



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 SUHAREKA FOR YEAR 2024

Prishtina, May 2025

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1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Suhareka 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 authorities¹.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Municipality of Suhareka, 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 reports², 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 Suhareka, 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 Misclassification of expenditures amounting to €2,507,110 in different economic categories
- A1 Understatement of €42,118 of outstanding liabilities.
- A2 Contingent liabilities presented in Article 18 of the Annual Financial Report were overstated by €19,786.
- B2 Overstatement of accounts receivable by €10,685.

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

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

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

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 Suhareka'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

- A3 In 15 payments totalling to €305,213, changes without the approval of the Municipal Assembly were made to the budget allocations for capital projects.
- A4 The procurement office had specified the name of the manufacturer in the bill-of-quantities and estimates in two cases.
- A5 In the unit price contract, the value spent in a certain category has exceeded the value allowed for expenditure according to the weighting.
- A6 Incorrect use of the public framework contract.
- B3 Failure to comply with the steps for processing payments as required by the Rule.
- B4 Granting subsidies not in accordance with the public call.
- B5 Lack of executive projects.
- B6 Shortcomings in the property taxpayer database.
- A7 Lack of records on staff attendance.
- A8 The municipality had failed to verify 20% of taxable properties.
- A9 In five (5) cases amounting to €45,453, non-capital assets under €1,000 were not registered in the e-asset system.
- B7 Delays in payment of obligations to contractors.

For more details, 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 Annual Financial Statements

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 Suhareka's financial reporting process.

Management's Responsibility for Compliance

The Management of Municipality of Suhareka 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.³

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 Suhareka'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:

³ Collectively referred to as compliance with authorities

- 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 Suhareka'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 shortcomings 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 recommendations⁴

During the audit, we noted areas where significant improvements are needed, regarding financial management and control. Evident weaknesses were noted in important financial areas such as: misclassification of expenditures, changes in budget allocations for capital projects without approval of the Municipal Assembly, non-compliance with steps during payment processing, shortcomings in procurement, overstatement of accounts receivable and contingent liabilities, evaluation of farmers' applications contrary to the public call, delays in payment of invoices, which are presented below for your consideration 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 over financial reporting and compliance with authorities regarding the management of public sector funds. We will follow up (review) these recommendations during next year's audit.

This report resulted in 19 recommendations, of which 10 are new recommendations and 9 are repeated.

It is worth noting that during 2024, based on court/enforcement decisions, payments in the amount of €4,133,857 were made by the Treasury, of which €4,107,583 were paid for the collective contract, the rest for expropriation (€3,330), and (€22,944) for the economic operator. According to the municipal register, the main debt was €3,110,269, while €1,023,588 were interest expenses and other costs of court/enforcement proceedings.

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

⁴ 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 compliance conclusion

Issue B1 – Misclassification of expenditures

Finding Financial Rule no. 01/2013/MF on Public Funds Expenditure, Article 18.3 stipulates that “expenditures should have adequate codes, as defined under the Administrative Instruction for the accounting plan. The Treasury accounting plan defines the relevant codes and categories of expenditures that BOs must apply.

According to the records provided by the municipality, there were misclassifications of expenditures in the amount of €2,507,110 in economic categories. Of which, the treasury, according to the enforcement/court decision, had paid from the capital investment category for jubilee salaries, meal allowances and teacher trainings in the amount of €1,620,470, from goods and services and utilities €727,927, and from subsidies and transfers €109,044. In addition, from the goods and services category, the municipality had paid €49,669, which by nature belong to the capital investment category.

This has occurred due to the lack of budget allocations in the adequate economic category to make payments of court/enforcement decisions, as well as poor budgeting and planning.

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 the users of the AFS.

Recommendation B1 The mayor should ensure that all actions are taken to plan expenditures in the appropriate budget allocations (or reallocate funds when necessary and possible), and that payments and recording of expenditures are made according to the appropriate economic codes.

Response of the Auditee's Management (Agree)

Issue A1 – Understatement of outstanding liabilities

Finding Regulation MF.nr. 01/2017 on Annual Financial Statement of Budget Organizations, Article 6 stipulates the following: “Budget organizations keep accurate, complete and up-to-date accounting records and in compliance with applicable law on all financial information and other non-financial information”.

The report on outstanding liabilities (€1,666,133), presented under Article 17 of the AFS is understated by €42,118 because the invoice in the amount of €87,118 was paid for €45,000, while the remaining unpaid portion was not reported as a liability.

This occurred as a result of poor controls at the finance office to report municipal liabilities correctly.

Impact Failure to present all outstanding liabilities in the AFS results in stakeholders and users of the AFS receiving inaccurate information about outstanding liabilities.

Recommendation A1 The mayor should ensure that the finance office presents all outstanding liabilities in the AFS.

Response of the Auditee’s Management (Agree)

Issue A2 – Overstatement of contingent liabilities

Finding Regulation MF.nr. 01/2017 on Annual Financial Reporting by Budget Organizations, Article 6 stipulates that: “Budget organizations keep accurate, complete and up-to-date accounting records and in compliance with applicable law on all financial information and other non-financial information”.

Contingent liabilities in the amount of €5,734,158 presented under Article 18 of the Annual Financial Statement (AFS) were overstated by €19,786, due to the fact that the lawsuit in the amount of €81,620 was incorrectly presented instead of the amount of €61,834.

The presentation of contingent liabilities in incorrect values was due to the negligence of the officer who maintains records related to contingent liabilities as well as insufficient internal controls by the chief financial officer to verify the values during the presentation of contingent liabilities in the AFS.

Impact The presentation of contingent liabilities at incorrect values prevents stakeholders or users of the AFS from being informed fairly and accurately about the value of contingent liabilities.

Recommendation A2 The mayor should ensure that when preparing the AFS, contingent liabilities are valued and presented with accurate values.

Response of the Auditee's Management (Agree)

Issue B2 – Overstatement of accounts receivable

Finding Law No. 06/L-005 on Immovable Property Tax, Article 10, paragraph 1.1 stipulates the following: “The immovable property tax shall not be imposed on immovable property that is under ownership or possession of the public institutions of the Republic of Kosovo”.

