



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

# AUDIT REPORT FOR THE ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY OF RAHOVE FOR THE 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 Rahovec for the year ended on 31 December 2024 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Unmodified Opinion on Annual Financial Statements

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

In our opinion, the annual financial statements of the Municipality of Rahovec, 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 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 whether the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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 Rahovec budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

## Basis for the Conclusion

A1 In three (3) cases, the criteria were not met as required by the application form; and

B1 In seven (7) cases, in the amount of €235,731, the invoices were paid with delays ranging from 19 to 516 days after the permitted 30-day payment deadline.

*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 Rahovec's financial reporting process.

## Management's Responsibility for Compliance

The Management of Municipality of Rahovec 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 Rahovec's authorities with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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

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

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

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

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

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

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

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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

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. Regarding compliance issues, the process of timely payment of invoices and strengthening of controls in the subsidy process should be improved. As for other issues, the process of managing capital projects should be improved in terms of timely completion of works, asset management and accounts receivable management.

These findings and recommendations aim to correct as necessary 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 six (6) recommendations, of which four (4) are new recommendations and two (2) are repeated recommendations.

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

## 2.1 Issues with impact on compliance conclusion

### Issue A1 - Failure to meet the criteria as required in the application form

#### Finding

The Manual for the Implementation of Regulation MoF No. 04/2017 on the Criteria, Standards and Procedures of Public Funding of NGOs provides in point 3.4 for mandatory application forms, which must be applied in each case of a public call, among others the Program or Project Application Form (Form F9), which provides detailed information on the applicant and information on the content of the project/program including financial status, human resources, partnerships, experience and similar data.

In three (3) cases of NGO subsidies, the form (F9) was incomplete, as the content of the project/program lacked detailed information regarding human resources, partnerships, experience and similar data, as required by the relevant manual/regulation on NGO subsidies. The details of these cases are: NGO KF "Rahoveci" which had received subsidies in the amount of €30,000 for the sports/football empowerment project; NGO KF "Anadrini", which had received subsidies in the amount of €9,000 for sports/football; as well as the NGO "Art Studio", which had received subsidies in the amount of €6,000 for the project for organizing the international art symposium.

This happened due to the lack of internal controls for the implementation of the requirements of the manual/regulation in the case of subsidies.

#### Impact

The granting of subsidies in the absence of complete information regarding the project program has resulted in non-implementation of the requirements of the manual/regulation and this increases the risk that the funds will not be used effectively and the purpose of the subsidy will not be achieved.

**Recommendation A1** The mayor should ensure the strengthening of internal controls regarding the implementation of the requirements of the relevant manual/regulation when subsidizing NGOs.

#### Auditee's Management Response (Agree)

## **Issue B1 - Delayed payment of invoices**

**Finding** Article 39 (1) of the LPFMA stipulates that 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 seven (7) cases, invoices totalling €235,731 were not paid within the legally prescribed deadline. Delays in payment execution range from 19 to 516 days from the allowed payment deadline of 30 days.

This happened due to lack of funds and shortcomings in the management of liabilities.

**Impact** Exceeding the legal deadline for paying invoices may make the municipality subject to lawsuits from economic operators, causing additional court/enforcement expenses or liabilities for the following year.

**Recommendation B1** The mayor should ensure that sufficient funds are available so that all invoices received are paid within 30 days of receipt.

**Auditee's Management Response (Agree)**

## 2.2 Other financial management and compliance issues

### 2.2.1 Capital Investments

The final budget for capital investments was €7,164,117, of which €6,992,331 were spent in 2024. They relate to the construction of local roads, river maintenance, educational facilities, other equipment, etc.

#### Issue A2 – Lack of complete information on contract management

**Finding** According to Article 70 (2) of Regulation No. 001/2022 on Public Procurement: “The evaluation of the performance of the contractors shall be done: i) in the e-Procurement System through the module for evaluation of the performance of contractors; ii) by the contract.” Furthermore, according to Article 70 (24): “The contract manager shall ensure that contract management records are prepared, kept and archived in the contract management module in the e-procurement system.”

In eight (8) contracts, contract/project managers did not maintain and archive complete contract management and contractor performance evaluation information in the relevant module in the electronic public procurement system.

This happened as a result of the failure to perform work responsibly by contract managers and their direct supervisors.

**Impact** The lack of complete contract management data through the public procurement system may lead to improper and non-transparent contract management, and does not provide sufficient opportunities for management to receive timely information regarding the progress and performance of contracts.

