



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 FERIZAJ FOR YEAR 2024

Prishtina, June 2025

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

1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Ferizaj 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 Ferizaj, which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as of 31 December 2024.

In our opinion, except for the effects of the matter/s described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Municipality of Ferizaj, 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 Outstanding liabilities presented in the annual financial statements were understated by €1,711,063.
- B2 The value of contingent liabilities presented in the annual financial statements was overstated by €895,712.
- B3 Expenditures totalling €689,827 were recorded in inappropriate economic categories.
- B4 Accounts receivable presented in the annual financial statements are overstated by €143,870.

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

In our opinion, except for the effects of the matter/s described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of Municipality of Ferizaj'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

- B5 In 62 cases totalling €4,749,589, invoice payments were delayed beyond the legal deadline of 30 days;
- B6 Five (5) capital investment payments totaling €167,659 were paid from the budget of unrelated capital projects;
- A1 In three (3) annex contracts worth €75,085, quality guarantees for additional work performed were missing;
- A2 In three (3) cases, there were delays in reviewing construction permits beyond the allowed 45-day deadline;
- A3 In two (2) cases, subsidies were provided to NGOs and farmers not in accordance with the criteria of the public call.

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 Ferizaj's financial reporting process.

Management's Responsibility for Compliance

The Management of Municipality of Ferizaj 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 Ferizaj'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

³ Collectively referred to as compliance with authorities

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Ferizaj'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. These findings and recommendations aim to correct the necessary financial information presented in the financial statements, including disclosures in the form of explanatory notes, and to improve internal controls related to financial reporting and compliance with authorities in the management of public sector funds. We will follow up on these recommendations during the next year's audit.

Internal controls over the financial reporting process need to be improved. Improvements are needed in the preparation of the annual financial statements and the disclosures of contingent liabilities, accrued liabilities and accounts receivable. In terms of compliance, improvements are needed in the recording of payments in the relevant categories, the proper management and timely execution of public contracts, the timely payment of obligations to contractors, the subsidy processes and asset management in order to make the e-asset system functional.

This report resulted in 13 recommendations, of which 10 are repeated recommendations and 3 are new recommendations,

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

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

2.1 Issues with impact on the audit opinion

Issue B1 - Understatement of the value of outstanding liabilities in the annual financial statement

Finding Regulation MF. No. 01/2017, Article 17, stipulates that BOs must report all outstanding liabilities of the reporting year.

The financial obligation related to the proposal for enforcement of the court decision for the expropriation of land in the amount of €1,711,063 was initially reported in the annual financial statements that the municipality had submitted to the Treasury. After submitting the statements, the municipality received a letter from the Treasury, through which the municipality was informed that the private bailiff had confirmed the withdrawal of this case. With the correction of the annual financial statements, this case was not disclosed, although it continues to be a financial obligation, but withdrawn for a while from the payment process through enforcement.

This occurred due to the municipality's misunderstanding of its obligation to the debtor, and negligence in updating the register of unpaid obligations in the annual financial statements.

Impact Failure to fully include liabilities in the relevant register has resulted in underestimation of liabilities and inaccurate presentation of information in the annual financial statements.

Recommendation B1 The mayor should ensure that responsible finance officers properly analyse, maintain accurate and complete records of outstanding liabilities, and that their value is accurate in the annual financial statements.

Auditee's Management Response (Agree)

Issue B2 - Overstatement of contingent liabilities in the annual financial statements

Finding Regulation MF. No. 01/2017 on Annual Financial Statements of Budget Organizations, Article 6, stipulates that Budget organizations keep accurate, complete, up to date accounting records and in compliance with applicable law on all financial information and other non-financial information.

The value of contingent liabilities in the annual financial statements was overstated by €895,712, because incorrect values were recorded in the register, withdrawn lawsuits and claims for which court proceedings had been completed and final decisions had been made by the court were included.

This occurred due to negligence in updating information in the contingency register and financial presentation, as well as the lack of sufficient personnel in the administration of court cases.

Impact Failure to timely update the ledger of contingent liabilities has resulted in the overestimation of contingent liabilities and their inaccurate presentation in the annual financial statements.

Recommendation B2 The mayor should ensure that appropriate controls are implemented in the timely updating of the contingent liabilities report, and that their presentation in the annual financial statements is complete and fair.

Auditee's Management Response (Agree)

Issue B3 - Classification of expenses into inappropriate economic categories**Finding**

Pursuant to Article 18, point 3 of the Financial Rule No. 01/2013 on Public Funds Expenditure, expenditures must have adequate codes, determined by the accounting plan. Also, the accounting plan of KFMIS accurately defines the economic categories of expenditures and the respective codes from which payments of expenditures should be made according to each type.