From our tests of accounts receivable, in one case in the amount of €10,685 we noticed that the municipality had charged tax on property/parcel that was in public ownership, consequently the accounts receivable reported in the AFS were overestimated by this amount. It should be noted that during the execution phase of the audit in 2025, the municipality took the necessary actions and corrected this issue.

The lack of an adequate review by the municipality of the application of the municipal levy for the immovable property tax has resulted in overstated accounts receivable.

Impact The application of the property tax levy on publicly owned immovable property has directly contributed to the overstatement of accounts receivable.

Recommendation B2 The mayor should ensure the strengthening of internal controls during property tax billing and in cases where property tax is charged on properties that are exempt by law, take the necessary actions for correction and reflection in the AFS.

Response of the Auditee's Management (Agree)

2.2 Issues with impact on compliance conclusion

Issue A3 - Changes without the approval of the Municipal Assembly to the budget allocations for capital projects

Finding Law No. 08/l-260 on Budget Allocations for the Budget of the Republic of Kosovo, Article 16, paragraph 11, for the year 2024 stipulates the following: “Changes in allocated budget amounts for existing projects as a result of transfers and/or reallocations, presented in Table 4.2, including the carried forward own source revenues and projects registered in KFMIS, must be approved in advance by the Municipal Assembly”.

In 15 payments* of capital investments, funds in the aggregate amount of €305,213 were taken from other projects approved in the budget law. The funds were paid after they were permitted by the mayor’s decisions to be transferred from one project to another at the request of the relevant directorate. However, for these changes in the budget allocations for projects, approvals from the Municipal Assembly were not required.

This occurred because the Ministry of Finance, through enforcement decisions, had paid the obligations arising from collective contracts in education for meal allowances, qualifications, and transportation from capital projects.

Impact Changes in budget amounts without the approval of the Municipal Assembly can reduce transparency and accountability in decisions made about the use of public funds. They can also have a negative impact on the implementation of existing projects by preventing them from being sufficiently funded.

Recommendation A3 The mayor should ensure that any changes to the budget amounts of projects approved in the budget law receive prior approval from the Municipal Assembly.

Response of the Auditee’s Management (Agree)

Issue A4 – Specification of the manufacturer in the bill-of-quantities and estimates

Finding Regulation No. 001/2022 on Public Procurement, Article 17, paragraph 2, stipulates as follows: "No specification shall be issued with reference to a particular trademark, brand name, patent, design, type, specific origin, manufacturer, assembler, catalogue or item number. Where there is no other precise or appropriate way of characterizing the requirements other than by reference, the description shall be used, followed by the words "or equivalent".

The procurement office in the bill-of-quantities and estimates of the projects "Construction of sports halls at ShFMU Naum Veqilharxhi-Muhlan" in the amount of €279,999, and "Construction of sports halls at ShFMU Shaban Mazreku- Sopijë" in the amount of €268,480, had specified the name of the manufacturer in several items such as: Item 13 Carpentry works, respectively sub-items 13.7, 13.8, 13.11, 13.12, 13.13 which relates to the supply and assembly of doors, the manufacturer's name Horman or similar was used.

In addition, in item 4 Machinery installations, respectively in item 4.6, which relates to the supply and assembly of radiators, the name of the manufacturer Kosova Term or similar of Gjilan is used.

This is due to the lack of controls by the procurement office to prevent the specification of the manufacturer's name in the bill-of-quantities and estimates.

Impact Specifying the name of the manufacturer in the bill-of-quantities and estimates may affect competition and unequal treatment of economic operators.

Recommendation A4 The mayor should ensure that the procurement office will not issue the tender dossier if the name of the manufacturer is specified in the bill-of-quantities and estimates.

Response of the Auditee's Management (Do Not Agree)

See Annex I

Issue A5 – Execution of contract quantities at unit price not in compliance with the defined weight in the tender dossier

Finding Regulation No. 001/2022 on public procurement, Article 17 of the tender dossier, paragraph 35, stipulates that "Whenever the Contracting Authority (CA) does not know the indicative quantities, contracts with unit prices, the CA must determine the weights based on the importance of each category of services in order for the CA to determine which is the lowest priced offer based on the scoring. Consequently, the weighting of the items must be done based on the weight and importance of the respective category, which means that the quantity realized (spent) cannot and should not differ from the ratios according to the weight 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 weight and with the real needs of the CA".

The public framework contract with unit price "Design and revision of projects" with an estimated value of €85,900, category E "design of conceptual and main projects of works of art" was weighted by 5% and when expressed in value it amounts to €4,295. This category was executed for €57,884, i.e. with an excess of €53,589. It is worth noting that the contract in total was not exceeded.

The exceeding occurred as a result of poor testing by the project manager.

Impact Exceeding the allowed quantities according to the weight assigned to them in the tender dossier and in the contract contributes to the lack of transparency in the decision-making for the selection of the bid with the lowest price. This may also contribute to the increase in planned budget expenditures and the non-execution of other weighted categories according to the contract.

Recommendation A5 The mayor should ensure that the contract management by the project manager is carried out in accordance with legal requirements, so that the public framework contract with unit price is implemented in full compliance with the weighting specified in the tender dossier.

Response of the Auditee's Management (Agree)

Issue A6 – Incorrect use of public framework contract**Finding**

Regulation No. 001/2022 on Public Procurement Framework Contracts, Article 54, respectively paragraph 54.2, stipulates that "A framework contract is a general term for agreements between contracting authorities and economic operators for supplies, services, and works (repairs/maintenance), which establishes the terms and conditions under which ancillary contracts, or the placing of orders may be carried out through the terms of the agreement. Also, paragraph 54.15, among other things, stipulates that " Whenever the Contracting Authority does not know the indicative quantities, or unit price contracts, the CA must determine the weights based on the importance of each "service category" or each "item" in order for the Contracting Authority to determine what is the lowest bid. Contracts with unit prices can be conducted for all types of contracts, contracts for supplies, services and works (repairs and maintenance).

