



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

ANNUAL AUDIT REPORT 2024

Prishtina, august 2025

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List of acronyms

AP	Auditor General	TSA	Treasury Single Account
PAK	Privatization Agency of Kosovo	KOSTT	Transmission, System and Market Operator
TAK	Tax Administration of Kosovo	PPRC	Public Procurement Regulatory Commission
RAEPC	Regulatory Authority of Electronic and Postal Communications	MESP I	Ministry of Environment, Spatial Planning and Infrastructure
CRA	Civil Registration Agency	MFPT	Ministry of Finance, Labour and Transfers
EMA	Emergency Management Agency	MPA	Ministry of Public Administration
IDA	International Development Association	MIA	Ministry of Internal Affairs
CPA	Central Procurement Agency	MESTI	Ministry of Education, Science, Technology and Innovation
WB	World Bank	MoH	Ministry of Health
European Union	European Union	MoE	Ministry of Economy
EBRD	European Bank for Reconstruction and Development	CHU/IA	Central Harmonization Unit for Internal Audit
GDP	Gross Domestic Product	IAU	Internal Audit Unit
BRK	Budget of the Republic of Kosovo	POE	Publicly Owned Enterprises
CBK	Central Bank of Kosovo	BO	Budget Organization
CEB	Council of European Development Bank	PRB	Procurement Review Body
KC	Kosovo Customs	AFS	Annual Financial Statements
DDG	Designated Donor Grants	UCCK	University Clinical Centre of Kosovo
IMF	International Monetary Fund	AFR/BRK	Annual Financial Report on the Budget of the Republic of Kosovo
IFI	International Financial Institutions	AAR	Annual Audit Report
INTOSAI	International Organization of Supreme Audit Institutions	RTK	Radio Television of Kosovo
AC	Audit Committee	KFMIS	Kosovo Financial Management Information System
PIFC	Public Internal Financial Control	ISSAI	International Standards of Supreme Audit Institutions
COPF	Committee for Oversight of Public Finances	IPSAS	International Public Sector Accounting Standards
ICMM	Independent Commission for Mines and Minerals	HIS	Health Information System
MTEF	Medium-Term Expenditures Framework	SRC	Civil Registration System
KEK	Kosovo Energy Corporation	VAT	Value Added Tax
CEC	Central Election Commission	IT	Information Technology
LPFMA	Law No. 03/L-048 on Public Financial Management and Accountability	NAO	National Audit Office
LPP	Law on Public Procurement		





Word of the Auditor General

Honoured,

Audit plays a key tool for maintaining transparency, accountability, and public trust in institutions, particularly in the spending of public funds. Citizens expect every tax paid through their hard work to be used with integrity and effectiveness. Therefore, it is our duty to ensure that public money is managed properly, efficiently, and in the interest of their well-being.

Audit is not merely a technical number-checking process or a standard review of financial presentation – it is rather a safeguard that ensures public money is being properly managed. It serves as a control mechanism that helps

identify weaknesses, improve financial management, strengthens public trust in state institutions, and offers opportunities for improving public policies and overall governance – ensuring that the value for money spent is maximised.

As the Auditor General, I have been given the mandate and power to provide for the highest level of economic and financial control, through the National Audit Office, as well as to provide the citizens and the Assembly of the Republic of Kosovo with the assurance referred to above, through the audits carried out.

To this end, during the current audit season, the National Audit Office has discharged its constitutional and legal mandate by conducting **127 audits** across public institutions, publicly owned enterprises, and significant projects. The season was concluded with the audit of the **Annual Financial Report of the Government**, the results of which are reflected in the **2024 Annual Audit Report**.

We continued to place particular focus on audits of publicly owned enterprises in areas of high public interest, including Trepça, KEK, KOSTT, Telekom, and other POEs of strategic importance to the state. Given the significance of projects that directly impact the well-being of citizens, special attention has been given to performance audits. Through these audits, we assessed areas such as pre-school education, environmental protection, consumer rights, building permits, railway infrastructure, healthcare, energy, and the management and security of IT systems and information.

The results thereof indicate that challenges remain, both in the quality of financial reporting and in fulfilling institutional objectives aimed at improving citizens' lives. A considerable number of public institutions need to strengthen internal controls to meet reporting standards and regulatory requirements. Another challenge remaining is the execution of transactions and activities in accordance with the legal framework, the proper classification of expenditures, registration and management of assets, outstanding liabilities, and the increase in accounts receivable.

Entering into contractual agreements for capital projects without securing funds or prior approval leads to the risk of unplanned additional costs, whereas the lack of control thereon leads to their mismanagement. Public procurement and contract management continue to be a challenge for public institutions. Strengthening internal controls is essential in managing infrastructure projects, in order to ensure they are implemented in compliance with the legal framework. The progress in the reduction of losses in the POEs and the improvement of several internal processes is encouraging. However, challenges remain, particularly in strengthening financial management and controls in the Trepça POE.

On the other hand, several processes within public institutions still require improvement, such as the issuance of permits for high-rise buildings and the certification for their use. Forest management is accompanied by illegal logging, land usurpation, and damage to protected areas, resulting in economic and environmental losses. There is inefficiency in the use of funds allocated for the railway project, whereas in the energy sector, inefficiencies were found in the purchase and sale of renewable energy. Regarding IT system management, weaknesses were found in systems such as the property tax system, e-Kosova platform, and the customs information system, all of which require greater attention from institutional leaders.

This season, we have significantly expanded the scope of compliance audits, which have revealed that greater attention is needed in the management of local public properties, particularly regarding leasing procedures, where we have identified irregularities. Once again, this audit season revealed a number of cases with potential elements of fraud, which were consistently referred to the State Prosecutor.

In order to have these shortcomings addressed, we have given **945 recommendations** in 2024. But a remaining concern is that only **37%** of the 2023 recommendations have been implemented, indicating a decline in their implementation.

As the Auditor General, I must emphasize the insufficient corrective actions by institutional leaders. Therefore, I call upon heads of public institutions to increase accountability and diligence in managing public funds and assets, so that they are returned to citizens to serve at their well-being. Meanwhile, I encourage the Assembly of the Republic of Kosovo to play a more proactive role by utilising our audit reports to hold the managers of public funds to account.

The Auditor General,

Vlora Spanca

Prishtina, August 2025

Annual Financial Report of the Budget of the Republic of Kosovo

Qualified Opinion

**Inadequate classification of
expenditures**

€35,254,641

Assets

overstated by

€27,090,159

Accounts receivable

understated by

€894,773

Outstanding liabilities

understated by

€2,045,528

Contingent liabilities

overstated by

€4,229,574

The projected
budget
deficit

-211,316,000€
or **-2%**

The budget
surplus
after execution

52,836,000€
or **0.5%**

Revenues/Receipts

Planning **€3,436,472,000**
Execution **€3,234,089,000** apo **94%**

Compared to 2023 execution,
receipts increased by **368,449,000** or **13%**.

Budget/Expenditures

Budget/Expenditures **€3,620,293,000**
Execution **€3,195,579,000** or **88%**

Compared to 2023,
expenditures increased by **€269,581,000** or **9%**.



State debt
€1,736,960,000
or **16.9%** of the GDP

Foreign debt
€774,760,000

Domestic debt
€962,200,000

**Audits conducted in
2024/2025**

127 audits

87 financial and compliance
audits of budget
organisations

9 audits of publicly owned
enterprises

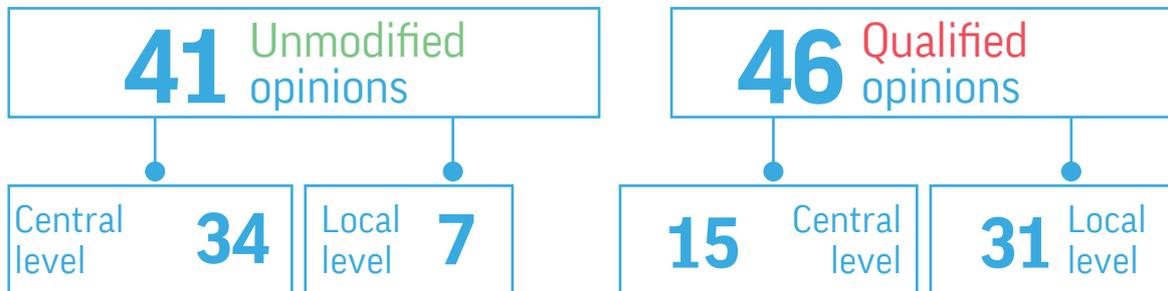
7 audits of World Bank
projects

12 performance
audits

12 compliance
audits

87

Opinions on the financial statements of budget organisations



9

Opinions on the financial statements of publicly owned enterprises



Performance and Information Technology (IT) Audits



Functioning, Licensing, and Oversight of Preschool Institutions



Follow-up audit on the implementation of recommendations from performance audit reports published in 2019



Protection, Development, and Regeneration of Forest Areas



Effectiveness of the Consumer Rights Protection System in Kosovo



Efficiency and Effectiveness in the High-Rise Construction Process in the Municipality of Pristina



Efficiency in the Implementation of the Project 'Rehabilitation of Railway Line 10: Hani i Elezit – Leshak



Efficiency of the Kosovo Clinical and University Hospital Service in the Construction of the Orthopedic Clinic Building



Management of the Renewable Energy Sources Fund



Information Systems in Kosovo Customs – ASYCUDA World



The e-Kosova Online Services Platform



The Property Tax System



System Integration, Creation of the Data Warehouse, and Implementation of Business Intelligence

Compliance Audits



Leasing and Management of Municipal Properties

For the Municipalities:

- Municipality of Pristina
- Municipality of Prizren
- Municipality of Peja
- Municipality of Gjilan
- Municipality of Podujeva
- Municipality of Suhareka
- Municipality of Fushë Kosova
- Municipality of Vushtrri



Contract Management: 'Maintenance and Repair of Infrastructure at Sanitary Landfills and Transfer Stations' at the Kosovo Landfill Management Company (KLMC)



Compliance Audits involving Classified Information (Restricted Level) of:

- Ministry of Internal Affairs
- Ministry of Defence
- Ministry of Justice

Recommendations for 2024

Annual Audit Report 2024

20 Recommendations

Individual Audits in total

945 Recommendations

- **205** Central level
- **413** Local level
- **153** POEs
- **58** Compliance Audits
- **116** Performance Audits

Executive summary

The Annual Audit Report is prepared based on Law No. 05/L-055 on the Auditor General and the National Audit Office, Law No. 03/L-048 on Public Financial Management and Accountability (with amendments and supplements to the law) as well as the International Standards of Supreme Audit Institutions.

This report provides the Assembly, Government and other stakeholders with:

- the Auditor's opinion on whether the financial statements of the Annual Financial Report on the Budget of the Republic of Kosovo give a true and fair view;
- a statement regarding the budget deficit threshold and the legal terms and requirements; and
- A summary of audit results that include relevant conclusions and recommendations from all audits conducted during the 2024/2025 audit season.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the Annual Financial Report on the Budget of the Republic of Kosovo for the year ended on 31 December 2024 gives a true and fair view in all material aspects, in line with the International Public Sector Accounting Standards (under the cash-based accounting) and Law No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

Statement of compliance of budget deficit - The 2024 budget deficit threshold was within the limits set by the law. Based on the budget execution, it is noted that the level of revenue collection had improved whereas the demand for financing had decreased. The total deficit for year 2024, calculated according to the budget, was -€211,316,000 or -2%. According to the outturn of revenues and expenditures at the end of the year, there was a surplus of €52,836,000 or 0.5% of the Gross Domestic Product.

Budget planning and execution - According to the trend observed over the last three years, both receipts and payments have continuously increased. The initial and final projections for revenues/receipts according to the 2024 budget were planned at €3,436,472,000, whilst €3,234,089,000 or 94% of the budget was collected. Compared to the collection of 2023, receipts have increased by €368,449,000, or around 13%.

The initial budget for expenditures was €3,492,163,000, whilst the final budget was €3,620,293,000, and a total of €3,195,579,000 was spent, representing 88% of the final budget. Compared to 2023, expenditures increased by €269,581,000.

The balance of funds at the end of 2024 increased by €38,509,000 compared to the balance of 2023. The bank balance of financial assets/cash in the account of the Budget of the Republic of Kosovo on December 31, 2024 - was €423,884,000.

State (Public) Debt - At the end of 2024, the value of state debts amounted to €1,736,960,000, representing 16.90% of GDP and remaining within the legally defined limits. Of this amount, €774,760,000 represents external debts while €962,200,000 represents domestic debts. Compared to the previous year, the total debt has increased by €73,920,000 or around 4.50%.

Compared to the previous year, external debt increased by €81,910,000, while domestic debt decreased by €7,990,000.

An analysis of the implementation of projects financed through state debt has revealed inefficiency and stagnation in the utilization of funds borrowed from abroad. This is mainly caused by problems related to the management of infrastructure projects, expropriations, both during the planning and implementation phases.

Accounts receivable - The total value of accounts receivable presented in the AFR-BRK was €1,004,657,000, of which €727,843,864 pertained to the central level while €276,813,136 pertained to the local level. Compared to the previous year, accounts receivable has increased by €86,453,111, or over 9%, and this is an indicator that public institutions have not undertaken appropriate measures for collection of revenues. In 2024, the audit found that accounts receivable was understated by €894,773.

Outstanding and contingent liabilities - The total value of outstanding liabilities presented in the AFR-BRK was €190,016,131, of which €145,099,574 pertained to the central level while €50,916,557 to the local level. Compared to the previous year, outstanding liabilities have increased by €37,330,772 or around 24%. In 2024, the audit identified that outstanding liabilities have been underestimated by €2,045,528.

Whereas, according to AFR-BRK, the total contingent liabilities for 2024 amounted to €394,341,235. The audit identified that the value of contingent liabilities was overstated by €4,229,574.

Payments through court rulings and enforcement - according to AFR-BRK for 2024 amounted to a total of €125,415,306. Compared to 2023, the amount of these payments has increased by €73,479,062, or 141%. Such expenditures arising from these procedures continue to pose a challenge for the state budget, especially since additional expenditures beyond the principal debt totalled €22,552,982, or 18% of the total payments.

Considering the fact that a large portion of these expenditures consists of capital investments, it appears that many projects have remained unimplemented because funds were reallocated to cover these obligations.

Non-financial assets - Reports on non-financial assets in 2024 have not yet provided sufficient assurance that budget organisations have complete controls and monitoring over assets. The data on non-financial assets in the asset management systems, in KFMIS and e-assets, are incomplete, and their balance is inaccurately reported for the amount of €27,063,159. In comparison, the inaccuracy in 2023 was €20,801,678.

Outcomes from individual audits

In accordance with the constitutional and legal mandate and the International Standards of Supreme Audit Institutions, the National Audit Office during the 2024/2025 audit season has conducted 127 audits. Of these, 87 financial and compliance audits for budget organisations, nine (9) audits of publicly owned enterprises, seven (7) audits of World Bank funded projects, 12 performance audits, and one 12 compliance audit (of which three contained RESTRICTED classified information). We also carried out the audit of the Government Annual Financial Report on Kosovo Budget.

Budget organisations - The quality of financial reporting still continues to be below the expected level because out of 87 audits of annual financial statements of budget organisations – of which 46 were found to contain material misstatements resulting in a modified/qualified opinion, whilst the other 41 resulted in an unmodified opinion.

In relation to financial reporting, it should be emphasized that the situation at the central level compared to the previous year does not show any improvement. In 2024, there are 15 BOs at the central level with modified opinions, while in 2023 there were 12 with modified opinions. While at the local level, in 2024, there were given 31 modified opinions, which, when compared to 2023, shows a poor situation in terms of financial reporting.

In addition, the situation regarding compliance as to whether the activities and transactions have been carried out in accordance with the legal framework was not good, especially at the local level. In 2024, out of 87 audited budget organisations, 33 had an unmodified conclusion, while 54 had a modified conclusion, of which 37 were municipalities and 17 were central-level organisations. No improvement was observed compared to the previous year.

Publicly Owned Enterprises - The quality of financial reporting still continues to fall short of the expected level. Out of nine (9) audits of the financial statements of publicly owned enterprises, only one (1) enterprise was issued an unmodified opinion, while eight (8) others were issued a modified opinion, of which four (4) were qualified opinions while four (4) were adverse opinions. The quality of financial reporting in publicly owned enterprises need further improvement, considering that the 2024 financial statements of eight (8) of them contained material misstatements.

As regards the compliance with applicable laws and regulations, all audited enterprises had carried out transactions and activities not in compliance with applicable laws and regulations.

Performance, Information Technology and Compliance Audits - For the 2024–2025 audit season, the audits have covered areas of highest relevance to citizens, taking into account the objectives of the United Nations 2030 Agenda for Sustainable Development, and produced 12 performance audit reports, including IT audits and nine (9) compliance reports. The performance reports have resulted in 117 recommendations, whilst the compliance reports in 58 recommendations.

Public services in Kosovo face challenges related to both efficiency and effectiveness. Audit findings have revealed that pre-school institutions often operate without a license and without regular oversight. Whilst, the new law is not being implemented due to the lack of instructions.

The effectiveness of the consumer rights protection system in Kosovo was not well-coordinated. Complaint procedures are unclear, inspections are not risk-based, and awareness campaigns are limited.

Public infrastructure projects often start without proper planning, in lack of sufficient cost-benefit analysis, and are inadequately funded in relation to the contract value.

In the area of economic and social development, audits indicate a lack of control and data in the forestry sector. Governance in urban development is poor due to the absence of inspections and the failure to enforce the construction regulations.

The high intensity of construction activities has highlighted weaknesses in local governance regarding the management of construction processes. The municipality, as the institution responsible for urban planning and construction oversight, has not established clear procedures, an equitable distribution of responsibilities, or effective mechanisms to ensure the quality and safety of collective residential buildings.

Renewable energy sources represent a significant opportunity for social and economic development, contributing to energy security and sustainable growth. However, renewable energy producers fail to accurately forecast their energy output accurately, thus frequently generating more than forecasted. The energy produced in excess is paid for by KOSTT through the Renewable Energy Sources Fund, resulting in additional expenses and inefficient Fund management.

The audit identified deficiencies in procurement processes for public investment projects, which have had an adverse impact on the transparency, competition, and the efficiency in the spending of public funds.

In the IT area, the responsible institutions have not taken sufficient action to ensure complete digitalisation of processes/services, information security, business/service continuity, and general and application-level controls are weak.

The Data Integration System (Data Warehouse) lacks formalised processes, complete documentation of processes, and inter-institutional co-ordination has led to poor strategic management of the system and its limited use.

In 2024, the NAO has conducted eight (8) compliance audits at the local level, which resulted in 54 recommendations for improving the monitoring and management of leased properties.

The audit findings indicate the lack of transparency, control and adherence to established procedures in the process of allocation for use and management of municipal property. In some cases, relevant regulations which would govern the short-term use of municipal property were lacking, whilst in others, the existing regulations were not adhered to. This has resulted in actions running afoul of the legal framework and has led to financial losses.

The audit revealed a lack of formal procedures for the renewal of lease agreements, absence of necessary documentation, and violations related to the transfer of usage rights to third parties without prior approval.

Mayors have not reported to the Municipal Assemblies regarding the implementation of contracts and the fulfilment of the intended use of public property, thereby limiting the management's ability for effective decision-making.

In addition, the NAO has carried out the compliance audit on Maintenance and Repairing of the Sanitary Landfills' Infrastructure and Transfers Stations in the KLMC and issued four (4) recommendations.

The audit results show that the Company failed to manage the contract in accordance with legal requirements, by not executing the specified contract items and significantly exceeding other contractual items.

Implementation of recommendations - The level of implementation of recommendations given in the Auditor's Annual Report on the AFR-BRK for the year 2023 still remains low. The level of addressing recommendations given in the AAR 2023 was around 16%.

In total, the average implementation rate of recommendations by budget organisations and publicly owned enterprises is 37%. In particular, for budget organisations, it has been estimated that 40% of recommendations issued in 2023 have been fully implemented, while for publicly owned enterprises, it is estimated that only 25% of recommendations have been implemented.

The National Audit Office has also conducted an assessment of the recommendations given in the 10 performance audit reports issued in 2019 covering 36 auditees. Of the 199 recommendations given, only 51 or 25% of them were implemented.

Although the audit recommendations given to budget organisations have not been implemented satisfactorily, their impact on improving the management of public money and assets has had a positive effect in several areas. Based on the actions taken, the asset registers are more accurate and complete for the value of around €177 million. The value of the recorded assets at the central level was €125,603,346; at the local level was €51,467,815; whilst the rectifications in the individual annual financial statements made during the audit had an impact on the true presentation of the Statement of payments and receipts for around €167 million.

Chapter - I

AUDIT OF THE ANNUAL FINANCIAL REPORT ON THE BUDGET OF THE REPUBLIC OF KOSOVO FOR THE YEAR 2024

1. Audit Opinion

The National Audit Office has audited the Annual Financial Report on the Budget of the Republic of Kosovo for the year ended on 31 December 2024, which includes the Statement of cash receipts and payments, the Consolidated Statement of comparison of budget with execution, the Consolidated Statement of cash and funds balance, explanatory notes as well as Annexes.

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, the Annual Financial Report of the Budget of the Republic of Kosovo gives a true and fair view in all material aspects for the year ended on 31 December 2024, in accordance with International Public Sector Accounting Standards (under the cash basis accounting) and Law No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

Basis for qualified opinion

- **Inadequate classification of expenditures** - During 2024, inadequate classifications of expenditures amounting to €35,254,641 were identified. Of these, €9,398,425 or 27% pertained to the central level whilst €25,856,216 or 73% pertained to the local level.
This has occurred as a result of payments made by court decisions amounting to €27,351,559, inadequate budgeting amounting to €5,112,582, and those influenced by the budget organisations themselves amounting to €2,790,500.
- **Assets** - by the end of 2024, the total assets according to AFR-BRK were €10,307,892,365. According to individual audits, an overstatement of assets amounting to €27,063,159 was identified in relation to the value presented in the ARF-BRK. The biggest problems faced in this category were: incomplete registration of assets and lack of coordination between organisations during the transfer of assets, which resulted in doubling of assets and registration of final assets as ongoing investments despite technical acceptance.
- **Accounts receivable** - The value of accounts receivable presented in the AFR-BRK was €1,004,657,000. According to individual audits, an understatement of accounts receivable of €894,773 was identified in relation to the value presented in the AFR-BRK.
- **Outstanding liabilities** - The value of outstanding liabilities presented in the AFR-BRK was €196,016,131. According to individual audits, there was identified an understatement of liabilities amounting to €2,045,528 in relation to the value presented in the AFR-BRK.
- **Contingent liabilities** - Contingent liabilities are a result of claims through lawsuits against budget organisations and are expected to reach a judicial conclusion in the future. According to AFR-BRK, contingent liabilities for 2024 totalled to €394,341,235. According to individual audits, an overstatement of contingent liabilities of €4,229,574 has been identified.

A more detailed description of the issues presented in the ‘Basis for Opinion’ section can be found in the respective chapters of the present report.

Recommendation to the Government

The Government should, through MFPT, provide for improved quality of financial reporting in order to meet the requirements for complete and accurate reporting, including the statements of disclosures (Annexes).

2. Legal framework, audit scope and methodology

Legal framework

The role of the Auditor General is to provide a basis for closing the accountability process between the Assembly and the Government for the execution of the state budget during the year. This is achieved by applying the principles of managerial accountability at all levels of government, including ministries, municipalities, independent institutions and publicly owned enterprises.

The Auditor General, based on the constitutional and legal mandate, once a year conducts the audit of the Government's Annual Financial Report on the execution of the budget of the Republic of Kosovo.

The audit of the Government's AFR for the year 2024 is based on the following documents:

- Constitution of the Republic of Kosovo (Articles 137 and 138);
- Law No. 05/L-055 on the Auditor General and the National Audit Office of the Republic of Kosovo (Articles 6 and 18);
- Law No. 03/L-048 on Public Financial Management and Accountability, as amended and supplemented (Articles 47 and 48);
- Annual Audit Plan for the 2024/2025 audit season;
- Financial and Compliance Audit Manual;
- Quality Control Manual;
- MF Regulation No. 01/2017 on Annual Financial Reporting by Budget Organisations; and
- INTOSAI Framework for Professional Pronouncements, namely, International Standards of Supreme Audit Institutions (ISSAIs).

The audit was planned and performed based on International Standards of Supreme Audit Institutions, in order to obtain reasonable assurance that the financial statements are free from material misstatements and that government activities, financial transactions and information presented are in accordance with laws, regulations and other acts. Risks, control environment, and internal controls have been identified and assessed at the preparatory stage.

The Kosovo's budget accounting and reporting system according to MPFMA is cash - based. Cash management is organized in the form of the Treasury Single Account. The Treasury Single Account is a system of bank accounts used for revenue collection and expenditure execution, which are managed and controlled by the Treasury. Budget organisations have been delegated responsibilities for the collection of revenues and execution of expenditures. Also, based on the MF Regulation No. 01/2017, they are obliged to keep separate accounting registers based on which they should prepare their financial statements and report to the MFLT/Treasury.

The Annual Financial Report for the State Budget consists of three main statements along with explanatory notes and other Annexes, which are prepared by the Treasury, based on the KFMIS entries.

When consolidating the ARF-BRK the notes for the following annexes: Annex no. 8 - Assets valued under €1,000, Annex 9 - Stocks, Annex 10- Receivables, Annex 12- Outstanding Invoices, Annex 13 - Contingent Liabilities, Annex 17- Number of employees off the payroll; and Annex 18- Number of employees with service contracts, are based on the records from the individual financial statements of Budget Organisations.

The Annual Audit Report is submitted to the Government and the Assembly. Whereas, the results of individual audit reports are sent to the Assembly of Kosovo, municipal assemblies, boards of directors, and managements of the audited entities.

Our analytical reviews have resulted in none of the budget organisations having non-compliances with the requirements of Regulation No. 01/2017 on Annual Financial Reporting, in terms of format, structure, and reporting deadlines.

Audit Scope and Methodology

The Ministry of Finance, Labour and Transfers/Treasury, on behalf of the Government, is responsible for the preparation and fair presentation of the Annual Financial Report on the Budget in accordance with International Public Sector Accounting Standards (IPSAS) - Financial Reporting under the Cash Basis of Accounting, and is responsible for the application of internal controls.

On 27 March 2025, the Deputy Director General of Treasury submitted the 2024 Annual Financial Report to the Government for approval within the deadline and in the format required by the Law on Public Financial Management and Accountability (LPFMA, as amended and supplemented) and in accordance with IPSAS, which was approved by the Government. The 2024_AFR was also submitted to the National Audit Office.

The National Audit Office is responsible for carrying out regularity (financial and compliance) audits that include the examination and assessment of the Government's AFR. The audit was focused on three key statements and the explanatory notes/disclosures:

- Statement of cash receipts and payments;
- Consolidated statement of the comparison of budget with execution;
- Consolidated statement of cash assets and funds balances; and
- Completeness and quality of information in the explanatory notes/disclosures of financial statements.

The objective of the audit was to provide reasonable assurance:

- Whether the AFR-BRK gives a true and fair view of the financial situation for the reporting period in all material respects;
- Whether the AFR-BRK gives a true and fair view of the financial accounts and transactions for the reporting period;
- On the effectiveness of internal controls applied during the preparation of the ARF-BRK; and
- Whether the Government has taken appropriate measures to implement the audit recommendations for the previous year and earlier years.

The 2024 AFR-BRK audit for 2024 was undertaken in accordance with the International Public Sector Auditing Standards (ISSAIs) and the NAO's internal guidelines. Our approach is based on a thorough understanding of the process whereby the AFR has been produced and on the development of an audit strategy that focuses on addressing the specific risks relating to the opinion while providing an acceptable level of assurance on the statements obtained as a whole.

The selected approach also includes an evaluation of the results obtained from audits of several annexes to the AFR which are consolidated from the individual financial statements, such as assets, liabilities, accounts receivable, public debt balance and other annexes.