The results of the tests identified that payments totaling €689,827 were not classified in the correct economic category. The misclassifications resulted in these economic categories:

- For expenses belonging to the category of salaries and wages, which are related to payments for the collective contract of education employees, €95,709 were paid from the budget of the capital investments category, €85,666 from the budget of goods and services, and €14,310 from the budget of subsidies;
- For expenses belonging to the category of goods and services, €104,630 were paid from the budget of capital investments;
- For expenses belonging to subsidies, €117,232 were paid from the budget of goods and services; and
- For expenses belonging to capital investments, €240,504 were paid from the budget of goods and services and €31,777 from the budget of subsidies.

This occurred due to payments from the Treasury as a result of court decisions related to the collective contract for education employees, as well as shortcomings in budget planning.

Impact

Recording expenditures from the budget of inadequate economic categories prevents fair and accurate reporting of financial information on expenditures in the AFS. Using the capital investment budget to pay for expenditures belonging to other economic categories makes it difficult to implement capital projects on time and properly.

Recommendation B3 The mayor should ensure that necessary actions are taken to plan expenditures in the appropriate budget allocations, and where possible, to reallocate funds so that payments are recorded in accordance with the treasury accounting plan.

Auditee's Management Response (Agree)

Issue B4 - Overstatement of accounts receivable in the annual financial statements

Finding Regulation MF-No.01/2017 on Annual Financial Reporting of Budget Organizations, Article 6 stipulates that Budget organizations keep accurate, complete, up to date accounting records and in compliance with applicable law on all financial information and other non-financial information.”

The accounts receivable presented in the annual financial statements were overstated by €143,870. Errors were encountered in the following cases:

- In one case, the balance of accounts receivable for construction permits included the 2025 invoice in the amount of €496,531, while the 2024 invoice in the amount of €331,021 was not included, while in another case there was an understatement of the account by €22,148, due to the incorrect presentation of the unpaid value of the invoice; and
- In one case, accounts receivable for the use of public property were overstated by €507, as a result of the failure to present a paid invoice.

This occurred as a result of the failure of internal controls to function properly in maintaining and updating accounts receivable registers by the relevant departments.

Impact Overstatement of accounts receivable affects the inaccurate presentation of information in the municipality's annual financial statements and stakeholders or users of the annual financial statements are not informed fairly and accurately regarding their value.

Recommendation B4 The mayor should strengthen internal controls in the relevant departments in maintaining accounts receivable records in order to enable their accurate presentation in the annual financial statements.

Auditee's Management Response (Agree)

2.2 Issues with impact on compliance conclusion

Issue B5 – Failure to timely pay obligations and additional budgetary costs due to court and enforcement decisions

Finding Law No. 03/L-048 on Public Financial Management and Accountability (PFMA), Article 39.1 stipulates that the CFO of a budget organization shall be responsible for ensuring that every valid invoice and demand for payment for goods, services and/or works supplied to the budget organization is paid within thirty (30) calendar days after the budget organization receives such an invoice or demand for payment.

In 62 cases worth €4,749,589, invoices were not paid within the legal deadline of 30 days from the date of receipt. The delays ranged from 10 days to 6 years.

Also, according to the register provided by the Municipality, during 2024, as a result of enforcement procedures and court decisions for non-payment of obligations to contractors on time, as well as obligations from collective contracts for educational personnel, additional costs amounting to €436,423 were paid in the form of interest, enforcement fees and other court expenses.

This occurred due to improper management of obligations, as well as budget spending from payments of court decisions related to the implementation of the collective agreement.

Impact Delays in making payments within the deadline have resulted in the municipality being subject to lawsuits from contractors, causing additional financial costs due to judicial and enforcement procedures.

Recommendation B5 The mayor should strengthen controls in the management of liabilities and ensure that obligations to contractors are paid within the deadlines, thus avoiding additional costs due to legal proceedings.

Auditee's Management Response (Agree)

Issue B6 - Payment for capital investments from the budget of non-relevant capital projects

Finding Law No. 08-L-260 on Budget Allocations for 2024, Article 16, Point 11, stipulates: changes in the budget allocations for existing projects as a result of transfers and/or reallocations, presented in Table 4.2, including the carried forward own source revenues, as well as those recorded in the KFMIS, must be approved in advance by the Municipal Assembly.

In five (5)⁶ capital investment payments totalling €167,659, funds from other projects approved by the budget law were used. The funds were used for investments made in road infrastructure, the construction of a collector, a school building, a park and a public lighting network. These changes from one capital project to another were made without prior reallocation of funds by the Municipal Assembly.

This was mainly due to the lack of budgetary funds for the relevant projects, because payments were made from the relevant project fund by the Treasury as a result of court decisions on the collective agreement and other disputes.

Impact Using the budget of one project to pay for the expenses of another project reduces transparency and prevents fair presentation of the projects implemented. It may also jeopardize the implementation of those projects from which the funds were received, if subsequent and sufficient budgetary funds are not provided for those projects during the year.

Recommendation B6 The mayor shall ensure that payments for capital investments are made from the budget fund of the relevant project. In necessary cases and when opportunities for budget reallocation arise, the reallocation of funds shall be made in accordance with the law on budget appropriations.