The procurement office had mistakenly used the type of public framework contract with unit price for work for the capital project "Construction and reconstruction of local roads in cities and villages" with a unit price of €345, and an estimated value of €600,000. The contract should not have been a public framework contract with unit price but a fixed price contract for work, since public framework contracts for work according to the regulation are only allowed in cases when we are dealing with the performance of repair/maintenance works but not for the construction of roads.

This occurred as a result of poor controls by the procurement office to adhere to the legal requirements related to the public framework contract for works.

Impact

The incorrect use of the type of public framework contract with unit price for road construction work may cause difficulties during the implementation of the project because the quantities in the bill-of-quantities and estimate items are not defined correctly. They are in each item with a quantity of 1.

Recommendation A6 The mayor should ensure that all necessary actions are taken so that the procurement office implements the appropriate contract as required by the legal regulations.

Response of the Auditee's Management (Do not Agree)

See Annex I

Issue B3 - Failure to comply with the steps for processing payments as required by the Rule

Finding Financial Rule No. 01/2013/MF – Expenditure of public money, Article 22, sets forth the steps for processing payments, where initially a purchase request is made, a purchase order is issued, the goods are received, then the Economic Operator presents the invoice for payment.

Of the 59 samples tested as part of substantial testing of capital investments, we observed that in 23 cases totalling to €1,173,776, the steps for processing payments were not adhered to, where initially the invoice was received and the stage for the work performed was established, and then the purchase order was issued.

This was due to the failure of controls by the procurement office as the procurement office had not adhered to the steps for processing payments according to the financial rule.

Impact Failure to comply with the steps for processing payments may result in increased municipal liabilities to economic operators.

Recommendation B3 The mayor should ensure that the procurement office follows all steps for processing payments as set out in the Financial Rule for the expenditure of public money.

Response of the Auditee's Management (Agree)

Issue B4 - Failure to comply with the criteria set out in the public call for subsidising farmers with greenhouses in agriculture

Finding Based on the call for application No. 08-15 dated 26.02.2024 from the Directorate of Agriculture for subsidizing the construction of greenhouses in the Municipality of Suhareka, among the criteria required for application was the requirement that applicants must possess at least 0.5ha of agricultural land.

We have identified that five (5) beneficiaries of agriculture green houses had not provided evidence that shows they possess at least 0.5ha of agricultural land.

This occurred as a result of the ineligibility of the evaluation committee, which had decided to approve the request in violation to the call criteria.

Impact Subsidization not in accordance with the public call negatively affects other applicants and the transparency of the subsidy allocation process.

Recommendation B4 The mayor should improve the evaluation process for granting subsidies ensuring that only applicants who meet the criteria benefit from the subsidy.

Response of the Auditee's Management (Do not Agree)

See Annex I

Issue B5 - Lack of executive projects

Finding Regulation No. 001/2022 on Public Procurement, Article 19, Technical Specifications, paragraph 17 among other things, stipulates that "The Contracting Authority is responsible for drafting the Executive Project and which shall be attached (also on electronic form) to the Technical Specifications, which are part of the Tender Dossier. No Contracting Authority is allowed to issue the Tender Documentation without attaching the detailed project description".

Our testing revealed that the executive project was not prepared for three (3) capital projects. The cases involve the following projects:

-Project "Construction and reconstruction of local roads in cities and villages" in the amount of €600,000.

-Project "Construction and rehabilitation of sewerage system in Suhareka and the villages of Samadraxhë, Bllacë, Sllapuzhan, Peqan, Semetisht, Reshtan Studençan and Kastërc" Lot 2 in the amount of €223,550.

-Project "Construction of local roads in Bukosh village" in the amount of €28,147.

This occurred as a result of a lack of control by the procurement office, which carried out the procurement activity without the executive project for these specific projects.

Impact The lack of an executive project can result in difficulties in carrying out projects during the execution phase. This increases the likelihood of encountering obstacles throughout the project implementation, impacting both the professional aspect and potentially leading to work delays or increased project costs.

Recommendation B5 The mayor should ensure the strengthening of controls and monitor the implementation of legal requirements. This will ensure that when initiating procurement procedures for contracting work, the drafting of executive projects is done in accordance with the anticipated needs and requirements in advance.

Response of the Auditee's Management (Agree)

Issue B6 - Shortcomings in the property taxpayer database

Finding Law No.06/L-005 on Immovable Property Tax, Article 12, states that the municipality is responsible for recording and managing property tax data in the property tax registers as defined in the sub-legal act.

In addition, the Ministry of Finance, respectively the Property Tax Department, has notified the municipalities of the decision taken to register the ID number in the case of the implementation of Article 11 of Law No. 06/L-005, in order to avoid duplications/or irregularities and ensure the effective implementation of this article.

During the analysis of the property tax database, it was identified that 1,309 individual taxpayers do not have their ID numbers presented in this database.

This occurred due to failure to verify the properties in question and to update records in the property tax system by the municipal property tax unit.

Impact The lack of data in the basic database on taxpayers' personal identification numbers represents a shortcoming and could potentially lead to some taxpayers taking illegal advantage of the allowed deduction for primary residence.

Recommendation B6 The mayor should take the necessary actions to ensure that the property tax database is filled with all taxpayer ID numbers.

Response of the Auditee's Management (Agree)

Issue A7 - Lack of records on staff attendance

Finding Regulation (QRK) No. 04/2024 on Working Hours, Leave and Attendance of Public Officials, Article 17, among other things, stipulates: “A public official shall be obliged to register on the electronic attendance sheet. The work attendance of the public official is recorded through registration in the electronic system that is administered in accordance with the relevant legislation in force for the protection of personal data. When it is not possible for technical reasons, the work attendance of the public official is recorded through registration in the record books”. The lack of record of work attendance by the official is considered as absence from work.

During the testing of 40 samples for the category of wages and salaries, we identified that for four (4) municipal officials there was no evidence of regular attendance at work, of which for one (1) official there was no evidence for a 12-month period, while for the other three (3) officials there was no evidence for a period ranging from 4 to 6 months.

This occurred due to officials’ failure to register in the electronic attendance register and the lack of internal control to oversee the officials’ work records.

