement procedure, the tender winner did not meet one the criteria set forth in the tender dossier;
- B3 In seven (7) cases worth a total of €34,900, NGOs were not subsidised in compliance with the Regulation on Public Calls;
- B4 In seven (7) invoices of a total of €46,704 payments were made past the statutory deadline of 30 days;
- B5 The Municipality has not managed to inspect at least 20% of the immovable properties;
- A5 Failure to monitor the subsidised projects and three (3) benefiting NGOs have failed to make the financial and narrative reporting.

*For more details, see sub-chapter 2.2 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 Annual Financial Statements***

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

### **Management's Responsibility for Compliance**

The Management of Municipality of Fushë Kosova 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 Fushë Kosova'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

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

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 Fushë Kosova's internal control.
- 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 identified areas for potential improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations. These findings and recommendations are intended to correct the necessary 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 in the management of public sector funds.

Internal controls over financial reporting need to be improved and implemented when it comes to classification of expenditures in the respective categories and presentation of information in the annual financial statements. With regard to matters of compliance, improvements should be in the management and implementation of capital projects, approval of works and certification of payments, property tax management and inspection of properties, renting of public property, subsidy processes and projects monitoring. Actions should also be taken for the functioning of the IAU and the Audit Committee. We will follow up these recommendations during the next year's audit.

This report resulted in fifteen 15 recommendations, of which eight (8) are new recommendations and seven (7) are repeated ones.

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 the audit opinion

### Issue B1 – Misclassification of expenditures in the economic category

#### Finding

According to MF Financial Rule No. 01/2013 on Spending of Public Funds, Article 18.3, expenditures must have the appropriate codes, as determined by the chart of accounts. Additionally, the Treasury's chart of accounts defines the relevant economic categories of expenditures and the respective codes from which every payment should be made by type.

Based on the testing results, payments in the total of €899,352 were not classified in the correct economic category. Misclassifications have resulted in the following economic categories:

- During the execution of payments by the Treasury for the obligations of the collective contract for jubilee salaries and allowances, we found misclassifications of expenses across economic categories in the amount of €649,587. Out of which, the Treasury had paid based on court decisions: €505,627 from the capital investment category; €115,450 from goods and services; and €28,509 from the subsidies and transfers category.
- As a result of the court decision, €249,765 were paid from capital investments for transportation and vehicle parking expenses; services outsourced by the municipality, which by nature belong to the category of goods and services.

According to treasury records, during 2024, as a result of court decisions, total payments in the amount of €3,342,321<sup>5</sup> were made, which according to the explanations provided in the AFS were mainly made for expenses related to the collective agreement

This occurred as a result of poor functioning of internal controls over budget planning and the delayed payment of financial liabilities.

#### Impact

Registration and payment of expenses from the budget of inadequate economic categories undermines true and fair reporting of financial information on expenses in the AFS. The use of the capital investment budget for paying for expenses related to wages and salaries has a negative effect, making it difficult or even impossible to properly implement capital projects.

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<sup>5</sup> Wages and Salaries in the amount of €1,460,225; Goods and Services in the amount of €142,789; Utilities in the amount of €8,891; Subsidies in the amount of €41,980; Capital Investments in the amount of €1,688,437.

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**Recommendation B1** The mayor should ensure that such expenses are included in budget planning in order to enable the recording in and payment from the budget of the relevant categories and economic codes, in accordance with the Treasury chart of accounts, thus enable their true reporting in the AFS.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

**Issue A1 – Unfair presentation of the final budget in the AFS and shortcomings in the disclosure of contingent liabilities**

**Finding** According to MF Regulation No.01/2017 on Annual Financial Reporting of BOs, Article 14, the Statement of Budget Execution presents information on the original budget according to the Annual Budget Law and the final budget according to KFMIS; the budget execution and comparison of the final budget with execution. In addition, Article 6 of the same regulation stipulates that BO shall maintain accurate, complete, updated accounting records in accordance with the applicable legislation, for all financial and other non-financial information.

In the Statement of Budget Execution, the final budget for Reserves in the amount of €80,000 was not disclosed under the relevant Reserves column, but was included in the budget for capital investments.

In addition, the register of contingent liabilities disclosed in the AFS included one case of undetermined value, for which there was a court decision that the lawsuit had been withdrawn by the plaintiff.

This occurred due to errors during the preparation of financial statements, but also due to negligence and lack of sufficient personnel in the administration of court cases.

**Impact** Presentation errors have resulted in overstatement of the capital investments budget and understatement of the Reserves budget. Meanwhile, the inclusion of cases or lawsuits that have been withdrawn has resulted in incorrect presentation of contingent liabilities in the AFS.

**Recommendation A1** The mayor should ensure that the budget of economic categories in the AFS is prepared and presented in accordance with the requirements of MF Regulation no.01/2017 on Annual Financial Reporting of BOs. He should also ensure that the list of contingent liabilities is updated in a timely manner, and that their presentation in the financial statements is complete and fair.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

## 2.2 Issues with impact on compliance conclusion

### Issue A2 – Payments for unfinished work according to the contract and other shortcomings in the implementation of the works

#### Finding

Based on the Regulation on Public Procurement no.001\_2022, Article 70.23, the contract manager will ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract. Also, the technical specifications of public contracts determine the quantity of works and other conditions that the contractor must perform before the payment is made.

From the on-site testing and inspections of works for capital projects, we found payments made for supplies and works that had not been completed yet, or had not been carried out as required in the bill-of-quantities. Such cases have been found in these projects:

- For the contract “Construction of a sports hall in Sllatinë e Vogël Village”, worth €2,188,259, a total of €361,775 were paid for supplies and unfinished works. This had occurred in: item 14.7 - supply, production and installation of a linear facade with covers in the amount of €21,025; and item 14.8 - supply, production and installation of a ventilated facade, the Meteon facade system, in the amount of €340,750.
- In the contract “Rehabilitation of the park under the pine trees in Sllatinë e Vogël” worth €242,839, the item on *the path connecting Bardhi i Madh with Sllatinë e Vogël*, was planned to be at a length of L=2,750m and width of B= 1.80+1.80+1.00 (cycling, walking, and fine gravel for running). The same was not implemented according to the design or technical descriptions. The road or path was built, but not divided according to the technical description, for walking, cycling, and fine gravel for running. The municipality had not paid €14,392, as a penalty for having not properly performed some works (parking, etc.), but no other actions were taken to implement those works according to the contract.

