



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY OF PODUJEVA FOR YEAR 2024

Prishtina, May 2025

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1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Podujeva 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 Municipality of Podujeva, 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 2023.

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

Basis for Qualified Opinion

- B1 Misclassifications in different economic categories in the amount of €2,166,110 were made through the execution of court/enforcement decisions.
- B2 Capital assets over €1,000, reported in the amount of €115,084,498 in the Annual Financial Statements, were understated by €93,797. Meanwhile, non-capital assets under €1,000, reported in the amount of €2,736,252, were understated by €203,054 and overstated by €93,797.

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

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

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

AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Conclusion on Compliance

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

In our opinion, except for the effects of the matter/s described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of Municipality of Podujeva's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

Basis for the Conclusion

- A1 Delays in issuing construction permits.
- A2 Selection of Economic Operators (EOs) without fully meeting the required criteria.
- A3 Contracting of capital projects without secured financial funds.
- B3 The municipality had not maintained contract management records through the e-procurement platform.
- B4 The municipality made payments amounting to €350,562 from inadequate projects to other projects without obtaining prior approval for transfer from the Municipal Assembly.
- B5 Failure to settle liabilities within the legal deadline of 30 days.
- B6 Lack of executive projects
- B7 Failure to adhere to the required steps for payment processing.

For more details, see sub-chapter 2.2 Issues with impact on the compliance conclusion

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

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

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

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

Management's Responsibility for Compliance

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

Auditor General's Responsibility for the audit of AFS

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

Our objective is also to express an audit opinion on compliance of respective Municipality of Podujeva's authorities with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

³ Collectively referred to as compliance with authorities

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

- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Podujeva's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

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

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

2 Findings and recommendations⁴

During the audit, we identified areas for potential improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations. Weaknesses were noted in key financial areas such as: misclassification as a result of collective contract, improper asset registration, lack of main executive project designs, contract managers' failure to report in the e-Procurement system, contracting of capital projects without and outside the approved budget, awarding contracts to EOs who did not meet the tender dossier requirements, weaknesses in the management of non-financial assets over/under €1,000, and failure to take available actions for the collection of accounts receivable.

Furthermore, the reporting process within the municipality was accompanied by shortcomings. This was observed in the preparation of the Annual Financial Statements (AFS), which contained other errors identified during the audit. Following our suggestions, the possible corrections were made. However, issues related to assets and misclassification were not accurately or properly reflected in the AFS.

It should also be emphasized that for the year 2024, the Treasury executed payments through enforcement/court procedures in the amount of €3,861,535. These payments were primarily related to the collective contract and were executed from the following categories: wages and salaries €1,673,274; goods and services €368,455; utilities €28,237; and capital investments €1,791,569, mainly related to the collective contract. The enforcement and legal representation costs, according to the municipality, amounted to €712,416.

This report resulted in 13 recommendations, of which five (5) are new recommendations and eight (8) are repeated recommendations.

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

2.1 Issues with impact on the audit opinion

Issue B1 - Misclassification of expenses

Finding	Financial Rule No. 01/2013/MF on the Expenditure of Public Funds, Article 18, paragraph 3, stipulates that expenditures should have the appropriate codes, determined by the Administrative Instruction for the chart of accounts. In the chart of accounts of the Treasury, the corresponding codes and categories of expenses that the BOs should apply are defined.
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⁴ Issue A and recommendation A means new issue and recommendation
Issue B and recommendation B means repeated issue and recommendation

We identified misclassifications of expenditures across economic categories in the amount of €2,166,110. Of this amount, the Treasury executed payments based on court enforcement orders for the implementation of the collective agreement as follows: €1,769,418 from the capital investments category, €368,455 from goods and services, and €28,237 from utilities.

This occurred due to the municipality's inadequate planning in accordance with the needs and reporting requirements for expenditures by the respective categories.

Impact

Payments made from inappropriate categories have resulted in the presentation of incorrect disclosures in the Municipality's Annual Financial Statements, where the data related to expenditure categories is inaccurate and, as such, provides misleading information to the users of the AFS.

Recommendation B1 The mayor should ensure that all necessary actions are undertaken so that expenditures are planned within the appropriate budget allocations, or that funds are reallocated in accordance with the relevant economic categories.

Response of entity's management (Agree).

Issue B2 – Understatement of assets over €1,000 and under €1,000**Finding**

Regulation MF-No. 02/2013 on the Management of Non-Financial Assets in Budget Organizations, Article 6.1, stipulates that: "Each budget organization should establish and update the register of non-financial assets under its management. The register should be maintained separately for each asset and in an aggregated form according to categories classified based on the chart of accounts." Furthermore, Article 6.3 stipulates that: Capital assets should be recorded in KFMIS, while non-capital assets and inventories should be recorded in the 'e-assets' system.

