



Republika e Kosovës
Republika Kosova
Republic of Kosovo



ZKA

ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE
NATIONAL AUDIT OFFICE

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY OF INTERNAL AFFAIRS FOR YEAR 2024

Prishtina, June 2025

TABLE OF CONTENT

1	Audit Opinion.....	3
2	Findings and recommendations	7
3	Summary on budget planning and execution	20
4	Progress in implementing recommendations.....	23
	Annex I: Letter of confirmation/ Comments of BO regarding the audit report (if any)	26
	Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report.....	27

1 Audit Opinion

We have completed the audit of the financial statements of the Ministry of Internal Affairs for the year ended on 31 December 2024 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Ministry of Internal Affairs, which comprise the statement of cash receipts and payments, budget execution report and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as of 31 December 2024.

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

Basis for Qualified Opinion

- A1 The Ministry of Internal Affairs in 2024 made payments and recorded expenditures totaling €796,913 from the inadequate economic item as a result of payments from the treasury with court decisions and €89,000 due to improper budget planning by the Ministry itself;
- A2 In 2024, the Kosovo Police paid allowances for specific working conditions in the amount of €55,550 even to officers who had been suspended during this period;
- A3 Assets were understated by €162,056, as a result of premature depreciation and failure to register assets;
- B1 Serbian community employees were also paid €112,924 in 2024 without any work experience;
- B2 Contingent liabilities were overstated by €336,732 as a result of data not being updated even when they were paid.

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

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

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

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

Conclusion on Compliance

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

In our conclusion, except for the effects of the issue described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of the Ministry of Internal Affairs' budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Conclusion

- A4 Weaknesses in the field of procurement such as different evaluation of the same criteria, failure to confiscate the tender security and requests from the CA for extension of the validity were made late;
- B3 Kosovo Police continues to pay 69 suspended officers at 50% of their basic salary for more than six months; and
- B4 Around 341 police staff performs jobs for which a higher rank is required as a result of stagnation in the promotion process.

For more details, see sub-chapter 2.21 Issues with impact on the compliance conclusion

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

Other Issue

- 1 Contracts and payments in categories such as capital investments and goods and services that were classified (restricted level) by the Ministry of Internal Affairs are not part of this report. These contracts and payments are audited separately, and a separate audit report is prepared which will be communicated only to the parties responsible. While the cases that have the Secret and Confidential classification level have not been audited.

Responsibilities of Management and Those Charged with Governance for the AFS

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

The Minister is responsible to ensure the oversight of the Ministry's financial reporting process.

Ministry of Internal Affairs Management's Responsibility for Compliance

The management of the Ministry of Internal Affairs is also responsible for the use of the Ministry of Internal Affairs' financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.³

Auditor General's Responsibility for the audit of AFS

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

Our objective is also to express an audit opinion on compliance of respective Ministry of Internal Affairs' authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation.

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

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

³ Collectively referred to as compliance with authorities

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry of Internal Affairs' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

2 Findings and recommendations⁴

During the audit, we found areas for potential improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations.

The areas with the most significant issues in expenditures relate to financial management, including the inadequate classification of expenditures, payment of allowances not in accordance with the regulation, salary compensation without work attendance, improper registration of assets, and inaccurate presentation of contingent liabilities.

Regarding non-compliance with applicable legislation and regulations, the ministry needs to further strengthen controls in the following areas: reviewing the compensation of the basic salary at 50% beyond the deadlines set by the Administrative Instruction, performing job functions within the Kosovo Police that require higher ranks, and managing contracts where there were shortcomings in procurement, as well as delays in the execution of works.

This report resulted in nine (9) recommendations, of which four (4) are new recommendations and five (5) are repeated. We will follow up (review) these recommendations during next year's audit.

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

⁴ Issue A and Recommendation A - means new issue and recommendation
Issue B and Recommendation B - means repeated issue and recommendation
Issue C and Recommendation C - means partly repeated issue and recommendation

2.1 Issues with impact on the audit opinion

Issue A1 – Inadequate classification of expenditures

Finding

According to Article 18.3 of the Financial Rule No. 01/2013- Expenditure of Public Money, expenditures must be in appropriate codes, as determined by the accounting plan. Also, Article 11 of AI 19/2009 on the accounting plan requires the NAO and the CFO to ensure that all transactions are recorded in the KFMIS according to the structure of the accounting plan and the classifications determined by this AI.

In 2024, the Ministry of Internal Affairs made payments as a result of court/enforcement decisions in the amount of €3,291,193. Based on our testing, we found that inadequate classifications of expenditures were in the amount of €885,913, as follows:

- Expenses related to court/enforcement decisions in the amount of €1,118,895 were incurred from the goods and services category. Of this amount, €736,913 related to the main debt for the payment of additional salaries and should have been paid from the salaries and wages category, while the remaining €381,982 were expenses for execution, interest, expertise, etc. that were paid from the appropriate goods and services category.