- For the contract “Construction of a recreational park in Slatinë e Vogël”, worth €92,305, the unfinished works were in the following items: *FLOORING WORKS, item 3 – supply, transport and paving of the floor of 400m<sup>2</sup> with 20x25cm rubber tiles*, worth €12,000, half of the space was completed whilst the payment was made for all the works foreseen in the item; *SEATS AND TABLES, item 3 – supply and installation of concrete seats and tables*, worth €2,250, was not implemented; *item 9 – installation of lighting poles*, worth €7,375, required that the height of the poles be 9-10m, while poles with a lower height were installed; the same item also required that five (5) of the lighting poles be double-sided, but none of this type was installed. After the audit was completed, we received some photos and explanations from the contract manager that the contractor had taken action to implement the items, and from our re-inspection, we found that the works and supplies had been implemented, except for item 9 - 9-10m high poles, in which case the poles placed with a lower height remained;
- In the contract “Construction of the additional floor (second floor) of the Municipality building”, worth €434,895, one item was placed differently from the one foreseen in the technical specifications of the contract. Namely, at *item 1 - Boiler*, 4 pieces of Viesmann Vitacol 200-S Heat Pumps, worth €46,000 were requested, instead Viesmann Vitacol 100-S type pumps were installed; and
- In the contract “Rehabilitation of the square in the Dardania neighbourhood”, worth €691,464, there were discrepancies in the item for the tree protection metal structure, which was required to be worked in two parts with the aim of being suitable for assembly and disassembly, while the installed structure was not worked on with the assembly and disassembly mechanism. Furthermore, in most of the construction site diary pages, a generalised description of the executed works was made, but without specifying the number of trees and metal structures that were installed on that day, and in which locations. As a result, it could not be confirmed whether the quantity of supplies included in the works progress payments is accurate. The construction site diaries, were either not signed/approved by the contract managers in most cases, or not signed at all in some cases.

This occurred due to the lack of internal controls and poor oversight from contract managers during the capital projects implementation.

**Impact** Approval for payment of uncompleted work leads to the budget and risks not achieving the quality and objectives of the project.

**Recommendation A2** The mayor should increase control measures over contract management and ensure that contract managers and their supervisors do not approve progress payments for unfinished work. Furthermore, work and supplies that have been paid for and not completed should be finalised in accordance with the contract.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

**Issue A3 - The performance security not extended for the contract duration and the bank guarantee for the quality of works not provided**

**Finding** According to Article 63 of the LPP and Regulation No. 001/2022 on public procurement, Article 29, a performance security (PS) is required as a prerequisite for signing the contract. The amount of the PS shall be equal to at least 10% of the contract value. The PS shall remain valid for a period of thirty (30) days after the completion of the contract. Also, the special conditions of the contract (SCC) require a guarantee for the quality of the works or supplies for a certain period and in the amount of 10% of the contract value.

In auditing the implementation of public contracts, shortcomings were found in five (5) cases concerning the contracts performance security and in two (2) cases concerning the bank guarantee for the quality of works and supplies, as the following:

- Contract "*Construction of a sports gym in Sllatinë e Vogël*", worth €2,188,259, the performance security was made in the amount of €165,970, rather than €218,826.
- Contract "*Construction of the primary school on Amir Elmazi Street*", worth €587,119, the performance security had expired in September 2024 and was not extended, even though the project had not been completed yet, as there were delays in implementation;

- Contract "*Rehabilitation of the park under the pine trees in Sllatinë e Vogël*", worth €242,839, was not covered by a performance security for 190 days, since the project had not been completed on time and the performance security deadline had not been extended;
- Contract "*Horizontal and vertical marking of roads in Fushë Kosovë and villages*", worth €29,970, was not covered by a performance security for 150 days, given that the project had not been completed on time and the performance security deadline had not been extended;
- Contract "*Construction of a recreational park in Sllatinë e Vogël*", worth €92,305, no guarantee for 1-year period worth €9,230 for the quality of works was provided;
- Contract "*Asphalting of roads in the villages of Sllatinë e Madhe and Sllatinë e Vogël*", worth €134,146, was not covered by a performance security for 220 days, since the project was not completed on time and the performance security period was not extended. Upon completion of the project, no guarantee of the quality of works was provided either.

This has occurred due to poor oversight exercised by contract managers in the management of capital projects, and the lack of responsibility to require the contractors to extend the contract performance security and provide the guarantee on the quality of works.

## Impact

Failure to extend the contract performance security does not guarantee coverage of damages and expenses in the event the contractor fails to fulfil the contract. In addition, failure to provide a bank guarantee for the quality of works makes it impossible to compensate for damages in cases where the contracted works and supplies are not carried out of the right quality.

**Recommendation A3** The mayor should ensure that in cases where public contracts are not completed within the contracted period, the contract performance security is extended for an additional period in which the contract is expected to be finalised. Final payments of contracts should not be made unless a bank guarantee for the quality of works is provided beforehand.

Entity management response (Not confirmed by the municipality)

For more details, see Appendix I.

#### Issue A4 – Signing of contracts with higher values than the planned budgets

**Finding** Law no.04/L-042 on Public Procurement (as amended and supplemented by subsequent laws), Article 9.3, stipulates that: If the contracting authority is a public authority or budget organization and the concerned procurement will give rise to financial obligations that are to be satisfied from appropriations expected in future fiscal years, the CFO shall (i) ensure that the schedules attached to the Law on Appropriation provide a reasonable basis to expect that sufficient funds will be appropriated to it in such future fiscal years for the purpose of satisfying such obligations, and (ii) include in the concerned public contract a provision that clearly conditions the enforceability of such obligations on the availability, under future appropriations legislation, of funds for the purpose of satisfying, and in an amount sufficient to satisfy, such obligations. According to Article 37.1 of Law no.03/L-221 amending and supplementing Law no.0/L-048 on Public Finance Management and Accountability, a budget organisation shall not enter into any obligation for the current fiscal year that requires spending in excess of the allocated funds. The Law on Budget Appropriations, Table 4.2 funding of capital investments, defines the budget amounts for the three-year period for the implementation of each approved project.

In two (2) capital projects, the values of signed contracts exceeded the values planned in the Law on Budget for Year 2024.

- The project “*Construction of the FMC Building in Fushë Kosovë*” was planned at €340,000 with the Law on Budget of 2024, including projections for the years 2025 and 2026, whilst the contracted value was €538,228. With the Law on Budget of 2025, an additional €200,000 was planned.
- The project “*Installation - rehabilitation of heating in the Municipality building*” was planned at €50,000 with the Law on Budget whilst the contracted value was €81,111. The uncovered part of the expenses was paid from the budget of co-financing projects, the wastewater plant, and projects from donors and line ministries.

This occurred due to poor internal controls over planning and lack of accountability when it comes to adhering to the budget allocations ceilings for certain projects when signing the contracts.

**Impact** Entry into contractual obligations without securing the necessary budgetary funds not only makes the projects implementation according to plan impossible, but also increases the risk of additional costs due to lawsuits that contractors may file in the event of non-payment of obligations for completed works and supplies.