Impact The lack of attendance reports represents irregularities, creates ambiguity and uncertainty as to whether municipal officials have had regular attendance at work and whether their pay is justified by their work.

Recommendation A7 The mayor should ensure that municipal officials are regularly recorded in the attendance register and this is evidenced through reports.

Response of the Auditee’s Management (Agree)

Issue A8 - Shortcomings in the inspection of municipal facilities

Finding Law No. 06/L-005 on Immovable Property Tax, Article 15, paragraph 2 stipulates “Inspection activities shall be carried out each year for at least twenty per cent (20%) of all objects within the territory of the Municipality and only when it is necessary for parcels”. Also, paragraph 1 of this article stipulates that “The Municipality shall inspect immovable properties within the territory of the Municipality. The Municipality may engage private inspectors to assist in inspecting activities”.

The municipality failed to meet the statutory quota of 20% for inspection of buildings in 2024. Despite planning to inspect 3,555 buildings out of a total of 17,777 during the year, surveyors managed to inspect 1,868 or only 10.50%.

According to the confirmation of the responsible property tax officer, despite efforts, this has occurred as a result of the lack of sufficient staff to carry out inspections, on-site challenges to obtain information from property owners, in some cases the lack of internet access on site and other factors.

Impact Failure to inspect 20% of facilities may result in overstated or understated tax burden for taxpayers.

Recommendation A8 The mayor should ensure that 20% of immovable properties are verified, so that any changes to the properties are integrated into the database to reflect the correct tax liability.

Response of the Auditee’s Management (Agree)**Issue A9 - Failure to register non-capital assets in the e-asset system**

Finding Regulation MF-NR. 02/2013 on the management of non-financial assets by budget organizations, Article 6.3. stipulates that, “Capital assets must be recorded in KFMIS, while the non- capital assets and stocks in the “e- assets” system.”.

Our testing revealed that in five (5) cases totalling to €45,453, non-capital assets under €1,000 from the education directorate were not registered in the e-asset system.

Failure to register non-capital assets in the e-asset system occurred because the asset officer who registered non-capital assets for the director of education was on maternity leave.

Impact Failure to register all non-capital assets under €1,000 in the e-asset register results in inaccurate reporting of non-capital assets in the financial statements.

Recommendation A9 The mayor should increase internal controls to ensure the recording of assets under €1,000 in e-asset accounting registers.

Response of the Auditee's Management (Agree)

Issue B7 - Delays in payment of obligations

Finding Law on Public Financial Management and Accountability, Article 39.1 stipulates "The CFO of a budget organization shall be responsible for ensuring that every valid invoice and demand for payment for goods, services and/or works supplied to the budget organization is paid within thirty (30) calendar days after the budget organization receives such an invoice or demand for payment".

In four (4) cases amounting to €135,642, we noted that the municipality had not fulfilled its financial obligations within the 30-day period. These invoices, received in 2024, had not been paid by the time we were auditing (February) 2025.

This occurred because the municipality did not have sufficient financial resources and entered into obligations without conducting any proper budget analysis.

Impact Delays in fulfilling obligations may cause additional costs to the municipality because it may face lawsuits where, in addition to the invoice value, it should pay additional costs including interest, penalties and court costs.

Recommendation B7 The mayor should ensure that obligations are entered into only after budgetary funds have been committed in advance, and that financial obligations to contractors are paid within 30 days from the date of receipt of invoices in order to avoid additional interest payments from court/enforcement decisions.

Response of the Auditee's Management (Agree)

2.3 Findings on financial management and compliance

2.3.1 Revenues

Own source revenues planned for 2024 were €2,252,469, while €2,450,094 were realized. They relate to revenues from property tax, revenues from construction permits, administrative taxes, revenues from business activities, revenues from rent, etc. Also, for 2024, the municipality has received revenues from traffic fines, court fines and revenues from the forestry agency in a total amount of €504,248.

Issue B8 - Shortcomings in regular reporting on the use of municipal properties

Finding Law No. 06/L-092 on allocation for use and exchange of municipal property, Article 22, paragraph 2 stipulates “The Mayor shall be obliged to present, within its regular six (6) months reports, to the Municipal Assembly the specific report on monitoring the implementation of contracts and fulfilment of the purpose for allocating the immovable properties for use, until the commencement of implementation and achievement of the purpose for allocating the property for use”.

The municipality had prepared regular six (6) monthly reports, but these reports did not contain information regarding the monitoring of the implementation of contracts related to the provision of municipal properties. Even in 2024, the municipality had concluded four (4) new contracts for the use of municipal immovable property and had renewed three (3) other contracts but had not reported on the purpose of the provision of use and their supervision.

This occurred due to lack of internal control regarding the reporting and supervision of contracts for the use of municipal immovable property.

Impact The lack of reporting on monitoring contracts for municipal properties provided for use not only creates legal non-compliance but also affects the full execution of revenues.

Recommendation B8 The mayor should ensure that the regular six (6) monthly reports also contain special reporting on monitoring the implementation of contracts and the fulfilment of the purpose of granting use of immovable properties.

Response of the Auditee's Management (Agree)

2.3.2 Capital Investments

In 2024, the total budget for capital investments was €7,850,524, of which €7,693,387 was spent. These investments were allocated for the construction of local roads, sewage systems, educational and healthcare facilities, and the maintenance/regulation of parks.

Issue B9 – Delays in project implementation

Finding Regulation No. 001/2022 on Public Procurement, specifically Responsibilities of the Project/Contract Manager, paragraph 70.23, point b, provides that "The Contract Manager shall ensure that the Economic Operator performs the contract in accordance with the terms and conditions specified in the contract". Additionally, each contract includes a designated deadline for implementation.