Capital assets over €1,000, which were reported in the amount of €115,084,498 under Article 19.3.1 of the AFS, were understated by €93,797. This occurred because 105 assets with a value over €1,000 were not recorded in the capital asset system (KFMIS) but instead were registered in the non-capital asset register (e-assets). As a result, non-capital assets were overstated by the same amount of €93,797. These non-capital assets were reported under Article 19.3.2 of the AFS in the amount of €2,736,252.

In addition, we identified that non-capital asset purchases made during November and December 2024, in the amount of €203,054, were not recorded in the non-financial asset registers and were not presented in the AFS.

Furthermore, it is worth noting that the non-capital assets under €1,000 for the education sector were not disclosed in units (items) in the AFS but only presented as a total value of €1,848,891. The quantities and types of these assets remain unknown due to the fact that they were not registered in the e-assets system.

This occurred as a result of poor controls over the monitoring and verification of asset registers, which led to assets not being recorded in their respective registers.

Impact

Failure to register assets in accordance with the criteria set out in the regulation on the management of non-financial assets may result in the loss or alienation of assets and the presentation of incomplete information in the financial statements.

Recommendation B2 The mayor should ensure the proper implementation of internal controls related to the accurate registration of capital non-financial assets and non-capital assets in accordance with the criteria set out in the regulation on the management of non-financial assets.

Response of entity's management (Agree).**2.2 Issues with impact on compliance conclusion****Issue A1 - Delays in issuing construction permits**

Finding The Construction Law Article 17, paragraph 1 states: "A construction permit shall be issued by the competent authority within thirty (30) days after the submission of the application for a construction permit for Category I, and forty-five (45) days for Categories II and III."

In 3 samples, there were delays in issuing construction permits beyond the legal deadline by the Municipality after the application for a construction permit was received. The total value of these samples is €137,177, and the delays in issuing the permits ranged from 60 to 200 days.

This occurred due to the poor internal controls by the responsible officials in handling construction permit applications in a timely manner.

Impact Delays in issuing construction permits will hinder the timely collection (revenue generation) from construction permits.

Recommendation A1 The mayor should ensure compliance with the legal deadlines for issuing construction permits by strengthening internal controls and oversight over the handling of applications, in order to enable the timely collection of revenue.

Response of entity's management (Agree).**Issue A2 - Awarding of contract without meeting the criteria set in the tender dossier**

Finding The Law on Public Procurement, Article 59, paragraph 4 sets forth: "The contracting authority shall consider a tender to be responsive only if the said tender complies with all the requirements set out in the contract notice and the tender dossier."

Economic Operators (EOs) awarded with contracts without meeting the requirements of the contract notice and tender dossier are presented in the following cases:

- For the contracts “Construction of the sewage system from the villages Lluzhan-Lupç, Gërdofc-Lluzhan, Majac-Lupç and Sfeqël-Lluga (Collector) Lot I, II, III” with a total contracted value of €3,483,343, the contract notice, and tender dossier required, among other things, audited financial statements under economic and financial capacity. However, the EO submitted a review report of the financial statements instead.
- For the contracts “Asphalting of roads in the city Lot I, II, and III” (Lot I: €328,174, Lot II: €102,482, Lot III: €30,289), the contract notice, and dossier specified that only one lot could be awarded to a single EO. Furthermore, Annex 7 required specific technical and professional capacities, including equipment and machinery—specifically, under item 12 a 3t max roller and under item 16 a compressor for breaking concrete. In the submitted offer, the 3t roller was referenced via invoice 22/19 dated 15.04.2019, and the compressor was listed with license; however, both the invoice and vehicle registration documents were missing in the offer. Despite this, the EO was awarded all three lots.
- For the contracts “Construction of the Vocational Secondary School in the Industrial Zone” (€2,430,303) and “Construction of the Green Market” (€1,440,787), Annex 7 of the contract notice, and dossier required documentation for equipment and machinery, including a concrete-breaking compressor (serial numbers 1–10), proven through vehicle registration. In the offers submitted, for the compressor for breaking concrete, the note on the equipment list column stated license plates, but the vehicle registration document was not included.
- For the contracts “Regulation of public spaces along the Llap River in the city”, Lot III (€82,000) and Lot IV (€38,833), the contract notice, and tender dossier required ISO certifications and a project manager—a licensed civil engineer or holder of a master’s degree in construction or architecture—for the respective contract. For Lot III, the winning EO did not attach the ISO certifications in the offer, but submitted them after the opening of the tender, on 18/06/2024. For Lot IV, the decision on the contract manager did not refer to the respective contract but to various electrical projects, and no contract was presented; moreover, the proposed manager held a master’s degree in electrical engineering sciences.