**Recommendation A2** The mayor should ensure that contract managers maintain complete data on contract management and performance evaluation in the relevant module in the public procurement system according to relevant rules.

#### Auditee’s Management Response (Agree)

## Issue B2 - Delays in project implementation

### Finding

According to Article 70 (23) of 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.

In five (5) cases, we identified delays in the implementation of projects, as follows:

- In terms of the contract for "Adjustment of river beds" project valued at €815,988, signed on 02/09/2020, there were delays in the completion of works. According to the terms of the contract, the dynamic implementation plan for this project was until 02/09/2022, but the project has not yet been finalized;
- In terms of the contract for "Construction of agricultural warehouses" project valued at €424,397, signed on 13/10/2022, there were delays in the implementation of works. According to the terms of the contract, the dynamic implementation plan for this project was until 01/02/2024, but the project has not yet been finalized;
- In terms of the contract for "Relocation of the transformer network in the central square" project valued at €67,412, signed on 23/10/2023, there were delays in the implementation of works. According to the terms of the contract, the dynamic implementation plan for this project was until 23/11/2023, whilst according to the technical report the works were completed on 23/02/2024;
- In terms of the contract for "Construction of the annex to the primary school 4 Dëshmorët in Ratkoc" project valued at €899,991, signed on 10/11/2022, there were delays in the implementation of works. According to the terms of the contract, the dynamic implementation plan for this project was until 10/03/2024, but the project has not yet been finalized; and
- In terms of the contract for "Construction of infrastructure for the grape festival in Bernjak" project valued at €156,605, signed on 08/07/2022, there were delays in the implementation of works. According to the terms of the contract, the dynamic implementation plan for this project was until 08/02/2023, but the project was finalized on 17/07/2024.

Delays in the implementation of projects happened as a result of poor planning and failure to meet the conditions for the implementation of projects before signing contracts, as well as due to the lack of funds for their completion according to the planned dynamics.

**Impact** Delays in the implementation of projects lead to the failure to achieve the municipality's objectives and the inability to utilize these projects, which are in the service of the municipality's citizens.

**Recommendation B2** The mayor should ensure that before initiating work projects, the conditions for project implementation are met both technically and financially, through proper project drafting and sufficient budget provision so that works can be implemented according to plan.

### Auditee's Management Response (Agree)

## 2.2.2 Capital and non-capital assets

The value of capital assets presented in the AFS is €149,257,596, of non-capital assets €297,477, and of stocks €113,733.

### Issue A3 - Failure to close ongoing investments and record them as assets in use

**Finding** Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, determines the manner of registration, maintenance of asset registers, depreciation, and stocktaking process. Article 11 thereof states that upon completion of the investment process, capital non-financial assets will be classified as non-financial assets in use. Depreciation shall apply from the moment of utilizing the asset.

During the testing of assets, we found that out of 12 cases of assets registered as "Ongoing investments", five are in use and have been technically accepted, while seven are in use but have not been technically accepted. These assets were listed in the register as ongoing investments, even though they are used by the municipality and should have been registered as assets in use and have depreciation calculated thereon.

This happened due to the failure of internal controls to function properly in the management of non-financial assets over the years.

**Impact** The lack of technical acceptance for completed assets that are in use by the municipality leads to uncertainty as to their status, causing untrue valuation and inaccurate reporting.

**Recommendation A3** The mayor should strengthen internal controls in the management of non-financial assets, ensuring the technical acceptance of completed projects and their registration as assets in use so that they are reported fairly and accurately.

#### Auditee's Management Response (Agree)

### 2.2.3 Receivables

The total accounts receivable presented in the 2024 AFS are €2,653,115. The value of accounts receivable mainly consists of property tax, business taxes, rent from the use of municipal properties and others.

#### Issue A4 - Inefficient management of accounts receivable

**Finding** According to Article 27 (1) of Law No. 06/L-005 on Immovable Property Tax, if a taxpayer or debtor fails to fully pay the tax and fine if any, or outstanding tax liabilities, according to stipulated deadlines, the Municipality shall issue a final written notice within ten (10) business days after the last day for payment, requiring full payment of outstanding tax liabilities, not later than ten (10) calendar days after the day when the final notice is considered to be received by the debtor. In addition, according to Law No. 03/L-049 on Local Government Finance, municipalities are responsible for collecting their own revenues and must have appropriate systems to ensure the recording, monitoring and collection of all municipal revenues.