**Recommendation A4** The mayor should ensure that the signed values of public contracts for capital projects do not exceed the amounts approved in the Law on Budget Appropriations.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.



**Issue B2 – Selection of ineligible economic operators in the procurement procedure****Finding**

According to LPP, Article 59.4, the contracting authority will consider a tender as responsive only if the tender in question complies with all the requirements set out in the tender dossier and in the contract notice. In the tender dossier and the contract notice, the criterion for financial capacity was that the EO should prove financial statements accompanied by financial turnover from the bank for the years 2021-2022-2023 or tax declarations submitted to the TAK, as well as notarized copies of audited statements.

Article 38 of Regulation No. 001/2022 on public procurement stipulates that, in order to facilitate the evaluation and comparison of tenders, the CA may request from each tenderer individually clarification of his/her tender. The PPRC has approved a standard form B47 for clarifications to be used by the CA "Request for clarification of the tender". The request for clarification and response must be made through the electronic e-procurement platform.

In the public procurement procedure for the contract "*Construction of the primary school on Fazli Grajçevci Street in Fushë Kosovë*", worth €1,085,788, dated 24.10.2024, the winner of the tender had provided the bank statements and tax declarations, but did not provide notarised copies of the audited statements, as required by the tender dossier and contract notice. After completing the audit, the municipality brought physical copies of the unnotarized audit reports, explaining that it had received them during the tender evaluation phase, but not the request for additional clarifications addressed to the EO through the e-procurement platform by the municipality, to provide these reports.

This had occurred due to insufficient controls during the evaluation of tenders by the evaluation committee.

**Impact**

Selection of ineligible economic operators as winners, jeopardises the quality of contract implementation as well as the reliability of the procurement process.

**Recommendation B2** The mayor should ensure that the tenders' evaluation by the evaluation committees is carried out in accordance with the requirements set out in the contract notice and the tender dossier. Ineligible bidders should not be awarded with a contract.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

**Issue B3 – Shortcomings in the subsidising of NGOs and individual beneficiaries****Finding**

MF Regulation no.04/2017 on Criteria, Standards and Procedures for Public Financing of NGOs, Article 10, sets out the criteria that NGOs must meet to benefit from subsidies, namely, paragraph 1.4, stipulates that the beneficiary must not have received funds from other funding sources for the same activities. Article 20, paragraph 3.4 of the same Regulation, stipulates that the evaluation committee requires from the applicants selected in the list of preliminary results proof of submission of annual tax statement or financial statements for the previous year submitted according to tax legislation for the previous year.

The guidelines in Form 15 attached to the Regulation, require that each member of the evaluation committee will independently evaluate the proposals, and their assessments will be made on a scale from 1 to 5 for each question posed in the evaluation form.

In the Public Calls of 18.03.2024, 16.05.2024 and 02.07.2024, the list of mandatory documents of the public call included, inter alia, the account statement and confirmation for at least 1 year.

In the public call for Greenhouses, dated 15.04.2024, one of the criteria was for the applicant to have: experience in cultivating vegetables, a suitable water source for irrigating vegetables, suitable land for cultivating vegetables, and sufficient areas for placing the greenhouse.

While auditing the subsidies, we found the following:

- In six (6)<sup>6</sup> cases of subsidising NGO projects, in a total amount of €30,900, the subsidy process was not carried out fully in compliance with the requirements of the Regulation, because in all these cases documentation was missing, such as: declarations on double funding; declarations of impartiality of the members of the evaluation committee; application evaluation form by each member of the evaluation committee; declarations on projects funded from public sources; financial statements submitted to TAK; and bank statements for at least one year;

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<sup>6</sup> 13<sup>th</sup> International Festival Euro Kosova Art Harilaq 2024, in the amount of €9,500; Traditional Bardhi i Madh Tournament, in the amount of €7,900; Financial support for Euro 2024 in Fushë Kosovë, in the amount of €5,000; NGO Sport Fit and Healthy Children, in the amount of €3,000; Financial support for Mobilising Youth for Participation, Representation and Active Citizenship, in the amount of €3,000; Martial Arts Club Fushë Kosovë, in the amount of €2,500.

- In one (1)<sup>7</sup> case of a youth subsidy for the "Liberation Day Manifestation" Project, in the amount of €4,000, the subsidy agreement was signed, despite the fact that the tax certificate had expired;
- In one (1) case of agricultural subsidy, the individual beneficiary of an agricultural greenhouse worth €647 had not provided proof of the criterion of land suitable for vegetable cultivation and proof of experience in vegetable cultivation.

This occurred due to the malfunctioning of internal controls and the committees' lack of responsibility for implementing the criteria set in public calls for proposals, in the case of subsidisation.

#### **Impact**

Failure to comply with the criteria of the regulation on funding of NGOs jeopardises the transparency of the process and leads to the unfair selection of beneficiaries. All this increases the risk of ineffective use of funds.

**Recommendation B3** The mayor should ensure that the NGOs and individual beneficiaries are subsidised in accordance with the legally stipulated criteria for subsidy as well as the criteria set out in the public call.

#### **Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

#### **Issue B4 - Failure to pay liabilities on time and additional budgetary costs due to court and enforcement decisions**

#### **Finding**

Article 39.1 of the LPFMA stipulates that the CFO of the BO is responsible for ensuring that every valid invoice and request for payment for goods and services supplied or works performed are paid within thirty (30) calendar days after receipt of the invoice.

Seven (7) invoices in a total of €46,704 had not been paid within the statutory deadline. Delays in payments execution ranged from 27 to 200 calendar days.

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<sup>7</sup> Youth Call NGO

In addition, according to the register provided by the Municipality, during 2024, as a result of enforcement procedures and court decisions for non-payment of liabilities to contractors on time, as well as obligations from collective contracts for educational personnel, in the name of interest, enforcement fees and other court expenses, additional costs amounting to €847,882 were paid.

This occurred due to entry into financial obligations without planned budget funds and shortcomings in the management of liabilities.

#### **Impact**

Failure to make payments within the time limit have resulted in the municipality being subject to lawsuits from contractors, causing additional financial costs due to judicial and enforcement procedures. Payments made through judicial decisions make it difficult to implement the budget according to plans, respectively the implementation of projects.

**Recommendation B4** The mayor should strengthen controls over the management of liabilities, ensuring sufficient funds and timely payment of invoices, in order to prevent additional financial costs as a result of legal proceedings.

#### **Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

#### **Issue B5 – Low level of inspection of immovable properties**

##### **Finding**

Law no.06/L-005 on Immovable Property Tax, Article 15, the Municipality is required to carry out inspection (verification) actions for at least 20% of all properties within the territory of the Municipality every year.