It is worth noting that in none of the procurement cases did the contracting authority request clarification of the tenders.

This occurred as a result of poor internal controls in procurement.

Impact

Contracting an EO without fulfilling the criteria set in the tender dossier eliminates the possibility of a proper procurement process, which may exclude responsible EOs from the process and may affect the implementation of the contract.

Recommendation A2 The mayor should ensure the strengthening of controls in procurement, so that the evaluation of bids is carried out in full compliance with the requirements set in the tender dossiers and in accordance with legal requirements. Furthermore, through responsible officials, it should be ensured that the members of the evaluation committees understand their duties and responsibilities in their respective engagements, and in case of any potential errors, these should be identified by procurement officials before the evaluation report is signed.

Response of entity's management (Agree).

Issue A3 - Contracting of capital projects without financial funds

Finding

The Law on Public Procurement No. 04/L-042, Article 9, paragraph 3 stipulates that if the contracting authority is a public authority or a budget organization and the relevant procurement would create financial obligations to be fulfilled from budget allocations expected to be made in future fiscal years, the CFO shall: (i) ensure that the tables attached to the Law on Budget Appropriations provide a reasonable basis to expect that sufficient funds will be made available in future fiscal years for the fulfilment of such obligations; (ii) include in the relevant public contract a provision clearly conditioning the enforceability of the obligations set forth in the contract on future appropriation legislation, in an amount sufficient to meet such obligations. Furthermore, the Law on Budget No. 08/L-260 for the year 2024, Article 12, paragraph 7 states that the signing of contracts for multi-year capital projects shall be carried out by budget organizations only if such expenditures for the total cost of the project are foreseen in the budget law for the fiscal year 2024 and for the following two (2) years.

Contracting of projects without sufficient financial funds has been identified in the following cases:

- Construction of sewage systems from the villages of Lluzhan-Lupç, Gërdofc-Lluzhan, Majac-Lupç and Sfeqël-Lluga (Collector) Lots I, II, III, with a total contracted value of €3,483,343, while the Medium-Term Expenditure Framework (MTEF) for 2024 and the following two years foresees only €2,603,054, resulting in a funding shortfall of €880,289.
- Construction of the school in Shajkofc, with a contracted value of €594,444, while the MTEF foresees €300,000, resulting in a shortfall of €294,444.

- Construction of Isa Boletini High School, with a contracted value of €2,566,649, while the MTEF foresees €1,000,000, resulting in a shortfall of €1,566,649.
- Construction of the Vocational High School, with a contracted value of €2,430,303, while the Ministry of Education has committed €1,900,000 based on a co-financing agreement (with no municipal budget allocation), resulting in a shortfall of €530,303.
- Construction of the connector road from the Podujevë - Prishtinë highway to Vëllezërit Frashëri Street, with a contracted value of €851,286, while the MTEF foresees €500,000, resulting in a shortfall of €351,286; and
- Construction of the Green Market, with a contracted value of €1,440,787, while funding included €400,000 from the Ministry of Regional Development and €44,213 from the municipality, resulting in a shortfall of €996,574.

This occurred as a result of insufficient analysis and unrealistic cost assessments of the projects during their budgeting phase.

Impact

The lack of a proper financial cost analysis for capital projects, the signing of contracts beyond budget limits, and entering into contractual obligations without securing the necessary budget funds creates difficulties and disrupts the financial flow of the municipality, as numerous budget adjustments and reallocations of funds are required to cover the deficits of these projects, thereby increasing the risk of additional costs.

Recommendation A3 The mayor should ensure that the values of signed public contracts for capital projects are in accordance with the amounts approved by the Law on Budget Appropriations for the fiscal year and for the following two (2) years.

Response of entity's management (Agree).

Issue B3 - Contract management records not maintained through the e-Procurement platform

Finding Regulation No. 001/2022 on Public Procurement, Paragraph 70.24.f stipulates that "The contract manager shall ensure that all contract management records are prepared, maintained, and archived in the contract management module within the electronic procurement system."

Contract/project managers have not maintained and archived contract management and contractor performance evaluations for goods, services, and capital investments through the e-Procurement platform.

This occurred as a result of ineffective internal controls in the contract management process through e-Procurement.

Impact Failure to maintain and archive contracts through the public procurement system may lead to ineffective contract management and does not provide sufficient opportunities for management to obtain timely information regarding contract progress and performance.

Recommendation B3 The mayor should require all project managers to ensure that contract management is maintained and archived through the electronic public procurement system.

Response of entity's management (Agree).