We have observed that the municipality did not complete the works according to the dynamic plan outlined in the contract in three instances. These cases are as follows:

- The project "Construction and regulation of the collector on Skënderbeu Street" had a contract signed on 21.07.2023, with a total cost of €929,426 and a scheduled implementation period of 52 calendar days. However, by the end of 2024, this project remained unfinished.
- The project "Construction of Brigada 123 Square - continuation" had a contract signed on 13.11.2023, with a total cost of €1,388,907 and a scheduled implementation period of 160 calendar days. However, by the end of 2024, this project remained unfinished; and
- The project "Construction of parks with playground corners in the villages: Duhël, Bllacë, Vraniq and Mushtisht" had a contract signed on 08.07.2024, in the amount of €86,356.95 and a scheduled implementation period of 90 calendar days. This project was still unfinished by the end of 2024.

This occurred as a result of the project managers's failure to properly oversee the implementation of contracts in accordance with the plan outlined in the contract.

Impact Failure to implement projects according to the terms of the contract has impacted the municipality's ability to achieve its set objectives and may lead to budgetary difficulties in the coming years.

Recommendation B9 The mayor should ensure that adequate mechanisms are in place to strengthen controls for overseeing the implementation of projects, ensuring they are completed on time in accordance with the dynamic plan.

Response of the Auditee's Management (Agree)

2.3.3 Receivables

Accounts receivable disclosed by the Municipality of Suhareka in the 2024 AFS were in a total amount of €8,102,263. This is made of property tax receivables in the amount of €4,894,183, business taxes for business activities not yet collected in the amount of €2,570,177, receivables from rents for public space utilization in the amount of €256,327, and receivables from leases in the amount of €381,575. Compared to the previous year, accounts receivable in 2024 increased by €464,708 or 6.08%.

Issue A10 - Insufficient actions for the collection of accounts receivable

Finding Law No. 06/L-005 on Immovable Property Tax, Article 26 stipulates that "The Municipality, the Ministry of Finance and the competent enforcement bodies shall have the authority and competences granted by this Chapter to collect outstanding tax liabilities which exceed the amount of ten (10) Euros".

Law No. 08/L-244 on amending and supplementing Law No. 06/L-055 on Immovable Property Tax, in Article 6 specifies that "For the tax year 2024 and subsequent tax years, the tax liability for non-residents can be paid in a single instalment, no later than September 30 of the relevant tax year."

The Regulation on Municipal Taxes, Fees and Fines in the Municipality of Suhareka, Article 5 specifies that all municipal tax payments are made in accordance with the amounts determined in this regulation, with invoices including specific deadlines for collection.

During the testing of samples for accounts receivable, we identified nine (9) cases of unpaid property tax in the amount of €23,848, as well as eight (8) cases of unpaid business taxes for business activities in the amount of €76,074. The municipality has not taken the necessary and sufficient actions for the collection of receivables, despite the fact that these accounts have been carried over for years. It is important to note that the total accounts receivable for the mentioned taxes amounts to €7,464,360, representing 92% of the total accounts receivable presented in the AFS 2024.

The increase in accounts receivable is a result of insufficient internal controls, a lack of necessary and sufficient actions for collecting accounts receivable, and lack of collection strategy.

Impact

Failure to generate planned revenues increases the risk of failure for projects planned using own resources. Aging accounts receivable can make it challenging or even impossible, to collect them.

Recommendation A10

The mayor should ensure the strengthening of internal controls for managing receivables and improving their collection efficiency. Additionally, the reasons for the growth of receivables should be analysed, and strategies for collection should be developed, including taking necessary legal actions for collection.

Response of the Auditee's Management (Agree)

3 Summary on budget planning and execution

In this chapter, we have presented a summary of information on the sources of budget funds, expenditure of funds and collected revenues, according to economic categories. This is illustrated through the tables and graphs below:

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

Description	Initial budget	Final budget ⁵	2024 Expenditures	2023 Expenditures	2022 Expenditures
Sources of funds	22,084,868	25,425,215	25,077,790	21,129,662	18,020,858
Government Grants – Budget	19,832,399	20,918,381	20,823,286	18,726,949	15,517,044
Funding through borrowing	0	0	0	0	107,682
Carried forward from previous year	0	1,647,498	1,630,152	631,930	494,061
Own source revenues	2,252,469	2,252,469	2,166,578	1,386,174	1,750,633
Domestic Donations	0	1,656	0	0	4,540
External donations	0	605,211	457,774	384,609	146,898

The final budget is higher than the initial budget by €3,340,347. This increase is due to the Government grant of €1,085,982, the transfer of own revenues from the previous year amounting to €1,647,498, and donations of €606,867.

The municipality has spent approximately 99% of the final budget, indicating strong budget performance.

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

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
Spending of funds by economic categories	22,084,868	25,425,215	25,077,790	21,129,662	18,020,858
Wages and Salaries	11,342,580	12,599,430	12,598,863	10,612,785	9,303,713
Goods and Services	3,178,428	3,257,145	3,145,973	3,019,067	2,470,247
Utilities	586,630	735,519	657,205	339,610	382,760
Subsidies and Transfers	955,000	982,597	982,362	899,574	676,958
Capital Investments	6,022,230	7,850,524	7,693,387	6,258,627	5,187,180

The explanations for the budget changes in the economic categories are as follows:

The final budget for wages and salaries has increased by €1,256,850 compared to the initial budget. This increase includes €1,206,850 from decisions made by the Government of Kosovo, as well as an additional €50,000 from carried forward own revenues.