The financial statements disclose accounts receivable in the amount of €2,653,115. The majority of these accounts relate to property tax, amounting to €2,253,324 (approximately 85%), municipal tax for the exercise of activity amounting to €382,630 (approximately 14%) and rent for the use of municipal property amounting to €17,161 (approximately 1%).

In sixteen (16) cases jointly amounting to €111,039 of accounts receivable from property tax and in three (3) cases amounting to €11,809 of accounts receivable from taxes for the exercise of the activity, the municipality had not taken legal action through the enforcement agents to collect this debt, even though the deadline

specified in the contract and the deadline in the letters on debt reminders had been exceeded.

This happened due to insufficient legal controls and actions in collecting revenues according to deadlines.

**Impact**

Failure to collect revenues on time has a negative impact on the budget level, as it creates a shortage of collected funds, hindering the financing and implementation of municipal projects. It also leads to the statutory prescription of these accounts, making their collection impossible.

**Recommendation A4** The mayor should ensure the strengthening of control mechanisms in the collection of debts from taxpayers, using all available means, without excluding legal actions, with the aim of increasing efficiency in the timely collection of revenues.

**Auditee's Management Response (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 by economic categories. This is highlighted in the following tables:

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

Description	Initial budget	Final budget <sup>6</sup>	2024 Expenditures	2023 Expenditures	2022 Expenditures
<b>Sources of funds</b>	<b>19,804,786</b>	<b>22,811,424</b>	<b>22,638,724</b>	<b>20,385,685</b>	<b>15,648,597</b>
Government Grants – Budget	18,189,882	19,532,769	19,509,565	17,536,263	13,217,112
Funding through borrowing	0	0	0	0	102,049
Carried forward from previous year	0	654,101	586,483	482,531	534,009
Own source revenues	1,614,904	1,614,904	1,599,242	1,423,641	1,167,754
Domestic Donations	0	634	0	0	9,973
External donations	0	1,009,017	943,433	943,249	617,701

The final budget is higher than the initial budget by €3,006,638, as a result of the increase from the government grant of €1,342,887, revenues carried forward from the previous year of €654,101, and donations of €1,009,650.

In 2024, the Municipality spent 99% of the final budget or €22,638,724, with a similar execution to the previous year (2023 – 99%). The execution of the budget is at a satisfactory level and the explanations for the current position are detailed below.

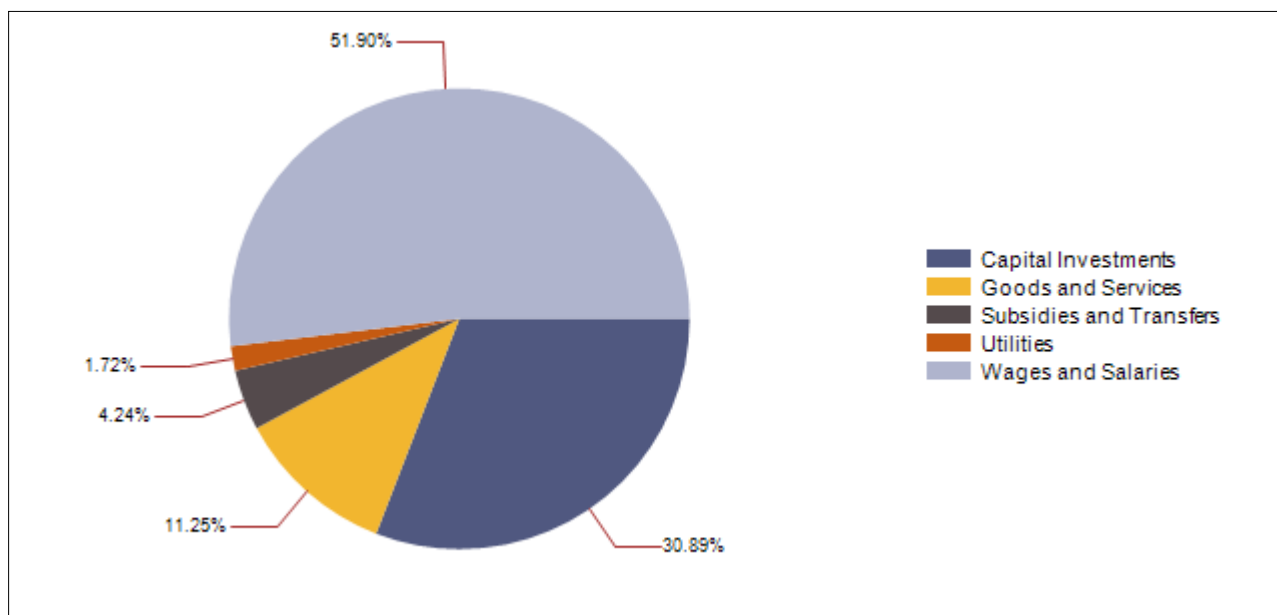
**Table 2. Spending of funds by economic categories (in €)**