Issue B4 - Project payments made from the funds of other projects without approval from the Municipal Assembly

Finding Article 16 highlights those changes in the allocated amounts for capital projects within sub-programs, paragraph 11 of Law No. 08/L-260 on Budget Appropriations for the Budget of the Republic of Kosovo for 2024, stipulates that changes in budget allocations for existing projects as a result of transfers and/or reallocations, presented in Table 4.2, including carried-over own-source revenues, and registered in KFMIS, must be approved in advance by the Municipal Assembly. All such changes must be approved by the Minister. Reallocations should be conducted in accordance with the procedures and criteria set out in Administrative Instruction MF. No. 05/2019 on Procedures for the Transfer and Reallocation of Budget Appropriations.

The Municipality had made payments from the funds of one project to another without obtaining approval from the Municipal Assembly for the transfer of funds, as follows:

- From the funds of project 55008 "Reconstruction of asphalted roads from Zahir Pajaziti Street..." €150,000 was paid for the project "Expansion, construction, and asphaltting of Xhemail Mustafa street";
- From the funds of project 51920 "Construction of a high school campus building", two payments (€34,831 + €65,158) were made for the construction of the primary school in Shajkofc village, and €20,573 for school infrastructure improvement.
- From the funds of project no. 52871 "Asphaltting of streets and alleys in the city", €20,000 was paid for the asphaltting project in the villages of Lladroc and Shajkofc (project no. 41167);
- From the funds of project no. 54483 "Construction of the sewage system in the villages of Lluzhan, Lupç..." €60,000 was paid for the co-financing project for water supply with KUR Prishtina.

This occurred due to a lack of funds in the specific projects, resulting in payments being made from other projects.

Impact

Making payments for projects using funds from other projects without approval for fund transfer from the Municipal Assembly may jeopardize the successful implementation of the project from which the funds were taken.

Recommendation B4 The mayor should ensure compliance with fund management procedures by making sure that any transfer of funds from one project to another is approved in advance by the Municipal Assembly.

Response of entity's management (Agree).

Issue B5 - Delays in payment of accepted invoices

Finding

Law No. 03/L-048 on PFMA Article 39.1 states that "The Budget Organization's CFO is responsible for ensuring that every valid invoice and payment request for goods and services provided and/or works completed for the budget organization are paid within thirty (30) calendar days after the receipt of the invoice or payment request by the respective budget organization."

In 4 cases, amounting to €424,332, we identified that the municipality had not fulfilled its financial obligations within the 30-day period. The delays were up to seven (7) months from the date of receipt of the invoice.

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

Impact Delays in fulfilling obligations increase the risk of project implementation and the achievement of the municipality's annual objectives. Additionally, in the event of lawsuits from suppliers, additional costs may be incurred.

Recommendation B5 The mayor should improve the funds management to ensure that financial obligations are paid on time and within the 30-day period, including the preparation of a detailed budget analysis to avoid delays in invoice payments.

Response of entity's management (Agree).

Issue B6 – Lack of executive projects

Finding Paragraph 19.17 of Regulation No. 001/2022 on Public Procurement stipulates, among other things, that the Contracting Authority is responsible for drafting the executive project, which must mandatorily be attached (also in electronic format) to the Technical Specifications, which are part of the tender dossier. No Contracting Authority is allowed to issue the tender documentation without attaching the detailed description of the project.

In three cases, the municipality initiated procurement procedures and signed contracts without drafting the executive project, as follows:

- The project for “Asphalting of roads in the city Lots I, II, and III” with a total contracted value of €460,947.
- The project for “Arrangement of public spaces along the Llap river in the city, Lots II, III, and IV” with a total contracted value of €198,582; and
- Construction of the sewage system from the village of Lluzhan-Lupç, Gërdofc-Lluzhan, Majac-Lupç, and Sfeqël-Lluga Lot III” with a contracted value of €330,452.

This occurred due to a lack of proper planning before the initiation of procurement procedures, including the failure to prepare the executive project for the specific projects.

Impact

Lack of an executive project may cause difficulties in project implementation during the execution phase and increases the risk of various obstacles arising throughout the process, both in terms of professional challenges and potential delays in the work or increased project costs.

Recommendation B6 The mayor should ensure the strengthening of controls and monitor the implementation of legal requirements, so that prior to initiating procurement procedures for contracting works, project designs are prepared in advance, in accordance with the foreseen needs and requirements.

Response of entity's management (Agree).

Issue B7 – Failure to adhere to the payment processing procedures

Finding

Financial Rule No. 01/2013/MF – Expenditure of Public Funds Article 22, sets out the steps for processing payments, which include: initiating a Purchase Request, issuing a Purchase Order, receiving the goods/services, and then the Economic Operator submitting an invoice for payment.

In 10 cases, we noted the following deficiencies: in six (6) of them, the commitment of funds and issuance of the purchase order were made after the invoice date and after the goods were received; while in four (4) other cases, the purchase order was processed after the invoice date and receipt of goods. The total amount involved in these cases is €370,399.