Our procedures included an analytical review of the statements, assessment of the statements preparation process, verification of the value of the accounts in the general ledger and their compliance with the values presented in the financial statements, assessment of the effect of uncorrected misstatements, assessment of whether the account balances are materially correct and, where errors have been identified, whether adjustments have been made to the financial statements, confirmation that all audit assertions have been adequately addressed, and review of internal managerial controls, accounting systems, and a significant number of tests and procedures, which were deemed necessary for effective conduct of the audit.

The following sections of the Report provide a more detailed summary of the audit findings as a result of observations in each area of review. The audit findings should not be considered as a comprehensive overview of all the errors and weaknesses that may exist, or of all improvements that may be made to the government systems and procedures that have characterized the year 2024, but they certainly provide a reasonable level of assurance.

3. Budget Deficit

According to Article 46 of Law No. 03/L-048 on Public Financial Management and Accountability, as amended and supplemented, the Minister shall submit to the Government the final report on the budget, which includes a report on revenues and expenditures and provides comparative data over the years with respect to compliance with the deficit ceiling, including: the causes of deviations and the funding of deficits, or the causes of budget surpluses and investment of those surpluses, if any.

Article 22.A.1. of LPFMA No. 04/L-194, stipulates that no law on budget appropriations shall include an overall deficit exceeding 2% of the forecasted Gross Domestic Product (GDP).

Whilst, Article 22.A.3 stipulates that for the purpose of maintaining a total debt significantly below the debt ceiling set out in the Law on Public Debt, the Assembly shall, every fifth fiscal year, review and, as necessary, may make adjustments to:

- the deficit ceiling consistent with the debt ceiling(limit) and the medium-term GDP growth forecasted in the most recent MTEF; and
- the enforcement procedures and key parameters underlying the deficit ceiling.

To cover the proposed increase in deficit, the Ministry of Finance, Labour and Transfers has identified additional sources of funding the deficit, which will be secured from internal and external sources of financing through securities, international loans and grants.

We have analysed the deficit estimates in Annex No. 1 of the AFR on the disclosure of data in the table of budget deficit for the year 2024 and have not identified any discrepancies.

Table 1 - Budget deficit estimate¹ for the year 2024 (in '000 €)

	Initial budget 2024	2024 Outturn according to AFR
1. Budget revenues	3,027,997	3,088,019
Tax revenues including tax refunds	2,705,117	2,740,151
Non-tax revenues	292,880	337,939
Budget support from grants	18,000	1
Designated donor grants	12,000	9,928
2. Budget Spending	3,314,323	3,116,810
Wages and Salaries	805,390	843,034
Goods and Services	518,959	458,447
Subsidies and Transfers	1,062,316	1,112,492
Capital Expenditures	859,176	647,014
of which - funding from regular budget	784,166	627,922
of which - capital spending from the clause	75,010	19,092
Reserve	10,173	-
Interest fee	46,309	42,215
Designated donor grants	12,000	13,607
3. Total deficit/surplus	-286,326	-28,791
4. Total deficit/surplus in % of GDP	-2.71%	-0.27%
5. Expenditures exempted from the fiscal rules	75,010	81,627
Expenditures from own source revenues carried forward	-	62,535
Expenditures from receipts designated for PAK	-	-
PAK liquidation funds	-	-
Expenditures funded from the investments clause and PAK	75,010	19,092
6. Total deficit/surplus under the fiscal rule 5=4+3	-211,316	52,836
7. Total deficit/surplus in % of GDP	-2%	0.5%
8. Forecasted Gross Domestic Product	10,552,322	10,305,400

¹ For the purposes of calculating the budget deficit, grants, borrowing and other receipts (Dedicated revenues, loan repayments from POEs, One-off funding by PAK and Receipts from deposits) are not included.

As shown from the table above, the estimated overall deficit under the initial budget was -€211,316,000 or -2% of the forecasted GDP. According to the budget execution at the end of the year, there was a surplus of €52,836,000 or 0.5% of GDP.

The budget deficit ceiling was respected in both the initial budget law and during the budget execution in 2024.

4. State Debt and State Guarantees

Kosovo's State Debt consists of foreign/international debt, domestic debt, and state guarantees. Foreign debt means the state debt issued or contracted through international agreements and/or financial agreements with creditors based abroad, whilst domestic debt means the state debt issued or contracted with creditors within the country.

The Republic of Kosovo has started to take external/international debts since 2009, while since 2012 it has started to take domestic debt through the issuance of securities.

The portfolio of the state debt at the end of 2024 consists of foreign debt and domestic debt, as well as a state guarantee². To date, the Republic of Kosovo has neither municipal debt nor municipal guarantees issued.

At the end of 2024, the state debt amounted to €1,736,960,000, which, compared to the previous year, recorded an increase of €73,920,000, or 4.45%. However, in relation to the Gross Domestic Product, the state debt has decreased, which is also reflected in the percentage of state debt and guarantees, which in 2024 has decreased to 16.90% from 17.50% in 2023.

According to the Law on Public Debt No. 08/L-099, it is stipulated that in no case shall the amount of the outstanding principal of the general debt exceed 40% of GDP. The Ministry of Finance, Labor and Transfers (MFLT) has fully adhered to the legal limit allowed for taking public debts.

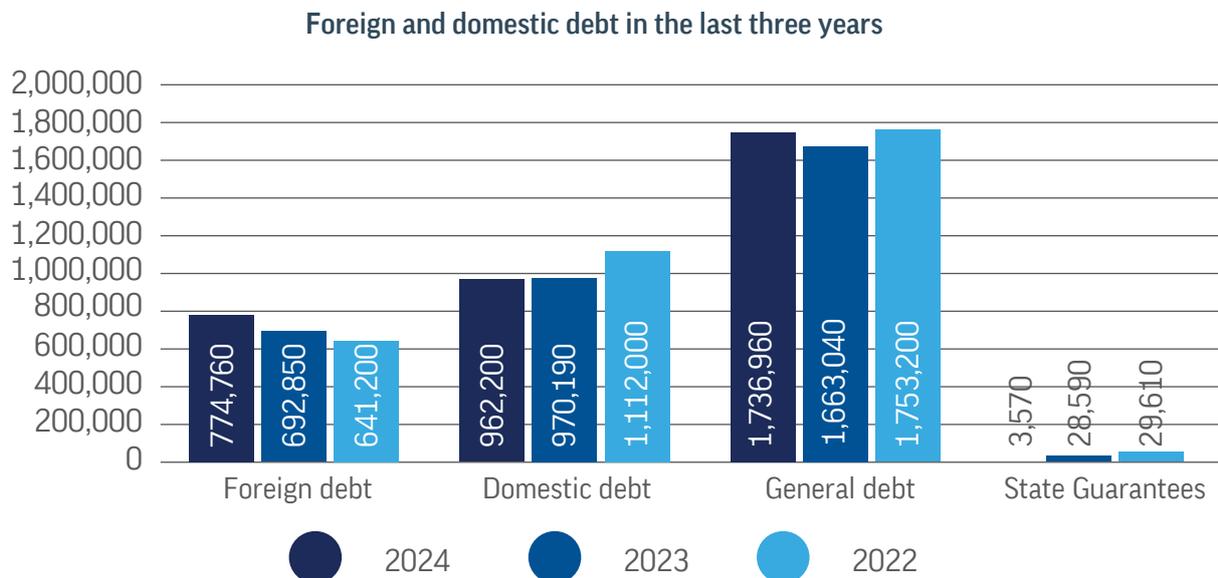
² State guarantees represent potential liabilities and they become actual debts only when the public entity fails to pay the guaranteed contractual obligations;

Table 2 – Domestic and foreign and domestic debts in the last three years (in '000 €)

Description	Year 2024	Year 2023	Year 2022
Foreign Debt	774,760	692,850	641,200
Domestic Debt	962,200	970,190	1,112,000
General Debt	1,736,960	1,663,040	1,753,200
State Guarantees	3,570	28,590	29,610
State Debt and Guarantees expressed in % of GDP	16.90%	17.50%	20.04%
GDP from KAS3	10,305,400	9,680,0704	8,895,730

The state debt consists of 44.6% from external borrowing and 55.4% from domestic borrowing. The Government currently has a state guarantee in the value of €3,570,000.

Chart 1- Foreign and domestic debt (in '000 €)



3 Foreign Debt varies over the years also as a result of exchange rate changes. GDP values for 2022-2023 are taken from the official website of the Kosovo Agency of Statistics, for 2025 they are taken from the 2025 Budget Law. The calculation of the indicator also includes State Guarantees;

4 The GDP value was revised by KAS on 14.03.2025;

Foreign/international debt

By the end of 2024, the foreign debt was €774,760,000, marking an increase of €81,910,000 or around 12% compared to the previous year. The foreign debt has been borrowed for the purpose of funding projects in the fields of education, agriculture, social welfare, cadastre, energy, health, water, wastewater treatment, central heating, banking system, roads and railway rehabilitation, economic growth, and for supporting budget.

The main creditors of the foreign debt are: the International Development Association (IDA) with a 34% share, the European Bank (EB) with a 13% share, the International Bank for Reconstruction and Development (IBRD) with a 10% share, the International Monetary Fund (IMF) with a 10% share, the European Investment Bank (EIB) with a 10% share, the OPEC Fund for International Development (OFID) with a 6% share and the Council of Europe Development Bank (CEDB) with a 6% share.

Table 3 - Foreign/international debt in the last three years (in '000 €)

Description	Year 2024	Year 2023	Year 2022
Foreign debt	774,760	692,850	641,200
Government	732,130	652,050	594,190
Sub-borrowed debt	42,630	40,800	47,010
Foreign debt as per % of GDP	7.52%	7.16%	7.21%
GDP from KAS	10,305,400	9,680,070	8,895,730

In 2024, for projects financed by foreign debts, budget organisations have withdrawn funds in the amount of €134,600,000. The largest amounts were withdrawn from the following creditors: OFID, IMF, IDA, and EIB.

During 2024, five (5) loans/financial agreements amounting to €130,500,000 were ratified by the Assembly, aimed at financing programs in the social welfare sector, solar energy, wastewater treatment, public finance sector and economic growth, and digital governance.

Table 4 - Loans ratified in 2024 (in '000 €)

Loan/Project	Creditor	Date of Agreement	Currency	Value	Project Implementer	Status
Public Finance and Economic Growth Program	OFID	09.06.2022	€uro	38,000	MFLT	Ratified
Project for Strengthening Digital Governance for Service Delivery	IDA	18.09.2023	€uro	18,500	MIA and OPM	Ratified
Photovoltaic Solar Energy Program (Solar4Kosovo I)	KfW	11.10.2023	€uro	29,000	KEK	Ratified
Ferizaj Wastewater Treatment Project	EBRD	15.12.2023	€uro	20,000	RWC Bifurkacioni J.S.C.	Ratified
Adequate Social Housing in Kosovo	CEBD	25.01.2024	€uro	25,000	MESPI	Ratified

Shortcomings in using the foreign loans

The amount of non-withdrawn loans for the year 2024 was €546,730,000. Based on Annex 21.1 of the AFR on the BRK for the disclosure of the foreign debt, the funds for ten (10) projects/loans in the total value of €196,800,000, ratified during the years 2016 to 2024, have not been withdrawn at all. The deadline for implementation or fulfilment of projects spans from 2021 to 2026.

Ratified loans the funds of which were not disbursed until the end of 2024

1. Energy Efficiency Measures Project in the municipalities: Ferizaj, Pristina, Gjakova and Gjilan in the amount of €2,500,000. The creditor is KfW; the project implementers are the respective municipalities; the agreement ratification year is 2016 (implementation deadline 30 May 2021);
2. Mitrovica Wastewater Plant Project in the amount of €19,800,000. The creditor is EIB; the project implementer is the Municipality of Mitrovica; the agreement ratification year is 2022 (implementation deadline December 2026);
3. Mitrovica Wastewater Development Project in the amount of €13,500,000. The creditor is EBRD; the project implementer is the Municipality of Mitrovica; the agreement ratification year is 2022 (implementation deadline December 2025);
4. Rehabilitation of Railway Line 10B in the amount of €38,000,000. The creditor is EIB; the project implementer is Infrakos; the agreement ratification year is 2023 (implementation deadline December 2024);
5. Prizren Public Buildings Energy Efficiency in the amount of €5,000,000. The creditor is EBRD; the project implementer is the Municipality of Prizren; the agreement ratification year is 2023;
6. Development of the Energy Sector VII – Improvement of Transmission Network in the amount of €25,500,000. The creditor is KfW; the project implementer is KOSTT; the agreement ratification year is 2023;

7. Photovoltaic Solar Energy Programme (Solar4kosovo I) in the amount of €29,000,000. The creditor is KfW; the project implementer is KEK; the agreement ratification year is 2024;
8. Adequate Social Housing in the amount of €25,000,000. The creditor is EBRD; the project implementer is MESPI; the agreement ratification year is 2024;
9. Ferizaj Wastewater Treatment Project in the amount of €20,000,000. The creditor is EBRD; the project implementer is the Municipality of Ferizaj; the agreement ratification year is 2024; and
10. Project for Strengthening Digital Governance for Service Delivery in the amount of €18,500,000. The creditor is IDA; the project implementers are MIA and OPM; the agreement ratification year is 2024.

Ratified loans the funds of which were disbursed with delays up to the end of 2024

For twelve (12) ratified loans amounting to €274,480,000, which have the most significant delays and which have a closing deadline spanning from 2022 to 2026, the level of disbursement by the end of 2024 was only €114,780,000, or 42% of the total value of the loans.

1. Gjilan Wastewater Development Project in the amount of €11,000,000. The creditor is EIB; the project implementer is the Ministry of Economy/Municipality of Gjilan/RWC Hidromorava; the agreement ratification year is 2021 (implementation deadline March 2026); only €200,000 have been withdrawn;
2. Prishtina Wastewater Treatment Project in the amount of €66,000,000. The creditor is BpI France; the project implementer is the Ministry of Economy; the agreement ratification year is 2017 (implementation deadline December 2026); only €180,000 have been withdrawn;
3. Fostering and Leveraging Opportunities for Water Security Project in the amount of €25,100,000. The creditor is IDA; the project implementer is MESPI; the agreement ratification year is 2022 (implementation deadline November 2025); only €2,320,000 have been withdrawn;
4. Rehabilitation of Regional Roads Project in the amount of €29,000,000. The creditor is EBRD; the project implementer is MESPI; the agreement ratification year is 2016 (implementation deadline August 2023); only €9,680,000 have been withdrawn;
5. Real Estate and Geospatial Infrastructure Project in the amount of €14,600,000. The creditor is IDA; the project implementer is ME; the agreement ratification year is 2020 (implementation deadline August 2025); only €3,310,000 have been withdrawn;
6. Green Cities Framework 2 Window 2 Project - Energy Efficiency in Public Buildings in Prishtina in the amount of €5,000,000. The creditor is EBRD; the project implementer is the Municipality of Pristina; the agreement ratification year is 2017 (implementation deadline December 2025); only €500,000 have been withdrawn;
7. Digital Economy in Kosovo Project in the amount of €19,370,000. The creditor is IDA; the project implementer is ME; the agreement ratification year is 2018 (implementation deadline May 2024); €17,390,000 have been withdrawn;
8. Rehabilitation of the 10th Railway Line Project, Southern Section Hani i Elezit-Kosovo in the amount of €39,900,000. The creditor of EBRD; the project implementer is INFRAKOS; the agreement ratification year is 2014 (implementation deadline December 2024); €24,030,000 have been withdrawn;

9. Water Security and Canal Protection Project in the amount of €15,000,000. The creditor is IDA; the project implementer is Ibër Lepenc J.S.C.; the agreement ratification year is 2016 (implementation deadline October 2024), €12,770,000 have been withdrawn;
10. Rehabilitation of the 10th Railway Line Project, in the amount of €42,000,000. The creditor is EIB; the project implementer is MESPI/Infrakos; the agreement ratification year is 2016 (implementation deadline December 2024); €37,300,000 have been withdrawn;
11. Project for Construction of the Sewerage System for the Municipality of Shtime in the amount of €2,390,000. The creditor is UniCredit; the project implementer is the Municipality of Shtime; the agreement ratification year is 2019 (implementation deadline April 2024); €2,100,000 have been withdrawn; and
12. Project for Construction of the Water Supply System for the Municipality of Graçanica in the amount of €5,120,000. The creditor is UniCredit; the project implementer is the Municipality of Graçanica; the agreement ratification year is 2019 (implementation deadline December 2022); €5,100,000 have been withdrawn.

For the above-mentioned projects, the implementing organisations of the respective projects report every quarter to the MFLT, while the latter reports to the Government on the progress of the said projects every six (6) months. The reports from the project implementing units are formal and non-literal, and do not list in detail the causes and obstacles faced on the site during the implementation of these projects, in order to reflect concrete actions to eliminate them.

Entry into loan agreements and delayed withdrawal of available funds is a consequence of poor planning, expropriation process, market price fluctuations, and lack of governmental capacities to utilize loan funds in a timely and effective manner. As a result of these shortcomings, the Government is constantly paying the commitment fee for these unutilized loans.

Due to the discrepancy in the time dynamics between the allocation of loans and the implementation of projects, which foresee commitment fees for loan funds not withdrawn by borrowers, the Government in 2024 has paid commitment fees in the amount of €673,934. Compared to the previous year, there is an increase in commitment fees of €176,045 or around 35%. These fees are paid mainly due to delayed withdrawal of funds.

Based on the analysis of AFR_BRK - Annex 21.1, the status of loans-foreign debt, there has been identified a discrepancy in the recording of €560,000 between the Treasury and the Debt Registration and Management System (DRMS). Of this amount, €380,000 in the Treasury were recorded as an advance return, while in the DRMS as a return of principal, while the amount of €180,000 was not recorded as a disbursement in the Treasury and the DRMS.

Domestic debt

The Republic of Kosovo has started to take domestic debt through the issuance of securities since January 2012; this debt represents the main catalyst in financing the budget deficit.

In 2024, the domestic debt amounts to €962,200,000, which compared to the previous year has decreased by €7,990,000, or 0.82%. Domestic Debt represents 55.4% of the State Debt, or 9.34% of GDP.

Table 5 - Domestic Debt in the last three years (in '000 €)

Domestic Debt (net)	Year 2024	Year 2023	Year 2022
New Emissions	-7,993	-141,810	5,850
Domestic Debt Stock	962,200	970,190	1,112,000
Domestic debt % of GDP	9.34%	10.02%	12.50%
GDP from KAS	10,305,400	9,680,0705	8,895,730

In 2024, the value of matured securities was €260,414,000, whilst €252,421,000 were issued for refunding.

Table 6 - Disclosure of new emissions of securities (in '000 €)

Domestic Debt (net)	Year 2024
Maturities	-260,414
Emissions	252,421
New Emissions	-7,993

In addition to commercial banks that are the primary actors and the Pension Trust as the primary co-payer, Securities are also held by other physical and legal investors (businesses and private individuals). The following table presents the holders of securities in the last three years.

Table 7 - Securities Holders - nominal value ('000 in €)

Instrument	Year 2024	Year 2023	Year 2022
Commercial Banks	229,220	231,500	279,510
Pension Funds	434,920	444,540	550,270
Public Institutions	215,580	216,600	213,560
Insurance Companies	51,880	50,330	45,910
Others	33,810	29,690	26,800
Total	965,410	972,660	1,116,050

⁵ The GDP value was revised by KAS on 14.03.2025;

State Guarantees

In 2024, the portfolio of state guarantees of the Republic of Kosovo consists of one issued state guarantee. The State and Municipal guarantee is accounted as debt when calculating the Debt/GDP indicator.

This guarantee was issued in 2016 in the amount of €10,000,000, whereby the Republic of Kosovo provides a guarantee to the local public enterprise Trafiku Urban for the loan borrowed from EBRD. By the end of 2024, the borrower has returned the amount of loan in value of €6,430,000.

Table 8 – Situation of state guarantees (in '000 €)

Description	Year 2024	Year 2023	Year 2022
State Guarantees	3,570	28,590	29,610
EBRD guarantee for Trafiku Urban–Prishtina	3,570	4,590	5,610
EBRD guarantee for the Second Credit Line for DIFK	0	24,000	24,000
State guarantees as per % of GDP	0.03%	0.30%	0.33%

Recommendations to the Government

- **The Government should, prior to taking decisions on financing projects through loans, ensure that detailed analyses and appropriate preparations have been carried out with regard to the projects, with the aim of utilizing these funds as efficiently as possible; and**
- **Delays or failure in initiating or implementing projects should be subject to ongoing review in coordination with the respective implementing organisations. These reviews should analyse the underlying causes and ensure that concrete actions are taken to reduce or eliminate them, so that projects can be implemented and deliver tangible public benefits—specifically, benefits for citizens.**

Recommendation to the Ministry of Finance, Labour and Transfers

Based on Treasury's quarterly reports, MFLT, in cooperation with the line ministries, should address all identified challenges in the implementation of projects financed through borrowing. At any time and in all cases when deemed necessary, MFLT should propose appropriate measures to the Government to overcome these challenges.

5. State Budget Analysis

The data presented in the Annual Financial Report of the Budget of the Republic of Kosovo are a reflection of the initial and final budget projections for the year 2024 and derive from the receipts and payments against the respective budget allocations.

The initial and final projections for revenues/receipts, according to the Law on Budget Allocations No.08/L-260, were in the amount of €3,436,472,000 and did not change during the year. While the outturn of revenues/receipts for the year 2024 amounted to €3,234,089,000 or 94% of the final budget. Compared to the outturn of 2023, the receipts have increased by €368,449,000, or around 13%.

Budget transfers in the category of Expenditures (totalling €128,129,000) through Government Decisions throughout the year had an impact on several budget organisations, resulting in the budget of certain economic categories and projects being increased, while in some others it decreased. These budget transfers, are a result of amendment of appropriations in the amount of €36,964,000 carried out according to the LPFMA, followed by own source revenues carried forward in the amount of €81,895,000 and changes to the designated donor grants in the amount of €9,270,000.

The initial budget for expenditures was €3,492,163,000, whilst the final budget was €3,620,293,000, of which €3,195,579,000 or 88% was spent. Compared to 2023 expenditures increased by €269,581,000 or 9%.

The following table provides detailed information on the initial planning and final budget and its execution.

Table 9 - Consolidated statement of comparison of budget with execution (in '000€)

No.	Budget Items	Execution	According to the Law on Final Budget	According to the Law on Budget No. 08/L-260 year 2024
1	Direct taxes	517,168	534,544	534,544
2	Indirect taxes	2,297,114	2,249,847	2,249,847
3	Returns	-74,131	-79,273	-79,273
4	Non-tax revenues	337,939	292,880	292,880
5	Grants and assistance	9,929	30,000	30,000
6	Funding through borrowing	123,306	391,452	391,452
7	Other receipts	22,764	17,023	17,023
	Total receipts	3,234,089	3,436,472	3,436,472
1	Wages and Salaries	843,034	844,744	805,390
2	Goods and Services	429,198	491,132	484,773

3	Utilities	29,249	33,047	34,186
4	Subsidies and Transfers	1,112,492	1,162,405	1,062,316
5	Capital Expenditures	647,014	840,896	859,176
6	Reserves	-	2,651	10,173
7	Interest	42,215	46,309	46,309
8	Other	92,376	199,110	189,840
Total payments		3,195,579	3,620,292	3,492,163
Increase/decrease in the bank balance		38,509	(183,821)	(55,691)

According to the Law No. 08/L-260 on Budget Appropriations for the 2024 Budget of the Republic of Kosovo, €10,173,000 have been budgeted under the "Reserves" category, of which €9,769,000 to the central level and €404,000 to the local level.

The central level share of €7,233,000 has been distributed through government decisions to cover part of the payment according to the Arbitration Tribunal Decision in the ICC HBH Contour Global case, to cover the lack of funds in the category of wages and salaries for the municipalities of Kamenica and Vitia, and to cover other emergency needs.

The local level share of €289,000 has been distributed to finance capital projects.

The amount of €2,651,000 in the final budget (€2,536,000 from the central level and €115,000 from the local level) has remained as a free funds.

5.1. Analysis of revenues/receipts by economic categories

Projections for revenues/receipts, according to Law on Budget No. 08/L-260 for the year 2024 were in the amount of €3,436,472,000, whilst the execution was in the amount of €3,234,089,000, or 94% of what was planned.

The table below provides detailed information on the initial and final budgets, as well as outturn trends over the last three years.

Table 10 - Receipts by source according to AFR/BRK (in '000 €)

Receipts	Initial budget	Final budget	Outturn 2024	Outturn 2023	Outturn 2022
Direct taxes	534,544	534,544	517,168	490,294	413,829
Indirect taxes	2,249,847	2,249,847	2,297,114	2,076,882	1,870,248
Returns	-79,273	-79,273	-74,131	-61,277	-67,069
Non-tax revenues	292,880	292,880	337,939	266,881	256,532
Grants and assistance	30,000	30,000	9,929	81,323	19,988
Funding through borrowing	391,452	391,452	123,306	-36,845	112,201
Other receipts	17,023	17,023	22,764	48,382	22,823
Total	3,436,472	3,436,472	3,234,089	2,865,640	2,628,552

In the last three years, there has been an increasing trend of budget revenues. In 2024, compared to 2023, the outturn of receipts/revenues is 13% higher, while compared to 2022, the outturn is higher by 23%.

Direct taxes

Direct taxes consist of four categories: corporate income tax (CIT), personal income tax (PIT), property tax (PT), and other taxes. The outturn of direct taxes amounted to €517,168,000 or around 97% of the amount planned in the annual budget for this category of revenues.

The main sources of the direct taxes were: personal income tax with €280,782,000 or 54%; corporate income tax with €203,380,000 or 39%; property tax with €32,977,000; and other taxes with €29,000 or 7%. Of these, personal income tax and corporate income tax were collected by TAK (Tax Administration of Kosovo), whilst the property tax was collected by the municipalities. Compared to 2023, direct taxes increased by 5%, and 25% compared to the year 2022.

Indirect taxes

The main sources of indirect taxes are: value added tax (VAT), customs duty, excises and other indirect taxes. The outturn for this category of revenues was €2,297,114,000 or 102% of the amount planned in the annual budget. The collected value added tax was €1,504,924,000 or close to 66% of the total outturn; excises €618,287,000 or 27%; customs duties €172,069,000 or 7%; and other indirect taxes €1,834,000. Compared to 2023, indirect taxes have increased by €220,232,000 or around 11%, whilst compared to 2022 they increased by €426,866,000 or around 23%.

Tax refunds

Tax refunds occur due to amounts paid by taxpayers over the amount of tax liability. When the tax balance is reconciled with TAK and Customs, the differences are calculated, and as such are returned to various entities following the review of applications for reimbursement.

According to the budget, the amount of refunds planned totalled €79,273,000, whilst the amounts refunded by the end of the fiscal year were €74,131,000 or 94% of what was planned. Of these, TAK has refunded €71,610,000, while €2,521,000 were refunded by Customs. Compared to 2023, tax refunds were €12,854,000 or 21% higher.

Non-tax revenues

The category of non-tax revenues includes all types of administrative and other taxes, different types of fines, revenues from inspection, use of public property, service fees, licenses, rental of public properties, concession taxes, mining rent, etc. Non-tax revenues are collected by the central level, local level and independent budget agencies.

Based on the initial and final Law on Budget, the non-tax revenues for the year 2024 were planned in the amount of €292,880,000. Of which, €166,280,000 were planned at the central level, €56,200,000 at the local level, €30,300,000 from the mining rent, €32,000,000 from the concession tax, €5,000,000 from dividend income, and €3,100,000 from the interest.

The outturn of non-tax revenues during 2024 was €337,939,000 or 115% of the plan. Of which, €197,787,000 were collected by the central level, €66,239,000 by the local level, €27,455,000 were collected from mining rent, €33,037,000 from the concession tax, €3,045,000 from interest of loans to publicly owned enterprises, and €10,376,000 from dividend income.