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
<b>Spending of funds by economic categories</b>	<b>19,804,786</b>	<b>22,811,424</b>	<b>22,638,724</b>	<b>20,385,685</b>	<b>15,648,597</b>
Wages and Salaries	10,407,314	11,750,201	11,750,201	9,985,339	7,610,165
Goods and Services	2,466,340	2,546,544	2,545,794	2,279,307	1,848,923
Utilities	390,000	390,000	389,996	370,000	269,364
Subsidies and Transfers	890,000	960,562	960,402	833,859	342,704
Capital Investments	5,651,132	7,164,117	6,992,331	6,917,179	5,577,441

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

- The final budget of wages and salaries category, compared to the initial budget, increased by €1,342,887. The increase was the result of government decisions to cover the municipality's liabilities arising from collective agreements. The execution of this category was 100% of the final budget;
- The final budget in the goods and services category increased by €80,204. The increase was a result of carried forward revenues of €80,100, as well as external donations of €104. The budget execution in this category was 99% of the final budget, while at the end of the year, outstanding liabilities in this category were recorded in the amount of €513,683;
- The final budget in the utilities category compared to the initial budget did not change and the budget spent at the end of the year was 100%;
- The final budget for subsidies and transfers compared to the initial budget increased by €70,562. The increase was a result of the transfer of own source revenues. The budget execution in this category was 100% of the final budget until the end of the year, outstanding liabilities belonging to this category in the amount of €33,608 were presented; and
- The final budget for the capital investment category compared to the initial budget increased by €1,512,985. The increase was the result of the transfer of own source revenues in the amount of €503,429 and donations in the amount of €1,009,556. The budget execution rate was 98% while the outstanding liabilities in this category were presented in the amount of €1,170,279.

Chart 1. Expenditures by economic categories in 2024



The planned revenues for 2024 were €1,614,904, while €1,847,957 was collected or 14% more than planned. They relate to revenues from property tax, revenues from construction permits, environmental permits, administrative taxes, co-payments, rental revenues, etc.

In addition, in 2024 the Municipality of Rahovec benefited from revenues from traffic fines, court fines, and forestry fines, in a total amount of €363,841. These revenues are not included in the table below because they are planned and implemented by the Ministry of Internal Affairs, while they are allocated to the municipality for expenses

**Table 3. Revenues (in €)**

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
<b>Total of revenues</b>	<b>1,614,904</b>	<b>1,614,904</b>	<b>1,847,957</b>	<b>1,808,491</b>	<b>1,278,159</b>
Tax revenues	768,389	768,389	993,629	1,040,765	498,731
Non-tax revenues	846,515	846,515	854,327	767,004	757,632
Other revenues	0	0		722	21,795

## 4 Progress in implementing recommendations

The audit report on the 2023 AFS of the Municipality of Rahovec resulted in eight (8) key recommendations. The municipality had prepared an Action Plan outlining how it would implement the recommendations. The audit report for 2023 and the action plan to address the recommendations were discussed in the Municipal Assembly of Rahovec.

By the end of our 2024 audit, five (5) recommendations had been implemented, two (2) recommendations had not been implemented, and one (1) recommendation was no longer applicable, as shown in Chart 2 below. For a more complete description of the recommendations and how they were addressed, see Table of Recommendations No. 4.