Auditee's Management Response (Do not Agree)

For more details, see Appendix I

Issue A1 - Non-inclusion of additional work in the values of the quality guarantees of the works

Finding The special conditions of public contracts specified the value and warranty period for defects after the completion of the respective contracts.

After the completion of three (3) works contracts, the quality guarantees of the works were made for the value of the basic contracts, not including the value of additional works carried out under annex contracts. The cases are as follows:

- Annex contract "Construction of the sports hall and arrangement of the yard of the Astrit Bytyqi school in Ferizaj", worth €28,950, was missing the quality guarantee of the works for the additional works worth €2,895;
- Annex contract "Construction of the sewage system and relocation of the water supply pipe in the village of Surqinë", worth €24,645, was missing the quality guarantee of the works for the additional works worth €2,464; and
- Annex contract "Construction of the primary school in the village of Tërrne", worth €21,490, was missing the quality guarantee of the works for the additional works worth €2,149.

This had occurred due to a lack of controls and insufficient monitoring by contract managers.

Impact Failure to provide a bank guarantee for the quality of the works in the appropriate amount makes it impossible to compensate for damages in cases where the contracted works are not carried out in the appropriate quality.

Recommendation A1 The mayor should ensure that in cases where public contracts are concluded, the final payments of the contracts are not made without first securing a bank guarantee for the quality of the works and for the value of the annex contracts.

Auditee's Management Response (Agree)

Issue A2 - Delay in reviewing construction permit applications

Finding	<p>Law No. 04/L-110 on Construction, Article 17, point 1.2, stipulates that “the construction permit shall be issued by the competent body within thirty (30) days of receipt of an application for a construction permit for category I and forty-five (45) days for categories II and III.”</p> <p>In five (5) cases of construction permits belonging to category II, the construction permit requests were not reviewed within the legal deadline. The delays ranged from 83 to 494 days, beyond the allowed deadline of 45 days.</p> <p>This occurred as a result of insufficient controls to review construction permit requests within the legally established deadlines.</p>
Impact	<p>Late review of requests affects the delayed collection of revenues from construction permits, as well as the failure to provide timely services to applicants.</p>
Recommendation A2	<p>The mayor should strengthen internal controls for reviewing construction permit applications in accordance with legally established deadlines.</p>

Auditee’s Management Response (Agree)

Issue A3 - Shortcomings in subsidy processes for NGOs and farmers**Finding**

Regulation MF-Nr-04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs requires compliance with the procedures through the completion, signing and submission of forms, namely form 13, Declaration form for NGO programs or projects financed from public sources. In the public call dated 25.03.2024 for financial support of NGOs in the municipality of Ferizaj, applicants were required to provide: Declaration of projects financed from public funds in the last two years (public call document), list of activities and projects implemented during the last two years (document of the applicant NGO), as well as to integrate the development of the external audit of the project in the project proposal (the external audit activity should also be included in the project budget lines).

Also, in the public call dated 27.05.2024 for subsidizing farmers with agricultural machinery in the Municipality of Ferizaj, one of the criteria was the requirement that the farmer must have applied for subsidies - direct payments for 2024, with priority given to farmers who have planted larger areas.

From the audit of subsidies, we identified the following shortcomings:

- NGO subsidy for the project "Kosovarja Këndon" Foundation, in the amount of €4,000, the beneficiary had not attached to the application file the documents required by the public call, the form of the declaration of projects financed by public funds in the last two years, the list of activities and projects implemented during the last two years, as well as the integration of the development of the external audit of the project into the budget lines of the project proposal; and
- Subsidizing farmers with agricultural machinery "Rota kosa 135", in the amount of €1,320, the beneficiary of the agricultural machinery had not provided proof or a copy of the application for subsidies - direct payments for 2024. On the other hand, in this subsidy, one farmer was left on the list of non-beneficiaries, although he had met all the criteria of the public call, moreover, he also met the priority criterion for farmers who have larger planted areas.

This occurred due to inadequate controls and lack of accountability by the evaluation committee for implementing the criteria set in the public calls.

Impact Failure to comply with the criteria set out in the public call for subsidies jeopardizes transparency during the process and results in unfair selection of beneficiaries, namely discrimination against applicants who have met the call criteria.

Recommendation A3 The mayor should ensure that the committees evaluating subsidy requests adhere to the criteria set out in the public call, selecting only applicants who fully meet the established criteria.

Auditee's Management Response (Agree)

2.3 Other financial management and compliance issues

2.3.1 Capital Investments

The final budget for capital investments was €11,755,716, and almost the entire budget was spent during 2024. Capital investments consist of investments in road infrastructure, underpasses, construction and renovation of health, educational and cultural facilities, water supply, sewage, lighting networks, machinery, supplies of medical equipment, etc.

Issue B7 - Delays in the implementation of capital projects

Finding According to Article 70.23 of the Regulation No. 001-2022 on public procurement, the contract manager shall ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract. In the contracts concluded between the municipality and the economic operators, the deadlines for the implementation of the contracts are determined.