The trend shows that non-tax revenues have increased by €71,058,000 or around 27% compared to 2023, and by €81,407,000 or around 32% compared to 2022.

Grants and assistance

Designated Donor Grants are funds that must be used in accordance with the terms of agreements between the Government and donors. These funds are planned in the annual budget and constitute part of the total budget revenues for financing various projects.

The planned amount of grants according to Law No. 08/L-260 on Budget Appropriations and the final budget for the year 2024, including budget support grants, was €30,000,000. The outturn of grants was in the amount of €9,929,000 or 33% of the planned amount.

Funding through borrowing

As a source of financing for budget payments, the Government, through the Law No. 08/L-260 on Budget Appropriations for the year 2024, planned to finance a part of the payments through borrowings.

The planned receipts through borrowing were in the amount of €391,452,000, of which external borrowing amounted to €291,452,000, while domestic borrowing amounted to €100,000,000.

Other receipts

Other receipts consist of one-off financing to PAK, repayment of loans from publicly owned enterprises, dedicated revenues and deposit fund. According to the Law on Budget No. 08/L-260, other receipts were planned in the amount of €17,023,000, and during the year there were no budget transfers in this category.

The outturn of other receipts totalled €22,764,000, of which: repayment of loans by publicly owned enterprises amounted to €11,486,000, dedicated revenues amounted to €6,485,000, and receipts from deposits amounted to €4,793,000.

5.2. Analysis of expenditures by economic categories

The final budget for total expenditures was in the amount €3,620,293,000, whilst the outturn was €3,195,579,000 or 88% of the budget. Compared to 2023, payments have increased by €269,581,000, whilst compared to 2022 they have increased by €570,571,000.

Table 11 – Statement of payments compared to the last two years (in '000 €)⁶

Description	Initial budget	Final budget	Outturn 2024	Outturn 2023	Outturn 2022
Wages and Salaries	805,390	845,548	843,599	767,305	653,436
Goods and Services	484,773	497,500	432,514	397,978	337,414
Utilities	34,186	33,072	29,250	28,779	25,952
Subsidies and Transfers	1,062,316	1,165,294	1,114,605	1,079,450	1,065,195
Capital investments	859,176	852,079	654,626	560,868	422,579
Interest Expenditures	46,309	46,309	42,215	42,215	35,039
Reserves	10,173	2,651	-	-	
Other	189,840	177,840	78,770	49,403	85,394
Total	3,492,163	3,620,293	3,195,579	2,925,998	2,625,009

The following presents the expenditures outturn by category, along with comparisons to previous years.

Wages and Salaries

In the overall budget structure of expenditures, they are presented as one of the categories with the highest percentage, with 26%. The budget for 2024 was €845,548,000, while expenditures were €843,599,000 or over 99% of the budget. Compared to the previous year, expenditures increased by €76,294,000, which occurred due to the increase of the salary multiplier and the increase of the total number of employees by 1075 employees.

As in previous years, payments were made in 2024 to employees who did not have full attendance at work. The number of employees that fell into this category was 101, with the total amount paid reaching €691,050.

⁶ The values by economic category given in the table also include donor grants.

Goods and Services

In the overall structure of budgetary expenditures, this category accounted for approximately 14%. The final budget for the year 2024 for this category was €497,500,000, of which €432,514,000 or around 87% of the budget was spent. Compared to the previous year, expenditures increased by €34,536,000.

Utilities

The budget for 2024 for this category was €33,072,000, whilst €29,250,000 or around 88% of the budget was spent. Compared to the previous year, expenditures increased by €471,000.

Subsidies and Transfers

In the overall structure of budgetary expenditures, this category accounted for approximately 35%, making it the category with the highest share of total spending. The budget for the year 2024 was €1,165,294,000, of which €1,114,605,000 or around 96% of the budget was spent. Compared to the previous year, expenditures increased by €35,155,000.

Capital investments

In the overall structure of budgetary expenditures, this category accounted for approximately 20%. The final budget for this category was €852,079,000, of which €654,626,000 or around 77% of the budget was spent. Compared to the previous year, expenditures increased by €93,758,000.

Capital investment funds are designated for financing infrastructure projects, construction of highways and local roads, as well as projects in the sectors of education, health, and culture, sports facilities and other public services.

Capital projects are managed through the Public Investment Program (PIP). Projects planning within the PIP should be carried out in a detailed manner and must be approved by the heads of organisations, based on their analyses and reasoning. On the other hand, MFLT approves these requests from BOs, based on the documents presented in the PIP, ensuring that they provide the rationale and that the projects fall within the organisations' scope of responsibility and competence.

This level of capital investments implementation has been influenced by the delays in initiating the requests by the requesting units of organisations or by the prolongation of procurement procedures due to complaints to PRB by operators. In addition, some of the work contracts have been terminated due to the economic operator's failure to execute the works. Poor management of contract implementation and unresolved expropriation issues continue to pose recurring challenges, contributing to the prolonged execution of contracted works from year to year.

The lowest implementation of capital projects is observed in the following budget organisations: Ministry of Economy 31%, Ministry of Industry, Entrepreneurship and Trade 26%, Ministry of Health 57%, Ministry of Culture, Youth and Sports 61%, Municipality of Pristina 63%, Municipality of Kamenica 67%, etc.

The low implementation of capital projects at the central level was mainly as a result of poor planning by publicly owned enterprises, which have been responsible for planning and implementing projects financed by the investment clause; delays in signing contracts due to complaints to the PRB; as well as delays in carrying out works and services according to their dynamic plan.

Budget organisations failure to settle liabilities in a timely manner has led to additional costs for the state budget, due to court enforcement procedures and interest charges. As a significant portion of these liabilities relate to capital investments, many projects have remained unimplemented as the funds have been reallocated to pay these obligations instead.

At the local level⁷, six municipalities used the funds from other projects rather than those initially planned, amounting to €4,657,001. This was done without following the procedures and criteria for transferring and reallocating budget appropriations from one capital project to another, and without obtaining approval from the municipal assembly.

In addition, seven (7) municipalities entered into contractual obligations by signing project contracts without having sufficient budget. This is a violation of the Law on Budget Appropriations, where the total value of unfunded contractual obligations was €13,225,982. The details of municipalities entering into contractual obligations beyond their available budget are as follows:

- | | |
|--|-------------|
| • Municipality of Podujeva, six (6) contracts in the amount of | €4,619,545; |
| • Municipality of Prizren, three (3) contracts in the amount of | €3,301,660; |
| • Municipality of Prishtina, two (2) contracts in the amount of | €1,898,964; |
| • Municipality of Peja, one (1) contract in the amount of | €1,447,611; |
| • Municipality of Malishevë, four (4) contracts in the amount of | €1,102,644; |
| • Municipality of Vitia, three (3) contracts in the amount of | €524,870; |
| • Municipality of Kaçanik, three (3) contracts in the amount of | €330,688. |

Interest expenditures, reserves and other payments

The total budget allocated for this category was €226,800,000, whilst €120,985,000 have been spent. These expenditures relate to interest, payments for debt repayment, sub-borrowings, and return of deposits.

⁷ Prishtina, in the amount of €3,400,807; Suhareka, in the amount of €305,213; Podujevë, in the amount of €350,562; Malishevë, in the amount of €466,767; Vushtrri, in the amount of €68,756; and Vitia, in the amount of €64,896.

Recommendations to the Government

- **The Government should ensure that the planning of capital projects is subject to an analysis of the organisation's capacity to manage projects in accordance with the initial plans. Controls over project planning and budget execution should be strengthened in order to have the projects implemented in a timely manner and to verify that allocated funds are sufficient and have been spent on the projects for which they were approved in the budget; and**
- **Take further actions, through the relevant ministries, in relation to employees who are not attending work; analyse the situation by ensuring that all possible solutions have been considered; and undertake measures that are in compliance with the legal requirements.**

5.2.1. Inadequate classification of expenditures

According to Financial Rule No. 01/2013-Spending of Public Funds, expenditures should incur under the appropriate codes, as set forth in the Chart of Accounts. In addition, the AI 19/2009 on the Chart of Accounts requires from the Chief Administrative Officer and the Chief Financial Officer to ensure that all transactions are recorded in KFMIS according to the structure in the chart of accounts and classification set forth in the said AI.

Misclassification of expenditures in 2024 amounted to €35,254,641, reflecting a significant problem on the way how public expenditures were recorded. Of this amount, 27% pertains to the central level (15 budget organisations), while 73% pertains to the local level (31 municipalities). Compared to the previous year, the value of expenditures classified under inadequate categories has increased by €10,115,369, or 40%.

The most significant increase relates to payments made through court/enforcement rulings, inadequate budgeting of expenditures and payments carried out incorrectly by the BOs themselves. The following table shows more details on the inadequate classification of expenditures.

Table 12 - Inadequate classification of expenditures in economic categories

Incorrect category	Correct category	Influenced by BOs	Wrongly planned	By court rulings	Total
Goods and Services and utilities	Capital Investments	281,065	1,269,331	1,102,289	2,652,685
	Wages and Salaries	102,088	-	5,154,650	5,256,738
	Subsidies and Transfers	109,137	-	132,298	241,435
Total Goods and Services and Utilities		492,290	1,269,331	6,389,237	8,150,858
Subsidies and Transfers	Capital investments	-	-	241,777	241,777
	Goods and Services and Utilities	487,842	-	-	487,842
	Wages and Salaries	-	-	821,459	821,459
Total Subsidies and Transfers		487,842	-	1,063,236	1,551,078
Capital Investments	Goods and Services and Utilities	1,048,877	3,843,251	3,811,940	8,704,068
	Wages and Salaries	731	-	16,051,982	16,052,713
	Wages and Salaries	760,760	-	35,164	795,924
Total Capital Investments		1,810,368	3,843,251	19,899,086	25,552,705
Total misclassification for the year 2024		2,790,500	5,112,582	27,351,559	35,254,641

As shown in the table above, the category most affected by inadequate classification is the Capital Investments with €25,552,705 or 73%, followed by Goods and Services with €8,150,858 or 23%, and Subsidies and Transfers with €1,551,078 or 4%.

The inadequate classification of expenses was mainly influenced by:

- Payments carried out by the Treasury or BO, through judicial/enforcement rulings, amounting to €27,351,559 or 78%;
- Inadequate budgeting by €5,112,582 or 14%; and
- Expenditures made by budget organisations themselves under the wrong economic categories amounting to €2,790,500 or 8%.

The following table shows five (5) Ministries and five (5) Municipalities with the highest amounts of inadequate classifications due to judicial/enforcement decisions, expenditures made by the budget organisations themselves or as a result of wrong budgeting.

Table 13 - Central level

Entity	Incorrect category	Correct category	Financial amount	Nature of the expenditure
MESPI	Capital Investments	Goods and Services	2,416,595	Payments made through judicial/enforcement decisions related to interest expenses and other procedural expenses as well as to compensation for damages caused by the ministry to the economic operator.
MESTI	Capital investments	Goods and Services	2,367,808	Payments were carried out for the purchase of equipment that, by their individual value and nature, pertain to the expenditures falling under the category of Goods and Services.
MIA	Goods and Services	Wages and Salaries	736,913	Payments were carried out through court/enforcement rulings and were related to the principal debt for the payment of additional salaries.
MCYS	Capital Investments	Goods and Services	631,066	Payments were carried out through court/enforcement rulings for "Event organization expenditures, including designs and printing of promotional materials".
ME	Capital Investments	Goods and Services	411,433	Payments related to internet services.

Table 14 - Local level

Entity	Incorrect category	Correct category	Financial amount	Nature of the expenditure
Municipality of Glogoc	Capital Investments	Wages and Salaries	1,879,133	Payment for jubilee salaries and meals as a result of the collective agreement. These expenditures could not be planned in the budget.
Municipality of Podujevë	Capital Investments	Wages and Salaries	1,769,418	Payments were carried out through court/executive rulings and were related to expenditures for implementing the collective agreement.
Municipality of Peja	Capital Investments	Wages and Salaries	1,708,393	Payment for jubilee salaries and meals and teacher training as a result of the collective agreement. These expenditures could not be planned in the budget.
Municipality of Suharekë	Capital Investments	Wages and Salaries	1,620,470	Payment for jubilee salaries and meals and teacher training as a result of the collective agreement. These expenditures could not be planned in the budget.
Municipality of Prishtina	Capital Investments	Wages and Salaries	1,283,453	Payment for jubilee salaries and meals and teacher training as a result of the collective agreement. These expenditures could not be planned in the budget.

Recommendation to the Government

The Government should provide for effective controls over the budgeting processes, through MFLT, in order to ensure that expenditures are planned under adequate economic categories, in accordance with the requirements of LPFMA and IPSAS.

5.3. Analysis of expenditures by function

Expenditures by function encompass public services, defence, law and order, economic affairs, environmental protection, housing and community amenities, health, recreation, culture and religion, education, and social protection.

Table 15 - Statement of payments by function in three years (in '000 €)

CF	Description	Year 2024	Year 2023	Year 2022
01	General public services	391,973	429,725	472,062
02	Defence	113,829	98,135	48,822
03	Public order and security	291,870	266,377	213,931
04	Economic issues	565,183	499,052	409,194
05	Environmental protection	7,409	7,883	7,880
06	Housing and community amenities	58,511	50,554	46,952
07	Health	320,008	298,441	238,150
08	Recreation, culture and religion	104,775	80,416	54,068
09	Education	446,862	395,099	346,711
10	Social protection	774,175	708,698	666,960
	Total ⁸	3,074,595	2,834,380	2,504,730

Expenditures by function amounted to €3,074,595,000, an increase of €240,215,000 compared to the previous year.

An increasing trend in expenditures by function is observed compared to the previous year, with the highest increases recorded in economic affairs by €66,131,000, education by €51,763,000, and social protection by €65,477,000.

Expenditures by function are presented based on KFMIS records. However, analysis reveals instances of incorrect classification of expenditures by function. The most notable and recurring issue is the

⁸ The total does not include other payments: debt repayment, lending to POEs and returns from deposit funds.

recording of expenditures of €55,435,488 which belong to defence, which were incorrectly recorded under the general public services.

Recommendation to the Government

The Government should ensure, through MFLT, that the budget planning and execution are carried out according to the respective function codes, in order to present their true status according to the chart of accounts.

5.4. Analysis of the economic recovery package

During 2024, expenditures for economic support have been appropriated through the Economic Recovery Program and allocated under program codes 00097 (EU Energy Contingencies), 00098 (Economic Recovery Package) and 00099 (Emergency Package) according to the chart of accounts. These funds were allocated based on Government decisions and in accordance with the authorizations under the annual law on budget.

A total of €114,682,626 was budgeted for these programs, whilst €112,408,068, or 98% of the budgeted funds, was spent. Compared to 2023, when expenditures for these programs amounted to €186,111,273, a decrease of €73,703,206 was recorded in 2024.

Table 16 - Total of payments from codes 00097, 00098 and 00099

Description	Budget 2024	Outturn 2024	Outturn 2023	Outturn 2024
EU Energy Contingencies (00097)	28,701,795	27,779,253	44,759,839	97%
Economic Recovery Package (code 00098)	85,497,300	84,290,745	140,724,960	99%
Emergency Package (code 00099)	483,531	338,070	626,474	70%
Total	114,682,626	112,408,068	186,111,273	98%

Expenditures for these economic programs were incurred by the central level and distributed as follows:

- Ministry of Finance, Labor and Transfers spent €85,994,879 on business support, migrant support and energy from the EU contingency;
- Ministry of Economy spent €19,202,282 on support to publicly owned enterprises and energy from the EU contingency;
- Ministry of Education, Science, Technology and Innovation spent €6,543,533 on subsidising textbooks and school supplies;
- Ministry of Health spent €338,070 on the health sector, mainly on equipment and health staff allowances;

- Office of the Prime Minister spent €253,675 on implementing the craft grant scheme; and
- Ministry of Industry, Entrepreneurship and Trade spent €75,629 on subsidising investment loans.

The funds related to the economic recovery package were spent from category of subsidies and transfers.

Expenditures from the EU contingency were allocated by MFLT and MoE mostly for Subsidies and Transfers and for Goods and Services and their implementation rate was 97%.

Table 17 - EU Energy Contingencies (00097) by economic category

Economic category	Budget 2024	Outturn 2024	Outturn 2023	Progress
Goods and Services	113,779	17,695	0	16%
Subsidies and Transfers	28,588,016	27,761,557	44,759,839	97%
Total	28,701,795	27,779,252	44,759,839	97%

Expenditures from the economic recovery package are provided from the category of subsidies and transfers through the OPM, MFLT, MIET, MEST and MoE.

Table 18 - Payments from the Economic Recovery Package (code 00098) by economic categories

Economic category	Budget 2024	Outturn 2024	Outturn 2023	Progress
Wages and Salaries	-	-	887,258	-
Subsidies and Transfers	85,497,300	84,290,745	139,837,702	99%
Total	85,497,300	84,290,745	140,724,960	99%

Expenditures from the emergency package relate to funds allocated for the needs of the Ministry of Health and their implementation rate was 70%.

Table 19 - Payments from the Emergency Package (00099) by economic categories

Economic category	Budget 2024	Outturn 2024	Outturn 2023	Progress
Wages and Salaries	38,782	38,782	204,777	100%
Goods and Services	3,362	990	292,547	29%
Capital Investments	441,387	298,298	129,150	68%
Total	483,531	338,070	626,474	70%

5.5. Analysis on the subsidizing of Publicly Owned Enterprises from the state budget

Funding of publicly owned enterprises for 2024 amounted to €29,766,549 or around 20% more compared to the previous year. 15 publicly owned enterprises were financed, of which five (5) are central - level enterprises, seven (7) are regional, and three (3) of them belong to the local level. Most of the funding was implemented from the government grant in the amount of €29,243,878 or 98% as well as from the own source revenues of municipalities and external donors amounting to €522,671 or around 2%.

Based on the analysis of the orientation of funding, it is noted that 82% was for funding central POEs, while the rest was for regional (16%) and local POEs (2%).

Below we have presented the purpose of subsidizing some of the central publicly owned enterprises as recipients of the largest portion of the funding:

- POE Trepça was subsidized to cover operating expenses such as: employee salaries, electricity, oil, supply with production materials and equipment, maintenance and servicing of machinery/equipment, purchase of work tools, etc.;
- Post of Kosova was subsidised to compensate the losses for universal postal service;
- Electricity Transmission, System and Market Operator (KOSTT) was subsidized from the economic recovery package for support purposes, measure 4.6. Also, to cover the cost of electricity deviations in the northern municipalities in accordance with the Government's Decision 03/240, funds were taken from the Municipalities of North Mitrovica, Zubin Potok, Zveçan and Leposaviq and transferred to KOSTT;
- POE Trainkos was subsidized for the operationalization of lines approved for the transport of passengers during the five-year fiscal period 2023-2027 as well as for financing other operating expenses of the enterprise such as: salaries, access to tracks, fuel, etc.; and
- POE Infrakos was subsidized to cover operating expenses of the enterprise such as: salaries, electricity, etc.

Likewise, the purpose of funding other regional and local POEs was mainly to cover their operating expenses.

Budget organisations with the largest share of POEs funding were ME with 83% and MFLT with 10%.

The publicly owned enterprises, funded according to the source fund, level and the funding of the budget organisation, are presented in the table below.

Table 20 - Subsidizing of Publicly Owned Enterprises

No.	Financing Budget Organization	Benefiting POE	Source Fund			Total
			External donors (FB-61)	Government Fund (FB 10)	Municipal Own Source Revenues (FB 21&22)	
Central Publicly Owned Enterprises						
1	MESPI and MoE	Trainkos J.S.C.	-	2,119,197	-	2,119,197
2	Ministry of Economy	Post of Kosova J.S.C.	-	1,168,932	-	1,168,932
3	Ministry of Economy	Infrakos J.S.C.	-	1,292,568	-	1,292,568
4	Ministry of Economy	Trepca J.S.C.	-	9,870,976	-	9,870,976
5	MoE and MFLT	KOSTT J.S.C.	-	9,874,502	-	9,874,502
Total			-	24,326,175	-	24,326,175
Regional Publicly Owned Enterprises						
1	MoE, Municipalities of Gjakova and Rahovec	RWC Gjakova J.S.C.	-	1,200,000	192,671	1,392,671
2	ME and the Municipality of Suhareka	RWC Southern Hydroregion J.S.C.	-	228,496	-	228,496
3	Ministry of Economy	RWC Hidrodrini J.S.C.	-	379,422	-	379,422
4	ME and Municipality of Podujeva	RWC Prishtina J.S.C.	-	834,820	-	834,820
5	Ministry of Economy	RWC Bifurkacioni J.S.C.	-	616,402	-	616,402
6	Ministry of Economy	RWC Mitrovica J.S.C.	-	46,300	-	46,300
7	MoE and Municipality of Kamenica	RWC Hidromorava J.S.C.	-	1,108,819	100,000	1,208,819
TOTAL			-	4,414,259	292,671	4,706,929
Local Publicly Owned Enterprises						
1	ME & Municipality of Gjakova	City heating enterprise	-	443,444	150,000	593,444
2	Municipality of Kamenica	LPE Dardana J.S.C.	-	10,000	-	10,000
3	Municipality of Skenderaj	LPE Eco Nature J.S.C.	80,000	50,000	-	130,000
TOTAL			80,000	503,444	150,000	733,444
Overall total			80,000	29,243,878	442,671	29,766,549
% of financing by fund			0.3%	98.2%	1.5%	100%

6. Statement of cash and balance sheet

The cash balance at the end of the year includes the unspent amounts of funds from: the main account, development trust fund, money in transit, International Financial Institutions (IFI) quota, accounts of diplomatic missions of the Republic of Kosovo, cash (cash register) and unclosed advance payments.

Funds for specific purposes consist of the Designated Donor Grants, own source revenues carried forward, development trust fund, designated revenues, Other (mainly various types of deposits), and unspent funds through borrowing during 2024 and carried forward to 2025.

The government manages funds through the use of the Treasury Single Account (TSA). Most of the accounts are held with the Central Bank of Kosovo (CBK). The amount of cash in the budget account of the Republic of Kosovo as of 31 December 2024 was €423,884,000.

Table 21 – Statement of cash and balance sheet (in '000 €)

State Budget bank accounts	Year 2024	Year 2023	Year 2022
Central Bank of Kosovo	395,911	345,232	419,664
IFI quota	9,832	8,395	8,210
Development Trust Fund	3,837	3,566	3,256
Money in transit	7,223	22,894	10,845
Money in accounts of Diplomatic Missions	4,849	3,899	2,527
Cash (cash register)	2,231	1,389	1,233
A. Total: financial assets in cash	423,884	385,375	445,734
Balance sheet	Year 2024	Year 2023	Year 2022
Designated donor grants	7,675	17,472	15,505
Carried-forward OSR- Central Level	2,000	3,027	2,584
Carried-forward OSR- Local Level	57,515	81,387	90,005
Development Trust Fund	3,782	3,510	7,974
Designated revenues	4,253	3,431	2,285
EU grants for energy (contingency)	-	22,740	-
Other revenues	33,832	29,262	24,807
Unspent funds through borrowing	6,953	6,226	16,751
B. Funds for specific purposes	116,010	167,056	159,911
C. Undistributed	307,874	218,320	285,824
Total funds (B+C)	423,884	385,375	445,734

The funds balance at the end of 2024 increased by €38,509,000 compared to the balance of 2023. As of 31 December 2024, the bank balance of financial assets – cash held in the budget account of the Republic of Kosovo - was €423,884,000.

The amount of €395,911,000, or 93% of the total cash, was held in current accounts with the Central Bank of Kosovo (CBK). Compared to the previous year, the cash balance at year-end 2024 reflects an increase of €50,679,000.

7. Non-financial capital, non-capital assets and stocks

MF Regulation No. 02/2013 on Assets Management in Budget Organisations requires all organisations to keep records of non-financial assets that are constantly renewed or updated, depending on new purchases/acquisitions or systematic examination of their useful life. Non-financial assets by accounting classification are divided into:

- Capital assets that have a useful life of more than one year and are worth over €1,000, and the ownership and control of the benefits therefrom remain with the BO;
- Non-capital assets that have a useful life of more than one year and are worth less than €1,000 and the ownership and control of the benefits therefrom remain with the BO; and
- Stocks or spare equipment and stationaries.

Non-financial assets are managed through two centralized systems: KFMIS accounting register as an integrated system within the MFLT, where capital assets worth over €1,000 are recorded, maintained, valued and reported; and the “E-assets” system/application, which is an integrated system within the MIA, where all budget organisations must record, manage and report on non-capital assets under €1,000 and stocks/spare equipment and stationaries.

The audit results indicate that the reports on non-financial assets in 2024 did not provide sufficient assurance that budget organisations have complete controls and monitor the assets and their management. Moreover, the data on non-financial assets in the asset management systems in KFMIS and e-assets are incomplete.

The inadequate practices in the management of non-financial assets – specifically the failure to accurately record and report these assets in the Annual Financial Statements – continue to persist across both central and local level institutions.

Consequently, these inaccuracies are also reflected in the Government’s Annual Financial Report (AFR-BRK), despite repeated recommendations over the years for improving management and strengthening controls.

Budget organisations have reported varying values of assets in their individual AFSs, which were consolidated subsequently in the AFR. While auditing these individual statements, discrepancies have been identified between the reported figures and the audited amounts.

Table 22 - Non-financial capital and non-capital assets and stocks

Assets	Institutions	Asset value in the AFR-BRK	According to audit	Overstated/ Understated
Capital assets over €1,000	Central Level	3,389,091,020	3,358,611,318	30,479,702
	Local Level	6,815,668,241	6,818,618,566	-2,950,325
Capital assets under €1,000	Central Level	34,631,448	34,070,077	561,371
	Local Level	25,867,561	26,334,853	-467,292
Stocks	CL-LL	42,634,095	43,167,392	-533,297
Total		10,307,892,365	10,280,802,206	27,090,159

According to the audit, non-financial assets were overstated in net value by €27,090,159 in total.⁹ Of this amount, capital assets at the central level were overstated by €30,479,702, whilst at the local level they were understated by €2,950,325. Non-capital assets at the central level were overstated by €561,371, whilst at the local level they were understated by €467,292.

According to AFR-BRK, the value of stocks—comprising spare equipment and stationery—was reported as €42,634,095, whereas individual audits indicated a total of €43,167,392, resulting in an understatement of €533,297.

In 2024, the non-financial assets balance continued to contain inaccuracies, resulting in a net overstatement of €27,090,159 (in 2023 the net understatement was €20,801,678).

Central level

At the central level, 16 budget organisations – including 12 ministries and four (4) are independent institutions - have either overstated or understated non-financial assets reported in AFSs, thereby failing to present a true and fair view of both capital and non-capital assets.

Based on individual audits, it was found that some budget organisations have recorded in their books non-financial assets that do not meet the criteria for recording. As a result, the net value presented in the Government's Annual Financial Report (AFR-BRK) has been overstated by €30,479,702, mainly due to reporting by the Ministry of Environment, Spatial Planning and Infrastructure by €30,855,845 and the Hospital and University Clinical Service of Kosovo by €1,016,094.

On the other hand, understatements have also been identified in several other central institutions, such as the Ministry of Agriculture, Forestry and Rural Development by €1,184,104, the Ministry of Education, Science, Technology and Innovation by €1,232,643 and the Ministry of Culture, Youth and Sports by €870,760.

⁹ Capital and non-capital overstatements amount to €31,041,073, while understatements amount to €3,977,914.

These discrepancies were mainly caused by:

- Dysfunctional internal controls;
- Lack of adequate competence of the assets recording officers; and
- Lack of coordination between central and local institutions to secure agreements signed by municipalities for the transfer of their ownership.