This occurred due to the lack of effective internal controls by the procurement and finance offices during the execution of procurement procedures.

Impact

Failure to adhere to the payment processing procedures may lead to an increase in the municipality's liabilities toward economic operators.

Recommendation B7 The mayor should ensure that the Finance and Procurement Offices follow all the steps for payment processing as defined by the Financial Rule on the expenditure of public funds.

Response of entity's management (Agree).

2.3 Other financial management and compliance issues

2.3.1 Revenues

Own-source revenues planned for 2024 amounted to €1,859,659, while €1,710,894 were actually collected. These revenues relate to property tax, construction permits, administrative fees, rental income, etc. In addition, the municipality received revenues in 2024 from traffic fines and court fines in the total amount of €562,059, as well as revenues from the Kosovo Forestry Agency in the amount of €245.

Issue A4 - Failure to regularly report on the use of municipal properties

Finding Law No. 06/L-092 on the Use and Exchange of Immovable Municipal Property, Article 22, paragraph 2 stipulates that "The Mayor of the Municipality is obliged to include in their regular semi-annual reports to the Municipal Assembly a separate report on the monitoring of the implementation of contracts and the fulfilment of the purpose for which the immovable property was given for use, up until the beginning of implementation and achievement of the intended purpose."

The mayor did not submit any semi-annual reports to the Municipal Assembly regarding the monitoring of contract implementation and the fulfilment of the intended purpose for which the immovable properties were given for use.

This occurred due to the disregard of legal requirements related to reporting and oversight of the use of municipal immovable property.

Impact The lack of reporting on the monitoring of contracts for municipal properties given for use not only creates non-compliance with the law but also affects the full realization of revenues.

Recommendation A4 The mayor should ensure that the regular six (6) monthly reports also include a special report on the monitoring of the implementation of contracts and the achievement of the purpose of giving immovable property for use.

Response of entity's management (Agree).

2.3.2 Capital and non-capital assets

Non-financial assets capitalized over 1,000€ are disclosed in the financial statement at 115,084,498€, non-financial non-capitalized assets under 1,000€ are disclosed at 2,736,252€, and stocktaking is disclosed at 47,777€. The audit has revealed the following issues:

Issue A5 - Shortcomings in the process of stocktaking and valuation of non-financial assets**Finding**

Regulation No. 02/2013 on the Management of Non-Financial Assets, Article 19.4.3 stipulates that: "At the end of each year, the stocktaking balance should be compared with the balance in the non-financial assets registers." Furthermore, Article 21 of this regulation defines the requirements for the valuation of non-financial assets. Additionally, Article 11.3 states: "After the completion of the investment process, the non-financial capital asset will be classified as a non-financial asset in use. From the moment the asset is ready for use, depreciation will be applied."

The municipality has conducted the stocktaking process for non-financial assets for the municipal administration and part of the health sector, but not for the Directorate of Education. However, the comparison between the stocktaking balance and the balance in the asset registers was not done. As a result, the differences between the accounting records and the stocktaking balance are unknown. Furthermore, the valuation of non-financial assets was not done, including the valuation of damaged assets, the evaluation of requests for disposal of assets, and the preparation of the report for assets to be removed from use.

Additionally, from the analysis of the disclosure and data of non-financial capital assets over €1,000 in the financial statements, it was identified that assets from the years 2015 to 2017, totalling €2,628,819, are still recorded under the category of "ongoing investments," despite the fact that they may be in use they are still listed as assets in progress.

This occurred due to the lack of internal controls related to the implementation of the regulations for the management of non-financial assets, as well as the absence of internal guidelines concerning the process of stocktaking and valuation of assets.

Impact

The failure to compare the stocktaking results with the balance in the non-financial asset registers and the lack of valuation of assets prevents obtaining assurance regarding the accuracy and completeness of the asset registers. Additionally, improper recording in the process of finalizing capital investments impacts the financial disclosure value of capital assets due to the failure to apply depreciation.

Recommendation A5 The mayor should ensure that the process of stocktaking and valuing assets is carried out according to the requirements of Regulation 02/2013 for the management of non-financial assets in budgetary organizations. Furthermore, the results of the stocktaking should be compared with the accounting records of assets, clarifying any discrepancies, and ensuring the proper application of internal controls related to the correct registration of capital non-financial assets according to the accounting classification.

Response of entity's management (Agree).