In addition, for the same purpose, €60,000 was spent from the capital investments item. These funds were taken from the Kosovo Police Inspectorate for the execution of KP salaries. The part of €50,326 was to be paid from the category of salaries and wages, while the remaining part of €9,674 was from goods and services.

These payments were made in the name of the year-end bonus in the amount of a regular monthly salary (the calculation was made from 2018 until the entry into force of the salary law) based on Article 29 of AI No. 02/2018 of the Police-MIA. The payments were made by the Treasury and had only notified the Ministry for confirmation of the obligation. Other payments that were made by court/enforcement decisions were also of a similar nature and for the same purposes.

- Expenditures in the amount of €89,000 for “Supply of rotating lights (alarms) for KP vehicles” were paid from the item of goods and services such as vehicle maintenance and repair. Given their nature and individual value (value over €1,000), they should have been paid from the category of capital investments.

This happened as a result of their non-payment over the years and complaints by police officers in the courts and bailiffs where the court decisions were in favor of the police officers. Furthermore, with the 2024 budget planning, these funds had not been allocated for this purpose and despite the fact that the Police Finance Manager had informed the treasury officials for each payment that the expenditure belonged to and should be paid from the category of salaries and wages, this had not happened but that the treasury had paid them where it had found free funds and as a result we have misclassification of the expenses.

Impact

Incorrect reporting or classification of data in the financial statements leads to misunderstanding of the Ministry's financial activities, overestimating /underestimating the relevant economic categories. Similarly, incorrect classification of expenditures misleads users of this information incorrectly presented in the AFS and may affect management decision-making.

Recommendation A1 The Minister should ensure that the necessary actions are taken to ensure that expenditures are planned according to the appropriate budget allocation. If the budgeted projections by law do not match the nature of the expenditure, reallocation of funds should be made in order to provide funds for the payment of expenditures from the appropriate category. This should be undertaken with the aim of fair presentation of expenditures in the AFS.

Entity management response (Agree)

Issue A2 - Compensation of allowances not in accordance with the regulation

Finding

Regulation (GRK) No. 08/2023 on Allowances for the Public Sector Employees, Article 6 (1) determines that the allowance for specific working conditions is a monthly allowance that is received by public officials and other employees who are exposed to increased risk in the workplace or have specific working conditions that endanger life and/or health. Whereas point 2 of Article 6 specifies that the categories of positions that will receive this allowance must meet the following criteria: - field investigation, where due to the duty they are directly faced with the risk of life during work; and - performing tasks in dangerous operations, who due to the duty they are directly faced with the risk of life during work.

Also, for this type of allowance, the Government has formed a special commission to compile the list of positions that can benefit from the allowance for specific working conditions, which commission has determined the levels of allowances and the positions that can be beneficiaries. The commission's proposal was approved by the Government with decision No. 02/173 of 16/11/2023.

The beneficiaries of this allowance were also the Kosovo police staff. We found that 65 suspended police officers were also receiving the full allowance for specific working conditions, based on the salary list provided by the KP, even though they were not exercising their function and consequently did not pose any risk. In 2024, the allowances for specific working conditions for suspended officers were totalled €55,550, (while they were receiving 50% of their salary as provided for by the regulation).

According to the responsible officials, this was due to the short time taken to send the lists of persons qualified for the allowance for specific conditions. We assess that no concrete action was taken during the year to review the issue of suspended police officers whether they should also benefit from this allowance.

Impact

Payment of allowances for specific conditions for suspended officers and not in accordance with the regulation affects the budget of the Ministry and may reflect in the de-motivation of other police officers who are directly faced with the risk of life while working in the field.

Recommendation A2 The Minister, in coordination with the Director General of Police, should ensure that allowance payments for specific working conditions are granted only to staff that, during their work operations, is faced with risks as specified in the criteria of the regulation for the benefit of this allowance.

Entity management response (Agree)

Issue A3 - Improper registration of assets

Finding

According to Financial Regulation MoF No. 02/2013 on Management of Non-Financial Assets, Article 22, Depreciation of Non-Financial Assets, paragraphs 1 and 2, "The depreciation of assets is carried out according to the straight-line method. Assets must be valued taking into account the depreciation that has accumulated since the moment of the asset's purchase. Depreciation is calculated on a monthly basis. The asset is not depreciated for the month of purchase". We found that the assets were understated by €162,056 as follows:

- The equipment "Metal cabinets for placing long weapons" of the Kosovo Police in the amount of €61,630 (€590/piece) that were purchased on 10/10/2024, were recorded in the asset register under €1000, but at the end of the year they were fully depreciated (depreciation rate 6 years) and at the end of the year their value in the asset register was zero (0). The assets were understated by €59,656;
- The equipment "Rotating lights (alarms) for Kosovo Police vehicles", totalled €89,000, were not recorded in the asset register in KFMIS; and

- In two cases, assets were recorded at the payment value and not at the invoice value as should be the case given that penalties for failure to fulfill the contract on time were applied to these payments. IAS 16 clearly states what is included in the cost of a purchased asset. This occurred in payments such as a.) Fire and rescue vehicles which were understated by €7,500; and b.) Software which was understated by €5,900.