Audit results have shown that the controls and management of non-financial assets are accompanied by several shortcomings, which are mainly:

- In five (5) institutions at the local level, the closure of ongoing investments and their recording as assets in use were not carried out;
- In two (2) Ministries, the stocktaking process was not completed and no reconciliations were made with the accounting records.
- In two (2) ministries, the data reconciliation between the annual stocktaking report and the asset ledger was not completed, while in eight (8) institutions the stocktaking process was not completed on time, was partially completed or was not completed at all;
- In four (4) independent institutions, the e-asset system was not used;
- In one (1) ministry, there were shortcomings in recording assets in the appropriate asset classes; and
- In one (1) ministry, depreciation was not carried out through the e-asset software.

Local Level

At the local level, 16 municipalities have either overstated or understated non-financial assets reported in AFSs, thereby failing to present a true and fair view of both capital and non-capital assets.

Based on individual audits it has resulted that that some municipalities have not included a part of their non-financial assets in their books, and consequently, the value of non-financial assets presented in AFR-BRK has been underestimated by €3,417,617. The municipalities that have had the greatest impact on the understatement of non-financial assets are: South Mitrovica with €2,824,090, Deçan with €965,276, Zubin Potok with €935,311, Prizren with €645,857 and Vushtrri with €607,516. On the other hand, also overstatements of non-financial assets have been identified, such as in the Municipality of Prishtina by €3,220,349, Graçanica with €275,521 and Lipjan with €188,476.

The most frequent shortcomings in controls and management encountered during the assets audit in municipalities are:

- In four (4) municipalities, data reconciliation between the annual stocktaking report and the asset ledger was not carried out, while in eight (8) municipalities the stocktaking process was either not completed on time, partially completed or was not completed at all; and
- In 12 municipalities, e-asset software was not used for the recording and reporting of non-capital assets.

Stocks for the Central and Local Level

According to the AFR-BRK, the value of stocks—comprising spare equipment and stationery—was reported as €42,634,095, whereas individual audits indicated a total of €43,167,392, resulting in an understatement of €533,297. The net understatement of stock is primarily due to incorrect reporting by the Municipality of Graçanica, which understated the stocks by €528,666, and the Municipality of Prishtina with an understatement of €9,641. In addition, the Ministry of Health overstated it by €5,010.

Recommendations to the Government

- **The Government, through MFLT, should ensure the full operationalization of internal controls and enhance the capacities of staff responsible for assets registration, in order to ensure that asset registers are complete and fairly presented. It should also ensure that the stocktaking process is carried out in accordance with the statutory deadlines; and**
- **The Government should ensure that the e-assets system is used by all budget organisations.**

8. Accounts receivable

Accounts receivable refers to monetary amounts owed by external parties to budget organisations for services provided or other transactions provided, for which the revenues have not yet been collected. These funds remain as uncollected debts, while BOs are obliged to take action to collect them in accordance with respective rules. The ageing of these accounts makes the collection process difficult and creates a risk of financial loss for BOs.

Receivables play an important role in the public sector's functioning and financial management. BOs that collect revenues are required to keep records of amounts billed and uncollected, which serve as the basis for financial reporting. While the records are mainly kept manually, they are subsequently consolidated for both the budget organisations' financial reporting needs and for the consolidated financial statements.

Budget organisations have reported different values for these accounts in their individual AFSs, figures which were thereupon consolidated into the AFR. When auditing the individual statements, discrepancies have been observed between the reported values.

Table 23 - Summary of accounts receivable in the last three years (in €)

Accounts receivable	According to 2024 audit	According to 2024 AFR - BRK		
		2024	2023	2022
Central Level	727,620,859	727,843,864	669,694,702	599,860,698
Local Level	277,930,914	276,813,136	248,509,187	231,390,985
Total	1,005,551,773	1,004,657,000	918,203,889	831,251,682

Based on our audit, the total amount of accounts receivable was €1,005,551,773, whilst the amount reported in the AFR-BRK was €1,004,657,000. This reflects an understatement of €894,773, comprising of an overstatement of €223,005 at the central level and an understatement of €1,117,778 at the local level.

Accounts receivable at the central level

The amount of accounts receivable reported in the AFR for the central level was €727,843,864, whilst according to the audit this amount was €727,620,859, reflecting an overstatement of €223,005. A consistent trend of increasing accounts receivable has been observed over the years, while the actions taken for their accurate and fair reporting remain insufficiently effective.

Approximately 89.2% of the total accounts receivable at the central level are concentrated within three institutions: the Ministry of Finance, Labour and Transfers with €649,786,592 or 81.2% share; the Independent Commission for Mines and Minerals with €41,962,983 or 6%; and the Ministry of Internal Affairs with €14,141,189 or 2%.

Compared to the previous year, accounts receivable at the central level have increased by 8.73%, following a 10.1% increase the year before.

The central level institutions that have reported inaccurate accounts receivable figures in their annual financial statements (discrepancies identified between the BO's financial statements and the audited value) are:

- Ministry of Agriculture, Forestry and Rural Development overstated accounts receivable by €237,013 due to lack of adequate controls in the presentation and updating of records in line with source documents;
- Ministry of Health overstated accounts receivable by €10,000, attributable to a lack of due diligence during the preparation of the AFSs; and
- Central Election Commission understated accounts receivable by €24,007.80, as it had not reported accounts receivable relating to the years 2014-2018.

Accounts receivable at the local level

The amount of accounts receivable reported in the AFR-BRK was €276,813,136, whilst according to the audit this amount was €277,930,914, an understatement of €1,117,778.

Accounts receivable at the local level consists of property tax, construction tax, urbanization permits, rents and others. In the total of accounts receivable, for the local level, the Municipality of Prishtina participates with a share of 31%, Prizren with 9.85%, and Ferizaj with 6.86%, etc. Compared to the previous year, accounts receivable at the local level are characterized by an increasing trend of around 11.33%, in contrast to the previous year, where the increase was 6.6%.

The municipalities that have understated accounts receivable in their annual financial statements are:

- Municipality of Graçanica by €1,418,635, due to incomplete reporting of accounts receivable from taxes on business activities from previous years;
- Municipality of Mitrovica by €18,582, due to inaccurate reporting of accounts receivable from rent;
- Municipality of Vushtrri by €34,376, due to dysfunctional internal controls in keeping accounts receivable registers;
- Municipality of Malisheva by €1,000, due to the lack of source documents.

The municipalities that have overstated accounts receivable are:

- Municipality of Ferizaj by €143,870, due to inadequate operation of internal controls related to maintaining and updating accounts receivable records;
- Municipality of Vitia by €85,327, due to inadequate implementation of the legal framework related to the billing of property tax by public institutions;
- Municipality of Prishtina by €30,008, due to discrepancies between the internal records and the data reported in the annual financial statements;
- Municipality of Prizren by €71,074, due to failure to update the register of receivables with operators' payments; and
- Municipality of Suhareka by €10,685, after having taxed the publicly owned property/plot.

Additionally, at the local level, a discrepancy of €13,851 was identified during comparisons between the individual AFS of BOs and the AFR-BRK, which resulted from technical errors made during the transfer of data to the AFR-BRK.

These issues occurred as a result of dysfunctional controls over the recordkeeping of accounts receivable and lack of accurate and true reporting.

Recommendation to the Government

The Government, in coordination with the Ministry of Finance, should ensure accurate and true financial reporting of budget organisations' accounts receivable. They should also provide a sustainable and effective revenue collection strategy by reassessing the current mechanisms for monitoring and collecting debts.

9. Outstanding and contingent liabilities

Outstanding liabilities

Outstanding liabilities represent invoices received for completed works/services completed by economic operators, but remain unpaid. Due to the use of cash-based accounting, the balance of outstanding liabilities is only reported in the annual financial statements. , This method of collecting information outside the KFMIS creates potential for errors in reporting.

The law on Budget and the secondary regulations governing the public expenditures, restricts BOs from entering into liabilities, given that they are obliged to place orders for goods/works (purchase orders) only when there are available funds. However, such requirement is not always adhered to.

Budget organisations have reported different values of outstanding liabilities in the AFSs, which were subsequently consolidated in the AFR-BRK. When auditing these statements, discrepancies have been observed between the reported values and the actual situation/balance, which resulted in understatement of liabilities at the central and local levels.

The table below presents a comparison of outstanding liabilities as per the audit and as per the AFR-BRK for the last three years.

Table 24 - Outstanding liabilities over the last three years

Outstanding liabilities	According to 2024 audit	AFR-BRK 2024			Comparison 2024 - 2023/ in %
		2024	2023	2022	
Central Level	145,555,372	145,099,574	131,980,331	129,409,699	9.94%
Local Level	52,506,288	50,916,557	26,705,028	20,089,571	90.66%
Total	198,061,659	196,016,131	158,685,359	149,499,270	23.52%

According to AFR-BRK, outstanding liabilities are €196,016,131, whilst according to the audit they are €198,061,659, a net understatement of €2,045,528. Compared to the previous year according to 2024 AFR, liabilities have increased by €37,330,772 or around 24%.

Central level outstanding liabilities

According to the audit, the amount of outstanding liabilities in relation to the ARF-BRK was understated by €455,798.

This understatement was recorded mainly at the University of Prishtina and the Ministry of Industry, Entrepreneurship and Trade. It occurred as a result of the lack of proper controls during the preparation of the AFSs, as well as negligence in updating the data relating to liabilities prior to the end of the fiscal year.

According to ARF-BRK, central level outstanding liabilities for 2024 increased by €13,119,243 compared to 2023. The most significant increase in these liabilities was recorded in the following organisations:

- Ministry of Agriculture, Forestry and Rural Development - liabilities increased by €6,404,195, which mainly incurred during the last 30 days of the year. The main reason for non execution of payments relates to the receipt of invoices after the end of the fiscal year and returns from commercial banks;
- Health Insurance Fund - liabilities increased by €1,436,028. The main reason for non execution of payments was because the matters/cases were under review by the Board for Medical Treatment Outside Public Health Institutions (MTOPHI);
- Ministry of Environment, Spatial Planning and Infrastructure - liabilities increased by, €1,354,619. Non execution of payments was mainly due to the lack of budget, closure of the payroll system, as well as shortcomings in issuing purchase orders and committing funds;

Local level outstanding liabilities

Due to incorrect reporting of liabilities in the individual AFSs, the errors have also been carried over into the consolidated total of liabilities in the AFR-BRK.

According to the audit, liabilities were understated in the AFR-BRK by a net amount of €1,589,731. Understatements of liabilities were identified in several municipalities, such as in the Municipality of Ferizaj by €1,711,063 and Suhareka by €42,118, whilst overstatements were identified in the Municipality of Vushtrri by €113,756 and Gjilan by €49,692.

Further, according to AFR-BRK, local level liabilities for year 2024 increased by €24,211,529 compared to those of 2023.

The most significant increase in the local level liabilities was recorded in the Municipality of Ferizaj by €13,850,652, or 57.21% of the total increase; in the Municipality of Viti by €3,947,257, or 16.3%; in the Municipality of Podujevo by €1,985,167, or 8.2%; and in the Municipality of Vushtrri by €1,973,401, or 8.15%. The increase in liabilities in these municipalities resulted mainly from the demands deriving from the collective agreement, which resulted in a lack of budget for the performance of these payments.

Inaccurate reporting of liabilities does not provide a fair and true presentation of the balance of BOs and the Government, which may lead to inadequate decision-making during the budgeting process. Poor controls during data reconciliation may undermine the identification and accurate and fair reporting of liabilities, thereby putting into question the credibility of financial statements.

Recommendation to the Government

The MFLT should establish controls by regularly monitoring the budget organisations’ reports on outstanding liabilities and, in case of deviations from legal deadlines, take measures in that respect.

Contingent liabilities

Within the liabilities section, contingent liabilities are also reported. These represent various claims made by plaintiffs, which are likely to create liabilities for the organisations in the future, depending on the court rulings rendered in favor of the plaintiffs. These relate to compensation on expropriation, debt settlements, material damage, salaries and other related financial implications.

The table below presents a comparison of contingent liabilities according to the audit and AFR-BRK in the last three years.

Table 25 - Summary of contingent liabilities

Contingent liabilities	According to 2024 audit	According to 2024 AFR-BRK			Comparison 2024 - 2023/ in %
		2024	2023	2022	
Central level	210,663,838	207,469,064	191,725,035	200,739,822	8%
Local level	179,447,823	186,872,171	147,508,729	137,927,413	27%
Total	390,111,661	394,341,235	339,233,764	338,667,235	16%

The total of contingent liabilities reported in AFR-BRK is €394,341,235, whilst according to the audit they are in the amount of €390,111,661, an overstatement of €4,229,574.

Compared to the previous year, contingent liabilities increased by €55,107,471 or 16%. Reporting errors in individual AFS and the lack of effective communication between BOs and the State Advocacy Office are the main factors that contributed to this deviation.

Central level contingent liabilities

The value of contingent liabilities according to AFR-BRK was €207,469,064, whilst according to the audit it was €210,663,838, an understatement of €3,194,774. The institutions with high amounts of understated/overstated contingent liabilities were:

- Ministry of Environment, Spatial Planning and Infrastructure has understated contingent liabilities by €4,193,072;
- Hospital and University Clinical Service of Kosovo has understated contingent liabilities by €933,522;
- University of Pristina has overstated contingent liabilities by €1,232,818; and
- Ministry of Industry, Entrepreneurship and Trade has overstated contingent liabilities by €403,279.

Ineffective communication between responsible officials of the ministries and the State Advocacy Office, errors in handling contingent liabilities, and poor controls of monitoring the progress of cases in court proceedings were the most frequent reasons behind the understatement of contingent liabilities.

Local level contingent liabilities

Contingent liabilities towards municipalities were of different nature, ranging from claims for jubilee salaries to expropriation lawsuits. The amount of contingent liabilities according to AFR-BRK was €186,872,171, whilst according to the audit it was €179,447,823, representing an overstatement of €7,424,348 (of which: the understatement amounted to €59,622 while the overstatement amounted to €7,483,970).

Municipalities with the highest amounts of overstated contingent liabilities were:

- Municipality of Prishtina overstated its contingent liabilities by €3,886,576. This has occurred due to the lack of a proper system for managing the files, which are currently kept in the form of hard copy, consequently resulting in poor internal controls for their updating and management; and
- Municipality of Prizren overstated its contingent liabilities by €2,324,215 as a result of errors in the recording of contingent liabilities and the failure of internal controls to identify errors prior to their presentation in the AFS.

Errors in the accounting of contingent liabilities as well as poor controls were the most frequent reasons for overstatement/understatement of contingent liabilities at the local level.

The overstatement and understatement of outstanding and contingent liabilities give an inaccurate and untrue view of the financial situation of institutions and can lead to erroneous budget and strategic decisions, thereby undermining the reliability of annual financial statements. Likewise, additional payments for judicial and enforcement procedures increase the overall costs of budget organisations, leading to unnecessary expenses and impairing their capacity to implement planned projects.

Recommendation to the Government

The Government, through the Ministry of Justice (State Advocacy Office) and in coordination with legal offices of budget organisations, should verify the accuracy and completeness of contingent liabilities to ensure that the disclosures in the AFR are correct and reliable. In cases where discrepancies are identified, the underlying causes should be analysed and appropriate corrective measures undertaken.

10. Payments through court rulings and enforcement

Pursuant to Article 40, paragraph 1 of LPFMA, whenever a court issues an order or judgment requiring a public authority to pay any type of monetary compensation to a person, and the order or judgment is not subject to appeal by the public authority or the public authority has not properly or timely exercised its right to appeal, the court shall immediately provide a copy of such order or judgment to the Ministry of Justice and the relevant Ministry, for the execution of the said payment.

Payments by court rulings and private enforcement agents for the year 2024 amounted to €125,415,306. Compared to 2023 data, the amount of these payments increased by €73,479,061 or 141%. The trend of these payments (as shown in the table) compared to the previous year has recorded an increase, which is an indicator that the budget organisations are faced with the lack of funds in meeting their obligations towards economic operators and other debtors.

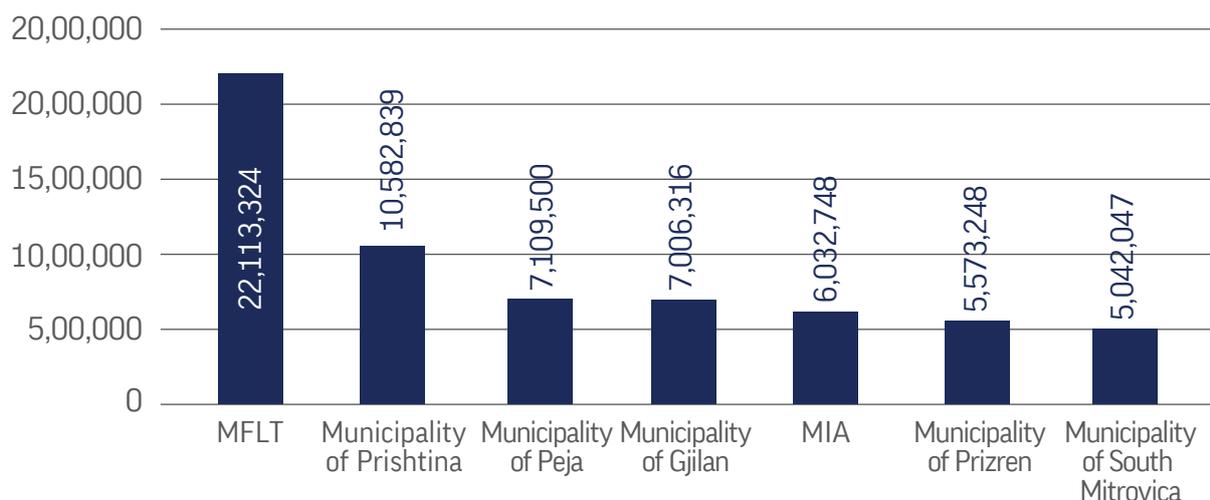
Table 26 - Payments through court rulings and enforcement (in €uro)

Payments by category	2024	2023	2022
Wages and Salaries	41,205,175	18,150,858	16,075,491
Goods and Services/Utilities	17,800,080	8,919,733	5,142,784
Subsidies and Transfers	24,151,834	1,207,926	1,274,649
Capital Investments	42,258,217	23,657,727	23,856,425
Total	125,415,306	51,936,244	46,349,349

Budget organisations' failure to meet obligations on time has resulted in additional costs for the state budget, due to judicial enforcement procedures and interest charges. Considering that a large part of these expenses consists of capital investments, the reallocation of funds to cover such obligations has resulted in the non-implementation of many planned projects.

The below chart shows seven (7) of the BOs in which payments in amounts larger than €5,000,000 have been executed. These payments constitute around 51% of the amount of payments executed based on court/enforcement rulings, or over €63,460,022, as follows:

Chart 2 - Payments through court rulings over €5 million



Based on the analysis court ruling expenditures recorded in KFMIS and based on individual audits of BOs, it was found that the majority of these payments, the Treasury did not distinguish between the principal debt and the costs related to court enforcement procedures, as foreseen in the chart of accounts.

According to separate Treasury records maintained outside the KFMIS, the total amount of payments executed through court rulings/enforcement shows that the additional costs beyond the principal debt amounted to €22,552,982, or 18%.

Table 27 - Payments through court rulings/enforcement decisions by Government level (in €)

Payments by Type	2024	2023	2022
Central level	39,075,021	11,734,942	9,887,292
Local level	86,340,285	40,201,302	36,462,057
Total	125,415,306	51,936,244	46,349,349

Central level payments through court rulings

Payments for central level organisations amounted to €39,075,021,¹⁰ or around 32% of the total of court rulings. The majority of these court rulings related mainly to the loss of the case in international arbitration, jubilee and related salaries that were foreseen under the collective agreement but were not budgeted from the category of wages and salaries, as well as payments for expropriations.

¹⁰ Government Decision No. 17/212 dated 10.07.2024 The request of the Ministry of Justice for the allocation of budgetary funds in the amount of €21,070,583.27 (twenty-one million seventy thousand and five hundred and eighty-three euros and twenty-seven cents) for payment according to the Decision of the Arbitration Tribunal in the case ICC Case No.26388 / HBH Contour Global, LLC vs. Republic of Kosovo is approved.

Local level payments through court rulings

Payments at the local level totalled €86,340,285 or around 68% of the total court rulings. The majority of these court rulings related mainly to the compensation of employees for jubilee and related salaries and meals that were foreseen under the collective agreement but were not budgeted from the category of wages and salaries, delays in the payment of invoices by BOs, and lack of budgetary funds.

Recommendation to the Government

The Government, through relevant institutions, should examine the obligations and responsibilities of BOs deriving from collective agreements and expropriations, as well as payment delays and take appropriate action. Depending on these obligations and budgetary capacities, it should ensure that budget organisations carry out adequate budget planning in order to avoid unnecessary expenses from eventual legal proceedings.

Recommendation to the Ministry of Finance, Labour and Transfers

The Minister, in coordination with the Director of the Treasury, should ensure that when executing payments based on court/enforcement rulings, the additional costs of the enforcement procedures are separated from the amount of the principal debt according to the economic codes foreseen in the chart of accounts.

11. Employment data

According to Law No. 08/L-260 on Budget Appropriations for the year 2024, the planned number of employees at the central and local level was 91,046, whilst according to AFR-BRK the number of employees was 84,679, including the number of municipal assembly members who get paid through the payroll system from the category of wages and salaries. Hence, the current number of employees covers all employees having a contractual relationship with the respective budget organisations and are included in the salary management system (Payroll).

Employees off the payroll

According to AFR-BRK, the number of employees off the payroll was 535 (380 at the central level and 155 at the local level). The highest number of employees off the payroll was found to be in the University of Pristina 125¹¹, Ministry of Finance, Labour and Transfers 93 (engaged in the social assistance system reform project), HUSCSK 80, Prime Minister's Office 26, Ministry of Education, Science, Technology and Innovation 17, Municipality of Fushë Kosovë 74, Municipality of Rahovec 28, Municipality of Glllogoc 19, Municipality of Prishtina 18, etc.

¹¹ Referring to the AFR of the BO for the year 2024, this number reflects the persons engaged with contracts, within the BOs that are financed by donors or are co-financed by them for specific projects, including members of boards, commissions, and population census advisors.

Compared to last year, the number of employees in this category increased by 94.

Employees with Special Service Agreements (SSA)

According to AFR-BRK, the number of people engaged with SSAs was 4,749, which compared to the previous year, indicates that their number has increased by 3,342.

According to individual audit reports for the year 2024, the staff was engaged through SSAs for specific tasks, but there were also cases when it was done to fill regular positions. There were also cases where the relevant procedures for their engagement have not been applied.

The highest number of employees engaged with SSAs at the central level was in the OPM with 3,506 people. This increase is mainly reflected in the Kosovo Agency of Statistics and relates to the population census. Also, the Central Election Commission engaged 287 employees for organising the voting process in the municipalities of: Leposaviq, Zveçan, Zubin Potok and North Mitrovica. In addition, the Ministry of Culture, Youth and Sports continues to have a high number of employees employed through SSA.

Whilst at the local level, the municipalities with the highest number of employees engaged through SSA are the Municipality of Gjilan with 97 employees and the Municipality of Prishtina with 73 employees.

Chapter - II

FINANCIAL AND COMPLIANCE AUDITS

Summary of opinions, conclusions and recommendations

For the year 2024, NAO has published 96 financial and compliance audit reports, of which 49 on the central level, 38 on the local level, and 9 on the publicly owned enterprises. The audits of these reports were conducted based on the methodology of financial and compliance audits and in line with Auditing Standards (ISSAIs). Based on this, we have provided audit opinions on the annual financial statements, as well as conclusions regarding the compliance with laws and regulations for each Budget Organization (BO).

From the audit of 96 individual AFSs, 42 have resulted in an unmodified opinion (34 at the central level, 7 for municipalities and 1 for the POE-Telecom), 50 resulted in a qualified opinion (15 at the central level, 31 municipalities and 4 for POEs) while 4 POEs - Trepça, RWC Hidro-Drini, POE Uniteti - Mitrovica and Termokos resulted in adverse opinions.

Compared to the previous year, the financial reporting has deteriorated. In 2024, the number of BOs at the central level that received a qualified opinion increased by 3, while at the local level in 2023, 23 qualified opinions were given, whereas in 2024 there are 31 municipalities that have received a qualified opinion. Meanwhile, as far as publicly owned enterprises are concerned, the situation remains almost the same as last year.

In addition to the opinions on AFSs, NAO has also provided a conclusion on compliance with the authorities (laws and regulations), assessing whether the transactions carried out in the budget execution process were, in all material respects, in compliance with the established audit criteria stemming from the legislation applicable to the audited entities, in the context of the use of financial resources.

Out of the audits conducted, unmodified conclusions were given for 33 audit reports (32 at the central level and 1 at the local level) and 60 qualified conclusions (17 at the central level, 35 at the local level and 8 for publicly owned enterprises). In addition, there were also 3 adverse conclusions given (Municipality of Prishtina, Municipality of Malishevë and POE Trepça).

The overall conclusion is that budget organisations and publicly owned enterprises have not made improvements in terms of financial reporting nor in terms of compliance with the legal framework.

In addition to the opinions and conclusions of compliance, relevant recommendations for improving the identified areas have been provided.

Table 28 - Number of recommendations to BOs and POEs by category for the year 2024

No.	Economic categories	Central level	Local level	Publicly owned enterprises	Total
1	Annual Financial Statements	8	10	17	35
2	Wages and Salaries	26	22	14	62
3	Goods and Services and Utilities	37	36		73
4	Common issues (MoH and NI)	11	24	26	61
5	Capital investments	26	105		131
6	Subsidies and Transfers	12	23		35
7	Revenues	4	44	11	59
8	Outstanding liabilities	6	23	17	46
9	Contingent liabilities	17	10	0	27
10	Accounts receivable	5	48	22	75
11	Assets	43	54	38	135
12	Internal Audit	10	14	1	25
13	Information Systems			7	7
	Total	205	413	153	771

In the individual audit reports of BOs for the year 2024, we have given 771 recommendations for improvement in each area where shortcomings and errors have been identified. Out of the 771 recommendations, 205 are recommendations that were given at the central level, 413 recommendations at the local level, and 153 recommendations to publicly owned enterprises. The categories with the highest level of recommendations are those of Assets, Capital Investments, Accounts Receivable, Goods and Services and Utilities, as well as Wages and Salaries.

In addition, performance audits have resulted in 116 recommendations and the compliance audits in 58 recommendations, which are not specified by categories, as the following:

Table 29 - Number of recommendations by type of recommendation for the year 2024

Audited Entities	New recommendations	Repeated recommendations	Partially repeated recommendations	Total recommendations
Central Level	114	73	18	205
Local Level	189	204	20	413
Publicly owned enterprises	68	77	8	153
Compliance Audits	58	-	-	58
Performance Audits	116	-	-	116
Total of Recommendations	545	354	46	945

Based on the table above, the number of new recommendations is higher than the number of repeated recommendations.

In addition, the level of implementation of internal audit recommendations is low, 42% of recommendations was implemented at the local level, whilst at the central level only 36%. Also, five organisations have not established an Audit Committee (AC), while in six cases, although ACs were established, they did not function during the year. These data indicate a lack of institutional will and commitment to strengthening the internal audit function as a key mechanism for internal control and oversight.

1. Central Level

1.1. Audit opinions and issues modifying them

During 2024, NAO has finalised 49 financial and compliance audit reports for the central level, which includes audits of ministries and independent institutions (including Radio Television of Kosovo).

The audits were conducted based on the methodology of financial and compliance audits, in line with the Auditing Standards (ISSAIs). Hence, we have provided audit opinions on the financial statements in accordance with ISSAIs, and have made conclusions regarding compliance with authorities for each BO. The audit opinions on the annual financial statements of BOs at the central-level are presented in the table below.

Table 30 - Type and number of opinions for the central level for the year 2024

Audited entities	Unmodified Opinions	Qualified Opinions	Total
Central Level ¹²	10	11	21
Independent Institutions ¹³	24	4	28
Total	34	15	49

Out of 49 audit reports on central-level organisations (including independent institutions), 34 have been unmodified opinions and 15 qualified opinions.