The Municipality has not managed to inspect or verify at least 20% of the registered properties within the territory of the Municipality. During 2024, the Municipality has only inspected 3.8% of the total properties.

This has occurred due to poor controls and insufficient actions in inspecting properties.

**Impact** Failure to inspect properties leads to incomplete information on current properties and to unfair and unfair assessment of property tax liability, namely lower collection of own-source revenues from property taxes.

**Recommendation B5** The mayor should provide for increased inspections of immovable properties so that any changes thereon are integrated into the database to reflect the correct tax liability.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

**Issue A5 - Failure to monitor subsidised projects and beneficiaries' failure to report financial results**

**Finding** MF Regulation no.04/2017 on Criteria, Standards and Procedures for Public Financing of NGOs, Article 7, paragraph 4, stipulates that the Provider of financial support shall appoint a responsible official or establish a separate team for each contract concluded with beneficiary NGOs, in order to monitor the implementation of the project / program as well as to evaluate the fulfilment of objectives and achievement of envisaged results.

Also, Article 23, paragraph 2, stipulates that the beneficiary shall report to the monitoring officer/team, on a regular basis, regarding the implementation of the project/program, in accordance with the requirements of the contract set out in Article 22 of this Regulation. The reporting shall include narrative and financial reports and the reporting periods shall be determined by the provisions of the contract with the beneficiary.

In three (3) subsidised projects of a total of €15,900, the beneficiaries had not submitted narrative and financial reports on the funds used, nor had project monitoring officers been appointed to ensure that the projects were being implemented as intended. Cases were found in the following projects:

- The traditional Bardhi i Madh tournament, in the amount of €7,900;
- Financial support for Euro 2024 in Fushë Kosovë, in the amount of €5,000; and
- NGO Sport Fit and healthy children, in the amount of €3,000.

Whilst, for the Financial Support for Youth Mobilization for Participation, Representation and Active Citizenship project, in the amount of €3,000, the financial report was incomplete, as bank transactions for employee contracts were missing.

This occurred due to internal controls' failure to ensure that subsidised projects are being implemented for the intended purposes.

**Impact**

Shortcomings in project monitoring and in reporting by beneficiaries on subsidies received increase the risk that the funds for which they are intended do not reach the intended purpose, and also make it impossible to be accountable for the spending of public money

**Recommendation A5** The mayor should ensure that NGOs funding projects are monitored and that feedback reports are obtained from subsidy beneficiaries with the aim of ensuring that public funds are used effectively. Beneficiaries who have not reported on the funds used should be excluded from the right to benefit subsidies in the future.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

## 2.3 Other financial management and compliance issues

### 2.3.1 Wages and Salaries

The final budget for wages and salaries was €9,225,108. During the year, almost the entire budget, or €9,222,405, was spent. The number of employees at the end of the year was 991, the same number planned according to the Law on Budget.

#### **Issue A6 – Human Resources Management Unit not involved in the recruitment process of public service employees**

**Finding** Law no.08/L-197 on public officials, Article 80.4, stipulates that the competition procedure for civil servants is organised by the Human Resources Management Unit (HRMU) of the appointing authority. Regulation (GRK) No. 19/2024 on the selection procedures for teachers and other educational personnel, Article 8, points 8 and 9, stipulates that the acceptance of documents is carried out by the HRMU of the municipality, which conducts a preliminary verification of all applications and compiles a list of candidates who qualify for the continuation of the selection procedures. Article 21 of this regulation stipulates that the selection process for educational personnel is coordinated and managed by the HRMU of the employer in cooperation with the Municipal Directorate of Education, and that part of the evaluation committee is required to be a member nominated by the HRMU, who is a human resources expert.

In three (3) cases of tested procedures for the recruitment of public service employees (education and health), we observed that the Human Resources Management Unit (HRMU) operating within the municipality, apart from publishing the vacancy announcement in the Human Resources Management Information System (HRMIS), was not involved in the recruitment process. No member of the HRMU participated in the candidate admission committees. All recruitment activities and procedures, from application to the announcement of the final results, were carried out by the respective directorates of Education and Health, and according to the responsible officials, this recruitment method was applied in all procedures carried out during the year.

This occurred due to inadequate controls in the implementation of relevant legal requirements and regulations

**Impact** Failure to involve HRMU in the recruitment process of civil servants may result in the relevant procedures not being fully implemented.



**Recommendation A6** The mayor should ensure that the human resources management unit coordinates with the relevant directorates and is involved in the recruitment process of civil servants.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

## 2.3.2 Capital Investments

The final budget for Capital Investments was €4,640,974, and €5,794,078 was spent during 2024. Capital investments consist of investments in road infrastructure, sports halls, construction and renovation of health, educational and cultural facilities, sewage networks, machinery, supplies of medical equipment, other equipment, etc.

**Issue A7 - Delayed implementation of capital projects, and failure to assess the performance of contractors in the contract management module in e-Procurement**

**Finding** According to Article 70.23 of the Regulation No. 001-2022 on public procurement, the contract manager shall ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract. The contracts concluded between the municipality and the economic operators, define the deadlines for the implementation of the contracts. Article 70.2 of the same Regulation also stipulates that the assessment of the performance of contractors shall be carried out: i) in the electronic procurement system through the module for assessing the performance of contractors; ii) by the contract managers and the direct supervisor of the contract manager, and iii) in accordance with the manuals for the use of the module for assessing the performance of contractors”.

From the testing we identified that nine (9) capital projects were not implemented according to the contractual deadline, as follows.

- The contract “*Construction of the primary school on Amir Elmazi Street*”, in the amount of €587,119, was supposed to be completed in March 2024, while the project has not been fully completed yet;
- The contract “*Regulation of the park at the pine trees in Sllatinë e Vogël*”, in the amount of €242,839, was supposed to end in January 2024, whilst it was completed at the end of 2024;

- The contract "Construction-renovation of sports halls at LSS Selman Riza, LSS Vëllezërit Frashëri, and the martial arts hall", worth €157,693, was supposed to be completed in February 2024, while it was completed in July 2024;
- The contract "*Construction-renovation of sports halls at the LSS in Miradi i Epërme, the LSS in Bardh i Madhë, and the hall in Lismir*", in the amount of €156,118, was supposed to be completed in January 2024, whilst it was completed in July 2024;
- The contract "*Construction of the fence and parking lot in the municipal yard*", in the amount of €247,000, was to be completed at the end of 2024, and by the time of the audit (March 2025) the fence had not been fully completed;
- The contract "*Construction of an additional floor (second floor) of the Municipality building*", in the amount of €434,895, was supposed to be completed in January 2023, while the project has not yet been completed;
- The contract "*Road Signalling of the Municipality of Fushë Kosovë*", in the amount of €99,814, signed on 29.12.2023, was to be completed within 70 working days, until it was completed in April 2025.
- The contract "*Asphalting of roads in the villages of Sllatinë e Madhe and Sllatinë e Vogël*", in the amount of €134,146, was supposed to be completed in October 2023, whilst it was completed in September 2024; and
- The contract "*Regulation of the square in the Dardania neighbourhood*", in the amount of €691,464, was supposed to be completed in November 2024, whilst the contract has not yet been completed.