According to Kosovo Police officials, the issue of depreciation was due to technical problems during the registration of this item in the system and after identification by our side this was fixed. Meanwhile, the decrease in the value of the assets due to the application of penalties had occurred because the assets officials were not sufficiently knowledgeable about how to register assets in such cases.

Impact

Improper asset registration affects the incorrect reporting of asset value and their management. As a result of these shortcomings, we have undervaluation of assets, resulting in the incorrect presentation of their value in financial statements.

Recommendation A3 The Minister should ensure through the finance manager and asset officers that all assets are correctly presented in the AFS. Extra care should be taken during the asset registration process and errors found in the asset register should be corrected so that the presented value of assets is complete and accurate, including their depreciation.

Entity management response (Agree)

Issue B1 - Compensation of salaries without work attendance**Finding**

Article 17, paragraph 1, of Regulation (GRK) No. 04/2024 on Working Hours, Leave and Attendance of Public Officials stipulates: "The public official is obliged to register in the electronic attendance register, while paragraph 5 states that "The failure of the official to record his/her attendance at work is considered an absence from work".

Based on the Government Decision No. 06/39 of 22/07/2015, the former MAP was obliged to systematize 20 employees of the Serbian community with the aim of their integration into the system of the Republic of Kosovo. These employees had never worked for the ministry since the signing of their appointment acts, while one voluntarily requested the termination of the employment relationship in August 2024. According to confirmations from relevant officials, there was no evidence of continuity in work for the same. The value of payments made to these employees for the year 2024 was 112,924€.

This phenomenon continues to be present over the years, although it is continuously reported in our audit reports. The Ministry has not yet managed to take concrete measures to systematize, engage and monitor this category of employees.

Impact

Payments of salaries in the absence of work attendance are irregular payments and cause damage to the ministry's budget.

Recommendation B1 The Minister should analyse the situation created, ensuring that all options for finding a solution have been assessed, and actions that are in line with legal requirements are taken.

Entity management response (Agree)

Issue B2 - Incorrect presentation of contingent liabilities**Finding**

MoF Regulation No. 01/2017 in Article 18 obliges budget organizations to report all contingent liabilities in the AFS. A contingent liability is a liability that will materialize only after the occurrence of certain future events. We found that contingent liabilities were overstated by €336,732 as follows:

- From the payments for court decisions, we found that 118 lawsuits were paid in the amount of €276,428, while they were still listed in the list of contingent liabilities and were presented in the AFS, overestimating them by this value;
- The case IV. C. No.379/17 merged with IV. EK. C Nr.435/17 in the list of contingent liabilities and in the financial statements was doubled and presented at a value of €96,051, while its value from the source documents was €49,671 with an overestimation of €46,379; and
- Case C. No. 823/19, the plaintiffs had withdrawn the lawsuit against the Ministry of Internal Affairs in the amount of €13,925, while it appeared in the register of contingent liabilities and in the AFS (overestimation of €13,925).

Failure to update the list of contingent liabilities by the legal office with the latest data from litigation processes was the main cause of the overestimation of contingent liabilities.

Impact

This has resulted in the overestimation and unfair presentation of contingent liabilities in the Annual Financial Statements.

Recommendation B2 The Minister should ensure coordination between the legal office and the CFO so that contingent liabilities are updated at the end of the year in order to be presented fairly and in accordance with the requirements of the Annual Financial Reporting Regulation.

Entity management response (Agree)

2.2 Issues with impact on the compliance conclusion

Issue A4 - Weaknesses in the field of procurement

Finding

Public procurement procedures must be carried out in accordance with the law and public procurement regulations. The criteria set out in the tender dossier and in the contract, notice must be fully respected. We found that:

- The criterion applied in the tender dossier to offer "contracts of the same or similar nature" was assessed by the Contracting Authority in different ways, in two procurement procedures. In the procedure "Construction of the garage facility in the Enver Zymberi camp - Mitrovica", contracts related to renovations of the facilities and energy efficiency measures were rejected as not similar and this position was also supported by the PRB with a decision in favor of the Contracting Authority. While in the other procedure "Construction of the annex and floor - DPR Prishtina", the renovation contracts were accepted as valid. This shows that there was no equal assessment-treatment of the criteria in different procedures;
- In the tender "Supply of rotating lights (alarms) for KP vehicles" two (2) economic operators had bid. The cheapest economic operator was declared irresponsible. According to the evaluation commission, the operator in question had offered a catalog of the Italian manufacturer and a catalog that seemed to have elements of the Turkish manufacturer, and the evaluation of the specifications was impossible to do, as required in the tender dossier. The procurement office on 31/01/2024 had requested a written explanation from the Italian manufacturer, who had stated that these lights are no longer produced since the beginning of 2024, while the authorization was issued on 04/01/2024. The Procurement Office in this case assessed the economic operator as irresponsible in the evaluation and did not consider the confiscation of the tender security as provided for in Article 57 of the LPP, subparagraph 1.1, when the information is presented as incorrect in the bid.