The key issues leading to the qualification of the opinion are as follows:

- Shortcomings in the recording and presentation of assets in the annual financial statements, which mainly relate to incorrect recording or failure to record assets and properties in their respective registers by understating or overstating them. These shortcomings and deviations have occurred mainly due to dysfunctional internal controls, lack of communication between responsible units, lack of clear procedures, and failure to have concrete actions taken by the management to address repeated findings.
- Contingent liabilities were not accurately presented in the annual financial statements as a result of their overstatement, understatement, and improper disclosures. Problems with contingent liabilities were mainly due to the lack of coordination and communication between the legal and financial offices, weaknesses in internal controls, lack of information from the state advocacy office, and failure to update the data from court proceedings.
- Issues affecting Wages and Salaries are mainly related to the compensation of salaries and allowances without a proper legal basis for 101 employees who were paid €691,050 without attending work (MESPI paid €465,568 to 62 employees, MCR paid €112,558 to 19 employees and MIA paid €112,942 to 20 employees). Additionally, there were cases of incorrect calculation of allowances and a lack of supporting documentation regarding attendance at work. The continued occurrence of salary compensation without full attendance at work or concrete activities has persisted over the years, due to the lack of concrete measures by the respective ministries.
- Inadequate classification of expenditures resulted from payments being made and recorded under incorrect economic categories. This was influenced by the allocation of funds to inadequate categories through the Law on Budget, poor budget planning, and payments executed based on court rulings.

The shortcomings in the preparation of the Annual Financial Statements (AFS) were as a result of insufficient internal controls, inadequate coordination during data consolidation, technical errors, and poor economic planning. These deficiencies occurred due to internal control mechanisms within

¹² Central level institutions include: 15 Ministries, the Office of the Prime Minister, the Office of the President, the Assembly of Kosovo, the Health Insurance Fund, the Hospital University and Clinical Service of Kosovo and the Radio and Television of Kosovo (RTK).

¹³ In 2024, the Agency for Protection of Classified Information was audited for the first time.

budget organisations not being fully functional, thereby failing to prevent deviations and inaccuracies in the preparation of financial statements.

Compared to the previous year, no improvement has been observed in financial reporting, since last year the number of qualified opinions given to BOs of the central-level was 12, whereas this year there have been given 15 qualified opinions.

1.2. Compliance conclusions and issues modifying them

Compliance conclusions on the central level BOs are presented in the following table.

Table 31 - Type and number of conclusions for the central level for the year 2024

Audited entities	Unmodified conclusion	Qualified conclusion	Total
Central Level ¹⁴	7	14	21
Independent institutions	25	3	28
Total	32	17	49

The key issues leading to the qualification of conclusions are as follows:

- The shortcomings identified in the category of Subsidies and Transfers include delays in justification of subsidies, exceeding of the planned budget, unplanned subsidising, failure to implement the criteria for subsidising small and medium-sized enterprises (SMEs), individuals benefiting more than one pension, and employed persons benefiting from both pensions and social assistance. There were also weaknesses in subsidising the purchase of textbooks and teaching materials, as well as shortcomings in documenting and monitoring of subsidised projects for NGOs.
- The shortcomings identified in Procurement and contract management, include delays in the implementation of contracts, awarding of ineligible economic operators, changes in the bill of quantities without prior approval, use of negotiated procedure without publication of the contract notice, and discriminatory criteria in the tender dossier. Furthermore, project interruptions and non-functionality were due to poor planning, delayed delivery of goods, and prolonged complaint-handling processes.
- The shortcomings identified in the category of Wages and Salaries include the staffing of positions with acting officers beyond the statutory deadline, the exercise of job positions not in compliance with the established grades, remuneration beyond the deadlines set by the Administrative Instruction, as well as shortcomings in the recruitment process.
- Other shortcomings affecting the audit conclusion concerned delays in paying invoices and outstanding obligations, delays in reviewing applications for tax refunds or reimbursement, and deficiencies in the management of advance payments for official travel.

¹⁴ Central level institutions include: 15 Ministries, the Office of the Prime Minister, the Office of the President, the Assembly of Kosovo, the Health Insurance Fund, HUČSK, and RTK.

The above shortcomings have resulted from incomplete functioning of internal controls within budget organisations, which failed to prevent these errors. Compliance with applicable laws and regulations has deteriorated compared to the previous year, as there has been an increase in the number of qualified conclusions. During this year, 17 qualified conclusions were issued to central-level BOs, compared to 14 that were issued last year.

1.3. Other financial management and compliance issues

The most frequent issues recurring over the years at central-level institutions, by economic categories, excluding those that influenced the financial audit opinion and the compliance conclusions, are summarised as follows:

Wages and Salaries

Weaknesses in this category of Wages and Salaries included irregularities in the recruitment processes, appointments and exercise of duties in violation of legal requirements, exceeding of legal deadlines by acting officers, lack of supporting documentation, failure to issue internal regulations, and necessary acts pursuant to legal provisions.

Goods and Services

Significant shortcomings identified in this category included the engagement of external consultants to cover regular positions, misclassification of expenditures, poor management of medicines and contracts, non-implementation of E-procurement procedures, failure to withhold tax at source for services from non-resident persons, lack of documentation and protocolling of invoices, lack of contract performance security, poor planning in goods reception processes, exceeding contract values, as well as delays and irregularities in the invoice payments.

Capital investments

The shortcomings identified in this category and procurement included open advance payments for projects, misclassification of expenditures, poor contract management, payments for expropriations and court rulings, lack of use of the e-procurement platform, delays in the tender evaluation process and in the implementation of projects due to the lack of an executive plan, delays in the implementation of works, as well as cases of termination of contracts for capital projects.

Subsidies and Transfers

The shortcomings related to the subsidising process included the establishment of evaluation and appeals committees in contradiction with legal requirements.

Assets

Significant shortcomings identified in this category included non-reconciliation of stocktaking registers with asset registers, failure to conduct the stocktaking process within the legal deadlines, inaccurate asset registers and misclassification of assets, failure to record investments and non-capital assets, understatement of assets in financial statements, limited or non-functional use of the electronic E-assets system for managing and recording assets.

Revenues

Testing and analysis of refunds cases in TAK revealed 326 instances where taxpayers' refund requests were not processed within the statutory deadline. This represents an increase of 241 cases compared to 2023 (85 cases). In addition, TAK had not applied interest payments for these delays.

Other shortcomings identified included delays and irregularities in handling requests from economic operators, Irregularities in direct negotiations with Trust Funds for asset sales, deficiencies in the management of accounts receivable, including failure to take action for collecting the old debts and overstatement of rental income.

Internal Audit Unit

The internal control system has shown significant shortcomings due to incomplete functioning of Internal Audit Units (IAU), failure to implement the annual audit plans, the lack of internal audit services, inactive or incomplete Audit Committees, which have significantly weakened the internal accountability and oversight mechanisms.

Contingent and Outstanding Liabilities

Persistent shortcomings were noted in the disclosure of contingent and outstanding liabilities, including their overstatement and inaccurate presentation in the explanatory notes, as well as delayed settlement of liabilities.

The above shortcomings have occurred as a result of delays in fulfilling legal obligations, lack of human and technical capacities, poor budget planning, dysfunctional internal controls, and non-implementation of respective regulations.

1.4. Recommendations given

As part of the 49 individual audit reports completed in 2024 for central-level institutions, a total of 205 recommendations were made. These recommendations aimed at addressing the areas where weaknesses and errors were identified. The table below shows the number of recommendations issued in the last three years, to enable a comparison and evaluation of the progress in addressing them.

Table 32 - Number of recommendations to the central level over the three years

Audited entities	Year 2024	Year 2023	Year 2022
Central Level	140	127	165
Independent Institutions	65	52	54
Total	205	179	219

The data presented in the table show an increase in the number of recommendations compared to the previous year. During 2024, a total of 205 recommendations were issued (of which 114 were new, 73 were repeated, and 18 were partially repeated), whereas in 2023 this number was 179. This increase reflects the lack of sufficient action by central-level organisations to address the identified shortcomings, both in financial management and compliance with the applicable legislation.

The institutions that experienced an increase in the number of recommendations compared to the previous year are: Ministry of Education, Science, Technology and Innovation; Ministry of Culture, Youth and Sports; University of Prishtina; Kosovo Property Comparison and Verification Agency; Ministry of Agriculture, Forestry and Rural Development; Office of the Prime Minister, as well as other institutions.

2. Local Level

2.1. Audit opinions and issues modifying them

In 2024, we published 38 financial and compliance audit reports for the local level. The audits have been conducted based on the methodology of financial and compliance audits, in line with the Auditing Standards (ISSAIs). Hence, we have provided audit opinions on the financial statements, in accordance with the ISSAIs, as well as conclusions regarding compliance with laws and regulations for each municipality. The audit opinions regarding the AFSs of the municipalities are presented in the table below.

Table 33 - Type and number of opinions for the local level for the year 2024

Audited entities	Unmodified opinion	Qualified Opinion	Total
Municipalities	7	31	38

As presented in the table above, out of a total of 38 audit reports on municipalities, 7 resulted in unmodified opinion, while 31 resulted in qualified opinion. This indicates that 81% of municipalities were issued qualified audit opinions. Compared to 2023¹⁵, when 23 reports or 60% resulted in qualified opinion, the current year reflects a deterioration, with a 21% increase in the number of qualified opinions. This demonstrates that the majority of municipalities face problems in the accurate presentation, reporting and disclosure of the information required in the AFSs, with only a small number of them having accurate financial statements that are fully in compliance with the standards set.

The main reasons for the qualified audit opinions were:

- Improper classification and reporting of expenditures by the BOs, mainly influenced by payments executed through court/enforcement decisions – particularly for jubilee salary and meals - as well as inadequate budget planning for certain economic categories;
- Overstatement of assets, caused by misclassification of assets in the accounting register classes or double-recording of assets. On the other hand, the assets were understated as a result of failure to record assets purchased during the year in the accounting registers misclassification of assets in the accounting register classes;
- Inaccurate information on contingent liabilities, which derive from their understatement due to incomplete recording in the relevant registers and because the recorded amounts did not match the supporting documentation of court decisions. On the other hand, there are cases of overstatement as a result of the inclusion of liabilities that had already been resolved, wither through withdrawal of lawsuits or issuance of final court decisions;
- Overstatement of accounts receivable due to the charging of public properties with tax and the failure to update the register of receivables with operator payments. On the other hand, accounts receivable was understated as a result of the failure to fully present uncollected debts and the failure to include in the register all invoices issued by municipalities;
- Overstatement of outstanding liabilities due to the inclusion of invoices already paid in the register, and on the other hand, they were understated due to the non-inclusion of unpaid invoices and enforcement cases/matters, which were financial liabilities;
- Errors in the presentation of information in the annual financial statements.

In some cases, the modification of the opinion was related to external factors, which do not depend on the municipalities, and the municipalities did not have the opportunity to make the necessary corrections. Such cases were misclassifications, which resulted from payments made by the Treasury through judicial/enforcement decisions with regard to the payment of jubilee salaries, based on the collective contract/agreement, which the municipalities did not have the budgetary capacities to pay due to the lack of budget allocations for this purpose. In 14 municipalities¹⁶ the misclassification of expenses as a result of the collective contract was decisive in the qualification of the financial opinion.

On the other hand, other issues that have influenced the audit opinions originate from insufficient controls within municipalities, especially in the management of responsibilities by officials, who have

¹⁵ In 2023, 15 unmodified opinions and 23 qualified opinions were given for 38 municipalities.

¹⁶ Municipalities: Gjilan, Istog, Peja, Junik, Malishevë, Obiliq, Shtime, Vitia, Kaçanik, Suhareka, Podujevë, Gillogoc, Shtërpcë and Gjakova.

not adequately identified and properly recorded the accounts designated for reporting, which has been reflected in the Annual Financial Statements (AFS).

2.2. Compliance conclusions and issues modifying them

With regard to compliance issues, NAO has issued 38 compliance conclusions for the local level (municipalities) for the year 2024. These are presented in the table below.

Table 34 - Type and number of conclusions for the local level for the year 2024

Audited entities	Unmodified conclusion	Qualified conclusion	Adverse conclusion	Total:
Municipalities	1	35	2	38

Based on the audit findings, the municipalities of Prishtina and Malisheva have been given an adverse conclusion on compliance. Both municipalities failed to carry out a significant portion of their activities in compliance with the law. The identified shortcomings were material and pervasive across all economic categories of expenditures.

The main reasons for the qualified conclusion were:

- Delayed payment of invoices (liabilities) beyond the legal deadline of 30 days;
- Failure to inspect (verify) at least 20% of taxable properties, as required by the Law on Immovable Property Tax;
- In some cases, municipalities have used project funds for purposes other than those originally planned, without obtaining the approval of the Municipal Assembly to reallocate budget appropriations from one capital project to another;
- Weaknesses in procurement procedures, including the initiation of procurements in the absence of detailed (executive) construction projects, inadequate use of public framework contracts, the use of favourable criteria in the tender dossier specifications, failure to extend the performance security in line with the duration contract, significant weaknesses in the tender evaluation process, such as awarding of ineligible economic operators;
- Shortcomings in the process of granting and monitoring of subsidies, such as granting of subsidies without announcing a public call, subsidising beneficiaries who did not meet the criteria set out in the public call and the respective regulations on subsidising, as well as deficiencies in monitoring subsidies;
- Payments made for unfinished works and implementation of contract items at unit prices that did not align with the quantities specified in the tender dossier;
- Outsourcing of projects without sufficient budget, which led to delayed implementation of projects beyond the deadlines specified in their dynamic plans;
- Hiring of staff through special service agreements without conducting procurement procedures.

The above issues have occurred as a result of insufficient functioning of internal controls at the municipal level, as well as of accountability on the part of responsible officials. Furthermore, the

municipalities failed to take adequate measures to prevent and effectively address the identified problems.

Below, we present details regarding two key issues: the use of designated funds for specific projects for other purposes and the entry into contractual obligations without first securing the necessary budgetary funds. Both of these cases have directly impacted the qualified audit conclusion.

In six (6) municipalities, 52 projects payments amounting to €4,657,001 were identified, where funds designated to specific projects were used for purposes other than those originally planned. These actions were carried out without adhering to the procedures and criteria established for the transfer and reallocation of budgetary funds from one capital project to another, and without obtaining approval from the municipal assembly. The details are the following:

- Municipality of Pristina, 17 payments totalling €3,400,807;
- Municipality of Suharekë, 15 payments totalling €305,213;
- Municipality of Podujevë, 4 payments totalling €350,562;
- Municipality of Malishevë, 11 payments totalling €466,767;
- Municipality of Vushtrri, 2 payments totalling €68,756; and
- Municipality of Vitia, 3 payments totalling €64,896.

Such cases of budgetary reallocations without the approval of the Municipal Assembly undermine the transparency and accountability in the decision-making process with respect to the use of public funds. They can also have an adverse impact on the implementation of existing projects, by depriving them of the necessary financial resources.

In addition, seven (7) municipalities had entered into contractual obligations by signing contracts for various projects without securing sufficient budget beforehand, thus violating the Law on budget appropriations. The total value of these unfunded contractual commitments amounted to €13,225,982. This practice poses a high risk to the sustainable management of public finances and can lead to delays in payment, increased debts, and a negative impact on the provision of public services. The details are the following:

- Municipality of Podujevë, six (6) cases totalling €4,619,545;
- Municipality of Malishevë, four (4) cases totalling €1,102,644;
- Municipality of Prizren, three (3) cases totalling €3,301,660;
- Municipality of Kaçanik, three (3) cases totalling €330,688;
- Municipality of Vitia, three (3) cases totalling €524,870;
- Municipality of Prishtina, two (2) cases totalling €1,898,964; and
- Municipality of Peja, one (1) case totalling €1,447,611.

Entering into financial obligations by municipalities without securing the necessary funds beforehand leads to the increase in outstanding liabilities or potential enforcement costs, thus damaging the current year's budget and causing a burden for the budget of the following year.

2.3. Other financial management and compliance issues

In addition to the issues that have affected the financial opinion and the conclusion on compliance, in 2024 NAO has also raised issues with regard to financial management and compliance in individual reports for 38 municipalities.

Identified issues concern different economic categories and are mainly recorded in individual reports of municipalities. These issues reflect shortcomings in the implementation of legal and regulatory requirements in the management of public funds.

Wages and Salaries

Shortcomings or irregularities identified in the individual audit reports under the category of wages and salaries are:

- Application of multipliers, not in compliance with the law on salaries;
- Shortcomings in recruitment procedures due to: failure to comply with the criteria set out in the public announcement on the occasion of the admission to the civil service, failure to include the human resources management unit in the recruitment process of civil servants, as well as due to the application of repealed legislation;
- Employment contracts/appointment acts were not updated to reflect the correct level of base salary - multiplier and other elements, pursuant to the laws in force;
- Lack of evidence on work attendance;
- Holding of acting positions beyond the legal deadlines; and
- Failure to finalise the regulation on Internal Organisation, Job Systematisation and Classification.

Goods and Services

Shortcomings and irregularities identified in the individual audit reports under the category of Goods and Services include:

- Billing of items not in compliance with the bill of quantities and contract cost estimate;
- Delayed implementation of contracts and failure to implement penalties as per contractual terms;
- Procurement procedures conducted in violation of legal requirements particularly in the case of public framework contracts concluded on the basis of the unit price, a deviation of +-30% was included, which represents a violation of the requirements of the public procurement regulation;
- Appointment and engagement of officials to perform specific services not in compliance with applicable laws and regulations;
- Compensation for goods and services for municipal officials in contradiction to the Regulation on the compensation of the additional function; and

- Contract management and contractor performance evaluation were not carried out through the electronic e-procurement system;

Capital Investments

Shortcomings or irregularities identified in the individual audit reports under the category of Capital Investments include:

- Goods and other capital supplies received by the contract managers rather than the acceptance committees, as required by legal regulations;
- Outsourcing and advance payments made contrary to the Law on Procurement Law and the Law on Budget;
- Changes in the quantities implemented under some work contract items - either increasing/decreasing the contracted quantity or in some cases not implementing the contracted items at all - and in some cases without prior approval from management. For these changes, there was no amendment to the contract;
- Payments made for capital projects after the contractual deadline had expired;
- Frequent use of annex contracts as a result of poor drafting of basic projects;
- Failure to comply with the legal deadline for acceptance of tenders during procurement procedures, without any justified reason;
- Initiation of procurement procedures and signing of contracts without possessing construction permits;
- Delayed completion of works, as the works were not completed in accordance with the dynamic plan envisaged in the contract; and
- Contract management and performance evaluation of contractors were not conducted through the electronic public procurement system (e-procurement);

Subsidies and Transfers

Shortcomings or irregularities identified in the individual audit reports under the category of Subsidies and Transfers include:

- Distribution of subsidies without being based on any specific regulation governing the subsidies;
- Some municipalities failed to prepare the annual financial support plan for NGOs for the year 2024 as required by legal requirements; and
- Other weaknesses in the subsidies management, particularly related to the reporting by the beneficiaries and monitoring of the subsidized projects implementation.

Revenues

Shortcomings or irregularities identified in the individual audit reports under the category of revenues include:

- Delays in reviewing applications for construction permits and environmental permits, as well as their issuance in the absence of the commission for reviewing reports on municipal environmental permits;
- Irregular reporting by the mayors on the use of municipal properties;
- Use of public properties without compensation and with expired contracts;
- Shortcomings in the property taxpayers database due to the lack of data regarding the personal number of taxpayers and deficiencies in the benefit of the deduction for principal residence;
- Granting of municipal property for use in violation of the municipal tariff regulation and unfair application of municipal taxes; and
- Shortcomings in the property taxpayers' database when applying for property tax deductions.

In addition to the issues presented above, it is also important to emphasise the increasing trend of accounts receivable from year to year, as well as the shortcomings in the asset management, including the failure to close ongoing investments, the failure to use the e-asset system, and shortcomings in the asset stocktaking processes. In addition, shortcomings were found in the functioning of the Internal Audit Unit and the Audit Committee, which relate to the failure of some municipalities to have these bodies established and their non-functioning in some other municipalities.

2.4. Recommendations given

In individual reports of municipalities for the year 2024, a total of 413 recommendations were issued to improve areas where errors and mistakes have been identified.

The table below presents the number of recommendations issued to municipalities over the last three years (2022-2024). These recommendations address issues and shortcomings related to public financial management, financial reporting, compliance with laws and regulations, procurement processes, transparency, accountability, and other areas of good governance at the local level.

Table 35 - Number of recommendations for the local level for three years

Audit entities	Year 2024	Year 2023	Year 2022
Municipalities	413	369	352

The data presented in the table show a consistent increase in the number of recommendations issued to municipalities over the past three years. This upward trend does not reflect any progress in local governance; on the contrary, it signals a deterioration of the situation across many municipalities.

This outcome highlights the need for stronger commitment from municipalities in implementing the recommendations, as well as strengthening the internal control and financial management, to avoid the recurrence of weaknesses.

3. Publicly Owned Enterprises

The National Audit Office has audited the annual financial statements for the year 2024 for nine (9) Publicly Owned Enterprises (POEs). Of these, seven (7) are central publicly owned enterprises, whilst two (2) are local publicly owned enterprises. The audited central publicly owned enterprises are: Kosovo Energy Corporation J.S.C. (KEK), Trepça J.S.C., KOSTT J.S.C., HPE Ibër-Lepenci J.S.C., Kosovo Telecom J.S.C., RWC Prishtina J.S.C., RWC Hidrodrini J.S.C. whilst the audited local publicly owned enterprises are: RWC Uniteti J.S.C. Mitrovica and Termokos J.S.C. Prishtina.

These enterprises were selected for audit based on several key criteria, including the size of their budget and revenues, number of employees, complexity of the services they provide, financial situation and the public interest.

Although improvements have been noted in several enterprises, the audit revealed that financial management and the functioning of internal controls remain areas that require further improvement. As a result of these audits, four (4) enterprises were given an adverse opinion and four (4) of them qualified opinions, whilst only one enterprise (Telekom) was given an unmodified opinion. In addition, eight (8) qualified compliance conclusions and one adverse conclusion (Trepça) were issued. The modified opinions and conclusions highlight issues such as poor financial data quality, non-compliance with the legal framework, and shortcomings in reporting. This indicates the critical need for continuous improvements in all areas where shortcomings have been identified, in order to strengthen credibility, transparency and accountability in the management of publicly owned enterprises.

To this end, NAO has issued a considerable number of recommendations in individual audit reports addressed to the those in charge of the governance of POEs, as well as to their shareholders.

In addition, the Publicly Owned Enterprises Monitoring Unit oversees their operational activities and financial reporting, by regularly informing the Government about the situation and developments thereof.

A more detailed analysis on the performance of these publicly owned enterprises and the quality of financial reporting is presented in the following sub-chapters of the present report.

3.1. Audit opinions and issues modifying them

Audit opinions regarding the AFSs of publicly owned enterprises are presented in the following table.

Table 36 - Type and number of opinions on publicly owned enterprises for the year 2024

Audited entities	Unmodified opinion	Qualified opinion	Adverse opinion	Total
Publicly Owned Enterprises	1	4	4	9

Of the seven (7) audited central-level POEs, four (4) have been given qualified opinions, two (2) have been given adverse opinions, and one (1) has been given unmodified opinion, whilst the two (2) audited local-level POEs have been given adverse opinions. Compared to 2023, there were no changes in the audit opinions relating to the Annual Financial Statements.

The key matters that have led to modification of opinion relate to:

- **Assets:** lack of ownership/supporting documentation evidence, discrepancies between accounting records and physical condition, failure to reevaluate assets, improper accounting of ongoing investments, inaccurate presentation of revaluation reserve, incorrect depreciation and lack of an asset accounting policy;
- **Stocks:** failure to reconcile stock records with physical stocktaking records;
- **Accounts Receivable:** lack of provisioning for trade accounts receivable, unreconciled accounts receivable records, and incorrect inclusion of customer prepayments in accounts receivable analytics;
- **Accounts Payable:** inaccurate presentation of accounts payable, unreconciled accounts payable records with supporting evidence;
- **Payable and Outstanding Tax Liabilities:** non-compliance between tax liabilities recorded in the accounting system and the status reported by TAK, along with inaccurate presentation of liabilities; and
- **Other issues affecting the audit opinions:** discrepancies between the AFSs and the accounting records (deferred revenues), inaccurate presentation of the cash flow statement and the statement of changes in equity, errors in accounting for prepayments, incomplete and inaccurate presentation of explanatory notes, lack of evidence on grants.

The shortcomings identified in the financial statements of publicly owned enterprises have occurred mainly as a result of lack of management’s action, which in some cases has considered the implementation of recommendations to be difficult due to specific circumstances. The key weaknesses relate to the recording, non-updating, and depreciation of assets, which have occurred due to the lack of internal controls, the lack of source documentation, the lack of proper information flow between departments, and the lack of internal policies on asset management and the resolution of ownership issues. Moreover, the failure to comply with respective standards and the lack of attention to the accurate reporting of accounts receivable and payable, including the failure to carry out stocktaking and reconciliation with accounting records, has led to significant inaccuracies and shortcomings.

On the other hand, the absence of a database on grant-financed assets has hindered their accurate recording and presentation in the financial statements. The preparation of financial statements has also been adversely impacted by the lack of controls during their preparation, the use of information outside the financial-accounting system, and the lack of supporting documentation. The predominantly manual accounting process, as well as the reliance on data not fully verified in the explanatory notes, has led to the lack of reconciliation between the general ledger and the journal. This has compromised the accuracy of financial records and undermined the reliability of the financial reporting in publicly owned enterprises.

3.2. Compliance conclusions and issues modifying them

In addition to reviewing the preparation of financial statements, we have also audited the compliance aspect to assess whether processes and transactions adhered to the established audit criteria. Compliance conclusions have been provided for all audited POEs.

The compliance conclusions related to POEs are presented in the table below.

Table 37 - Type and number of conclusions for publicly owned enterprises for the year 2024

Audited entities	Unmodified conclusion	Qualified conclusion	Adverse conclusion	Total
Publicly owned enterprises		8	1	9

According to the table, the audited publicly owned enterprises have been given qualified conclusions, indicating problems of compliance with the authorities and that financial transactions are not fully compliant with legal requirements. Compared to the previous year, most publicly owned enterprises in 2024 have remained at the same level of performance, showing little to no progress. Meanwhile, Trepça J.S.C has been given an adverse conclusion for the second consecutive year, reflecting its failure to address previous audit recommendations.

This indicates that most publicly owned enterprises continue to struggle with meeting legal requirements, particularly in areas such as operating expenses, salary expenses, revenue management, and preparation of annual financial statements. Improvement in these areas is necessary to ensure better financial management and compliance with legal obligations.

The main issues contributing to the modification of compliance conclusions are:

- Procurement management/operating costs: shortcomings in the procurement process and contract management are present in many publicly owned enterprises, including the execution of expenditures without contractual agreements, deficiencies in the implementation of the procurement process, as well as the use of the negotiated procedure without notice publication. Moreover, weaknesses are evident in tender evaluation and use of e-procurement system for contract management and evaluation;
- Salary expenses: shortcomings in the restructuring of the enterprise, non-payment of pension contributions and personal income tax for employees, irregularities in recruitment processes through external competitions, and weaknesses in the systematisation of jobs;

- Revenues: lack of contracts between consumers and enterprises, and customer registers not maintained in accordance with the regulations set by the Water Services Regulatory Authority; and
- Other issues with an impact on the conclusion - delays in approving financial statements and failure of the units of Trepça J.S.C. to operate in full compliance with legal requirements. Also, the signing of contracts on the audit of annual financial statements by private companies.

These shortcomings originate mainly from the failure to implement legal requirements and internal procedures by the management of publicly owned enterprises, as well as from weaknesses in planning and internal control. They are a consequence of the failure to conclude the restructuring process and the failure to implement internal regulations and procedures in publicly owned enterprises. Moreover, these shortcomings have occurred as a result of insufficient actions by the management, changes in its composition during the preparation of annual financial statements, and the lack of effective oversight by the Supervisory Board and the failure to properly apply legal requirements.