2.3.3 Accounts receivable

Accounts receivable were disclosed in the AFS in the amount of €5,750,975, consisting of €4,592,068 from property tax, €1,143,257 from rent, and €15,650 from other sources. The audit identified the following issues:

Issue B8 - Weaknesses in the management of accounts receivable

Finding Law No. 06/L-005 on Immovable Property Tax, Article 26 sets forth that the Municipality, the Ministry of Finance, and the competent enforcement authorities have the authority and responsibility to collect unpaid tax liabilities exceeding the amount of ten (10) euros. Furthermore, Article 27 stipulates that if a taxpayer or debtor fails to fully pay the tax and any applicable penalties, or other outstanding tax obligations within the specified deadlines, the municipality shall issue a final written notice within ten (10) working days after the due date. This notice demands full payment of the outstanding tax obligations no later than ten (10) calendar days after the date the final notice is deemed to have been received by the debtor. The collection of other revenues must be carried out within the time limits specified on the invoice for each type of revenue.

The Municipality did not demonstrate effective management in the collection of Accounts Receivable (AR), as these continue to increase year after year. Based on our tests, we observed that the Municipality did not undertake any concrete actions in 2024 for the collection of AR. The largest share is related to property tax receivables amounting to €4,592,068, followed by municipal rent receivables of €1,143,257, and other receivables totalling €15,650.

The identified weaknesses related to accounts receivable are due to ineffective internal controls over their management and collection.

Impact Failure to collect charged revenues in a timely manner affects the level of funds gathered for the municipal budget and negatively impacts the funding and implementation of projects from own-source revenues.

Recommendation B8 The mayor should ensure the improvement of the accounts receivable management process in order to increase the efficiency of their collection, including, where necessary, the application of legal measures.

Response of entity's management (Agree).

3 Summary on budget planning and execution

We have considered 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 Expenditures	2023 Expenditures	2022 Expenditures
Sources of funds	31,268,469	34,540,225	33,438,552	29,739,731	24,913,687
Government Grants – Budget	29,183,360	30,852,693	30,627,653	27,799,690	22,300,431
Funding through borrowing	0	0	0	0	180,268
Funding through borrowing – investments clause	225,450	225,450	46,720	0	95,756
Carried forward from previous year	0	1,103,805	1,041,660	610,627	880,898
Own source revenues	1,859,659	1,859,659	1,445,343	1,214,331	1,214,141
Domestic Donations	0	498,096	277,177	115,083	204,186
External donations	0	522	0	0	38,008

The final budget was higher than the initial budget by €3,271,756. This increase resulted from Government decisions, own-source revenues carried over from the previous year, as well as donations.

The Municipality spent 97% of the final budget, amounting to €33,438,552. However, it should be emphasized that during 2024, the Municipality had over €3.8 million executed through court/enforcement decisions from various economic categories.

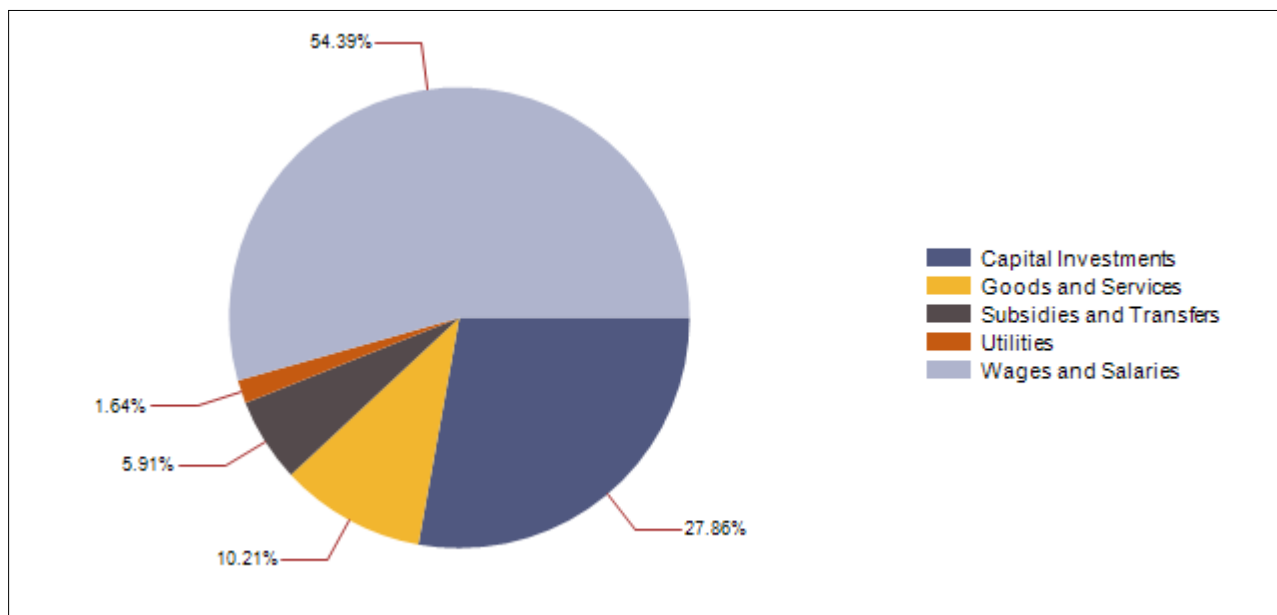
Table 2. Spending of funds by economic categories (in €)