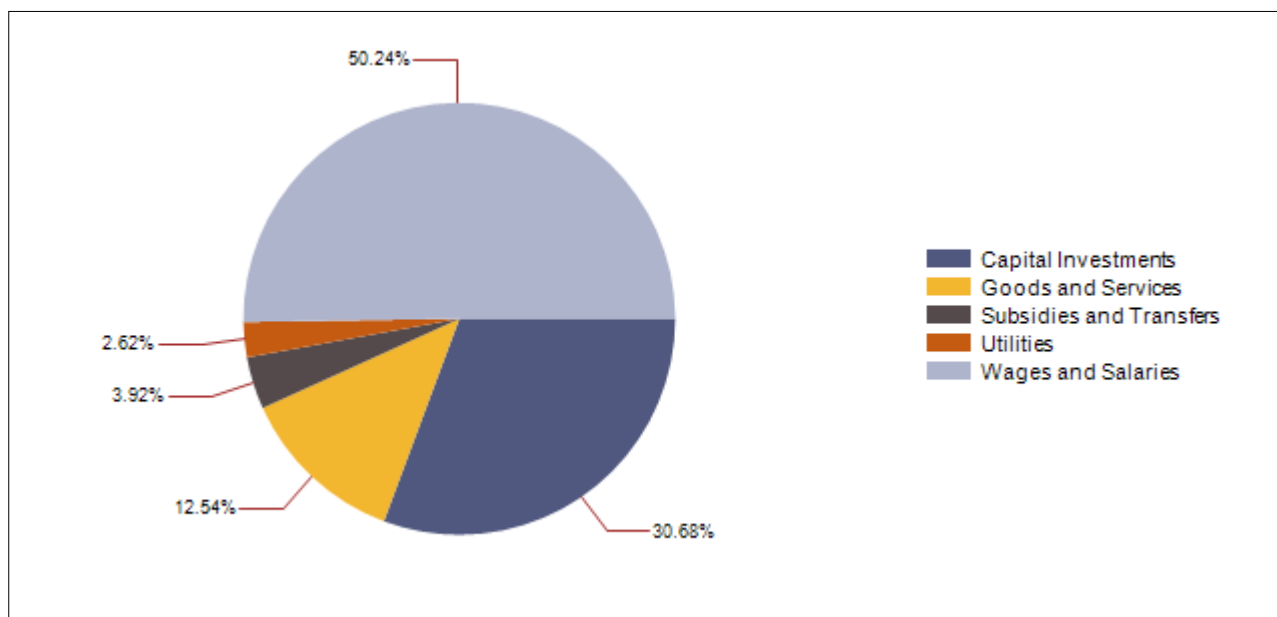
The final budget for goods and services has increased by €78,717. This increase consists of €76,561 from unspent own revenues from 2023, and €2,156 from donations. Expenditures in this category include payments for supplies, IT equipment, maintenance and servicing, and cleaning of facilities. The treasury in this category had paid €432,199 for meal allowances, educational qualifications, and obligations from collective contracts based on enforcement/court decisions.

The final budget for utilities has increased by €148,889 from unspent own revenues from 2023. The treasury in this category had paid €295,728 for meal allowances, educational qualifications as obligations from collective contracts based on enforcement/court decisions.

The final budget for subsidies has increased by €27,597 from the unspent own revenues from 2023. The expenditures include payments made to support NGOs, individuals, as well as expenses made by the treasury in the amount of €109,044 based on enforcement/court decisions for meal allowances and educational qualifications.

The final budget for capital expenditures compared to the initial budget has increased by €1,828,294. This increase is due to the transfer of unspent own revenues from 2023 for €1,344,451, an increase from donations for €604,711, and a reduction in the capital investment category of €120,868, by decision of the Government. Expenditures in this category include payments for capital projects such as the construction of local roads, water supply and sewage system, and construction of facilities and sports fields. It is worth noting that the treasury in this category, had paid €1,620,470 for meal allowances and educational qualifications as obligations arising from collective contracts based on enforcement/court decisions.

Chart 1. Expenditures according to economic categories for 2024



Planned own revenues for 2024 were €2,252,469, whilst only €2,450,094 were generated. These relate to property tax, construction permits, administrative fees, business activities, and rent revenues, among others. Additionally, the municipality received revenues from traffic fines, court fines, and forestry agency totalling €504,248 in 2024. These revenues are not included in the table below as they are planned and executed by line ministries.

From the table below it can be seen that tax revenues from property and immovable property rental taxes were only executed at 53.18%. This was due to the municipality not being able to achieve the revenue plan. As a result, the projected accounts receivable for this category have also increased.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	2,252,469	2,252,469	2,450,094	2,397,438	1,834,297
Tax revenues	1,323,396	1,323,396	544,389	1,023,369	884,224
Non-tax revenues	929,073	929,073	1,905,705	1,374,069	950,073

4 Progress in implementing recommendations

Our audit report on the 2023 AFS resulted in 10 recommendations. The Municipality prepared an Action Plan outlining how all recommendations would be implemented. The 2023 audit report was discussed at the Municipal Assembly. By the end of our audit, one (1) recommendation had been implemented, while nine (9) recommendations had not yet been implemented, as shown in the following Chart 2. For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