3.3. Obligations of Publicly Owned Enterprises for Annual Financial Reporting

During this audit season, we have found that only the publicly owned enterprise Trepça did not prepare and finalise its Annual Financial Statements on time. Consequently, the financial statements for the year 2024 were finalised on 13 May 2025, beyond the expected deadlines.

Delays in the preparation and finalisation of the AFS have occurred mainly due to the resignation and dismissal of the chief financial officer of the enterprise. Moreover, difficulties in obtaining records from the enterprise's business units have contributed to the delay in completing the AFSs preparation process.

We have addressed this issue in the individual report and we hope that in the coming years reporting will be done in accordance with the established legal framework.

It is worth mentioning that NAO had announced on time that it would conduct the audit of the AFSs for the year 2024; meanwhile, the publicly owned enterprises KEK and KOSTT had their AFSs for the year 2024 audited by private auditing companies.

Analysis of the financial situation of publicly owned enterprises

Although more details on the financial situation of publicly owned enterprises can be learned from the statements attached to the individual reports, this chapter summarises the key indicators of their financial performance and situation at the end of 2024. For analysis purposes, revenues, expenses, financial result, short-term liabilities and long-term liabilities have been examined.

Table 38 - Key financial indicators of audited publicly owned enterprises for the year 2024

No.	Audited entities	Revenues	Expenses	Profit/Loss	Short-term liabilities	Long-term liabilities
1	KEK "Kosovo Energy Corporation" J.S.C.	218,591,000	179,467,000	39,124,000	32,813,000	164,486,000
2	Trepça J.S.C.	27,590,971	29,898,058	-2,307,087	34,293,454	2,943,690
3	Kosovo Telecom, J.S.C.	59,296,000	52,411,000	6,885,000	46,884,000	38,100,000
4	Public Enterprise "KOSTT"	82,400,000	64,212,000	18,188,000	58,015,000	60,228,000
5	RWC "Hidrodrini"	5,845,326	5,601,986	243,340	2,773,723	31,046,018
6	RWC "Ibër - Lepenc" J.S.C - Prishtina	11,345,946	9,838,503	1,507,443	3,435,099	10,428,911
7	RWC "Prishtina" J.S.C.. - Prishtina	19,188,312	16,860,123	2,328,189	5,495,782	33,037,936
8	POE "Termokos", J.S.C. - Pristina	14,880,021	12,408,992	2,471,029	3,282,692	34,168,923
9	RWC "Uniteti" J.S.C. - Mitrovica	2,320,461	2,280,096	40,365	3,981,119	454,679
TOTAL		441,458,037	372,977,758	70,787,366 ¹⁷	190,973,869	374,894,157

Financial outturn (profit/loss) – Based on the above table, it can be seen that out of nine (9) audited publicly owned enterprises, eight (8) of them have operated with a total profit of €70.7 million, while it is only the POE Trepça J.S.C. that had a loss in the value of €2.3 million.

Two central-level POEs had the largest share of the profit, namely Kosovo Energy Corporation (KEK) in the amount of €39.1 million or 55% of total profits and the Transmission, System and Market Operator (KOSTT) in the amount of €18.1 million or 26% of total profits. It is worth mentioning that compared to the previous year, KEK had a significantly higher profit, and among the main reasons for the increase in revenues was the reimbursement during 2024 by the Kosovo Tax Administration. Whilst, from January 2024, according to the decision of the Energy Regulatory Office, KOSTT was exempted from the obligation to cover energy losses for the northern part, which had an impact on the reduction of KOSTT's expenditures, namely on the increase of annual profit.

Short-term/current liabilities are financial obligations that must be paid within one fiscal year. They include: accounts payable, taxes payable, short-term loans, and all other liabilities that are due within one year.

¹⁷ This total includes only the values of profitable POEs, excluding the loss in the value of 2.3 million of Trepça J.S.C.

Short-term liabilities for nine (9) enterprises amounted to €190 million, of which 90% pertain to four (4) central-level publicly owned enterprises: KOSTT with €58 million or around 30%; Kosovo Telecom with €46.8 million or around 25%; Trepça with €34 million or around 18%; and Kosovo Energy Corporation with €32.8 million or 17%. Whilst the remaining share of €18.9 million or 10%, represents the short-term liabilities of 5 other enterprises.

Long-term liabilities are financial obligations recorded as non-current liabilities in the balance sheet, with payment term longer than one year. This includes loans for fixed assets, liabilities related to securities, and other liabilities due beyond a one-year period.

At the end of 2024, long-term liabilities for the nine (9) enterprises were close to €374 million, or around 96% higher than the short-term liabilities. However, due to significant information gaps in the disclosure statement, we were unable to provide analytical data of the repayment timelines for these liabilities.

Based on the above analysis, although all audited enterprises (with the exception of POE Trepça) reported a positive result for the year 2024, their financial position remains challenging due to high amounts of outstanding liabilities.

The total outstanding liabilities of these enterprises amounts to approximately €565 million, of which short-term liabilities (due within one year) are around €190 million and long-term liabilities are around €374 million.

Considering the fact that total revenues amounted to approximately €441 million, the ability to pay these short-term and long-term liabilities appears limited. When other potential liabilities that arise during the following year are added to this, the situation in respect of liabilities may become even more difficult.

3.4. Other financial management and compliance issues

In addition to the issues that have influenced the financial opinions and compliance conclusion in the individual audit reports for publicly owned enterprises, NAO has also raised concerns in 2024 related to financial management and compliance.

These issues span across various economic categories and are mainly recorded in the individual reports of POEs. They highlight shortcomings in the implementation of legal and regulatory requirements in the management of public funds.

Goods and Services

The issues identified in the area of procurement management include: frequent use of the minimum value procedure, setting of criteria in the tender dossier not in line with the Law on Public Procurement. These shortcomings resulted from lack of coordination and planning of needs by the requesting units, as well as a lack of diligence when setting the criteria in the tender dossiers.

Wages and Salaries

The issues identified in the area of salary expenditures include: discrepancies in employee compensation, with different salary grades being applied for the same job positions, and weaknesses in the execution of tax and social contribution payments. These shortcomings resulted from partial implementation of the action plan, despite the enterprise's commitment to resolve them, and due to a technical error in the software, which was not detected by the employees.

Accounts receivable

The issues identified in accounts receivable include: lack of supporting evidence on accounts receivable and discrepancies between the accounting system and the billing system. These shortcomings resulted from failure to reconcile accounts receivable with supporting evidence and the manual transfer of monthly billing data from the billing system to the accounting system. As a result, any corrections made in one system were not reflected in the other.

The issues identified in the area of stocks include: lack of stock provisioning and inaccurate presentation of stock values in the AFSs.

Short-term liabilities

The issues identified in the area of short-term liabilities include: inconsistencies between accounting records with source evidence; incorrect presentation of liabilities in the company's register; and unidentified payments from unknown customers. These shortcomings resulted from longstanding difficulties in identifying customers, which have persisted over the years without adequate resolution, as well as the failure to have the necessary corrections made by suppliers, despite official requests from the enterprise.

These shortcomings were as a result of the lack of interconnection with state systems, the absence of standard guidelines on access management, failure to periodically review user rights, undefined retention period for log files, technical complexity in implementing the state code, and the absence of standard planning documents for network expansion.

3.5. Recommendations given

In the individual audit reports of nine (9) POEs for the year 2024, we have given 153 recommendations aimed at improving the errors and mistakes in all area where they were identified.

Table 39- Number of recommendations given in individual reports of POEs in 2024

Publicly owned enterprises of:	New recommendations	Repeated recommendations	Partially repeated recommendations	Total recommendations
Central Level	45	58	6	109
Local Level	23	19	2	44
Total	68	77	8	153

Of the total 153 recommendations given, 68 are new, 77 are repeated, and 8 are partially repeated ones. This indicates that 45% of the recommendations are new, 50% are repeated from last year, and 5% are partially repeated.

We recommend the Government and the respective Shareholders' Committees

- **To strengthen the accountability measures towards the Boards of Directors and management of POEs, in order to ensure that an analysis is carried out to determine the root causes. Appropriate actions should then be taken in a structured and systematic manner to address these issues and eliminate the errors that have led to modified opinions and conclusions. They should also ensure that effective processes are in place to confirm that the 2025 AFSs preparation plan addresses all issues related to the compliance and the applicable financial reporting framework; and**
- **To avoid contracting private audit firms for the audit of annual financial statements in cases where the National Audit Office is engaged to performs such audits.**

4. Internal Audit System

Internal Audit (IA) is an essential function in ensuring the effectiveness of internal control mechanisms by providing assurance to the senior management that the said mechanisms are appropriately designed and functioning as intended. Through a structured and disciplined approach, this function contributes to the achievement of organisational objectives by assessing and improving risk management, control systems, and governance.

The Audit Committee (AC) serves as an advisory body to the senior management of Public Sector Entities (PSEs), supporting the work of internal auditors, safeguarding their independence, evaluating the adequacy of resources, and monitoring the implementation of internal audit recommendations.

As part of the Public Internal Financial Control Strategy, further development of the IA function is anticipated through the implementation of professional development programs, quality assurance, and updates to the legal framework. This process is coordinated by the Central Harmonization Unit for Internal Audit (CHU/IA), which oversees and monitors the functioning of internal audit and financial control in all public entities.

The key shortcomings identified in the internal audit system are the following:

- Regulation 01/2019 on the Establishment and Implementation of the Internal Audit Function stipulates the criteria Budget Organisations (BOs) should meet for establishing the Internal Audit Units (IAU) as well as the minimum number of auditors that BOs should have based on their budget. Of the total of 86 budget organisations, 60 meet the criteria for establishing an IAU. However, six (6) municipalities - Leposaviq, Zveçan, Zubin Potok, North Mitrovica, Kamenica, and Hani i Elezit - have not established an IAU, despite meeting the criteria. Meanwhile, in 35 of the 60¹⁸ institutions that have established the IAUs, the number of auditors falls below the minimum required by the regulation.
- Based on our audits, the management of BOs has not taken sufficient action to implement internal audit recommendations, with only 38% of the recommendations given implemented. At the local level, 42% of the recommendations were implemented; the remaining recommendations are either in progress or unimplemented. At the central level, the implementation rate is even lower, at only 36%. Meanwhile, the rate of internal audits carried out compared to those planned was 98%.
- Five (5) of the 60 BOs with established IAUs, have not established the ACs, such as MLGA, Junik, Novobërdë, Killokot and Fushë Kosovë. Meanwhile, the Audit Committees in MIET, MESPI, MESTI, KPC, CEC, and Malishevë, although formally established, have not functioned during the year.
- In 12 BOs¹⁹, the Audit Committee held fewer than four meetings contrary to the requirement set out in AI 01/2019, whilst in nine (9) BOs²⁰, the Audit Committees failed to submit their annual reports, as required by Article 10 of the AI 01/2019.

¹⁸ The number of 60 BOs consists of 54 BOs that meet the criteria for having established an IAU as well as 6 BOs that have established an IAU although they are not obliged to establish this unit.

¹⁹ MIET, MFLT, MoE, MoJ, MRD, UP, Constitutional Court, Obiliq, Gracanica, Malisheva, Istog and Kaçanik

²⁰ MEST, MIET, MIA, MoJ, MRD, KPCVA, Obiliq, Malisheva, and Istog

Audits have revealed that dysfunctional internal controls are a widespread issue across several BOs. These deficiencies are often a result of: the lack of proper documentation for control procedures, leading to inconsistent or ineffective implementation of controls; insufficient resources, hindering the proper operation of controls; poorly documented risk identification and management processes, leading to insufficient oversight and poor risk management.

The internal control system is still not at a satisfactory level to fully meet the objectives, in order to provide sufficient assurance to the management that internal control mechanisms are well-designed and operate effectively to prevent errors and irregularities.

We recommend the Government

- **To ensure, through MFLT (CHU/IA), that all BOs required to establish an IAU do so, in order to enable efficient and effective functioning of the internal control systems; and**
- **To ensure, through MFLT (CHU/IA), that BOs establish Audit Committees in line with legal requirements, to support the achievement of IAU objectives. These committees should function effectively by holding meetings, thus contributing to enhanced accountability and strengthening the role of IA. In addition, ACs should prepare the annual report as required by the administrative instruction.**

Chapter - III

PERFORMANCE, INFORMATION TECHNOLOGY AND COMPLIANCE AUDITS

1. Performance, IT and Compliance Audits

The National Audit Office continues to place a particular focus on performance audits, recognising them as a key factor in driving change and improving the lives of citizens. Performance audits assess the extent to which public funds are being used efficiently, effectively, and economically, in ways that contribute to the well-being of the public. Through the audit findings, the Assembly and citizens are better positioned in holding public funds managers to account.

Furthermore, the NAO has increased its focus on compliance audits, aiming to assess whether government actions, systems, operations, programs, activities, or organisations operate in compliance with the applicable authorities.

For the 2024-2025 audit season, the audits have covered areas of highest relevance to citizens, taking into account the objectives of the United Nations 2030 Agenda for Sustainable Development.

During the reporting season, 12 performance audit reports have been conducted, including IT audits, which resulted in a total of 116 recommendations. The reports, their respective topics, and content summaries are presented in the following.

Public services in Kosovo face challenges in both efficiency and effectiveness. Preschool institutions often operate without licenses and regular oversight, whilst the implementation of the new law is hindered due to the lack of necessary guidelines. At the local level, development plans and an inclusive approach to service delivery are missing.

The current consumer protection system is poorly coordinated and exhibits significant weaknesses at every level. Complaint procedures are unclear, inspections are not risk-based, and public awareness campaigns are limited.

Accountability and transparency remain ongoing concerns. The National Audit Office has assessed the implementation of 199 recommendations given in 10 performance audits published in 2019, covering 36 entities. Of the 199 recommendations, only 25% were implemented. There is a lack of action plans and institutional cooperation.

Public infrastructure projects often begin without proper planning, sufficient cost-benefit analysis, or adequate funding relative to contract values. The lack of coordination among responsible institutions, poor evaluations, and the limited professional capacity lead to frequent contract modifications, additional work, and significant cost overruns. Furthermore, inefficient contract management and lack of effective oversight have an adverse impact on project implementation. These factors contribute to delays and hinder the achievement of intended outcomes.

When it comes to economic and social development, audits show that the forestry sector lacks control and data. Urban development governance is weak due to insufficient inspections and failure to enforce construction regulations.

The rapid population growth in urban areas and the high intensity of constructions have exposed weaknesses in local governance in managing these processes. Municipalities, as the entities

responsible for constructions planning and oversight, have not provided for clear procedures, equitable distribution of tasks, or effective mechanisms to guarantee the quality and safety of multi-residential buildings.

Renewable energy sources constitute a significant opportunity for social and economic development, contributing to energy security and sustainable development. However, management and oversight thereon remain weak. Producers of renewable energy often fail to forecast their energy output accurately, thus frequently generating more than forecasted. The energy produced in excess is paid for by KOSTT through the Renewable Energy Sources Fund, resulting in additional expenses and inefficient Fund management.

The audit identified deficiencies in procurement processes for public investment projects, which have had an adverse impact on the transparency, competition, and the efficiency in the spending of public funds. Economic operators' failure to meet the tender requirements, acceptance of incomplete documentation or uncleared references, as well as a lack of proper documentation and archiving by contracting authorities, constitute violations of public procurement regulations.

In the Information Technology (IT) area, the responsible institutions have not taken sufficient action to ensure complete digitalisation of processes/services, information security, business/service continuity; and general and application-level controls are weak.

- The ASYCUDA World System in Kosovo Customs has contributed to the digitalisation of customs processes, but it faces weaknesses in information security, business continuity, and internal controls.
- The e-Kosova platform has contributed to the digitalisation of public services, but it experiences challenges related to information security, system integration, and service continuity.
- The Property Tax System (PTS) has transformed property tax administration into a more manageable, centralised, single database platform for all municipalities. However, it does not fully ensure the provision of high-quality, accurate, complete, and reliable data.
- The Data Integration System (Data Warehouse) has enabled the collection of data from various institutions to improve reporting and data management. However, the lack of formalised processes, complete documentation of processes, and inter-institutional coordination has led to poor strategic management of the system and its limited use.

The NAO has conducted eight (8) compliance audits at the local level, which resulted in 54 recommendations aimed at improving the monitoring and management of leased properties.

The audit findings indicate the lack of transparency, control and adherence to established procedures in the process of allocation for use and management of municipal property. In some cases, relevant regulations which would govern the short-term use of municipal property were lacking, whilst in others, the existing regulations were not adhered to. This has resulted in actions running afoul of the legal framework and has led to financial losses.

The audit revealed a lack of formal procedures for the renewal of lease agreements, absence of necessary documentation, and violations related to the transfer of usage rights to third parties without prior approval.

Mayors have not reported to the Municipal Assemblies regarding the implementation of contracts and the fulfilment of the intended use of public property, thereby limiting the management's ability for effective decision-making.

In addition, the NAO has carried out the **compliance audit** on Maintenance and Repairing of the Sanitary Landfills' Infrastructure and Transfers Stations in the KLMC.

The audit results show that the Company failed to manage the contract in accordance with legal requirements, by not executing the specified contract items and significantly exceeding other contractual items.

1.1. Performance Audits

Through performance audits, the National Audit Office aims at promoting efficiency, accountability, effectiveness, and transparency in the public administration. In this area, 8 audits covering a range of topics have been conducted. These audits have resulted in a total of 68 recommendations issued to the audited organisations. The following section presents the content of these reports, including the audit objectives, key findings, and audit messages.

Functioning, Licensing, and Oversight of Preschool Institutions

Early childhood education plays a critical role in laying a strong foundation for the children's educational and overall social development. The advancement of this sector has a positive impact on improving care for vulnerable social groups and enhances the employment potential of women. However, this sector of education in Kosovo faces significant infrastructural and organisational shortcomings. Analysing these challenges and exploring opportunities to address them is essential to pave the way for much-needed improvements.

Our audit objective was to assess the organisation of early education process, the utilisation and development of capacities, as well as the functioning, oversight, and monitoring of preschool institutions.

The Ministry of Education, Science, Technology and Innovation (MESTI) and three municipalities in Kosovo—specifically, the Municipal Education Directorates in Pristina, Prizren, and Gjakova have been subject to the audit. The audit period covered the years 2022 to 2024.

Audit Message: *The audit findings indicate that, despite the efforts of the Ministry of Education, Science, Technology and Innovation (MESTI) to advance early childhood education, the preschool sector continues to face significant structural, managerial, and implementation challenges. The absence of a comprehensive legal framework and the lack of functional mechanisms for monitoring, licensing, and inspection hinder the effective implementation of educational policies. At the local level, progress has been partial and insufficient, with no long-term development plans and a lack of inclusive access for all children. Demands for expanding and establishing new preschool institutions remain high and largely unmet.*

The current system faces organisational and management difficulties in operating preschool institutions. The lack of updated administrative guidelines and ineffective oversight has led to uncertainty and inconsistency in how these institutions function.

Licensing procedures for private, community-based, and public-private preschool institutions are conducted without any clear standard timelines and in the absence of a functional monitoring system, thus creating operational issues.

At the municipal level: the Municipality of Prishtina lacks a long-term planning for new preschool facilities; whilst the Municipality of Prizren has suffered setbacks in implementing the procedures for appointing new facilities, and the municipality has not included children aged 0–3 in preschool programs, as required by law.

In both Municipalities of Prishtina and Prizren, the lack of a staff monitoring or appointment system and failure to include early childhood education in the municipal education regulations have resulted in disorganised management and inadequate institutional oversight.

It is worth noting that the Municipality of Gjakova has managed to better meet the needs of public preschool institutions and made progress in both municipal service delivery and technical capacity expansion.

Follow-up Audit on the Implementation of Recommendations from Performance Audit Reports Published in 2019

The purpose of recommendations in performance audits is to improve the implementation process and ensure the effective functioning of government systems, programs, and activities. Recommendations are addressed to the auditees and serve as a mechanism to address identified weaknesses and to make systems more efficient and effective in achieving their objectives. Through this follow-up audit, we assessed the level of implementation of the recommendations issued in the performance audit reports published in 2019, and whether these recommendations have contributed to improving the situation identified during the individual audits.

This follow-up audit covered 13 performance audit reports published in 2019. These audits involved 36 auditees, to which a total of 199 recommendations were issued.

Audit Message: *While some recommendations have been individually implemented and have had a positive impact in addressing specific shortcomings, the overall progress remains slow and insufficient—especially considering that approximately six years have passed since the original findings were identified in 2019. The auditees have put little efforts to implement the recommendations they were given.*

The follow-up audit revealed that only 25% of the recommendations from the 13 performance audit reports have been fully implemented. Meanwhile, 55% of the recommendations were not addressed at all, with no concrete actions taken; 4% showed partial progress, being at various stages of

implementation; and for 16%, it was not possible to assess the status, due to lack of responses from the relevant institutions and limitations in the audit's scope.

Inter-institutional cooperation showed a direct positive audit impact on institutional functionality. For example, in entities where all recommendations were fully implemented—such as Kosovo Customs and the Food and Veterinary Agency—the impact of the recommendations was notable.

With regard to entities with limited implementation, the lack of action plans across all audited entities has significantly reduced the overall impact of the recommendations.

Protection, Development, and Regeneration of Forest Areas

Forests in Kosovo represent a valuable natural asset, crucial for biodiversity, environmental protection, and the socio-economic development of the country. These forests extend over protected areas, including the Sharr and Bjeshkët e Nemuna National Parks, as well as outside protected areas, covering public and private lands.

The National Audit Office conducted a performance audit on the topic: Protection, Development, and Regeneration of Forest Areas, with the aim of assessing the responsible institutions' efficiency in protecting, developing, and regenerating the forest lands. The audit scope included the Ministry of Agriculture, Forestry and Rural Development (MAFRD), Kosovo Forestry Agency (KFA), Ministry of Environment, Spatial Planning and Infrastructure (MESPI), Kosovo Environmental Protection Agency (KEPA), Kosovo Cadastral Agency (KCA).

Audit Message: *Forest areas have been among the most exploited and damaged public assets over the past two decades. The audit findings show that serious challenges persist. The lack of a clear legal/regulatory framework, ineffective control mechanisms, and weak institutional coordination have allowed for illegal logging, land usurpation, and degradation of protected zones, resulting in substantial economic and environmental losses.*

Lack of oversight and protection of public forests by the Kosovo Forestry Agency, including Lack of control, registration, and inventory of forest areas has contributed to losses and damages to the country's forest stock.

The Forest Inspectorate has not been effective, which has resulted in inadequate responses to the degradation and misuse of public forest areas. The fact of operating under the Kosovo Forestry Agency, until 2023, has affected the independence and objectivity of its inspection activities. Although it is now operating under the MAFRD, a legal framework for its functional operation and effective ministerial oversight is still lacking.

In the National Parks "Bjeshkët e Nemuna" and "Sharri", there are continued cases of illegal logging, unauthorised construction, and damage from forest diseases. The "Sharri" park lacks coverage by forest rangers, while in "Bjeshkët e Nemuna", the number of illegal constructions has doubled from 2010 to 2024. Moreover, the lack of inter-institutional coordination has hindered the response to pests and diseases affecting approximately 3% of the forest area in these parks.

The Kosovo Forestry Agency faces a shortage of accurate data. Only 246 cases of land usurpation have been identified, while over 2,200 applications for lease agreements have been filed, indicating prolonged unauthorized use. The Agency does not possess a detailed list of the properties under its management, and there are around 500 different property names that have not been standardised or verified with the Cadastral Agency. Furthermore, over 11,600 hectares have undergone cadastral changes without the Agency being notified, mainly due to institutional and judicial decisions, as evidenced in sampled cases.

There is underachievement of objectives and risk posed to nurseries. Around 44% of the planned objectives in annual forestry plans related to cultivation, treatment, and establishment of new forests have not been achieved. Approximately one million seedlings are at risk of failure due to the Agency's lack of outsourcing for reforestation.

There are also deficiencies in the lease process and contract oversight. The process of leasing public forestland managed by the Agency has experienced significant delays. In some cases, lease applications were delayed for up to 38 months, and the monitoring of lease contracts is poor.

Effectiveness of the Consumer Rights Protection System in Kosovo

Consumer protection constitutes one of the key pillars of a functional, fair, and sustainable market. In Kosovo, consumer protection is regulated by the Law on Consumer Protection and involves an institutional structure where the Ministry of Industry, Entrepreneurship and Trade, through the Consumer Protection Department and the Central Market Surveillance Inspectorate, plays a leading role in the development of policies and implementation of protective measures for consumers.

The National Audit Office conducted a performance audit to assess the functionality and effectiveness of the consumer protection system in Kosovo during the period 2022–2024, focusing on the Ministry of Industry, Entrepreneurship and Trade. The audit objective was to assess whether the responsible institutions provide real, fair, and effective protection for consumers, in line with the principles of transparency, equal access, and institutional accountability.

Audit Message: *The current system for consumer protection in Kosovo is inefficient and poorly coordinated, with significant shortcomings at every level. Procedures for handling consumer complaints are not standardized, and traceability and proper documentation of decisions is lacking, whilst many complaints remain either unresolved or addressed with delays.*

Central Market Surveillance Inspectorate (CMSI) inspections are not conducted systematically and are not based on risk analysis. Most inspections occur only in response to individual complaints, lacking proactive planning for high-risk sectors. Fines issued by CMSI are uniform, not differentiated by the type or severity of the violation, and do not follow a progressive enforcement approach. Furthermore, CMSI does not systematically follow up on the implementation of punitive measures. There is no re-inspection to verify whether fines have been enforced, and data is not analysed to assess the impact of enforcement actions on economic operators' behaviour.

The Consumer Protection Department (CPD) does not use complaint data in a structured manner to build evidence-based policies, and lacks analytical capacities to identify high-risk sectors. Although an electronic complaint platform exists, it is not fully operational, not integrated with CMSI, does not allow consumers to track the complaint's status, and does not generate advanced analytical reports. Moreover, public awareness and consumer information also remain limited. CPD is not active in traditional or digital media, and there are no public awareness campaigns in place. According to a citizen survey, over 26% are not aware as to how or where to file a complaint, whilst 28% received no response at all, thus reflecting the lack of effective communication and low institutional trust.

The Consumer Protection Strategy 2021–2025 is not being implemented in a measurable or structured fashion. Neither the CPD, as the policy-making body, nor the CMSI, as the implementing body, have established functional links between strategic objectives and operational activities. Institutional actions are carried out individually, without performance indicators and without any reporting on the real impact of interventions

In order to have the identified shortcomings addressed, a total of 13 recommendations were issued to the Ministry of Industry, Entrepreneurship and Trade.

Efficiency and effectiveness in the process of high-rise constructions in the Municipality of Prishtina

High-rise buildings have increased significantly in the Municipality of Prishtina as a result of urbanisation and population displacement from rural to urban areas as well as from other parts of Kosovo. The Municipality must ensure proper planning and quality construction for citizens to exercise the right to live in an environment that is suitable, safe and meets the basic social, environmental and financial demands.

The National Audit Office has conducted this performance audit in order to assess whether the Municipality of Prishtina has established the procedures to handle the construction process of high-rise buildings and whether the Municipality has used the available mechanisms to ensure that occupancy certificates, which confirm the quality and safety of buildings for occupancy, are issued.

We audited 48 samples out of a total of 477 (10%) construction permits issued for the 2021-2023 period and 15 samples out of a total of 83 (18%) issued in the previous years.

Audit Message: *The Municipality of Prishtina was neither efficient nor effective in the process of issuing construction permits, nor in ensuring their subsequent certification with occupancy certificates.*

There is a lack of controls over the issuance of construction conditions, unequal handling of applications for construction permits, lack of proper and regular inspections, and the mechanism for issuing occupancy certificates is not effective. Only 15% of the construction permits issued during the period 2017–2021 have been granted occupancy certificates. Consequently, the remaining buildings do not provide residents with assurance that the structures are safe for habitation, nor are their legal rights to the property guaranteed.