The municipality did not apply penalties for none of the projects completed with delays in the implementation of the works, as the delays were justified by the contract managers.

Also, in (12)<sup>8</sup> public contracts, project contract managers have not assessed the performance of contractors in the contract management module of the e-Procurement platform. The total value of these public contracts is €1,251,601.

Delays in the implementation of projects occurred as a result of poor planning, as well as due to the lack of funds for their completion according to the foreseen dynamics, while the failure to use the relevant module for managing contracts in e-procurement occurred as a result of the contract managers' and their direct supervisors' failure to perform responsibly.

## Impact

Delays in the implementation of projects leads to failure to achieve the municipal objectives and the inability to use these projects the serve the citizens of the municipality. The failure to evaluate contractors through the public procurement system prevents management from receiving timely information regarding the progress and performance of contracts.

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<sup>8</sup> Rehabilitation of the public space of the FMC and Complex 300 on 28 Nëntori and Kuvendi i Lezhes streets in Fushë Kosovë, in the amount of €109,462; Asphaltting of Enver Maloku street and Hamdi Grajqevci street in Fushë Kosovë - first phase, in the amount of €146,912; Construction-renovation of sports halls at LSS Vëllezërit Frashëri in Miradi e Epërme, LSS Zenel Salihu in Bardh i Madh, hall in Lismir, Construction-renovation of sports halls, Lot II, in the amount of €156,118; Construction-renovation of sports halls, Lot I and Lot II, in the amount of €157,693; Arrangement of the park at the pine trees in Sllatinë e Vogël, in the amount of €242,839; Horizontal and vertical marking of roads in Fushë Kosovë and villages, in the amount of €29,970; Construction of agricultural roads with gravel, in the amount of €35,980; Asphaltting of the Ring Road in the village of Lismir, in the amount of €45,198; Placing cubes on the sidewalks of the territory of the Municipality of Fushë Kosovë, in the amount of €54,198; Installation-Regulation of heating in the building of the Municipality of Fushë Kosovë, in the amount of €81,811; Construction of a recreational park in Sllatinë e Vogël, in the amount of €92,305; Signaling of roads in the Municipality of Fushë Kosovë, in the amount of €99,814.

**Recommendation A7** The mayor should ensure that before initiating projects for work, the conditions for project implementation are met both technically and financially, through proper project drafting and sufficient budget provision so that the works are carried out according to plan. Also, ensure that contract managers and direct supervisors apply the assessment of contractors through the e-Procurement platform.

#### Entity management response (Not confirmed by the municipality)

For more details, see Appendix I.

### 2.3.3 Receivables

Accounts receivable at the end of 2024 were €6,336,964, of which €5,941,170 belonged to property tax; €203,941 to rental of residential and public facilities; €163,965 to construction permits; €21,902 to the sale of apartments; and €5,986 to the removal and storage of vehicles.

#### Issue A8 - Lease contracts for municipal properties not signed by users

**Finding** GRK Regulation no.09/2020 on the Determination of Procedures on the Allocation for Use and Exchange of the Municipal Immovable Property, Article 22, paragraph 3, stipulates that the contract for allocation for long-term use of immovable property of the municipality shall be signed by the mayor as the representative of the municipality and by the selected winner, whereby the rights and obligations of the contracting parties are determined.

In seven (7) cases, in a total of €34,398, the rental contracts for 2024 were not signed by the tenants of municipal housing, but only by the mayor, even though these properties were used during this year.

This occurred due to lack of internal controls over the formalisation of the leasing properties process.

**Impact** Failure to have the rental contracts signed by the tenants may cause uncertainty about the contractual terms between the municipality and users of public properties, as well as difficulties in collecting rental income.

**Recommendation A8** The mayor should ensure that lease contracts are prepared and signed in a timely manner by the contracting parties in order to ensure full implementation of the contractual terms.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

**Issue B6 – Poor management of accounts receivable****Finding**

The Law No. 06/L-005 on Immovable Property Tax, Article 26, stipulates that the Municipality, the Ministry of Finance, and competent enforcement bodies have the authority and competencies as provided in this chapter to collect unpaid tax liabilities exceeding the amount of ten (10) Euros. Furthermore, according to Article 27, if a taxpayer or debtor has not paid the full tax and penalty, if applicable, or any unpaid tax liabilities in accordance with the established deadlines, the municipality shall issue a final written notice within ten (10) working days after the last payment date, requesting full payment of the outstanding tax liabilities, no later than ten (10) calendar days after the date the final notice is deemed to be received by the debtor. Meanwhile, the agreement on the lease of residential property, stipulates that “the lessee shall pay the total gross amount for the calendar month, no later than the 10<sup>th</sup> of the month.” Contract No. 33, Article 3, paragraph 3.4 stipulates: “Payment to the Municipality shall be made in each completed month in relation to the register of towed vehicles, to the Municipality’s account, at intervals of no more than 15 days.” and paragraph 3.5: “After this, daily interest of 0.2% shall be calculated for each day of delay.” AI 06/2017, Article 16, paragraph 4: “The applicant must provide proof of payment after receiving confirmation, within 30 days for category II.”

Compared to 2023, accounts receivable has increased by 23.67%, or €1,212,921. The highest increase is in property tax (5%), rent from the use of residential buildings (8%), and income from the sale of property (3%). The municipality had not taken concrete legal actions to collect uncollected revenues.

In 47 cases of accounts receivable from property tax in the amount of €459,481, in three (3) cases of construction permits in the amount of €52,246, in two (2) cases of the use of public space in the amount of €13,488, in one (1) case of removal and storage of vehicles in the amount of €5,986 and in (10) cases of rent from the use of municipal property in the amount of €44,457, the municipality had not taken legal actions through the enforcement agents to collect this debt, even though the deadline set in the contract and the deadline in the letters for debt reminders had been exceeded.

This has occurred due to the poor functioning of internal controls over the management of accounts receivable.

**Impact** Failure to collect revenues on time and failure to take the necessary actions to collect them has a negative effect on the municipal budget, hindering the funding and implementation of projects from own-source revenues.

**Recommendation B6** The mayor should ensure that policies and procedures to increase efficiency in the collection of accounts receivable are in place and that all measures against debtors who do not fulfil their obligations to the municipality are reviewed in accordance with the law.

**Entity management response (Not confirmed by the municipality)**

For more details, see Appendix I.