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

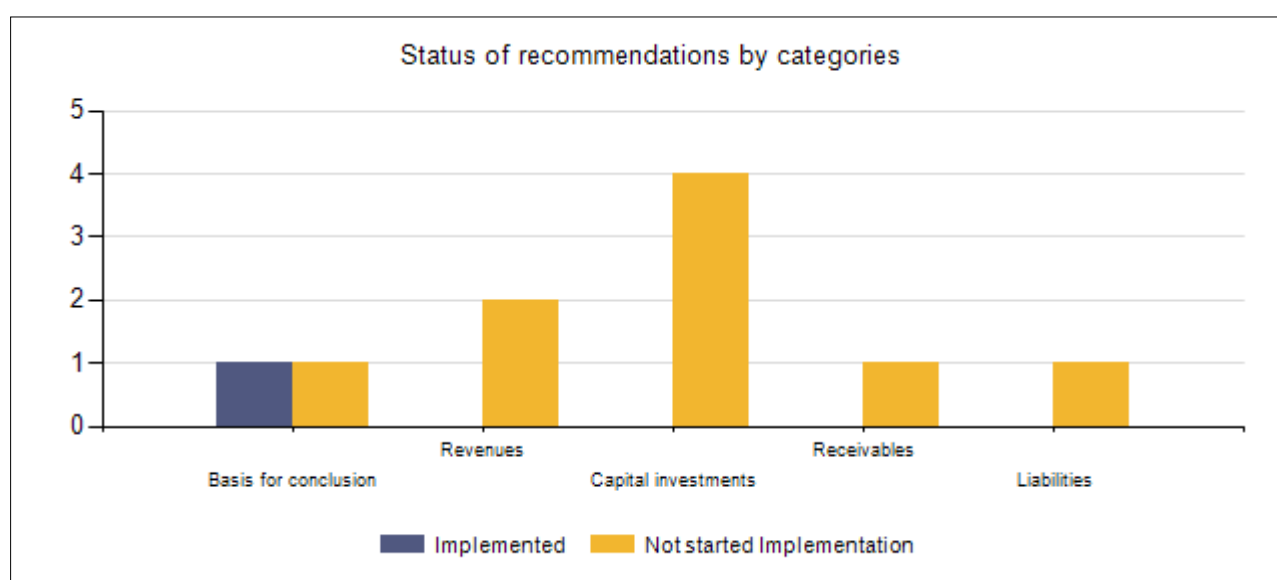


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of 2023	Actions taken	Status
1.	Basis for Conclusion	The mayor should improve the evaluation process for granting subsidies, ensuring that only applicants who meet the criteria benefit from the subsidy.	Even in 2024, the evaluation commission did not evaluate according to the criteria outlined in the public call.	Implementation not started

2.	Basis for conclusion	The mayor should ensure that all municipal assets are accurately recorded in the appropriate registers of municipal assets, in accordance with the requirements of Regulation 02/2013 on the management of non-financial assets in budgetary organizations.	The municipality had taken steps to implement the recommendation regarding property ownership, which was later corrected in the municipal property register.	Implemented
3.	Revenues	The mayor should ensure that regular semi-annual reports include a specific report on the monitoring of contract implementation and the fulfilment of the objective of leasing immovable property.	The same situation regarding the lack of reporting on municipal properties being utilized continued into 2024.	Implementation not started
4.	Revenues	The mayor should ensure better cooperation and communication between the Department of Property Taxation and the Ministry of Finance in updating the database, in order to eliminate possible errors in the assessed tax data or any other potential mistakes.	Even in 2024, taxpayers without a personal identification number were identified in the property tax database.	Implementation not started
5.	Capital Investments	The mayor should ensure that all actions are taken to plan expenditures in the appropriate budget allocations (or reallocate funds when necessary and possible), and that payments and the recording of expenses are made	Misclassifications of expenditures in the economic categories still occurred in 2024.	Implementation not started

		according to the appropriate economic codes.		
6.	Capital Investments	The mayor should ensure that the steps outlined in the applicable rules are followed regarding the execution of payments, so that during the payment procedure, funds are first committed, then a purchase order is issued, and finally, the work/service is accepted, and payment is made.	Necessary measures have not been taken	Implementation not started
7.	Capital Investments	The mayor should ensure the preparation of executive infrastructure projects before initiating procurement procedures.	Necessary actions have not been taken.	Implementation not started
8.	Capital Investments	The mayor should ensure adequate mechanisms to strengthen controls in monitoring the implementation of projects, so that they are completed on time according to the dynamic plan.	The necessary actions were not taken, resulting in delays in project implementation in 2024.	Implementation not started
9	Accounts Receivable	The mayor should ensure the strengthening of internal controls during property tax billing and, in cases where property tax is charged to properties that are legally exempt, ensure the settlement of their obligations.	Similar cases were repeated in 2024.	Implementation not started
10	Outstanding Liabilities	The mayor should ensure that the incurrence of obligations occurs only after budgetary funds have been previously committed, and that financial obligations to contractors are paid within 30 days from the	There were delays in payment of invoices	Implementation not started

		date of invoice receipt, in order to avoid additional interest payments from judicial/enforcement decisions.	exceeding 30 days.	
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This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.

Vlora Spanca: Auditor General

,Assistant Auditor General

Blerim Kabashi: Audit Director

Florim Beqiri: Team leader

Mexhit Ferati: Team member

Jetmira Isufi: Team member

Annex I: Letter of confirmation/ Comments of BO regarding the audit report

Issue	Comments from the BO	KNAO view
Specification of the manufacturer in the cost-estimate and the bill-of-quantities	The Contracting Authority, namely the Procurement Office in the Municipality of Suhareka, strongly challenges the finding presented in the draft report on the grounds that: In no case has the Procurement Office limited the criteria only to the brand name. On the contrary, when reference is made to a specific brand, the term “<i>or similar</i>” has been added, fully in compliance with Article 17, paragraph 2 of Regulation No. 001/2022 on Public Procurement. This provision allows reference to a specific product as long as this does not restrict competition and the “<i>or similar</i>” alternative is included. As a result, the CA did not receive an opinion from the PPRC Monitoring Department, as it would have happened had the specifications been limited to the brand name only, without including the “<i>or similar</i>” alternatives.	Regulation No.001/2022 on Public Procurement provides for the use of a description followed by the words “<i>or equivalent</i>” in cases where there is no other precise or appropriate way to determine the technical specifications and requirements other than by reference. Similarly, Guideline No.001/2023 on Public Procurement provides that “Defining technical specifications that refer to a specific product or source, or a specific process, or trademarks, patents, specific types or origins or products, as a general rule is prohibited. However, such a reference may be used in special cases, if such reference is accompanied by the words “or equivalent”.