Our testing resulted in three (3) capital projects that were not completed within the contractually agreed timeframe. The cases are in these works' contracts:

- The contract for the "Construction of a high school in Ferizaj" worth €1,803,726 was to be completed by the end of 2019, while the project has not yet been fully implemented;
- The contract for the "Construction of a sports hall and landscaping of the "Astrit Bytyqi" school yard in Ferizaj" worth €296,988 was to be completed by the end of 2022, while it was completed in September 2023, or 9 months late; and

- The contract for the “Renovation of small parks through the Pocket Park concept” worth €208,586 was to be completed by the end of 2024, while the works had not yet been completed in full.

This occurred due to insufficient controls by contract managers, property disputes with the KPA where the project was planned to be implemented, but also the budget shortfall caused by payments made by the capital investment fund due to court decisions.

Impact

Delays in the implementation of projects affect the failure to achieve the municipality's objectives, and the inability to use these projects which are in the service of the municipality's citizens.

Recommendation B7 Mayor should strengthen internal controls in contract management in order to ensure that public contracts are implemented according to deadlines and contractual terms.

Auditee's Management Response (Agree)

2.3.2 Common issues for certain economic categories

The following are common issues related to economic categories such as: goods and services, as well as capital investments:

Issue B8 - Failure to prepare contract management plans and deficiencies in contract management

Finding

Article 70, point 10, of Regulation 001/2022 on public procurement, stipulates that, upon receipt of the notification of appointment as contract manager, the contract manager must log in to the electronic procurement system and must start with the contract management phases. As a first phase, the contract manager must prepare and create a contract management plan, using the “Contract initiation/mobilization” function. The contract management plan will be generated by the electronic procurement system and must be prepared for all large, medium and small value contracts.

Paragraph 70,24. f. of the Regulation also stipulates that the contract manager must ensure that all contract management records are prepared, maintained and archived in the contract management module of the electronic procurement system.

While Article 70, point 25 stipulates that, the direct supervisor of the contract manager is responsible for reviewing, approving and processing the performance evaluation of contractors completed on the e-procurement platform by contract managers under his/her supervision. Also, Article 54.15 clarifies that, whenever the CA does not know the indicative quantities, unit price contracts, the CA must determine the weights based on the importance of each “category of services/items”.

The results of the tests have identified shortcomings in the management of public contracts, this is because:

- In seven (7) ⁸ public contracts, project managers had not prepared a contract management plan, although after the signing of the contracts, project managers and direct supervisors of the manager were appointed by decision, where their duties and responsibilities were assigned;

- In six (6) completed public contracts, project managers and supervisors of managers did not evaluate the performance of contractors in the contract management module on the e-Procurement platform. Also, contract managers did not maintain and archive through the e-Procurement electronic system the management of contracts that were in the process of implementation in 10 cases in the goods and services category; and
- In the project for the supply and restructuring of the public lighting network in zones I, II, III, IV, and in the villages of Greme, Komogllavë, Rahovicë, Dardani, Sojevë and Kosinë, in the amount of €73,808, the contract manager, in the works situation, had not listed the positions according to the format of the preliminary measure and preliminary calculation, to divide them according to the percentage of each work position, in order to measure the realized value compared to the planned value per position.

This occurred due to insufficient monitoring by contract managers, and failure to implement regulatory requirements for the preparation of contract management plans.

Impact

Failure to prepare contract management plans and failure to update information about project implementation in the electronic module makes it impossible to analyze, monitor and evaluate the performance of public contracts. Failure to prepare work situations according to the pre-measure format makes it difficult to monitor and track contract implementation.

Recommendation B8 The mayor should ensure that contract managers prepare and sign the contract management plan together with contractors, and that information about the implementation of projects is updated in a timely manner in the e-Procurement system. Also, contract managers should ensure that work situations are drafted according to the format of the preliminary estimate and preliminary calculation.

Auditee's Management Response (Agree)

2.3.3 Capital and non-capital assets

In the 2024 AFS, the Municipality of Ferizaj has disclosed capital assets worth €245,411,472, non-capital assets worth €1,164,544, and inventories worth €223,165.

Issue B9 - Failure to use the electronic asset management system e-Asset

Finding Article 6, point 3, of the MoF Regulation - No. 02/2013 - on the management of non-financial assets in budget organizations, requires that capital assets must be registered in the KFMIS, while non-capital assets and stocks must be registered in the e-Asset system.

The municipality has not used the electronic platform e-Asset for the registration and management of non-financial assets under €1,000 and stocks. In the absence of the use of this system, the municipality had registered these assets in a database in excel format.

This situation was caused as a result of the lack of necessary actions for the functionalization of the e-Asset system.

Impact Manual data maintenance increases the possibility of errors in record keeping, potential write-offs, misuse, loss or misappropriation.