The failure to confiscate the tender security occurred as a result of negligence on the part of the procurement office.

- The validity of the bids did not fully cover the period, as required by Article 30.4 of Regulation No. 001/2022 on Public Procurement, on Procurement Procedures as
 1. In the project - "Lot 1 Center for Assessment and Standards - QVS "and Continuation of works Lot 2 - "Academy of Justice AD Prishtina - phase II" the extension of validity was requested late by the CA from 9 to 17 days; and
 2. In the procedure "Construction of the PLSS in Pozharan" - Municipality of Viti, the extension of validity was requested by the CA with a delay of 8 to 24 days.

The cause of the shortcomings in the field of procurement was the lack of due care in following the procedures regarding the extension of the validity period and confiscation of the tender security, while the evaluation of tenders regarding the same criteria was not based on the previous decisions of the PRB.

Impact

The evaluation of the same criteria in different ways, the failure to confiscate tender security when EOs do not provide accurate information, and delays in extending the validity of bids indicate the circumvention of procurement rules which may affect the transparency of the process, and the cost of contracts achieved through procurement processes.

Recommendation A4 The Minister should ensure, through the procurement manager, fair evaluation processes of the criteria and in cases where bidders provide false information and are irresponsible, their tender security must be confiscated. Also, a regular and systematic monitoring of deadlines regarding the validity of bids must be ensured when evaluation processes for justifiable reasons extend beyond the deadlines.

Entity management response (Disagree). In more details see Annex I

Issue B3 - Compensation beyond the deadlines set by Administrative Instruction**Finding**

Administrative Instruction 02/2023 on the employment relationship in the Kosovo Police, in Article 78 paragraph 2, stipulates that "Suspension from work may last a maximum of 6 months. After this period, the employer is obliged to reinstate the employee or terminate the employment contract. During this period of time, the employee is entitled to salary compensation in the amount of 50% of the salary".

In the Kosovo Police, the number of suspended officers who continue to be compensated for more than six months until the end of 2024 was 69. From the list of suspended officers received by the responsible KP staff, it is found that there were also police officers who had been suspended since 2022 and still continue to be compensated with 50% of their salary. The suspension of police officers was mainly carried out by the Police Inspectorate.

This phenomenon is occurring because temporary suspension by the Kosovo Police Inspectorate is mainly for criminal offenses and the handling of such cases by the Courts is based on the Criminal Code of the Republic of Kosovo, which does not provide for a six (6) month deadline for the termination of the suspension. Administrative Instruction 02/2023 did not provide an elaboration of cases when the decision cannot be taken within the six (6) month deadline as a result of criminal offenses.

Impact

The lack of a clear definition by the Administrative Instruction regarding cases when the decision of the suspended depends on the judicial institutions and lasts more than six (6) months is impacting additional costs for the Kosovo Police budget, reducing the availability of funds for other budgetary needs.

Recommendation B3 The Minister and the Director General of the KP should review Administrative Instruction 02/2023 regarding the period of salary compensation for those suspended, clearly defining what concrete actions should be taken after the expiration of the compensation period.

Entity management response (Agree)

Issue B4 – Exercise of job positions not in compliance with the ranks**Finding**

Article 38, paragraph 3, of Administrative Instruction (AI) No. 02/2023 on Employment Relationships in the KP stipulates that: by decision of the General Director of Police, each Police officer may be assigned to a job or transferred from one place to another job if he meets the conditions and criteria foreseen for that job, regardless of level, position or rank. Administrative Instruction No. 02/2019 on Promotion Procedure for police officers determines the criteria that each Police Officer must meet to participate in the promotion and the testing process that must be undergone to obtain the specified rank. The organizational structure of the Kosovo Police determines the rank required for each job position.

According to information provided by the KP Personnel Directorate, a number of police officers continue to be assigned to positions without meeting the rank criteria required by that position according to the organizational structure. In the current year, about 341 police staff exercised the function for which a higher rank is required, and compared to the previous year, this number had increased by 156 (in 2023 there were 185 such positions). In February 2024, the KP announced the competition for the promotion process to the rank of Sergeant, but after completing the written test and with the recommendation of the PIK and in order to harmonize the by-law that regulates the field of promotions with the laws and acts in force, this process was cancelled.

The cause of this situation was the implementation of the organizational structure where new departments/divisions/directorates were created and the situation created in the north of the country where, for police operational needs, managerial positions were filled with inappropriate ranks, as well as the failure of the promotion process for sergeant.