The Municipality takes between 3 to 30 months to issue a construction permit due to the disproportionate allocation of responsibilities among its officials (one official processed 97 permit applications, whilst another handled only two).

A similar issue was identified in the distribution of responsibilities among inspectors (one inspector handled 54% of the cases, while the remaining cases were distributed among nine other inspectors). The Municipality requires between 8 to 60 days to respond to an inspection application, which has affected the investors' willingness to apply for inspections.

The Municipality has not put in place functional mechanisms to oblige the investor to obtain an occupancy certificate following the final inspection and prior to the building being used for habitation.

In order to ensure that appropriate and functional procedures for managing high-rise constructions are in place in the Municipality of Prishtina, and that available mechanisms ensure occupancy certificates are issued, we have given seven recommendations.

Efficiency in the Implementation of the Project "Rehabilitation of Railway Line 10 Hani i Elezit – Leshak"

The National Audit Office conducted a performance audit on the topic "Efficiency in the Implementation of the Project "Rehabilitation of Railway Line 10 Hani i Elezit – Leshak" with the objective of assessing whether Infrakos, in cooperation with the Ministry of Environment, Spatial Planning and Infrastructure (MESPI), and the Ministry of Economy (ME), have been efficient in managing the project.

The audit focused on contracting procedures and related costs, given that the project has yet to be fully implemented despite having started a long time ago – the financing request was submitted in 2012, and the agreement was negotiated in 2015. The project is funded through international loans and grants. By the end of 2024, €92.3 million (37%) had been spent from the €250 million allocated in the updated 2023 agreement.

Audit Message: *The institutions responsible for implementing the Railway Line 10 Rehabilitation Project were not efficient due to a lack of coordination among them, insufficient commitment, and a lack of adequate experts. The project was initially expected to be operational in 2019; however, by the end of 2024, only 60% of works under Phase I had been completed, 32% under Phase II, and there was no designed project for Phase III. During 2022 and 2023, the project incurred additional and provisional costs amounting to €30 million, of which €28 million resulted from changes in the basic contracts, while the rest from other project-related expenditures.*

The project implementation has been marked by significant delays, additional costs, and numerous changes to the initial contracts. As a result, the project completion deadline has been extended to 2027. The failure to commence Phase III and the exclusion of several critical components increase the risk of further cost and time overruns.

The project was characterized by poor initial planning, leading to an additional loan requirement of €38 million, along with projected costs for signalling and electrification reaching up to €55

million. Contracting and contract management procedures were inefficient – with mismatches in the contracting method, lack of contract managers, slow evaluation procedures, and frequent changes to contracts, which increased costs by approximately €28 million or 21% compared to the base contracts.

Discrepancies in construction quality were identified, including cases of fraud by subcontractors, lack of concrete actions against them, and delays in decision-making. The Project Implementation Unit (PIU), which plays a crucial role in project execution, did not operate at full capacity and was unstable in composition.

The closure of the railway lines Fushë Kosovë–Hani i Elezit and Fushë Kosovë–Mitrovicë was carried out without transparency and outside legal authorization, negatively impacting citizens' and businesses' access to rail transport.

Moreover, there was a lack of effective monitoring by the Publicly Owned Enterprise Policy and Monitoring Unit, while the Board of Directors and the Steering Committee did not undertake sufficient actions to improve the situation, despite the project consistently falling short of expectations.

In order to ensure increased engagement from all involved parties, thereby improving the implementation process and enhancing efficiency in completing the railway rehabilitation project (Line 10), we have issued 11 recommendations.

Two recommendations were given to the Ministry of Environment, Spatial Planning and Infrastructure, two recommendations to the Ministry of Economy, namely the Publicly Owned Enterprise Policy and Monitoring Unit and seven recommendations to Infracos.

Efficiency of the Kosovo Clinical and University Hospital Service in the Construction of the Orthopaedic Clinic Building

The construction of the Orthopaedic Clinic at the UCCK has been considered an urgent and essential need due to the numerous challenges faced by the healthcare system in this area. The existing premises of the Orthopaedic Clinic did not meet the necessary requirements for the smooth operation and delivery of essential professional medical services.

The National Audit Office has conducted a performance audit on the topic: "Efficiency of the Kosovo Clinical and University Hospital Service (KCUHS) in the construction of the Orthopaedic Clinic building." The objective of this audit was to assess whether KCUHS has been efficient in managing the project for the construction of this clinic.

Audit Message: *The audit revealed a significant number of irregularities indicating that KCUHS was not efficient in managing this project. The project lasted nearly five years from initiation to completion, despite the initial plan of completing it within a year and a half. This delay was mainly due to poor project planning, a lack of detailed analysis of actual needs, and insufficient assessment of required resources. Moreover, considerable shortcomings were identified in contract management, both in terms of supervision of works and timely resolution of obstacles encountered during implementation.*

The project faced various challenges starting from the planning phase. The initial request and project design were conducted without comprehensive technical analyses or field verification. Initially, it was planned to renovate the existing facility and expand it with an additional floor and a new wing. However, subsequent inspections concluded that the structure did not meet safety standards, leading to its demolition and a complete project redesign. During implementation, further deficiencies in the project design were identified, which required changes to technical items, suspension of works, and an additional contract for unforeseen works – all of which prolonged the timeline and increased the costs.

The numerous changes also affected the overall functionality of the building. Although quantity adjustments within the contract were within legal limits, they point to a lack of accurate prior analysis. Additionally, some rooms initially intended for patient care were repurposed, thus reducing the capacity to provide services. As a result, the project was completed in June 2024, instead of January 2021, extending the duration from 1.5 years, as initially planned, to nearly 5 years.

The project was also characterised by poor contract management. The final contract value increased to over €2.57 million, or 16% more than originally planned. Quantity overruns exceeding €75,000 without prior approval were identified, and three payments totalling over €255,000 were made without the signature of the contract manager. Additionally, no documented performance evaluation of the contract was conducted, making it impossible to draw objective lessons for future projects.

In order to ensure that the future construction contracts within KCHUS are implemented efficiently, we have given six recommendations. The full list of recommendations is presented in chapter five of this report.

Management of the Renewable Energy Sources Fund

Assurance in energy supply, efficient operation of the transmission system, and guaranteeing a fair and transparent market are essential priorities for the country's economic and social development. The way in which energy resources are managed has a direct impact on the economic and social well-being of society and the country as a whole. Renewable energy sources are also part of the national energy resources.

The National Audit Office has conducted a performance audit to assess the management of the Renewable Energy Sources Fund, as well as to review the implementation of measures taken to increase the capacities of these sources.

Audit Message: *KOSTT has not been efficient in organising the purchase and sale of renewable energy. Renewable energy producers submitted inaccurate forecasts, resulting in overproduction and imbalances that generated additional costs for the Renewable Energy Sources Fund. Moreover, deficiencies were identified in the administration of Power Purchase Agreements with renewable energy producers and suppliers. On the other hand, the ERO, through a decision issued in 2019, limited the producers' responsibility for imbalances to only 5% of their annual revenues. In addition, the targets set by the Ministry of Economy for 2020 were not achieved.*

The audit identified that KOSTT incurred additional costs from imbalances caused by renewable energy producers, amounting to up to €10 million for the period 2022–2024. These costs were covered through revenues generated by the renewable energy tariff, which is charged to consumers. Notably, a group of three producers was responsible for 80% of the total of these imbalances. Furthermore, from 2017 to 2024, KOSTT failed to secure financial guarantees from producers, resulting in delays of up to seven months in the collection of revenues for the Fund.

The ERO has not managed to regularly monitor the Renewable Energy Sources Fund. Additionally, due to the 2019 decision to limit producers' responsibility for imbalances, additional imbalance costs of €4.6 million were incurred by the Fund during the years 2022–2024.

Moreover, the renewable energy targets set by the Ministry of Economy for 2020 were not achieved. By 2025, only 40% of these targets had been fulfilled.

In order to improve the processes and to ensure better management of the Fund, we have given a total of 10 recommendations; seven to KOSTT, one to ERO and two to the Ministry of Economy.

1.2. Information Technology Audits

The National Audit Office has been placing increased focus on Information Technology (IT) audits. This season, the audits have included projects and information systems that have a significant impact on public institutions and the services delivered to citizens. Four (4) audits have been conducted in this area. These audit reports provided 48 recommendations to the audited entities. Below is a summary of these reports, including the audit objectives, findings, and key messages

Information Systems at the Kosovo Customs – ASYCUDA World

Kosovo Customs is a revenue management agency operating under the Ministry of Finance, Labor and Transfers. The revenues collected by Customs contribute approximately 60% of the overall revenue collected for the budget of the Republic of Kosovo. Kosovo Customs has a broad mission, including the protection of the state, the economy, and its citizens.

The National Audit Office conducted an Information Technology audit at Kosovo Customs to assess whether the ASYCUDA World system enables the implementation of electronic customs processes in an accurate, secure, and reliable manner.

Audit Message: *Kosovo Customs has continuously developed the ASYCUDA World system to enable the digitalization of customs processes and to improve the accuracy, reliability, and security of the data and processes performed through this system, as well as the security of the system itself. However, shortcomings remain in the contracting policies, and the controls applied to protect information security do not adequately ensure the integrity, confidentiality, and availability of the system. Additionally, there are insufficient mechanisms in place for business continuity, and the application controls implemented in ASYCUDA do not ensure that only accurate and valid data are entered and updated in the system. Moreover, digitalization remains an ongoing process, and challenges such as further customization*

of risk criteria, full integration of departments, and the provision of technological support require continued commitment to achieve full digital transformation.

Outsourcing, at Kosovo Customs, the contracting process does not clearly define the responsibilities and duties of the involved parties regarding information protection and security, leaving the system's security unaddressed and vulnerable.

Information and Cybersecurity, there are deficiencies in the information security controls due to the lack of a clear IT security structure. A low level of staff awareness on information security, the absence of procedures for user access control, and an outdated information security policy contribute to these gaps.

Business Continuity and Disaster Recovery Plans, Kosovo Customs does not have an effective business continuity policy in place due to the absence of a formal Business Continuity Plan, a structure to implement such a plan, and documented customs procedures carried out through the ASYCUDA system.

Application Controls, Kosovo Customs has not ensured that the data entered into the system are accurate, as data used to calculate the multiplier for price determination are processed manually. Furthermore, the system does not ensure that the data are valid and reliable. The method for setting risk assessment criteria in the system does not allow for a measurable representation of risk exposure. The system also lacks user-friendly functionality, particularly in the tariff and risk modules, which results in occasional system errors.

E-Kosova Online Services Platform

The Government of Kosovo has established the e-Kosova platform as one of the key developments aimed at improving the delivery of public services and increasing the efficiency of public administration. Currently, the platform provides approximately 230 public services electronically.

The National Audit Office conducted an IT audit focusing on services offered through this platform, such as Child Allowances, Property Tax, Textbooks Subsidy, and the Electronic Payments modules.

Audit Message: *The e-Kosova platform has made significant strides toward the digitalization of public services, providing an essential tool for facilitating access for citizens and institutions to various administrative processes, while also enhancing transparency and efficiency. However, challenges remain in system integration, information security, data control, and business continuity.*

The Agency for Information Society has not established sufficient standards for contract management and does not adequately provide for a secure information environment. In cases of emergencies or disasters, AIS is not prepared to restore the services, thereby jeopardising the continuity of electronic state operations. Furthermore, weaknesses in both functional and technical application controls on the e-Kosova platform have created risks to the accuracy and security of data, as well as to the integrity of the services provided.

Outsourcing, the contract does not sufficiently define the requirements and measures for information security, leaving the security of the information system inadequately addressed.

Procurement and Development, AIS addresses urgent requests for electronic services without proper documentation or planning. For instance, the Textbooks Subsidy service was developed without clear technical criteria, resulting in inefficient service delivery and the risk of mismanagement of benefits.

Information and Cybersecurity, AIS continues to operate with outdated and repealed information security policies, increasing the organization's vulnerability to cyberattacks. Nonetheless, certain technical protective measures and advanced mechanisms have been implemented to prevent intrusions.

Business Continuity and Disaster Recovery Plans, AIS lacks an effective policy for business continuity and disaster recovery, due to the absence of necessary procedures and infrastructure, including a functional secondary data centre. This poses a risk to the functioning of critical state systems.

Application Controls, the e-Kosova platform exhibits deficiencies in access control, system integration, and information security, creating opportunities for benefits to be granted outside the established criteria—particularly in services such as Child Allowances and Textbooks Subsidies. Moreover, the platform does not meet the required standards for full digitalization and has issues with real-time data synchronization between systems, resulting in duplicate applications and repeated payments by citizens.

Property Tax System

Property Tax System (PTS) plays a key role in the administration of property tax and provides an integrated platform for property tax data that is used at the local level in the Republic of Kosovo to deliver this service electronically. Through this system, over €607 million have been recorded/invoiced by 2025 for more than 817,000 properties and over 2.2 million registered parcels. The system enables electronic payments, increasing accessibility, efficiency, and transparency, and is integrated with the e-Kosova platform for issuing invoices to individuals, other persons, and businesses.

The National Audit Office conducted an IT audit to assess whether the Property Tax System is managed by the responsible entities in a way serving to the provision of high-quality, accurate, complete, and reliable data.

Audit Message: *the development of this system has transformed the administration of property tax by making it more manageable as a centralised platform, with a single database for all municipalities. However, the Property Tax System does not fully guarantee the provision of high-quality, accurate, complete, and reliable data. Weaknesses in system development and operation, the absence of standardised testing and approval procedures, and insufficient controls have affected the data integrity and the efficient management of taxation. This has increased the risk of miscalculations, incorrect allocation of payments, and difficulties in accurately identifying taxpayers.*

System Procurement and Development, The Ministry of Finance, Labour, and Transfers does not ensure that developments made in the Property Tax System fully achieve their intended purpose, due to the lack of procedures that establish internal functional controls related to testing, approval or rejection of system changes, and the management and handling of development requests.

Application Controls, there are identified shortcomings in the integration of the system with the data register of the Kosovo Cadastral Agency, as well as with the Surveying System. In addition, there is a lack of compensating controls at the municipal level. These gaps have resulted in inaccurate data regarding taxpayers and properties. Deficiencies in processing controls have caused misallocation of payments and incorrect debt balances for citizens, resulting in penalties and interest charges.

The Property Tax System suffers shortcomings in recording the payments and does not register the true payment execution date. It does not reflect the real status of the invoice, nor does it enable accurate implementation of legal and regulatory requirements.

In addition, the lack of adequate security controls within the property tax system increases its vulnerability to information security misuse and risks.

System Integration, Data Warehouse Development, and Business Intelligence Implementation

The Ministry of Finance, Labour and Transfers has developed a project aimed at integrating existing information technology systems to build a unified analytical reporting platform (Business Intelligence). A central component of this system is the creation of a Data Warehouse, designed to consolidate data from Kosovo Customs, the Tax Administration, the Treasury, departments within the Ministry, and other public institutions managing public finances.

The National Audit Office conducted an IT audit to assess whether the Data Warehouse system ensures accurate and reliable data for macroeconomic decision-making.

Audit Message: *MFLT has taken steps toward developing IT systems to improve reporting and data management. The Data Warehouse system has enabled the collection of data from systems within MFLT, the Tax Administration, Customs, the Budget, and the Property Tax system, aggregating information on revenues, expenditures, and the national budget on a daily, weekly, and monthly basis. However, the lack of formalised processes, complete documentation, and inter-institutional coordination has led to weaknesses in strategic management, testing of new data sets, and data integrity. Furthermore, limited use of the system, reliance on duplicated reports, and difficulties in accessing real-time information pose risks to effective decision-making.*

IT Governance, MFLT has not formalised an Information Technology management strategy and operates without an approved IT strategy or mechanisms for analysing and prioritising new system requirements.

Development, Procurement, and Outsourcing, MFLT has not documented how new data sets are integrated into the Data Warehouse system. In addition, there is no written procedure for the testing

and acceptance of new datasets. Testing is conducted informally and without proper records, thus increasing the risk of operational errors and lack of transparency.

Outsourcing Policies, MFLT has failed to activate the user activity logging feature in the Data Warehouse system, not enforcing user traceability as required by the contract.

Application Controls, there is no automated process for verifying data transfers into the Data Warehouse system, and manual controls performed by IT staff are not documented, increasing the risk of data inaccuracy and unreliability. Users are often forced to manually compare data through reports shared via email. Additionally, the lack of formal coordination and communication regarding changes in budget codes has led to inaccurate and incomplete reporting.

We recommend the Government to

Analyse the recommendations given in the performance and IT audits and develop and monitor the action plans for their implementation. The implementation should be monitored by assigning the respective functions within the organisation and holding them to account, through regular reporting on the corrective actions taken.

1.3. Compliance Audits

The National Audit Office is committed to expanding the scope of compliance audits, with the aim of providing high-quality information and reasonable assurances on the use of public funds. Through these audits, the NAO supports the auditees in enhancing their financial management and internal control systems by promoting transparency and accountability, prevention of corruption, and the efficient and effective use of public funds. This, in turn, adds value to their operational and strategic activities. By doing so, we increase confidence in the spending of public funds and play an active role in safeguarding the interest of taxpayers and other stakeholders, thereby strengthening public accountability.

Topic: Granting for Use and Management of Leased Municipal Properties

In 2024, NAO conducted eight (8) compliance audits at the local level, resulting in 54 recommendations addressed to Municipal Assemblies and Mayors. These recommendations focused on taking corrective actions to improve the monitoring and management of leased properties in accordance with the law, by ensuring that all procedures are implemented to minimise financial losses and improve transparency in the administration of public properties.

These audits covered both the granting and management processes of active lease contracts for the period January 2023 to December 2024, including the basic contracts entered into in prior years. The municipalities of Prishtina, Prizren, Peja, Gjilan, Podujevë, Suharekë, Fushë Kosovë, and Vushtrri were subject to this audit.

The audit findings indicate the significant lack of transparency, control and adherence to established procedures in the process of allocation for use and management of municipal property. In some cases, relevant regulations which would govern the short-term use of municipal property were lacking, whilst in others, the existing regulations were not adhered to. This has resulted in actions running afoul of the legal framework and has led to financial losses.

Municipalities did not fully comply with legal requirements during procedures on granting for use of the immovable property. In concrete cases, the purpose of property use was altered without the approval of the Municipal Assemblies, thus bypassing the decision-making competencies of this body; whilst in other cases, the properties continued to be used beyond the allowed timeframe, in contradiction with. These actions indicate a lack of institutional control, posing a risk to legality, transparency and public interest in the management of municipal assets.

Further weaknesses included absence of formal procedures for the extension of lease contracts, missing documentation, and unauthorised transfer of the lease right to third parties without prior approval. The lack of a structured process for reviewing rental prices, as well as instances where properties were used free of charge or after the contract expiration has led to loss public revenues and mismanagement of municipal properties. During the audit, cases were identified where basic documentation proving the legitimate use of municipal property could not be provided.

The audits also highlighted a lack of effective oversight and monitoring, inadequate monitoring of leased properties, poor collection of rental income, significant shortcomings in the municipality's

oversight and control function with respect to the management of lease contracts, failure to take legal measures for debts recovery or addressing contractual violations.

The cases addressed indicate a failure to realize the benefits defined by contract, use of municipal property without valid contracts, exceeding the authorised area granted for use, as well as non-fulfilment of legal conditions and obligations by the users. The lack of on-site verifications, monitoring of the implementation of contractual conditions, and regular institutional reporting has led to situations where municipal properties are used in an unauthorized manner and outside the transparency and accountability mechanisms.

In most cases, the failure of executive authorities/Mayors to report to the Municipal Assemblies on the implementation of contracts and the achievement of the intended purpose for the use of public property has undermined the Assemblies' ability to exercise proper oversight and make informed and effective decisions. These shortcomings pose a risk to the integrity of the process and the safeguarding of the public interest.

Topic: Maintenance and Repairing of the Sanitary Landfills' Infrastructure and Transfer Stations in the Kosovo Landfill Management Company (KLMC)

The audit covered the contract management process for "Maintenance and Repairing of Sanitary Landfills' Infrastructure and Transfer Stations in the Kosovo Landfill Management Company (KLMC)" for the period from September 2021 to June 2023, based on the payments made. The audit objective was to assess whether the Company managed the contract in accordance with the requirements set out in the Public Procurement Rules and KLMC regulations for waste management at sanitary landfills and transfer stations.

The audit results indicate that the Company failed to manage the contract in compliance with legal requirements. Moreover, the deviation from the contractual terms is considered material, as in eight (8) items related to contract management, the quantities exceeded the allowed threshold of 30% set in the framework contract, whilst 46 other items were not executed at all. The exceeded quantities of specific items resulted in an additional cost of €958,189 – beyond the allowed threshold of 30%.

Moreover, we found that the implementation of the framework contract for the Maintenance of Sanitary Landfills and Transfer Stations lacked adequate documentation and showed significant discrepancies between the invoiced quantities and those documented, particularly regarding gravel and machine working hours. A considerable portion of the accepted works and supplies lacked supporting documentation, resulting in unreasonable invoiced amounts.

In 11 cases, acceptance reports were signed by company personnel; however, the Company was unable to provide evidence regarding the establishment and appointment of the respective acceptance commissions.

To improve the management of the contract " Maintenance and Repairing of Sanitary Landfills' Infrastructure and Transfer Stations", four (4) recommendations have been provided.

Chapter IV

AUDIT RECOMMENDATIONS

Summary on implementation of recommendations

Audit reports identify weaknesses in governance systems, particularly financial ones, while the implementation of audit recommendations serves as a key mechanism for addressing these weaknesses and strengthening the efficiency and effectiveness of systems to achieve institutional objectives. However, the analyses show that the current level of implementation of audit recommendations remains insufficient.

For 2023, the Government had not prepared an action plan for implementation of the recommendations.

At the level of individual audits, most budget organisations have not established a systematic process for monitoring the implementation of audit recommendations. Although the number of recommendations given in individual reports has decreased compared to 2022, the level of implementation remains insufficient. Only 37% of recommendations (including those given to publicly owned enterprises) have been fully implemented, while the remainder are either in progress of implementation or not implemented yet.

Delays or failures in fully implementing the recommendations lead to the continuation of control weaknesses and shortcomings, leading to recurrence of irregularities from year to year.

The level of implementation of recommendations is the key indicator of the audit impact and reflects whether the management has taken actions to improve existing processes and controls in the areas where irregularities were identified. Through individual audits, NAO assesses the implementation of recommendations given in the previous year, clearly identifying the areas where corrective measures have been taken and those where further action is still required.

A total of 20 recommendations were given to the Government in the Annual Audit Report on 2024 AFR-BRK.

Annex I of the report provides full information on the progress of the recommendations given in the 2023 AFR, while Tables 41 and 42 present the statistics of the recommendations for individual organisations.

1. Implementation of recommendations given in the 2023 AAR

The Government did not submit the action plan for implementation of recommendations to the NAO. However, Annex 24 of the 2024 Annual Financial Report includes a presentation of the plan for implementing the recommendations of the AAR.

Based on the information gathered during the audit process of the budget statements, as well as from individual audits, we have found that the actions taken by the Government and other institutions have not been sufficient to ensure a satisfactory level of implementation of recommendations.

Out of the total of 19 recommendations given in the 2023 AAR, 16 had not been implemented, one (1) had been fully implemented, and two (2) were in the process of implementation. Detailed data on the status of recommendations are presented in Annex I.

2. Implementation of recommendations given in individual reports for the year 2023

The assessment of the implementation of recommendations is an integral part of the ongoing audit process. This assessment, on how and to what extent recommendations have been implemented, is carried out for each budget organization during the course of regular audits. The results of the implementation for the previous year are disclosed in the audit reports for the subsequent year.

The tables below provide data on the status of recommendations for years 2023 and 2022, categorized by audited entities.

The table below includes the number of recommendations given and the percentage of their implementation.

Table 40 - Implementation of the AG recommendations for 2023

Audited entities	No. of recommend. in 2023	Recommend. no longer applicable ²¹	To be implemented	Implemented		Partially implemented		Not implemented	
	No.	No.	No.	No.	%	No.	%	No.	%
Central level institutions	127	4	123	52	42%	11	9%	60	49%
Independent institutions	52	7	45	25	56%	7	16%	13	29%

21 Recommendations that are no longer applicable are a result of their merging or amendments to legal acts.

Local level institutions	369	15	354	130	37%	20	5%	204	58%
Publicly Owned Enterprises ²²	133	27	106	27	25%	8	8%	71	67%
Total Recommend.	681	53	628	234	37%	46	7%	348	56%

With regard to POEs, in addition to the 2023 recommendations presented in the table, NAO has also assessed in 2024 the implementation of the recommendations given to Telekom J.S.C. in 2020. The assessment showed that out of the 12 recommendations issued, 6 had been implemented, while the remaining 6 had not been implemented.

Table 41 - Implementation of the AG recommendations for 2022

Audited entities	No. of recommend. in 2023	Recommend. no longer applicable ²³	To be implemented	Implemented		Partially implemented		Not implemented	
	No.	No.	No.	No.	%	No.	No.	No.	No.
Central level institutions	166	11	155	76	49%	21	14%	58	37%
Independent institutions	53	1	52	31	60%	5	10%	16	31%
Local level institutions	37224	12	360	140	39%	19	5%	201	56%
Publicly Owned Enterprises	152	15	137	79	58%	10	7%	48	35%
Total Recommend.	743	39	704	326	46%	55	8%	325	46%

As seen from the tables above, the total number of recommendations given has decreased from 743 in 2022 to 681 in 2023. However, the percentage of unimplemented recommendations has increased from 46% to 56%, indicating that the level of implementation of recommendations remains unsatisfactory.

It is worth noting that the performance audit reports for 2023 have resulted in a total of 124 recommendations given.

²² In the 2023 AAR a total of 133 recommendations were reported. This number also includes 20 recommendations given to the enterprises – Kosovo Railways/ Hekurudhat e Kosovës Infrakos J.S.C., RWC Pastrimi J.S.C. and Enterprise Public Housing J.S.C., which have not been subject to audit in 2024 therefore they have been deducted from the total number. Meanwhile, 12 recommendations given to Telekom J.S.C. in 2020 have been addressed during the 2024 audits have been added to this number. Consequently, the number of recommendations included for monitoring is 125 (133 - 20 + 12).

²³ Recommendations that are no longer applicable are a result of their merging or amendments to legal acts.

²⁴ In the 2022 AAR a total of 352 recommendations given were reported. This number also includes 20 recommendations given in the audit reports for 2021, for the municipalities of: North Mitrovica, Zveçan, Leposaviq and Zubin Potok, because there has been no audit conducted in these municipalities for the year 2022. Hence, the assessment of the implementation of the recommendations given covers 372 recommendations.

The NAO applies a structured approach to assess the implementation of recommendations given in previous performance audit reports. According to its practice, a follow-up audit is conducted each year and covers reports published six years ago, a methodology that provides a reliable overview of institutional progress and facilitates comparability over the years.

During the 2024/2025 audit season, NAO has conducted a follow-up audit for the 2019 reports, including 10 performance audit reports with a total of 199 recommendations given to 36 audited entities. Of these recommendations, only 51 have been fully implemented, which represents around 25% of the total.

In general, budget organisations draft action plans on implementation of recommendations, but do not follow a formal process of monitoring, evaluation, and reporting on their progress. This indicates a lack of responsibility to ensure that recommendations are implemented in a timely manner and that the impediments that delay this process are identified and addressed.

To improve the situation, greater commitment and accountability from responsible persons are required, along with regular monitoring of the implementation of recommendations by all budget organisations.