Recommendation B9 The mayor should ensure that all appropriate actions have been taken by the Asset Officer and the Warehouse Officer in order to operationalize and register all non-capital assets and stock in the e-asset system.

Auditee's Management Response (Agree)

2.3.4 Receivables

The total receivables presented in the 2024 AFS are €18,998,763. The value of receivables mainly consists of property and land tax (75%), construction permit fees (24%), and (1%) rent from the use of public properties and participations in public kindergartens.

Issue B10 - Inefficient management of accounts receivable

Finding Law No. 06/L-005 on Immovable Property Tax, Article 27 stipulates that "If a taxpayer or debtor fails to fully pay the tax and fine if any, or outstanding tax liabilities, according to stipulated deadlines, the Municipality shall issue a final written notice within ten (10) business days after the last day for payment, requiring full payment of outstanding tax liabilities, not later than ten (10) calendar days after the day when the final notice is considered to be received by the debtor".

Also, in the Decisions on payment in instalments for construction permits, points 6 and 7, stipulate that if the obligations foreseen are not fulfilled according to the deadline set by this decision, the decision on construction permit will be cancelled and the facility will be treated as a facility without a construction permit.

Furthermore, according to Article 3 of the Contract for the short-term use of municipal property, the user is obliged to pay the amount specified in the contract for the short-term use of the property by the 5th of the current month.

Accounts receivable for 2024 totalled €18,998,763, of which €14,312,847 or 75% were for property tax. The municipality had sent reminder letters for unpaid debts to several debtors to meet their outstanding property tax obligations, however, there had been no result in collecting these debts, considering the increase in property tax debts compared to the previous year. In 46 identified cases, the municipality had not taken additional measures, such as legal action through the bailiff, regarding the collection of these debts.

Also, in ten (10) cases of accounts receivable from construction permits in the amount of €972,287, and in five (5) cases from rents for the use of municipal property in the amount of €70,819, the municipality had not taken legal action to collect these debts, even though the deadline set in the payment decision had been exceeded.

This has occurred as a result of the lack of ongoing actions, including legal ones, and the drafting of policies by the municipality for the collection of receivables.

Impact

Failure to collect receivables on time results in lower budget revenues from the own source revenue fund. Consequently, this may also affect the achievement of the Municipality's objectives, making it impossible to invest in projects financed from these funds.

Recommendation B10

The mayor should ensure the strengthening of control mechanisms in collecting debts from debtors, using all available means, without excluding legal actions.

Auditee's Management Response (Agree)

3 Summary on budget planning and execution

In this chapter, we have presented a summary of information on the sources of budget funds, expenditure of funds and collected revenues by economic categories. This is highlighted in the following tables:

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

Description	Initial budget	Final budget ⁶	2024 Expenditures	2023 Expenditures	2022 Expenditures
Sources of funds	41,184,014	43,034,889	42,966,383	45,328,253	36,730,534
Government Grants – Budget	35,774,287	36,182,045	36,148,784	35,744,461	28,081,163
Funding through borrowing	0	0	0	0	235,608
Carried forward from previous year	0	1,374,919	1,369,215	1,927,084	2,174,905
Own source revenues	5,409,728	5,409,728	5,402,089	7,612,849	5,900,940
Domestic Donations	0	15,008	0	788	44,047
External donations	0	53,189	46,296	43,070	293,871

The final budget is higher than the initial budget by €1,850,875. This increase is the result of government decisions worth €407,758, revenues carried over from the previous year worth €1,374,919, and donations worth €68,197.

In 2024, the Municipality of Ferizaj spent 99.8% of the final budget or €42,966,383, almost the same compared to the previous year, where the implementation was 99.4%. Explanations for the current position are detailed below.

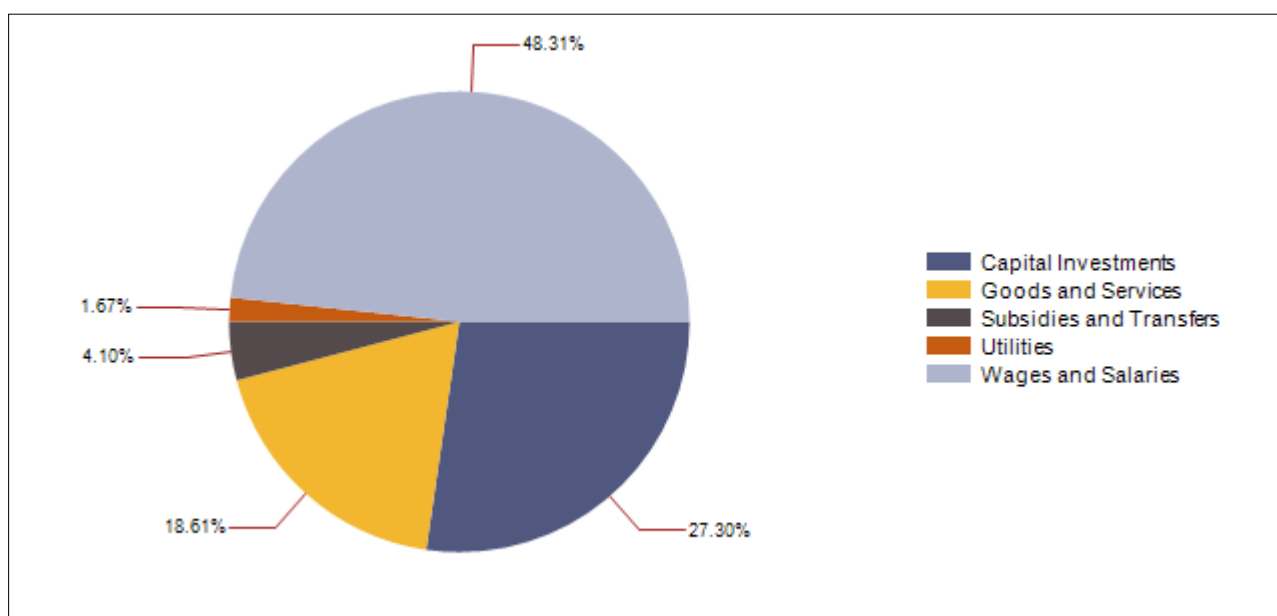
Table 2. Spending of funds by economic categories (in €)