The harmonization of bylaws according to the Legislative Plan of the Ministry of Internal Affairs is expected to be approved during 2025.

Impact

Placing staff in positions that are not in accordance with the appropriate rank may result in the positions being held by persons lacking professional competence.

Recommendation B4 The Minister and the Director General of the KP should ensure the acceleration of the harmonization of sub-legal acts and the organization of promotion processes in order to continuously reduce the holding of positions by police staff that does not comply with the criteria required for the specific job position.

Entity management response (Agree)

2.3 Findings on financial management and compliance issues

2.3.1 Capital Investments

The final budget for capital investments was €60,062,815, of which €44,281,842 or 74% were spent. They relate to jeeps and vans, police service vehicles, information technology equipment, computers, software, intangible assets, etc.

Issue B5 – Delay in the implementation of works

Finding	<p>The contract terms set deadlines based on a dynamic plan for the fulfilment of each contract. We found that:</p> <ul style="list-style-type: none"> • During the physical examination of the Kosovo Police project “Business Administration Buildings” in the amount of €747,477, we found significant delays in the fulfilment of the contract in the period when it should have been completed based on the established deadlines. The contract was signed on. 22.04.2024 with a completion deadline of 10 months, and from the examination in April 2025 it is found that only 48% was completed. The delays were caused by the fact that the project had shortcomings and during the execution by the contractor, errors and technical inconsistencies in the project and other obstacles were found, which required changes to enable the implementation of the project; • In the project "Construction of the canteen facility at the Kosovo Academy for Public Safety" in the amount of €1,064,338, there were delays in the fulfilment of the contract. The contract was signed on 25/11/2022 and according to the dynamic plan it was planned to be completed within 365 days. The contracting authority, due to continuous delays in the completion of the works by the EO, had initiated the termination procedure and had terminated the contract on 16/07/2024; and • The project “Construction of the AME training facility” totalled €774,000, had delays of over a year and the project had not yet been finalized. The contract was signed on 09/12/2020 and was scheduled to be completed within a period of 36 months. During the examination of the project in April 2025, we found that the project had not yet been fully completed. This significant delay was also as a result of the change of location, which occurred because the initial design project prepared by the MIA itself did not correspond with the actual terrain.
----------------	--

Delays in contract fulfilment were a result of project deficiencies, irresponsibility of EOs, and poor contract management.

Impact

The discrepancy between technical projects and the actual situation on the ground, as well as delays in the implementation of construction contracts and in certain cases their termination, can lead to contractual disputes and increased project costs, due to the need to adapt projects during the implementation phase. These are reflected in the failure to achieve the objectives foreseen in the current year's budget and financial difficulties for the next year, limiting the possibility of implementing new projects.

Recommendation B5 The Minister should ensure through the relevant managers that the project design process has included an analysis of the real situation on the ground before finalizing and tendering them. Also, technical controls and supervision during the implementation of contracts should be strengthened, in order to eliminate delays in order for the projects to be ready at the time planned.

Entity management response (Agree)

3 Summary on budget planning and execution

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

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

Description	Initial budget	Final budget ⁶	2024 Outturn	2023 Outturn	2022 Outturn
Sources of funds	216,523,467	238,922,623	219,685,060	202,668,133	149,563,945
Government grants - Budget	207,774,338	229,961,924	218,878,860	201,586,333	149,061,696
Funding through borrowing	1,246,750	1,246,750	0	0	0
Funding through borrowing – investment clause	6,611,250	6,611,250	0	0	0
Carried over from the previous year	0	92,897	91,290	391,130	0
Own source revenues	891,129	891,129	671,616	677,126	499,999
External Donations	0	118,672	43,294	13,544	2,250

The final budget is higher than the initial budget by €22,399,156. The budget changes have come as a result of government decisions.

In 2024, the Ministry spent 92% of the final budget or €219,685,060, the same percentage as in the previous year. The explanations for the current position are detailed below.