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
Spending of funds by economic categories	31,268,469	34,540,225	33,438,552	29,739,731	24,913,687
Wages and Salaries	16,518,288	18,187,622	18,187,621	16,110,409	13,450,099
Goods and Services	3,585,501	3,624,788	3,412,938	3,142,048	2,588,859
Utilities	513,000	553,309	548,117	465,147	419,968
Subsidies and Transfers	1,670,000	2,243,206	1,975,239	1,554,054	1,272,012
Capital Investments	8,981,681	9,931,301	9,314,637	8,468,073	7,182,751

The explanations for the budget changes in the economic categories are provided below:

- The final budget for Wages and Salaries increased by €1,669,334 compared to the initial budget. This increase resulted from the Government of Kosovo Decision no. 03/239 dated 24.12.2024, covering wages paid through court/enforcement decisions related to collective contracts.
- The final budget for Goods and Services increased by €39,287. This increase came from the unspent own-source revenues carried over from 2023, amounting to €32,085, and an increase from donations of €7,202.
- The final budget for Utilities increased by €40,309, which resulted from the own-source revenues carried over.
- The final budget for Subsidies and Transfers increased by €573,206. Of this amount, €420,776 was from domestic donations (citizens' contributions), and €152,430 from the unspent own-source revenues carried over from 2023.
- The final budget for Capital Expenditures increased by €949,620 compared to the initial budget. This increase came from the unspent own-source revenues carried over from 2023 amounting to €878,980, and from donations of €70,640.

Chart 1. Expenditures by economic categories in 2023



The planned own-source revenues for 2024 amounted to €1,859,659, while the actual revenues collected were €1,710,894. These revenues include property tax, construction permit fees, administrative fees, rental income, etc. Additionally, in 2024, the municipality received revenues from traffic fines and court fines in a total amount of €562,059, as well as €245 from the Kosovo Forestry Agency. These revenues are not included in the table below, as they are planned and executed by the respective line ministries.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	1,859,659	1,859,659	2,040,505	1,967,251	1,472,653
Tax revenues	848,995	848,995	347,163	666,373	515,799
Non-tax revenues	1,010,664	1,010,664	1,693,342	1,300,877	951,155
Other revenues	0	0			5,699

4 Progress in implementing recommendations

The audit report on the financial statements for the year 2023 resulted in 13 recommendations. The municipality had prepared an action plan outlining how the given recommendations would be implemented. By the end of our audit, five (5) recommendations had been implemented, while eight (8) recommendations had not yet been addressed, as presented in Chart 2 below. For a more detailed description of the recommendations and the how they have been addressed, see Table 4 (or the Table of Recommendations).