## 2.3.4 Internal Audit Function

The Internal Audit Unit (IAU) operates with two staff members, the IAU director and one auditor. During 2024, this unit was not operational due to disagreements with the municipality's management and as a result, no audits were conducted. Furthermore, the audit committee was not established during this year.

**Issue B7 - Non-functioning Internal Audit Unit and failure to establish the Audit Committee**

**Finding** Law No. 06/L-021 on Internal Control of Public Finances, Article 21 stipulates that in relation to other organisational structures, the internal audit unit of a public sector entity shall have the functional independence in planning the audit work, performing auditing and in reporting. Article 25 of the same law, paragraph 3.3, stipulates that the Internal Audit Unit Director shall be responsible to draft and submit the strategic plan and annual plans to the head of the public sector entity for review and approval, and to the Audit Committee where applicable. Further, GRK Regulation no.01/2019 on the Establishment and Implementation of the Internal Audit Function at the PSE, Article 10 states that the head of the public sector entity provides sufficient human, financial and other resources to enable the functioning of internal audit in effective manner and approves the strategic and annual internal audit plans. Also, GRK Administrative Instruction no.01/2019 on the Establishment and Implementation of the Internal Audit Function at the PSE, Article 4, stipulates that every public sector entity that has an IAU established as a main body according to the legislation in force, shall establish an Audit Committee.

The IAU did not conduct any audits during 2024. This unit has not been functioning since 2023, when the mayor initiated disciplinary proceedings against the Head of the IAU. By decision of the disciplinary committee, in March 2023, the same was suspended from work, with a 20% salary cut for five months and prohibited from conducting audits for a period of 10 months (01.04.2023-31.01.2024).

Following the complaint of the Head of the IAU to the Independent Oversight Board of the Civil Service of Kosovo, in May 2023, the Board had annulled this decision of the disciplinary committee, requesting a review of this matter. In June 2023, the Municipal Disciplinary Committee had reviewed the matter, in which case it had partially annulled the previous decision, enabling the Head of the IAU to continue performing his audit duties.

This unit had not carried on operating even after this decision, because, according to the IAU, there was a lack of cooperation from the Directors of Municipal Directorates to provide access to documentation and it lacked basic working conditions. Despite the continuous requests of this unit to the management for new computer equipment and other equipment necessary for work, given that the current equipment was very outdated and non-functional, the management had not responded to these requests.

Furthermore, the Head of the IAU had also notified the Central Harmonization Unit (CHU) for Internal Audit at the Ministry of Finance regarding these issues. After that, in November 2023, the Director of the CHU had sent a letter to the President informing him that this was in violation of the law on internal control and that action should be taken to make this unit functional, but the situation had not changed.

The Head of IAU has not worked throughout 2024 for the same reasons. During this entire period, the other member of IAU had not worked either, which means that the entire audit unit was non-functional. It is worth mentioning that the two members of the IAU were paid during this period (the 20% salary cut for 5 months was only for the Head of the IAU because of suspension).

Also, the municipal management had not taken the initiative to establish the Audit Committee, a body that assists and supervises the work of the IAU and contributes to the creation of a functional system of controls.

This has occurred as a result of the lack of a constructive spirit of communication and cooperation between the IAU and management, but also due to management's negligence in establishing an effective internal control system

### Impact

The lack of communication and cooperation between the IAU and the municipal management has resulted in the non-functioning of this unit, making it impossible to prevent shortcomings in internal controls and maximize the municipality's benefit from the IAU's work in creating an effective financial management and internal control system.

**Recommendation B7** The mayor should provide for an effective spirit of communication and cooperation with the IAU, providing conditions and support for its work, so that agreement is reached on the planning and conduct of audits in accordance with legal requirements. In addition, an Audit Committee should be established, as a body that has an active role in supporting the IAU and management to ensure an efficient public financial internal control system.

### Entity management response (Not confirmed by the municipality)

For more details, see Appendix I.

## 3 Summary on budget planning and execution

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

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

Description	Initial budget	Final budget <sup>9</sup>	2024 Expenditures	2023 Expenditures	2022 Expenditures
<b>Sources of funds</b>	<b>16,285,499</b>	<b>23,880,872</b>	<b>20,814,005</b>	<b>16,628,215</b>	<b>10,322,043</b>
Government Grants – Budget	12,570,892	13,794,816	13,655,242	12,344,937	7,810,357
Funding through borrowing	0	0	0	0	78,319
Carried forward from previous year	0	6,318,134	4,465,983	2,849,798	1,719,704

<sup>9</sup> Final budget approved by the Assembly of Kosovo and subsequently adopted by the Ministry of Finance.



Own source revenues	3,714,607	3,714,607	2,649,268	1,380,788	697,432
Domestic Donations	0	52,315	43,511	48,692	16,230
External donations	0	1,000	0	4,000	0

The final budget is higher than the initial budget by €7,595,372. This increase is the result of government decisions by €1,233,923, revenues carried over from the previous year by €6,318,134, and donations by €53,315.

The Municipality of Fushë Kosova spent €20,814,005 or 87% of the final budget, an improvement of 16% compared to 2023. Explanations for the current position are detailed below.

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

Description	Initial budget	Final budget	2024 Expenditures	2023 Expenditures	2022 Expenditures
<b>Spending of funds by economic categories</b>	<b>16,285,499</b>	<b>23,880,872</b>	<b>20,814,005</b>	<b>16,628,215</b>	<b>10,322,043</b>
Wages and Salaries	7,929,593	9,225,108	9,222,405	7,978,820	5,011,121
Goods and Services	2,160,325	2,381,270	2,284,222	2,711,211	2,109,187
Utilities	350,000	350,000	349,905	258,388	358,896
Subsidies and Transfers	1,124,607	1,409,443	1,374,897	1,481,331	1,144,208
Capital Investments	4,640,974	10,435,052	7,582,575	4,198,465	1,698,631
Reserves	80,000	80,000	0	0	0