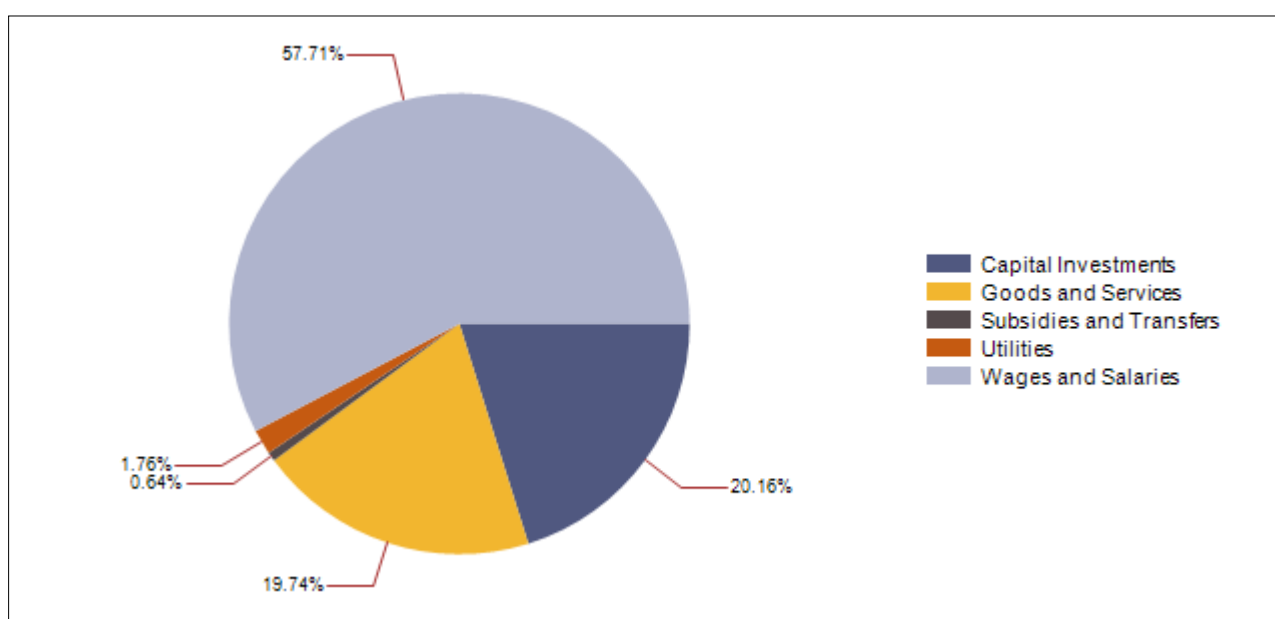
Table 2 – Spending of funds by economic categories - (in €)

Description	Initial budget	Final budget	2024 Outturn	2023 Outturn	2022 Outturn
Spending of funds by economic categories	216,523,467	238,922,623	219,685,060	202,668,133	149,563,945
Wages and Salaries	107,742,926	126,788,071	126,772,563	118,547,111	91,247,431
Goods and Services	40,128,521	46,323,037	43,369,289	38,123,378	33,440,224
Utilities	4,950,400	4,057,351	3,858,358	3,667,840	3,455,676
Subsidies and Transfers	2,141,367	1,691,348	1,403,008	1,350,281	1,204,022
Capital Investments	61,560,253	60,062,815	44,281,842	40,979,522	20,216,592

Explanations for changes in budget categories are provided below:

- The final budget for wages and salaries compared to the initial budget was increased by €19,045,145. The increase was made by Government decisions due to the lack of budget for the Kosovo Police. The implementation of the final budget in the category of salaries and wages was 100%;
- The final budget for goods and services compared to the initial budget increased by €6,194,516. The increase was due to budget allocations by Government decisions and transfers allowed by the Ministry of Finance. The amount of €3,227,374 executed for payments of court decisions had an impact on the request for increased expenditures from this category. The implementation of the final budget in the goods and services category was 94%;
- The final budget for utilities compared to the initial budget was reduced by €893,049 as a result of budget savings according to the Government's decision and decisions on transfers between economic categories. Budget execution in the municipal services category was 95%;
- The final budget for subsidies and transfers compared to the initial budget was reduced by €450,019. This change was the result of budget savings based on Government decisions as well as internal budget transfers. Budget execution in the subsidies and transfers category was 83%; and
- The final budget for capital investments compared to the initial budget was reduced by €1,497,438. This reduction was a result of Government decisions. Budget execution in the capital investment category was 74%. This low level of execution was influenced by delays in initiating and implementing procurement procedures, delays in project implementation, as well as the review of complaints by the PRB.

Chart 1. Expenditures by economic categories for year 2024



Revenues generated by the Ministry of Interior in 2024 amounted to €89,689,786. Revenues generated derive from vehicle registration taxes, road taxes, travel document taxes, traffic fines and other taxes.

Table 3. Revenues (in €)

Description	Initial budget	Final Budget	2024 Receipts	2023 Receipts	2022 Receipts
Total revenues	82,493,128	82,493,128	89,689,786	72,506,267	69,677,161
Non-tax revenues	82,493,128	82,493,128	89,687,979	72,498,329	69,674,022
Other revenues	0	0	1,807	7,939	3,139

4 Progress in implementing recommendations

The audit report for the 2023 AFSs resulted in seven (7) recommendations. The MIA had prepared an Action Plan outlining how it would implement the recommendations given, but it did not submit the Progress Report on the implementation of the recommendations by 30 September and 15 March.

By the end of our 2024 audit, we found that two (2) recommendations had been implemented, and five recommendations had been repeated as shown in Chart 2 below. For a more complete description of the recommendations and how they were addressed, see Table 4 (or the Recommendations Table).