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
Spending of funds by economic categories	41,184,014	43,034,889	42,966,383	45,328,253	36,730,534
Wages and Salaries	20,332,804	20,761,696	20,758,916	20,572,860	16,339,440
Goods and Services	8,000,000	8,032,097	7,997,874	9,322,932	6,686,492
Utilities	564,014	720,687	719,676	1,091,842	927,992
Subsidies and Transfers	950,000	1,764,692	1,761,211	1,525,404	1,493,631
Capital Investments	11,337,196	11,755,716	11,728,706	12,815,214	11,282,980

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

- The budget for wages and salaries increased by €428,892. The increase was influenced by government decisions to cover the budget deficit caused by court decisions in the amount of €407,758, from revenues carried over from the previous year in the amount of €10,232, and €10,902 from donations. The budget expenditure in this category at the end of the year was 100%.
- The budget for goods and services increased by €32,097. The increase was influenced by the carryover of revenues from the previous year in the amount of €8,295, and €23,802 from donations. The budget execution of this category at the end of the year was 99.6%.
- The final budget for utilities increased by €156,673. The increase was mainly influenced by the carryover of last year's revenues of €156,040 and €633 from donations. The budget expenditure in this category at the end of the year was 99.9%.
- The budget for subsidies and transfers increased by €814,692 from last year's revenues. The budget execution of this category at the end of the year was 99.8%.
- The budget for capital investments increased by €418,520. The increase was influenced by the revenues carried over from last year in the amount of €385,660 and €32,860 from donations. The budget of this category was 99.77%. The Public Investment Program includes 116 capital projects of the current year and previous years. The projects are mainly dedicated to investments in road infrastructure, underpasses, lighting, sports halls, construction and renovation of health, educational and cultural facilities, water supply, sewage, river networks, machinery, supplies of medical equipment, other equipment, etc.

Chart 1. Expenditures by economic categories in 2024



The revenues generated by the Municipality in 2024 were €6,194,484, while €5,409,728 were planned, exceeding the plan by €784,756. They mainly relate to revenues from construction permits, revenues from property tax, participations, land survey taxes, and other municipal taxes. The exceeding of the 2024 revenue plan was influenced by revenues from construction permits. Compared to the previous year, the level of revenue collection has decreased by €1,674,320, which mainly concerns tax revenues, namely property tax.

In 2024, the Municipality received €1,344,792 in revenue from traffic fines, €129,680 from court fines, and €6,934 from the Forestry Agency, or a total of €1,481,406. These revenues are not included in the table below because they are planned and collected by the relevant institutions, while they are allocated to the Municipality on a quarterly basis during the year for the execution of payments.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	5,409,728	5,409,728	6,194,484	7,868,804	6,437,271
Tax revenues	3,228,367	3,228,367	2,142,214	3,618,562	2,783,469
Non-tax revenues	2,181,361	2,181,361	4,049,423	4,250,242	3,653,803
Other revenues	0	0	2,847		

4 Progress in implementing recommendations

The audit report for the 2023 AFS of the Municipality of Ferizaj resulted in 21 key recommendations. The Municipality had prepared an Action Plan outlining how it would implement the recommendations given. The 2023 audit report was also discussed in the municipal assembly.

By the end of our 2024 audit, 10 recommendations had been implemented, 10 had not yet been implemented, and 1 recommendation was no longer applicable, as shown in Chart 2, below. For a more complete description of the recommendations and how they were addressed, see Table 3.