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

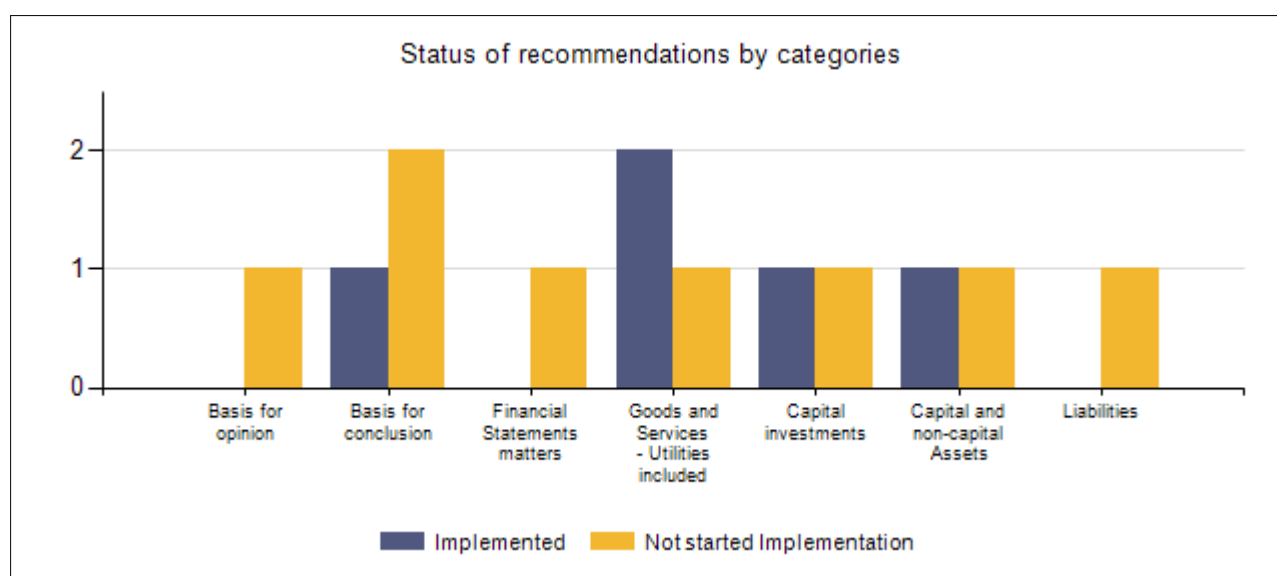


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of the year 2023	Actions taken	Status
1.	Basis for Opinion	The mayor should ensure improvements in the management process of accounts receivable in order to increase the efficiency of their collection, including the application of legal measures when necessary.	The necessary actions have not been taken to address the recommendation.	Implementation not started
2.	Basis for Conclusion	The mayor should ensure the adherence to procedures for fund management, ensuring that any	This year, we have also encountered cases of payments	Implementation not started

		transfer of funds from one project to another is approved in advance by the Municipal Assembly.	made from the funds of one project to another without approval from the Municipal Assembly.	
3.	Basis for Conclusion	The mayor should ensure that the finance department and the procurement office follow all the steps for processing payments as outlined in the Financial Rules for public expenditure.	The necessary actions have not been taken to address the recommendation.	Implementation not started
4.	Basis for Conclusion	The mayor should ensure that all necessary actions are taken so that the procurement office implements the appropriate contract as stipulated by the legal regulations.	We have not identified such cases in 2024.	Implemented
5.	Annual Financial Statements	The mayor should ensure that all necessary actions are taken so that expenditures are planned in the appropriate budget allocations or that the reallocation of funds is made according to the appropriate economic categories.	Even in 2024, the municipality had made incorrect classification of expenses.	Implementation not started
6.	Goods and Services and Utilities	The mayor should strengthen controls and procedures to ensure that before the initiation of procurement procedures, all commitments for projects are assessed and approved in accordance with the available funds.	For the year 2024, we did not encounter any cases where the Municipality entered into contractual obligations without sufficient commitment of funds.	Implemented

7.	Goods and Services and Utilities	The mayor should request from all project managers to ensure that contract management is maintained and archived through the public procurement electronic system.	Even in 2024, contract management is not being done through the e-procurement platform.	Implementation not started
8.	Goods and Services and Utilities	The mayor should ensure that contract managers conduct regular checks for the supply of each item according to the framework contract and ensure that there are no overages of contracted quantities.	For the year 2024, we have not encountered any cases of exceeding the contracted quantities.	Implemented
9.	Capital Investments	The mayor should ensure the strengthening of controls and monitor the implementation of legal requirements, so that when initiating procurement procedures for contracting works, projects are prepared in advance in accordance with the needs and anticipated requirements.	In three cases, it was found that procurement procedures were initiated without an executive project.	Implementation not started
10.	Capital Investments	The mayor should ensure that for advance payments made, the performance guarantee and payment schedule are required, which simultaneously outlines the work that needs to be completed.	We have not identified such cases.	Implemented
11.	Assets	The mayor should ensure the proper implementation of internal controls regarding the correct registration of non-financial capital and non-capital assets in accordance with the criteria of the	The municipality, again this year, has not registered all assets in the e-assets system and had assets	Implementation not started

		regulation for managing non-financial assets.	over €1,000 in that system.	
12.	Assets	The mayor should ensure the proper implementation of internal controls regarding the accurate registration of non-financial capital assets in accordance with the criteria of the regulation for managing non-financial assets.	The necessary measures have been taken.	Implemented
13.	Outstanding Liabilities	The mayor should improve fund management to ensure that financial obligations are met on time and within the 30-day period, including the preparation of a detailed budget analysis to avoid delays in invoice payments.	The necessary actions have not been taken to address the recommendation.	Implementation not started

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

Vlora Spanca: Auditor General

Lavdim Maxhuni: Audit Director

Hysen Boqolli: Team leader

Fetah Osmani: Team member

Arbresha Breznica Rama: Team member

Granita Zenelaj, Team member

Annex I: Letter of confirmation



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Komuna e Podujevës
Opština Podujevo - Municipality of Podujeva



LETËR E KONFIRMIMIT

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

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Komunës së Podujevës, për vitin 2024 (në tekstin e mëtejshëm "Raporti");
- pajtohem me gjetjet dhe rekomandimet 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 zbatimin e tyre.

Z. Shpejtim Burdhi, kryetar



Data: 28,prill,2025, Podujevë

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

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

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

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

(Extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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

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

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

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

Modifications to the opinion in the auditor's report

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

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

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

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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