Chart 2. Progress in implementing prior year’s recommendations

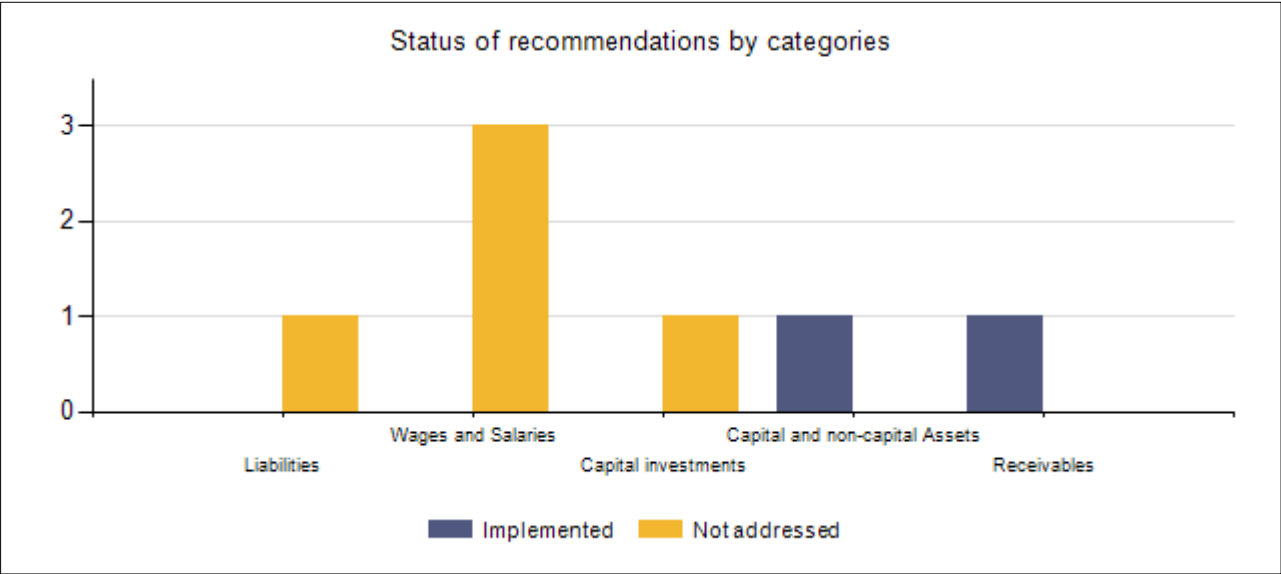


Table 4 Summary of the previous year's recommendations

No.	Audit area	Recommendations of 2023	Actions undertaken	Status
1.	Liabilities	The Minister, in cooperation with the Director General of the Kosovo Police (KP), should ensure that contingent liabilities are presented at accurate values and that complete records are maintained regarding cases that are under judicial proceedings.	The same cases were found in 2024.	Not addressed
2.	Wages and Salaries	The Minister should analyse the situation created by ensuring that all possible solutions have been considered and take actions that are in compliance with legal requirements.	The same cases were found in 2024.	Not addressed
3.	Wages and Salaries	The Minister and the Director General of the Kosovo Police (KP) should ensure that the placement of police staff in positions is done only after fulfilling the required ranks and conditions for the specific job position, and that the promotion process is being carried out in line with the needs of the KP.	For 2024, this issue still remains unresolved; the number of positions compared to last year had increased.	Not addressed
4.	Wages and Salaries	The Minister and the Director General of the Kosovo Police (KP) should ensure that time limitations and salary compensations are accurately implemented in accordance with the applicable regulations, avoiding potential violations and misunderstandings.	The same cases were found in 2024.	Not addressed
5	Capital Investments	The Minister should ensure that, prior to initiating procurement activities for projects, proper budgetary analyses are conducted so that the execution of works is carried out according to dynamic plans, including the expropriation process.	Similar cases were found in 2024 as well.	Not addressed
6	Assets	The Minister, through the relevant officials, should ensure that the inventory committees prepare the inventory reports in a timely manner, in order to compare them with the asset registers before the preparation of the AFSs. In addition, asset valuation should be carried out to ensure the accurate and fair presentation of the ministry's asset register status.		Implemented
7	Accounts Receivable	The Minister, in cooperation with the Director General of the Kosovo Police (KP), should strengthen controls over the management of accounts receivable to ensure that cases under judicial proceedings are not included in the accounts receivable register and that revenues are properly disclosed in the AFSs.		Implemented