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

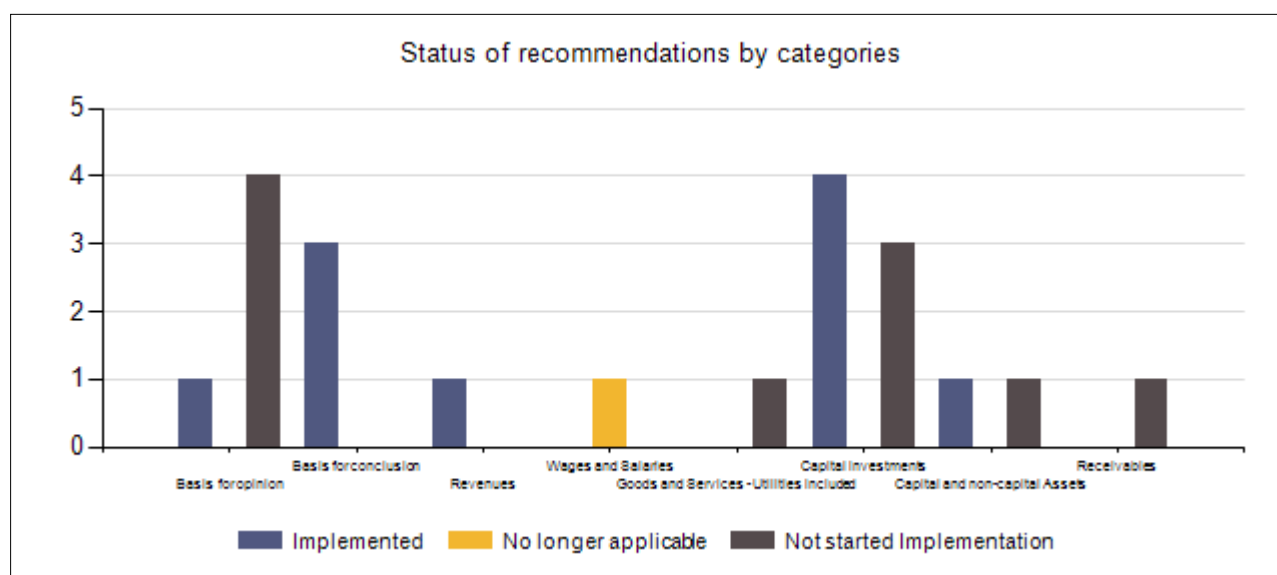


Table 4 Summary of previous year's recommendations

No	Audit Scope	Recommendations for 2023	Actions taken	Status
1	Basis for Opinion	The mayor should ensure that responsible officials maintain accurate and complete records of unpaid liabilities, and the Chief Financial Officer should ensure that their presentation in the AFS is accurate and complete.	This year too we have an inaccurate presentation of unpaid liabilities.	Implementation has not started.
2	Basis for Opinion	The mayor should ensure that contingent liabilities are presented in the financial statements in accordance with the requirements of the regulation on Annual Financial Reporting by Budget Organizations.	This year too we have an unfair presentation of contingent liabilities in the AFS.	Implementation has not started.

3	Basis for Opinion	The mayor should ensure that all necessary actions are taken for expenditures to be planned within the appropriate budget allocations or for funds to be reallocated, and that the payment and recording of expenditures are carried out according to the appropriate economic codes defined in the chart of accounts.	There were also misclassifications of expenses during 2024.	Implementation has not started.
4	Basis for Opinion	The mayor should ensure that responsible officials maintain accurate records of accounts receivable, and the Chief Financial Officer should ensure that their presentation in the AFS is accurate and complete.	Accounts receivable were not presented correctly in the AFS even in 2024.	Implementation has not started.
5	Basis for Opinion	The mayor should ensure improved communication between the relevant departments in order for all municipal assets to be recorded in the asset register, thereby reducing the risk of misuse or loss of assets.	The relevant assets have been registered and the same issue has not resulted this year.	Implemented
6	Basis for Conclusion	The mayor should ensure that all necessary controls are functioning at all times, so that before initiating procurement procedures, it is confirmed that capital projects are included in the Law on Budget Appropriations and that sufficient budget funds are allocated by the Law on Budget Appropriations for all signed contracts.	Actions have been taken to implement the recommendation.	Implemented
7	Basis for Conclusion	The mayor should ensure that procurement procedures are implemented for all supplies and services that are subject to public procurement. Furthermore, the Mayor should ensure that a Contract Manager is appointed for all municipal projects.	Actions have been taken to implement the recommendation.	Implemented
8	Basis for Conclusion	The mayor should ensure compliance with legal requirements regarding the determination of appropriate procedures when financing Non-Governmental Organizations, based on the requirements set out in Regulation 04/2017 on the Subsidization of NGOs.	Actions have been taken to implement the recommendation.	Implemented