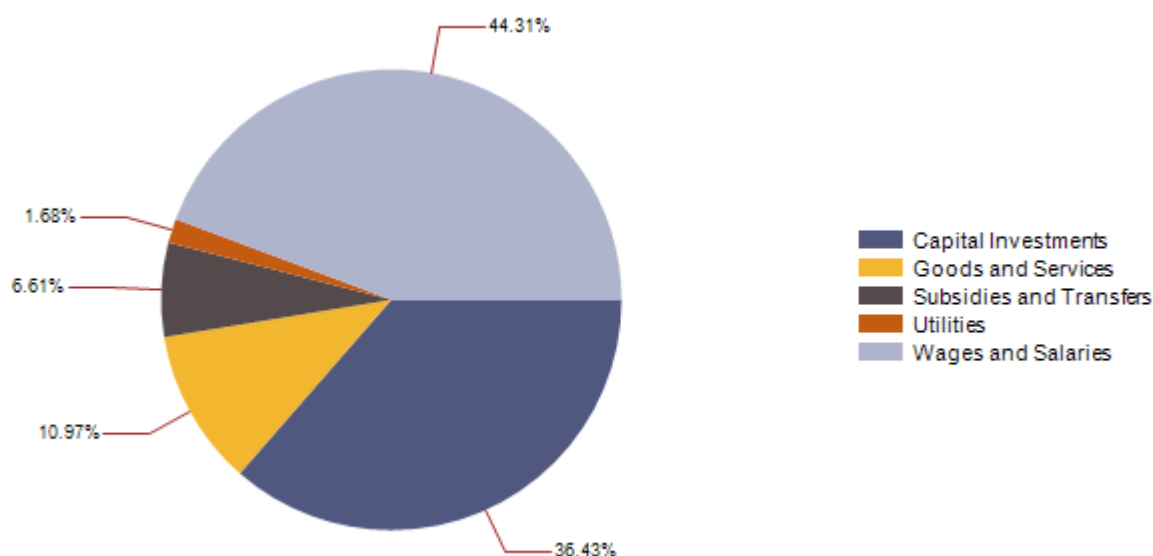
Explanations for the changes in the budget categories are provided below:

- The budget for Wages and Salaries increased by €1,295,514. The increase was influenced by government decisions to cover the budget shortfall caused by court decision payments in the amount of €1,280,337, as well as €15,177 from revenues carried over from the previous year. Budget spending in this category at the end of the year was almost 100%.
- The budget of Goods and Services increased by €220,945 from the revenues carried over from the previous year. Budget spending in this category was at 96%.
- The final budget for Utilities was the same as the initial budget. Budget spending in this category at the end of the year was almost 100%.
- The budget for Subsidies and Transfers increased by €284,836. The increase was driven by the revenues carried over from the previous year in the amount

of €232,521, and €52,315 from grants from domestic donors. Budget spending in this category was around 98%.

- The budget for Capital Investments has increased by €5,794,078 in total. The increase was as a result of revenues carried over from the previous year in the amount of €5,849,492, the decrease from the government decision in the amount of €56,414, and the receipt of €1,000 from external donations. Budget spending in this category was about 73%, due to delays in the implementation of capital projects. The Public Investment Program includes 81 capital projects of the current year and previous years. The projects are mainly dedicated to investments in road infrastructure, sports halls, construction and renovation of health, educational and cultural facilities, sewage networks, machinery, supplies of medical equipment, other equipment, etc

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



The revenues generated by the municipality for the year 2024 amounted to 4,027,278. They mainly relate to revenues from construction permits, property tax revenues, land use change taxes, participations, and other municipal taxes. For 2024, the Municipality had planned revenues in the amount of €3,714,607, with an increase in realization of €311,514. Compared to the previous year, the level of revenue collection also increased by €671,964, which mainly belongs to non-tax revenues.

In 2024, the Municipality received €1,068,878 in revenue from traffic fines, and €74,750 from court fines. These revenues are not included in the table below because they are planned and collected by the relevant institutions, while they are allocated to the Municipality on a quarterly basis during the year for the execution of payments.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
<b>Total of revenues</b>	<b>3,714,607</b>	<b>3,714,607</b>	<b>4,027,278</b>	<b>3,380,099</b>	<b>2,935,112</b>
Tax revenues	1,396,069	1,396,069	1,516,002	1,489,471	821,865
Non-tax revenues	2,318,538	2,318,538	2,511,216	1,890,628	2,113,098
Other revenues	0	0	59		149

## 4 Progress in implementing recommendations

The audit report for the AFSs of 2023 of the Municipality of Fushë Kosova has resulted in 20 main recommendations. The municipality has not prepared an Action Plan for the implementation of the recommendations, nor did it prepare periodic reports on the progress of the implementation of the recommendations for 2023.

By the end of our audit for 2024, ten (10) recommendations had been implemented; seven (7) had not yet been implemented, and three (3) recommendations were considered closed, as shown in Chart 2, below. For a more through description of the recommendations and how they have been addressed, see Table 4 (or the Recommendations Table).

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

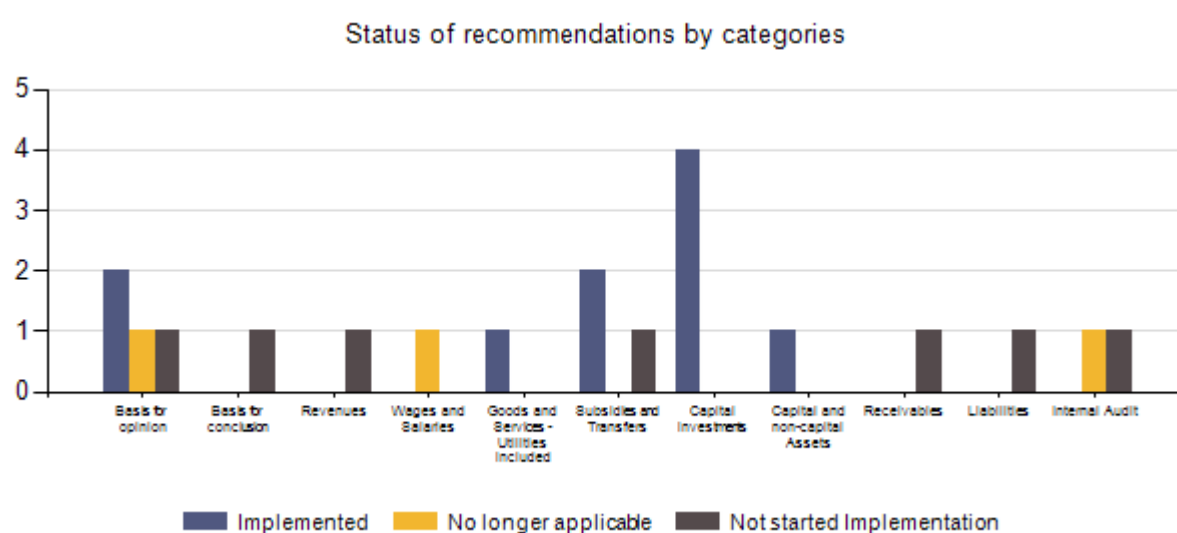


Table 4 Summary of prior year's recommendations and of 2024

No	Audit Area	Recommendations of 2023	Actions taken	Status
1.	Basis for opinion	The mayor should ensure that all the necessary actions are taken so that the expenditures are planned in the appropriate allocations of the budget or that funds are reallocated and that the payment and recording of the expenditures is done according to the adequate economic codes defined by the chart of accounts.	No action has been taken, as we will have the same cases in 2024.	Not started Implementation
2.	Basis for opinion	The mayor should ensure that responsible officials keep complete and accurate accounts receivable records, removing municipal property from taxation to avoid overvaluation of accounts receivable in the future.	Actions have been taken to address this issue.	Implemented
3.	Basis for opinion	The mayor should increase the performance of staff engagement and improve communication between departments, to ensure that all assets are registered in the asset register, in order to reduce the risk of misuse or loss of assets.	Appropriate actions have been taken and the assets have been recorded in asset registers.	Implemented
4.	Basis for opinion	The mayor should ensure that contingent liabilities are presented in the financial statements according to the requirements of the regulation for Annual Financial Reporting by Budget Organizations.	The issue regarding the shortcomings in the disclosure of contingent liabilities has been included in the AFS issue. As a result, the Recommendation of the previous year is	No longer applicable