3. Implementation of recommendations given by the Assembly of Kosovo

The Assembly of Kosovo has given 10 recommendations for four (4) audit reports reviewed in previous years for the University of Prishtina, Kosovo Telecom, HUČSK, and RTK. The National Audit Office has assessed the implementation of these recommendations and has found that four (4) of them have been implemented, as reported in the Annual Audit Report for the year 2023. For the other six (6) recommendations, which were either unimplemented or in progress at that time, a follow-up assessment was made during the 2024 audits. This follow-up revealed that two (2) recommendations have since been implemented, two (2) remain in progress, and two (2) have yet to be implemented.

Annex II shows detailed data on the recommendations issued by the Assembly of Kosovo.

Additionally, the Assembly of Kosovo issued recommendations related to performance audit reports including: "Assessment of students in national and international exams", "Functioning of the Municipal Performance Grant System and Management of Donor-Funded projects for the year 2021", "Financial and Operational Performance of POE Trepça J.S.C.", "Management of the Project for Uniting the City of Ferizaj", "Payroll Management System"; "Renovation and Reconfiguration of City Stadiums in Mitrovica, Gjilan and Gjakova"; "Negotiated procurements without publication of a contract notice in the Ministry of Environment, Spatial Planning and Infrastructure in 2021" and "Rental Revenues in the Privatization Agency of Kosovo for the period 2012 - 2021".

During the current audit season, NAO has not conducted a follow-up audit of the recommendations given by the Assembly of Kosovo regarding performance audits, in order to assess the level of their implementation. However, NAO plans to conduct more comprehensive follow-up audits in the future,

which will include reports of more than a single season and will also address the recommendations issued by COPF and the Assembly of Kosovo.

4. Audit Impact

Financial and compliance audits provide independent and reasonable assurance regarding the accuracy of financial statements as well as compliance with the legal framework.

The audit impact is primarily measured through the level of implementation of the recommendations given by the auditors. This serves as the clearest indicator for assessing whether the auditee's management has taken concrete actions to improve the policies, processes, and internal control mechanisms in the areas where deficiencies or irregularities have been identified. Auditors focus on monitoring the progress, assessing whether the issues raised have been addressed appropriately by identifying improvements that reflect the commitment of the auditee's management.

Based on the recommendations given, significant improvements have been identified this year in financial management and asset reporting. As a result of the actions taken, the asset registers are now more accurate and complete, with a reported assets value of approximately €177 million (€125,603,346 at the central level and €51,467,815 at the local level). In addition, The Statement of Receipts and Payments has been more accurately presented by around €167 million.

These results demonstrate that the implementation of audit recommendations contributes to the strengthening of financial governance and the enhancing the reliability of financial information.

Central Level

The audit process has contributed to the improvement of the accuracy of financial statements through material corrections in the registration of assets and the Statement of Receipts and Payments, as well as to the improvement of the implementation of internal control procedures in several budget organisations, which include:

- The Ministry of Agriculture, Forestry and Rural Development (MAFRD) completed the assessment and registration of 123 properties of the Agricultural Institute of Kosovo (IBK), by making material corrections to the financial statements.
- The Ministry of Health (MoH) and the Ministry of Agriculture, Forestry and Rural Development (MAFRD) made financial corrections related to returned donations, amounting to €5,308,000, including adjustments of €824,999 in revenues generated by donors.
- The Hospital and University Clinical Service of Kosovo (HUCSK) corrected significant misstatements by adjusting the Statement of Receipts and Payments by €166,959,000 and updating the assets registers by €125,603,346.

Local Level

In the financial and compliance audits conducted at the local level, the Municipality of Deçan demonstrated the most notable positive audit impact in terms of the asset registration.

The municipality has taken important steps towards improving registration of assets by registering land, buildings, and parcels in the assets registers. As a result, the value of registered assets increased by €51,467,815, from €13,581,954 in 2023 to €65,049,769 in 2024. In addition to the registration, the municipality has also ensured the correct disclosure of these assets in the AFSs.

In addition to the financial impact, the NAO has provided continuous support during the preparation of draft AFSs. This was done through formal communications and direct meetings with municipal representatives, taking into consideration the challenges they face in preparing the financial statements.

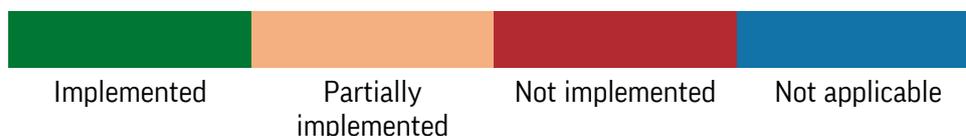
As a result, there has been a significant improvement in the quality of financial reporting - particularly in the preparation and accuracy of two key statements: Article 13 - Statement of Cash Receipts and Payments, and Article 14 - Budget Execution Report.

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

ANNEX

Annex I: Progress in the implementation of recommendations given in the 2023 AAR

Legend:



	Responsible institution	Recommendations given in the 2023 AAR	Status
1	Government of Kosovo	Through MFLT, to ensure the improvement of the quality of financial reporting in order to meet the requirements for complete and accurate reporting, including disclosure statements (annexes).	Unimplemented
State debt and State Guarantees			
2	Government of Kosovo	The Government should ensure that prior to making decisions related to financing of projects with loans, detailed analyses and appropriate preparations have been carried out in relation to projects, with the aim of using these funds as efficiently as possible.	Unimplemented
3	Government of Kosovo	Delays or failures to initiate or implement projects should be subject to continuous review of respective projects with the implementing organisations, where the causes and reasons are analysed, thereby reflecting the concrete actions undertaken to reduce/eliminate them in order for the projects to be implemented and result in public benefits, namely benefits for the citizens.	Unimplemented
4	Ministry of Finance, Labor and Transfers	Based on Treasury's quarterly reports, MFLT, in cooperation with the line ministries, should address all identified challenges in the implementation of projects financed by borrowing. At any time and in all cases when deemed necessary, MFLT should suggest to the Government the appropriate measures to overcome these challenges.	Partially implemented
State Budget Analysis			
5	Government of Kosovo	To ensure that the planning of capital projects is subject to an analysis of the organization's capacity to manage projects in accordance with the initial plans. Controls over project planning and budget execution should be strengthened in order to have the projects implemented in a timely manner and to verify that allocated funds are sufficient and have been spent on the projects for which they were approved in the budget.	Unimplemented

6	Government of Kosovo	Establish control mechanisms in order to prevent entering into contractual obligations without sufficient budget, by analysing the possibility of linking the KFMIS system with e-procurement.	Implemented 
7	Government of Kosovo	Take further actions, through the relevant ministries, in relation to employees who are not attending work; analyse the situation created by ensuring that all options for finding a solution have been considered; and take actions that are in accordance with the legal requirements.	Unimplemented 
8	Government of Kosovo	Provide for effective controls over the budgeting processes, through MFLT, in order to ensure that expenditures are planned under adequate economic categories, in accordance with the requirements of LPFMA and IPSAS.	Unimplemented 
9	Government of Kosovo	To ensure, through MFLT, that the budget planning and execution are carried out according to the respective function codes in order to present their true status according to the chart of accounts.	Unimplemented 
Assets			
10	Government of Kosovo	The Government should ensure, through MFLT, full operationalization of internal controls and increase the competence of staff responsible for recording assets in order for the asset registers to be presented in a complete and fair manner, and the stocktaking process to be carried out in accordance with legal deadlines. Likewise, the Government should, through the Ministry of Finance (Treasury), when transferring assets from one organization to another, apply the necessary procedures to ensure that the assets are transferred and registered with its beneficiary.	Partially implemented 
11	Government of Kosovo	The Government should ensure that the e-assets application is used by all budget organisations.	Unimplemented 
Accounts Receivable			
12	Government of Kosovo	The Government, in coordination with MFLT and the MLGA, should ensure a sustainable and effective strategy for the collection of accounts receivable by reassessing the current mechanisms for their collection. It should also ensure complete and accurate reporting and consolidation of accounts receivable, as well as analyze their structure, aging, and the likelihood of collecting these debts.	Unimplemented 
Outstanding and Contingent Liabilities			
13	Government of Kosovo	MFLT must put in place controls through monitoring the reports of BO's on outstanding liabilities, and when noticing deviations from legal deadlines, undertake measures in that respect.	Unimplemented 

14	Government of Kosovo	To verify, through the Ministry of Justice (State Advocacy Office) and in coordination with legal offices of budget organisations, the exact and full value of contingent liabilities in order for the disclosures in the AFR to be accurate and true. Where there are discrepancies in the records, the reasons for these errors must be identified and corrected.	Unimplemented 
Payments through court rulings and enforcement			
15	Government of Kosovo	The Government should examine, through relevant institutions, the obligations and responsibilities of BOs deriving from collective agreements and expropriations, as well as payment delays and take appropriate action. Depending on these obligations and budgetary capacities, it should ensure that budget organisations carry out adequate budget planning in order to avoid unnecessary expenses from eventual legal proceedings.	Unimplemented 
16	Ministry of Finance, Labour and Transfers	The Minister, in coordination with the Director of the Treasury, must ensure that when executing payments based on court/enforcement rulings, the extra costs of the enforcement procedures are separated from the amount of the principal debt according to the economic codes foreseen in the chart of accounts.	Unimplemented 
Publicly Owned Enterprises			
17	Government of Kosovo and POE's Shareholders' Committees	Through AAR we recommend to the Government and respective Committees to strengthen the measures of accountability towards the Boards of Directors and management of publicly owned enterprises in order to ensure that an analysis is carried out to determine the causes and that actions are taken to have the errors addressed in a systematic fashion in order to eliminate the errors that have led to modified opinions and conclusions. They should also ensure that effective processes are in place in order to confirm that the preparation plan of AFSs of 2024 addresses all issues concerning the compliance and the applicable financial reporting framework.	Unimplemented 
Internal Audit System			
18	Government of Kosovo	To ensure, through MFLT (CHU/IA), that BOs which are obliged to establish an IAU, must establish this unit, whereby the efficient and effective functioning of the internal control system will be ensured. Also, BOs that are not required to have an IAU must ensure that the internal audit function is performed through other ways provided for by regulations.	Unimplemented 

19	Government of Kosovo	To ensure, through MFLT (CHU/IA), that BOs establish Audit Committees in line with legal requirements to support the achievement of IAU objectives. And that these committees are effective in holding meetings and contribute to increasing accountability and strengthening the role of IA. Also, to draft the annual report as required by the AI.	Unimplemented 
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Annex II: Progress in implementation of recommendations given by the Assembly of Kosovo following deliberation of audit reports

Institution responsible	Recommendations given by the Committee for Oversight of Public Finances	Progress in implementation of recommendations
1 UP	The Rectorate of the University of Pristina should engage all legal capacities, and in case it is lacking them, engage an external expert or engage the State Advocacy Office to provide qualitative legal representation in the court hearings with respect to the issue of the Serbian Orthodox Church built on the Campus of UP.	Unimplemented 
2 UP	The Rector should intensify the work and request a 6-month report from the commission established. If necessary, to have a new inter-institutional commission established in order to define the ownership of UP properties with the Municipality of Prishtina, the cadastral boundaries, the transfer of those properties owned by UP, as well as registration in the state geoportal.	Partially implemented 
Deliberated audit report on RTK's financial statements for the year 2022		
1 RTK	The Government of the Republic of Kosovo, in coordination with the RTK Board, should analyse the opportunities for RTK to have a permanent facility that meets the conditions for operating as a public television, as soon as possible.	Partially implemented 
Deliberated audit report on Telecom's financial statements for 2021		
1 Kosovo Telecom	The Board of Directors should develop a 2-year strategic plan for improving financial performance, for the strategic development of the company, for the implementation of plans, and for achieving positive financial results.	Implemented 

2	Kosovo Telecom	The Government should continue providing financial support to Telecom, in accordance with the strategic plan, and require the Board to submit 6-month financial reports on concrete financial results.	Implemented 
		Deliberated audit report on the financial statements of the Hospital and University Clinical Service of Kosovo for the year 2021	
1	HUCKS	The Board of Directors and the Director General should provide for more controls over the preparation and presentation of annual financial statements. The Board and the Director General should ensure that the chief financial officer possesses the necessary professional background, knowledge, and training to understand and correctly implement the financial reporting requirements. The annual financial statements must be subject to scrutiny by the Director General and the Board of Directors.	Unimplemented 

Annex III: Types of opinions for the audited BOs in the last three years

Table No. 43 - Audit opinions to the central level for three years

No.	Audited entities	Audit opinion		
		2024	2023	2022
1	Assembly of the Republic of Kosovo	Unmodified	Unmodified	Unmodified
2	Office of the President	Unmodified	Unmodified	Unmodified
3	Office of the Prime Minister	Unmodified	Unmodified	Qualified
4	Ministry of Finance, Labour and Transfers	Unmodified	Unmodified	Unmodified
5	Ministry of Agriculture, Forestry and Rural Development	Qualified	Qualified	Qualified
6	Ministry of Industry, Entrepreneurship and Trade	Qualified	Qualified	Qualified
7	Ministry of Environment, Spatial Planning and Infrastructure	Qualified	Qualified	Qualified
8	Ministry of Health	Unmodified	Qualified	Unmodified
9	Ministry of Culture, Youth and Sports	Qualified	Qualified	Qualified
10	Ministry of Education, Science, Technology and Innovation	Qualified	Qualified	Qualified
11	Ministry for Communities and Returns	Qualified	Qualified	Qualified
12	Ministry of Local Government Administration	Qualified	Unmodified	Qualified
13	Ministry of Economy	Qualified	Unmodified	Qualified
14	Ministry of Internal Affairs	Qualified	Unmodified	Qualified
15	Ministry of Justice	Unmodified	Unmodified	Unmodified
16	Ministry of Foreign Affairs and Diaspora	Unmodified	Unmodified	Unmodified
17	Ministry of Défense	Unmodified	Unmodified	Qualified
18	Ministry of Regional Development	Qualified	Unmodified	Unmodified
19	Hospital and University Clinical Service of Kosovo	Qualified	Unmodified	Qualified
20	Health Insurance Fund	Unmodified	Qualified	Qualified
21	Public Procurement Regulatory Commission	Unmodified	Unmodified	Unmodified
22	Academy of Sciences and Arts of Kosovo	Unmodified	Unmodified	Unmodified
23	Electronic and Postal Communications Regulatory Authority	Unmodified	Unmodified	Unmodified
24	Agency for the Prevention of Corruption	Unmodified	Unmodified	Unmodified
25	Energy Regulatory Office of Kosovo	Unmodified	Unmodified	Qualified
26	Privatization Agency of Kosovo	Unmodified	Unmodified	Unmodified
27	Procurement Review Body	Unmodified	Unmodified	Unmodified

28	University of Prishtina	Qualified	Qualified	Qualified
29	Constitutional Court	Unmodified	Unmodified	Unmodified
30	Kosovo Competition Authority	Unmodified	Unmodified	Unmodified
31	Kosovo Council for Cultural Heritage	Unmodified	Unmodified	Unmodified
32	Elections Complaints and Appeals Panel	Unmodified	Unmodified	Unmodified
33	Independent Oversight Board of the Civil Service of Kosovo	Unmodified	Unmodified	Unmodified
34	Kosovo Prosecutorial Council	Unmodified	Unmodified	Unmodified
35	Information and Privacy Agency	Qualified	Unmodified	Unmodified
36	Air Navigation Services Agency	Unmodified	Qualified	Unmodified
37	Water Services Regulatory Authority	Unmodified	Unmodified	Unmodified
38	Railway Regulatory Authority	Unmodified	Unmodified	Unmodified
39	Civil Aviation Authority of Kosovo	Unmodified	Unmodified	Unmodified
40	Independent Commission for Mines and Minerals	Qualified	Unmodified	Unmodified
41	Independent Media Commission	Unmodified	Unmodified	Unmodified
42	Central Election Commission	Unmodified	Unmodified	Qualified
43	Ombudsperson Institution	Unmodified	Unmodified	Unmodified
44	Academy of Justice	Unmodified	Unmodified	Unmodified
45	Kosovo Judicial Council	Unmodified	Qualified	Unmodified
46	Kosovo Property Comparison and Verification Agency	Unmodified	Unmodified	Unmodified
47	Radio Television of Kosovo	Unmodified	Qualified	Qualified
48	Trust Funds	Unmodified	Unmodified	Unmodified
49	Kosovo Customs ²⁵	-	-	Unmodified
50	Tax Administration of Kosovo	-	-	Unmodified
51	Free Legal Aid Agency	-	-	Unmodified
52	Agency for the Management of Memorial Complexes	-	-	Unmodified
53	Agency for Protection of Classified Information ²⁶	Qualified	-	-

²⁵ In 2023 and 2024, Kosovo Customs and Tax Administration of Kosovo were audited within the MFLT; the Free Legal Aid Agency within the Ministry of Justice and AMMCK within the Ministry of Education, Science and Technology.

²⁶ The Agency for Protection of Classified Information is a budget organization established in 2014.

Table no. 43 – Audit Opinions to the local level for three years

No.	Audited entities	Audit opinion		
		2024	2023	2022
1	Glllogoc	Qualified	Unmodified	Qualified
2	Fushë Kosova	Qualified	Qualified	Qualified
3	Lipjan	Qualified	Unmodified	Unmodified
4	Obiliq	Qualified	Qualified	Unmodified
5	Podujeva	Qualified	Qualified	Qualified
6	Prishtina	Qualified	Qualified	Qualified
7	Shtime	Qualified	Qualified	Unmodified
8	Graçanica	Qualified	Qualified	Qualified
9	Dragash	Unmodified	Unmodified	Unmodified
10	Prizren	Qualified	Unmodified	Qualified
11	Rahovec	Unmodified	Qualified	Unmodified
12	Suhareka	Qualified	Unmodified	Unmodified
13	Malisheva	Qualified	Qualified	Unmodified
14	Mamusha	Unmodified	Unmodified	Unmodified
15	Deçan	Qualified	Qualified	Qualified
16	Gjakova	Qualified	Qualified	Qualified
17	Istog	Qualified	Unmodified	Qualified
18	Klina	Unmodified	Unmodified	Qualified
19	Peja	Qualified	Qualified	Unmodified
20	Junik	Qualified	Unmodified	Unmodified
21	Mitrovica	Qualified	Unmodified	Qualified
22	Skenderaj	Qualified	Unmodified	Unmodified
23	Vushtrri	Qualified	Qualified	Unmodified
24	Gjilan	Qualified	Qualified	Qualified
25	Kaçanik	Qualified	Unmodified	Unmodified
26	Kamenica	Unmodified	Qualified	Qualified
27	Novobërdë	Qualified	Qualified	Unmodified
28	Shtërpca	Qualified	Unmodified	Unmodified
29	Ferizaj	Qualified	Qualified	Qualified
30	Viti	Qualified	Qualified	Qualified
31	Partesh	Unmodified	Unmodified	Unmodified
32	Hani i Elezit	Unmodified	Unmodified	Unmodified
33	Klllokot	Qualified	Qualified	Qualified

34	Ranillug	Qualified	Qualified	Unmodified
35	Zubin Potok	Qualified	Qualified	/
36	Zvecan	Qualified	Qualified	/
37	North Mitrovica	Qualified	Qualified	/
38	Leposaviq	Qualified	Qualified	/

Table 44 - Audit opinions to publicly owned enterprises for three years

No.	Audited entities	POE level	Audit opinion		
			2024	2023	2022
1	Kosovo Energy Corporation JSC	Central	Qualified	Qualified	Qualified
2	Trepca J.S.C.	Central	Adverse	Adverse	Disclaimer of opinion
3	KOSTT J.S.C.	Central	Qualified	Qualified	Unmodified
4	RWC "Ibër - Lepenc" J.S.C. - Prishtina	Central	Qualified	Qualified	Qualified
5	Kosovo Telecom, J.S.C.	Central	Unmodified	Unmodified	Qualified
6	RWC "Prishtina" J.S.C. - Prishtina	Central	Qualified	Qualified	Qualified
7	RWC "Hidrodrini" J.S.C.	Central	Adverse	Adverse	Qualified
8	RWC "Uniteti" J.S.C. - Mitrovica	Local	Adverse	Adverse	Adverse
9	Publicly Owned Enterprise "Termokos" J.S.C.	Local	Adverse	Opposite	Adverse

Annex IV: Explanation on different types of opinions and conclusions applied by NAO

(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).

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-conformities, or is unable to obtain sufficient audit evidence to conclude that the financial statements as a whole are free from material misstatements and/or non-compliance.

A modified opinion may be:

- Qualified,
- Adverse, or
- Disclaimer of opinion

Qualified Opinion

It is formulated when misstatements 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 misstatements 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 limited to specific elements, accounts or items of the financial statements;
- b. If so confined, represent or could represent a substantial portion 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 scope, i.e. inability to obtain sufficient appropriate audit evidence, is material and pervasive.

Audit Conclusions

- **Unmodified Conclusion** - presents the auditor’s opinion that the processes and underlying transactions are in full compliance with the specified audit criteria;
- **Qualified Conclusion** - presents the auditor’s opinion that the processes and underlying transactions are fully in compliance with the established audit criteria, except for any specific matter, which described under the Basis for Compliance Conclusions;
- **Adverse Conclusion** - presents the auditor’s opinion that the processes and underlying transactions are not fully in compliance with the established audit criteria; and
- **Disclaimer of Conclusion** - presents the auditor’s inability to draw a compliance conclusion because of not having been able to obtain sufficient evidence or because of incompleteness being pervasive in many areas.

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:

- to be included immediately after the opinion;
- use the heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasized and indicate where the relevant financial 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 emphasized.

If the auditor considers it necessary to communicate a matter, other than that are presented or disclosed in the financial statements, which, in the auditor's judgment, is important to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided that 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.

Annex V: Audit Confirmation Letter

After the submission of the draft report, the Government, respectively the Ministry of Finance, Labor and Transfers and the Ministry of Economy, has been given the legal right to submit comments or a Confirmation Letter confirming that agrees with the content of the draft report.

Although the NAO has given the possibility of an additional deadline, by the time of finalization/publication of the report, we have not received any comments or a Confirmation Letter.

Annex VI: Key Financial Statements of the Government

Statement of cash receipts and payments for the General Government

For the year ending December 31, 2024

		2024	2023	2022
	Note	Treasury Single Account €'000	Treasury Single Account €'000	Treasury Single Account €'000
RECEIPTS				
Direct Taxes				
Corporate income tax	2	203,380	184,864	159,942
Personal income tax	3	280,787	255,941	215,560
Property tax	4	32,977	46,085	34,554
Other direct taxes	5	29	3,403	3,773
		517,168	490,294	413,829
Indirect Taxes				
Value added tax	6	1,504,924	1,365,580	1,220,007
Customs duty	7	172,069	156,214	132,663
Excise duty	8	618,287	554,989	517,264
Other indirect taxes	9	1,824	101	213
		2,297,114	2,076,882	1,870,248
Tax returns				
Tax returns	10	74,131	61,277	67,069
		-74,131	-61,277	-67,069
Non-tax revenues				
Taxes, charges and others from BEK Central Government	11	197,787	148,074	149,311
Taxes, charges and other from Local Government BOs	12	66,239	62,511	55,596
Concessionary tax	13	33,037	25,980	18,404
Mining royalties	14	27,455	36,723	29,857
Interest income (loans to POEs)	15	3,045	3,594	3,365
Dividend income and profit sharing	16	10,376	-	-
		327,939	266,881	256,532
Borrowing				
External state borrowing	17	124,723	96,745	98,198
Receipts for sub-loan servicing	18	6,577	8,716	8,149
Internal state borrowing	19	7,993	141,805	5,854
		123,306	-36,845	112,201
Grants and aids				
Donor-designated grants	20	9,928	13,823	9,728
EU grants for energy	21	-	67,500	-
Budget support grants	22	1	-	10,250
		9,929	81,323	19,988
Other receipts				
Deposit fund	23	4,793	4,547	5,548
Loan repayments from public enterprises	24	11,486	17,877	11,487
Dedicated revenues	25	6,485	5,958	5,888
Total Receipts		3,748,089	2,885,680	2,628,552
PAYMENTS				
Operations				
Wages and allowances	26	843,599	767,105	653,486
Goods and services	27	432,514	397,978	337,414
Municipal services	28	29,250	28,779	25,952
		1,305,363	1,194,062	1,016,852
Transfers				
Subsidies and transfers	29	1,114,606	1,079,160	1,066,186
Capital expenditures				
Property, plant, equipment, transfers	30	654,626	560,868	422,579
Other payments				
Debt payment	31	99,747	89,163	83,322
Lending to public enterprises	32	15,000	1,947	35,724
Returns of funds and deposits	33	6,238	508	1,286
Total Payments¹		3,195,579	2,925,998	2,625,008
Increase/(Decrease) in cash		38,509	60,358	3,544
Cash at the beginning of the year	34	385,375	445,734	442,189
Cash at the end of the year	34	423,884	385,375	445,734

Consolidated statement of comparison of budget with execution for the General Government

For the year ending December 31, 2024

	Note	2024			2023	2022
		Exercising or €'000	Final budget B €'000	Initial budget C €'000		
CASH INFLOW						
Direct taxes		517,168	534,544	534,544	490,294	413,829
Indirect taxes		2,297,114	2,249,847	2,249,847	2,076,882	1,870,248
Tax returns		-74,131	-79,273	-79,273	-61,277	-67,069
Non-tax revenues		337,939	292,880	292,880	266,881	256,532
Grants and aids ²		9,929	30,000	30,000	81,323	19,988
Borrowing		123,306	391,452	391,452	-36,845	112,201
Other receipts ³		22,764	17,023	17,023	48,382	22,823
Total Receipts		3,234,089	3,436,472	3,436,472	2,865,640	2,628,552
CASH OUTFLOW						
Wages and allowances		843,034	844,744	805,390	766,557	652,641
Goods and services		429,198	491,132	484,773	394,950	333,374
Utilities		29,249	33,047	34,186	28,778	25,950
Subsidies and transfers		1,112,492	1,162,405	1,062,316	1,078,206	1,064,068
Capital expenditures		647,014	840,896	859,176	554,433	419,253
RESERVES		-	2,651	10,173	-	-
Interest		42,215	46,309	46,309	42,215	35,039
Other ⁴		92,376	199,110	189,840	60,859	94,684
Total Payments	35	3,195,579	3,620,293	3,492,163	2,925,998	2,625,008
Increase/Decrease in cash		38,509	(183,821)	(55,691)	(60,358)	3,544

² The budget planning includes earmarked donor grants (12 million euros) as well as budget support grants (18 million euros, respectively 7.5 million euros as EU energy grants), as funds planned for receipt in 2024.

³ Includes one dedicated revenue, loan repayments from public enterprises, one-time financing from the FMS, and receipts from deposits.

⁴ Includes budget and payments such as: principal payments, sub-loans, designated donor grants, discount of securities, payments for capitalization and share purchases, payments for membership in IFMs, and returns from deposit funds (net).

Consolidated statement of financial assets and fund balances for the General Government

For the year ending December 31, 2024

	Note	2024 Treasury Single Account €'000	2023 Treasury Single Account €'000	2022 Treasury Single Account €'000
Financial assets - cash				
Central Bank of Kosovo	36	395,911	345,232	419,664
Quotas in IFN	37	9,832	8,395	8,210
Trust Fund for Development	38	3,837	3,566	3,256
Cash in transit	39	7,223	22,894	10,845
Accounts of Embassies of the Republic of Kosovo	40	4,849	3,899	2,527
Cash on hand (cash) and open advances	41	2,231	1,389	1,233
Total financial assets and cash		423,884	385,375	445,734
Specific goals				
Donor-defined	42	7,675	17,472	15,505
Own source revenues - central level	43	2,000	3,027	2,584
Own source revenues - local level	44	57,515	81,387	90,005
Trust Fund for Development	45	3,782	3,510	7,974
Dedicated revenues	46	4,253	3,431	2,285
EU Energy Contingency	47	-	22,740	-
Other	48	33,832	29,060	24,807
Unspent funds from borrowing	49	6,953	6,226	16,177
		116,010	166,854	159,337
Undistributed		307,874	218,522	286,396
Total Funds Balance	34	423,884	385,375	445,734

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