9	Revenues	The mayor should ensure that the relevant controls for reviewing construction permit applications are functioning at all times, and that all legal requirements are fulfilled before a construction permit is issued.	Actions have been taken to implement the recommendation.	Implemented
10	Wages and Salaries	The mayor should ensure that budget planning for salaries and allowances is preceded by a detailed analysis regarding the need to increase the number of classes, and consequently, the number of employees in the education sector, in order to prevent entering into obligations without budgetary coverage.	Due to the increase in the number of students/classes, it has been necessary to hire additional teachers and as a result this recommendation is not applicable.	No longer applicable
11	Goods and Services and Utilities	The mayor should ensure that all information regarding unpaid invoices is submitted on time to the Chief Financial Officer to avoid exceeding the legal deadline for payment execution. This will reduce the risk of lawsuits from economic operators and prevent additional interest expenses.	Obligations were not paid within the deadline.	Implementation has not started.
12	Capital Investments	The mayor should ensure that the necessary actions are taken for approved projects to be implemented according to plan. If there is a need to reallocate project funds, this should be done through procedures defined for reallocations in accordance with the Law on Budget Appropriations.	This year too, payments from the fund for other projects have been encountered.	Implementation has not started.
13	Capital Investments	The mayor should ensure proper control through the procurement office by reviewing that the requesting units prepare technical specifications in accordance with legal requirements and the needs of the municipality, defining the quality standards for work or supply.	Actions have been taken to implement the recommendation.	Implemented
14	Capital Investments	The mayor should ensure controls and monitor the implementation of legal requirements so that, prior to initiating procurement procedures for contracting works/construction, project designs are prepared in	Actions have been taken to implement the recommendation.	Implemented

		accordance with the planned needs and requirements.		
15	Capital Investments	The mayor should ensure that all obstacles preventing the execution of contracts according to the contract terms are eliminated before initiating procurement procedures and entering into contractual obligations, so that contract implementation proceeds without hindrances or delays.	This year too, there have been delays in the implementation of contracts.	Implementation has not started.
16	Capital Investments	The mayor should ensure that before initiating procurement procedures, the procurement subject/public services are not provided by a public enterprise.	Actions have been taken to implement the recommendation.	Implemented
17	Capital Investments	The mayor should request from all project managers to ensure that contract management is maintained and archived in the public procurement electronic system.	This year too, shortcomings have been encountered in contract management.	Implementation has not started.
18	Capital Investments	The mayor should ensure that contract amendments are not authorized beyond the limits allowed by the Public Procurement Law, which is 10% of the total contract value.	Actions have been taken to implement the recommendation.	Implemented
19	Assets	The mayor should ensure that the inventory reports are compared with the asset registers and that the asset registers are updated according to the latest recorded data. The mayor should also analyze whether it is necessary to draft internal procedures and regulations for the management of municipal assets.	Due to the importance and nature of this issue, the recommendation is closed.	Implemented
20	Assets	The mayor should ensure the operationalization of the e-asset system in order to fulfill the requirements arising from the applicable laws and information security.	The e-Asset system is not yet operational.	Implementation has not started.
21	Accounts Receivable	The mayor should ensure that all possible options are actively considered by establishing policies and regulations aimed at increasing efficiency in debt collection, while reviewing all measures in accordance with the law against operators who fail to meet their obligations.	This year too, shortcomings have been encountered in the management of accounts receivable.	Implementation has not started.

Vlora Spanca: Auditor General

Blerina Krasniqi: Audit Director

Ilir Abazi: Team leader

Edon Kabashi: Team member

Albana Sahiti, Team member

Ardian Bytyqi, Team member

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

Issue	Comments from the BO	KNAO view
Payment for capital investments from the budget of non-relevant capital projects.	<p>It is well known that the Treasury executes payments from the municipal budget as a result of obligations, consequently the funds received from the Treasury in one project have left the other project unpaid and in this context we have been forced to make payments for projects in progress, avoiding possible lawsuits from other operators, namely legal enforcement procedures that multiply the budgetary damage to the municipality and significantly debalance the local finance management scheme.</p> <p>Budgetary funds have been taken mainly by judicial decisions from the Ministry of Finance and approval of the relevant managers, which means that actions in this regard were of a necessary nature and impossible to oppose or overcome. This situation of necessity, with no other solution, justifies the relevant actions.</p>	<p>In the audit report, on this issue, we also emphasized that this had occurred because the Ministry of Finance/Treasury had used the budget of the relevant projects for the payment of expenses that resulted from court decisions on lawsuits by education employees regarding the collective agreement. In cases where such circumstances arise and it is necessary to make payments for the implementation of capital projects, the possibilities of reallocating the budget to the project code from which the Treasury has withdrawn the budget funds should be considered.</p>



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 Ferizajt, për vitin 2024 (në tekstin e mëtejshëm "Raporti");
- Pajtohem pjesërisht, ndërsa nuk pajtohem me Çështjen B6 (*për të cilën gjeni të bashkëngjitura komentet përkatëse*) derisa për gjetjet tjera dhe rekomandimet nuk kam ndonjë koment për përmbajtjen e Raportit;
- 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.

Agim Aliu

Kryetar i Komunës së Ferizajt

Data: 20.06.2025, Ferizaj



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.