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

Vlora Spanca, Auditor General

Faruk Rrahmani, Head of Audit

Ariana Berisha Rexhëbeqaj, Team leader

Adelina Selmani, Team member

Antigona Çitaku, Team member

Altina Selimi Palushi, Team member

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

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO			
ZYRA KOMBËTARE E AUDITIMIT			
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
18.06.2025			
EÇESË REKURUAR DORËZUAR			
DATA/DATE RECEIVED/SUBMITTED			
Njësia Org. Org. Jedin. Org. Unit	Shif. klasif. Klasif. Kod Class. Code	Nr. Prot. Sr. Prot. Prot. No.	Nr. I faqeve Sr. Stranica No. Pages
03	47	1042	20



REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO	
QEVERIA E KOSOVËS - Vlada KOSOVA / GOVERNMENT OF KOSOVO	
MINISTRIA E PUNËVE TË BRENDSHME - MINISTARSTVO UNUTRASNJI POSLOVA	
MINISTRY OF INTERNAL AFFAIRS	
Kabineti i Ministrit / Kabinet Ministra / Cabinet of the Minister	
Nr./Sr./No.	Nr. i fq./Stranica/Str.
0342	1
Data/Datum/Date	18.6.2025
PRISHTINE - PRISTINA - PRISTINA	

Republika e Kosovës Republika Kosova - Republic of Kosovo Qeveria - Vlada - Government

Ministria e Punëve të Brendshme / Ministarstvo Unutrasnji Poslova
Ministry of Internal Affairs

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2024 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Raportit/Pasqyrave Financiare të Ministrisë së Punëve të Brendshme për vitin e përfunduar më 31 dhjetor 2024 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet përveç çështjes A4, dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

h

z. Xhehat Vecalia

Ministër në detyrë i Ministrisë së Punëve të Brendshme
Data: 18 Qershor 2025, Prishtinë



Issue	Comment from the BO	KNOW View
Issue A4 – Shortcomings in the procurement area	<p>Regarding the procurement activity "Construction of the annex and floor – DPR Prishtina," the Procurement Directorate and the Evaluation Committee, in accordance with the Public Procurement Law (PPL), Public Procurement Regulation, and the Contract Notice, have evaluated the procurement activity and treated all participating Economic Operators (EO) equally, in accordance with Articles 1, 6, 7, 59, and 72, and in line with the decision of the Procurement Review Body (PRB). They have addressed all technical and professional criteria in this procurement activity, as we have also informed you during the meetings. The EO recommended for contract award presented contracts executed in the construction field, which the Kosovo Police Evaluation Committee treated equally and recommended the responsible EO with the lowest price, applying Article 1 (purpose of the contract), Article 6 (economy and efficiency), and Article 7 (non-discrimination) of the PPL. In this procurement activity, the contracting authority did not accept any request for review either at the first or second instance, which demonstrates fair decision-making for all participating EOs and is a performance indicator in the procurement activity. All materials related to this activity have been presented with full access in the E-procurement system and in verbal meetings during the audit phase.</p> <p>The Kosovo Police Procurement Directorate evaluated in accordance with the law and the public procurement regulation the activity for the supply of rotating lights. During the evaluation phase, the contracting authority requested clarifications regarding authorizations for participation in this procurement activity, which were also presented before the auditors. The manufacturer authorized a company to participate in this procurement activity, and official communications made by the contracting authority in January 2024 during the evaluation process included the manufacturer's declaration that they had issued the authorization and catalogue in question but also declared by official email that they no longer produce it starting from early 2024. Attached are the evidences that were also presented. At no point did the Procurement Directorate neglect any decision-making but treated all EOs equally, and the EO participating in this activity did not commit procurement fraud, which would be contrary to Articles 65 and 99.2 of the PPL. The Kosovo Police Procurement Directorate has not neglected but has proceeded in accordance with the PPL and regulations, as the manufacturer declared the product line was withdrawn from production since early 2024. We attach all communications, authorizations, documents, catalogues, and official emails.</p>	<p>During the audit phase, all materials offered in the electronic procurement system were reviewed and discussed. The contracting authority did not apply the same standard during the evaluation process in this tender procedure as was applied in another procedure, for which they had received confirmation from the PRB.</p> <p>Based on existing documentation and the lack of new supporting evidence, the finding and recommendation remain unchanged.</p> <p>The finding does not refer to Articles 65 and 99.2 of the PPL but to Article 57.1 of the PPL, which gives the contracting authority the right to confiscate the tender security. The contract notice was published more than a month before the EO submitted the manufacturer's authorization. The EO had sufficient time to confirm whether the manufacturer was still producing the product in question. Only after the contracting authority's inquiry addressed to the manufacturer was it confirmed that this production line was discontinued from the beginning of 2024. Based on this information, we consider that the contracting authority had facts and the right to confiscate the tender security.</p> <p>The finding and recommendation remain unchanged.</p>

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

Auditor's Report on the financial statements⁵ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁶. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

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

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

(extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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

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

⁶ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

and/or non-compliance, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and/or non-compliance, the auditor should modify the opinion in the auditor's report. A modified opinion may be:

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

- a) Are not confined to specific elements, accounts or items of the financial statements
- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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