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

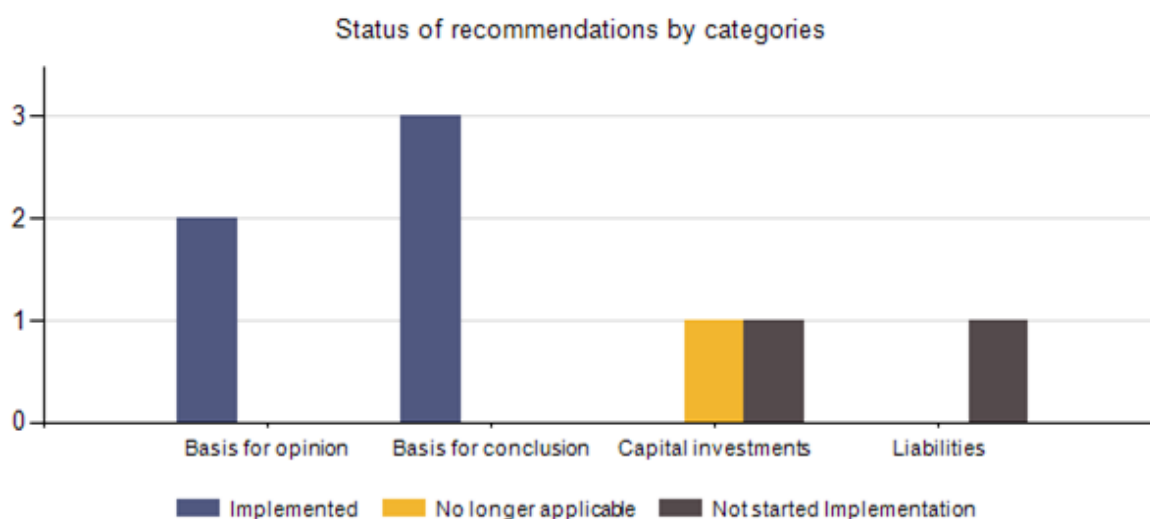


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of the year 2023	Actions taken	Status
1.	Basis for Opinion	The mayor should ensure that all necessary actions are taken so that expenditures are planned under the appropriate budget allocations (or funds are reallocated when necessary and feasible), in order for the payment and recording of	Necessary actions have been taken and this issue was not identified in 2024.	Implemented

		expenditures to be made under the appropriate economic codes.		
2.	Basis for Opinion	The mayor should ensure the strengthening of communication between the finance sector and the municipality's legal representative, in order to ensure that the financial information in the register of contingent liabilities and their reporting in the AFS is accurate and complete.	Necessary actions have been taken and this issue was not identified in 2024.	Implemented
3.	Basis for Conclusion	The mayor should ensure that the values of signed public contracts for capital projects are in accordance with the amounts approved by the Law on Budget Appropriations for the fiscal year and for the following two (2) years. In addition, appropriate measures should be taken to ensure that the contracted project deadlines align with the timelines foreseen in the tender dossier for evaluation purposes.	Necessary actions have been taken and this issue was not identified in 2024.	Implemented
4.	Basis for Conclusion	The mayor should take the necessary actions to ensure that the property tax database is completed with the personal identification numbers of all taxpayers, in order to enable the verification of all potential cases that may involve benefiting from primary residence deductions.	Necessary actions have been taken and this issue was not identified in 2024.	Implemented
5.	Basis for Conclusion	The mayor should ensure that the acceptance of supplies is carried out in accordance with the terms of the tender dossier and the contract.	Necessary actions have been taken and this issue was not identified in 2024.	Implemented

6.	Capital Investments	The mayor should ensure that capital projects are implemented within the dynamic plan defined by the contract, and that penalties foreseen in the contract are applied for unjustified delays.	This issue was also identified in 2024, as no necessary actions were taken.	Implementation has not started.
7.	Capital Investments	The mayor should ensure that the procurement or ordering process for works, supplies, and services is preceded by the preparation of commitments and the approval of purchase orders in the KFMS.	This recommendation is considered closed.	No longer applicable
8.	Outstanding Liabilities	The mayor should ensure that commitments are made only after budget funds have been previously committed, and that financial obligations to contractors are paid within the legally established deadlines.	This year too, there were delays in paying liabilities.	Implementation has not started.

Vlora Spanca: Auditor General

Blerina Krasniqi: Audit Director

Florim Maliqi: Team leader

Astrit Bllaca: Team member

Lumni Mazreku, Team member

# Annex I: Confirmation Letter

REPUBLIKA E KOSOVËS / REPUBLICA OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
INTERPRETATION / ШТАМПА И ДОСТАВЉЕНЕ АРХИВОСТИРАНОСТИ		11-06-2025	
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Komuna e Rahovecit  
 Opština Orahovec  
 Municipality of Rahovec

## LETËR E KONFIRMIMIT

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

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Komunës së Rahovecit, për vitin 2024 (në tekstin e mëtejshëm “Raporti”);
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe (kjo pikë përshtatet nga entiteti)
- 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.

Smajl Latifi

Kryetar i Komunës së Rahovecit

Data: 09.06.2025, Prishtinë



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

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

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

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

(Extract from ISSAI 200)

### *Forms of opinion*

#### **Unmodified opinion**

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

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

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

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

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

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

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

- Modified (qualified)
- Adverse, or
- Disclaimer

#### **Qualified opinion**

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

#### **Adverse opinion**

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

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

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

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

### Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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