			considered closed for this year.	
5.	Basis for conclusion	The mayor should ensure that controls over procurement are strengthened, so that the bids evaluation is done fully in compliance with the criteria set in the tender dossier and in compliance with legal requirements. In addition, through the responsible officials, he should ensure that the members of the commissions understand their duties and responsibilities in the respective engagements, and in case of eventual errors, these are identified by the procurement officials before evaluation report is signed.	This year too, shortcomings were encountered in the evaluation of tenders	Not started Implementation
6.	Revenues	The mayor should ensure the increase of activities for the verification of immovable properties, according to legal requirements, so that eventual changes of properties are integrated into the database to reflect the correct tax liability.	No action has been taken, as the same issue was reflected in 2024.	Not started Implementation
7.	Wages and Salaries	Before increasing the number of parallels, the mayor should ensure that there is a sufficient budget available for each position for recruitment and that there are vacancies for their inclusion in the payroll.	Due to the increase in the number of students in schools, and the limited number of employees determined by the law on budget, and in order to fulfil the obligations and implement the Law on Pre-University Education, the municipal assembly	No longer applicable

			has decided to increase the number of education employees. These employees have been hired through regular recruitment procedures.	
8.	Goods and Services - Utilities included	The mayor should ensure that the spending of the budget intended for visits abroad is used correctly and for the specific purposes for which the procedures are initiated.	Actions have been taken to address this issue.	Implemented
9.	Subsidies and Transfers	The mayor should ensure that NGO financing projects are planned in a timely manner in order to respect the legal criteria for financing NGOs, with the aim that public funds are used effectively.	No action has been taken, as the same issue was reflected in 2024.	Not started Implementation
10.	Subsidies and Transfers	The mayor to ensure that for the subsidy of certain categories of the company or even legal entities, all the legal requirements derived from the laws and regulations in force are being adhered to.	Actions have been taken to address this issue	Implemented
11.	Subsidies and Transfers	The mayor shall ensure that no expenditure of public money takes place without complying with the procedures and rules in force so that the money spent achieves the expected effect.	Actions have been taken to address this issue.	Implemented

12.	Capital investments	The mayor should ensure controls and monitor the implementation of legal requirements, so that when the procurement procedures for the contracting of works/construction are initiated, the drafting of projects is done in advance in accordance with the anticipated needs and requirements.	Actions have been taken to address this issue.	Implemented
13.	Capital investments	The mayor should ensure that the necessary actions are taken so that the approved projects are realized according to planning. If there is a need for the reallocation of project funds, this should be done through the procedures defined by reallocation in accordance with the Law on Budget Appropriations.	Actions have been taken to address this issue.	Implemented
14.	Capital investments	The mayor should ensure the proper control through the procurement office, so that, review that the requesting units make the drafting of the technical specifications according to the legal requirements and the needs of the municipality, determining the standard of quality of work or supply.	Actions have been taken to address this issue.	Implemented
15.	Capital investments	The mayor should ensure that before signing contracts for construction projects, a detailed executive plan is drawn up. Also, he should ensure that any changes in the contract are	Actions have been taken.	Implemented

		within the legal limits allowed to prevent unauthorized excesses.		
16.	Capital and non-capital Assets	The mayor should ensure that the legal requirements are fulfilled on a regular annual basis, ensure that the report on the performance of the inventory is ready at the appropriate time before the preparation of the Annual Financial Statements.	Actions have been taken to address this issue.	Implemented
17.	Receivables	The mayor should ensure that all possible options are actively considered, establishing policies and regulations in order to increase efficiency in debt collection by considering all measures in accordance with the law, towards debtors who do not fulfil their obligations.	No action has been taken, as the same issue was reflected in 2024	Not started Implementation
18.	Liabilities	The mayor should strengthen internal controls and ensure that all obligations are paid within the legal term of 30 days in order to avoid additional expenditures.	No action has been taken, as this year too we have cases of delays in the payment of invoices.	Not started Implementation
19.	Internal Audit	The mayor should ensure that the IAU operates effectively, in order to add value to the improvement of operational activities and the quality of current internal controls. At the same time, ensure that the auditors are offered the appropriate cooperation and access to information in order to fulfil the annual work plan of the Internal Audit Unit.	No action has been taken, as the same issue was reflected in 2024.	Not started Implementation



20.	Internal Audit	The mayor should ensure that the audit committee functions to critically review internal audit plans to confirm that they are risk-based and provide the needed assurance to management.	The recommendation for the Audit Committee is included in the Internal Audit Issue.	No longer applicable
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Vlora Spanca: Auditor General

Blerina Krasniqi: Audit Director

Ilir Abazi: Team leader

Ardian Bytyqi: Team member

Edon Kabashi, Team member

## Annex I: Letter of confirmation

Pas përcjelljes së draft raportit të auditimit të Komunës së Fushë Kosovës për komente, e njëjta nuk ka kthyer përgjigje brenda afatit ligjor prej 15 ditëve. Ekipi i auditimit të ZKA-së ka komunikuar me personat përgjegjës në kuadër të komunës për ta njoftuar në lidhje me tejkalimin e afatit, dhe pas 3 ditëve vonesë, komuna dërgon komentet për shqyrtim pa letër konfirmim. Përkundër vonesave, ekipi i ZKA-së ka shqyrtuar komentet përkatëse dhe ka përgatitur draft raportin e auditimit me plotësime bazuar në këto komente, ku të njëjtin e përcjell përsëri në entitet, me kërkesën për dërgim të letër konfirmimit apo edhe komenteve të mundshme në draft raportin me plotësime, por Komuna nuk kthen më përgjigje.

Në mungesë të përgjigjes, ZKA ka publikuar raportin e auditimit të Komunës së Fushë Kosovës për vitin 2024, pa letër konfirmim apo komente.

## 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>10</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>11</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>10</sup> Financial statements in the public sector include also the statement(s) of budget execution

<sup>11</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.