	In addition, the lack of requests for additional clarifications from Economic Operators under Article 53 of the Law on Public Procurement, the lack of requests for review or complaints to the PRB, as well as the participation of a significant number of Economic Operators in the relevant tender, proves that there was no restriction of competition. Based on these data and the abovementioned reasoning, the Procurement Office in the Municipality of Suhareka considers that the finding is irrelevant and requires for it to be removed from the final report.	Your cases, where you have mentioned the trademarks in the cost-estimate and bill-of-quantities, were not special cases and you could have made a more suitable and precise description of the trademark. The finding and recommendation remain unchanged
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Incorrect use of public framework contract	The Contracting Authority, namely the Procurement Office in the Municipality of Suhareka, also challenges the finding presented in the draft report on the grounds that: The contract in question was only related to reconstruction (repair and maintenance of roads) regardless of the title of the procurement activity which could not be changed when the activity was initiated because it had been approved by the municipal assembly with that title. However, if cost-estimate and bill-of-quantities of this procurement activity were analysed, it would be noted that this contract was about repair and maintenance of roads, which - for this nature of works - allowed for the use of a framework contract with a unit price. Therefore, the PPRC did not issue any opinion on the non-use of a framework contract for this procurement activity.	The municipality has made its own reasoning without providing evidence that could change our finding. According to the regulation, public framework contracts for works are allowed only when dealing with the performance of repair/maintenance works. From the payments executed under this contract, among other things, it can be seen that they were made for works related to the supply, transport and compaction of gravel; supply, transport and assembly of cubes and asphalt; supply, transport and assembly of concrete and reinforcement related to the construction of protective walls; arrangement of parking lots in schools; and arrangement of the parking lot of the daily market in Suhareka. The finding and recommendation remain unchanged.
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Failure to comply with the criteria set out in the public call for subsidies for farmers with greenhouses in agriculture	With regard to your claim that five (5) greenhouse beneficiaries had not provided evidence to prove they own at least 0.5ha of agricultural land, we consider that the claim in question is ungrounded for the following reasons: 1. All applicants for the criterion in question have submitted as evidence the Property Certificate (which can only be obtained by the owners or family members as authorised by the land owner). Due to circumstances within the family, the properties appear to be in the name of parents, grandparents or uncles (ancestors), but which are under possession or use by the applicant or family in question. Therefore, referring to the call, we have not specified that the applicant must be the legal owner or direct owner of the property, but that he/she must prove through the title deed that he/she owns/uses the property in his/her own interest or that of the family, part of which are also the legal (actual) owners of the land. 2. At your request, for the same applicants, we have jointly made a site visit to ensure that the properties in question are being used by the applicants-beneficiaries of the subsidies and that the assets benefited from the subsidy have been put into operation.	One of the criteria required for application was for the farmer to own at least 0.5ha of agricultural land. The public call did not require applicants to prove through a title deed that they own/use the property in their own or family's interest, as you point out in the comment. For our samples, we found that these farmers had provided evidence of agricultural land with property certificates showing that the property is not in the name of the farmer, in which case no evidence/agreement was provided that they have the right to use the property. Regarding the evidence you provided regarding birth, marriage, death or family community certificates that prove the family relationship that the subsidy beneficiary has with the legal owner of the agricultural land, I would like to remind you that this was not a criterion, therefore the documents were not part of the applicants' files that we tested. The finding and recommendation remain unchanged.
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	In this case, we have assured you that the properties where the assets benefited from the subsidies are located are properties owned by the applicants or someone in their family - their ancestors. Therefore, to strengthen our reasoning, please find attached the necessary documentation for the 5 applicants, which include: Property Certificate (the same one found in the application file) as well as Birth, Marriage, Death or Family community Certificates which prove the family relationship that the subsidy beneficiary has with the legal owner of the agricultural land.	
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REPUBLIKA E KOSOVËS
REPUBLICA KOSOVA
REPUBLIC OF KOSOVO
KOMUNA E SUHAREKËS
OPSTINE SUVA REKA

MUNICIPALITY OF SUHAREKA



18-04-2025

REPUBLIKA E KOSOVËS - KOMUNA E SUHAREKËS REPUBLICA KOSOVA - OPSTINA SUVA REKA REPUBLIC OF KOSOVO - THE MUNICIPALITY OF SUHAREKA			
DËRGUAR - DOSTAVLJENO - SENT			
Nr. Br. No.	Data Datum Date	Selja Selo Village	Adresa Adresa Address
18-04-2025	18-04-2025		

LETËR E KONFIRMIMIT

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

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
18-04-2025			
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Përmes kësaj shkrese, konfirmoj se:

- kam pranuar Draft Raportin e Zyrës Kombëtare të Auditimit për Auditimin e Pasqyrave Financiare të Komunës së Suharekës për vitin 2024,
- pajtohem pjesërisht/ me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; **përveq Çështjeve B4, A4, dhe A6** për të cilat kam dërguar komentet, 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. Bali MUHARREMAJ, Kryetar i Komunës së Suharekës

Data: 17/04/2025, Suharekë



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 statements⁵ 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 authorities⁶. 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).

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

⁶ 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.

Endnotes

⁵ For the project "Construction of Brigade 123 Square - continuation" funds were received: €50,000, from project code 54161 Construction of walking trails from Budakov-Vraniq-Mushtisht to Grejkoc, €59,999.99, and €4,730, from project code 54085 Construction and reconstruction of sewers in the city and villages: Samadrexhë, Bllac, Sllapuzhan, Peqan, Semetisht, Reshtan, Studenqan, Kasterc and €1,150.91 from project code 52529 Construction and arrangement of cemeteries in Biraq. For the project "Construction and arrangement of cemeteries in Biraq" funds were received: €40,000, from project code 54156 Construction of the Sewage Treatment Plant in Dubrava and €40,000, from project code 54079 Construction of local roads in Suhareka. For the project "Construction and arrangement of the collector on the Skenderbeu road" funds were received: €12,407.90, from project code 54161 Construction of hiking trails from Budakov-Vraniq-Mushtisht to Grejkoc, and €5,790 from project code 54009 Construction of road infrastructure for agriculture and forestry in villages. For the project "Construction of a police substation and a mini fire station" the funds were received: €23,103.18 and €11,926.96, from project code 52376 Construction of the Samadrexhë-Terrnje-Studenqan road. For the project "Construction of local roads Ramush Matoshi and Sadri Buzhlani in Popolan" the funds were received: €2,986.07, from project code 54085 Construction and reconstruction of sewerage in the city and villages. For the project "Construction and rehabilitation of local roads Sopijë-Vraniq and Reqan-Bukosh" the funds were received: €14,525.6, from project code 54085 Construction and reconstruction of sewerage in the city and villages. For the project "Construction of the weekly market and green spaces in Shirok" funds were received: €14,000, from project code 54085 Construction and reconstruction of sewerage in the city and villages. For the project "Construction of the annex to the Besim Ndrecaj-Maqitevë SHFMU" funds were received: €17,000, from project code 54176 Construction of the "Vëllezërit Frashri" sports hall in Bukosh and €7,592.10, from project code 54161 Construction of hiking trails from Budakov-Vraniq-Mushtisht to Grejkoc.