



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 SKENDERAJ 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 Skenderaj for the year ended on 31 December 2024 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities<sup>1</sup>.

## Qualified Opinion on Annual Financial Statements

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

In our opinion, except for the effects of the matter/s described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Municipality of Skenderaj, 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 Expenditures totaling to €937,133 were paid and recorded in inappropriate economic categories.
- A1 The value of contingent liabilities presented in the annual financial statements was overstated by €113,072.
- B2 Non-financial assets presented in the annual financial statements were understated by €120,806.

*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

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

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

Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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 Skenderaj'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**

- A2 Shortcomings in the management of the point-price contract;
- B3 In 16 cases, invoices worth €449,008 were not paid within the legal deadline of 30 days from the date of receipt;
- A3 In four (4) cases there were weaknesses in the NGO subsidy processes, and in one (1) case in individual beneficiaries;
- A4 In one case, the contract execution insurance worth €22,000 was not provided within the deadline set in the tender dossier.
- A5 The municipality had failed to verify at least 20% of taxable properties within the year; and
- B4 For nine (9) completed works contracts, the performance assessment of contractors was not carried out in the contract management module of the e-Procurement platform.

*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 Skenderaj's financial reporting process.

### **Management's Responsibility for Compliance**

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

### **Auditor General's Responsibility for the audit of AFS**

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

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

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

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

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

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 Skenderaj'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 recommendations<sup>4</sup>

During the audit, we noted areas for improvement, including internal control, which are presented below for your consideration in the form of findings and recommendations. These findings and recommendations are intended to make the necessary corrections to the financial information presented in the financial statements, including disclosures in the form of explanatory notes, and to improve internal controls over financial reporting and compliance with authorities regarding the management of public sector funds. We will follow up (review) these recommendations during next year's audit.

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 explanatory notes for contingent liabilities and non-financial assets. In terms of compliance, improvements are needed in the recording of payments in the relevant categories, proper management and timely execution of public contracts, timely payment of obligations to contractors, subsidy and asset management processes, property tax management, and timely collection of construction permit fees.

This report resulted in eleven (11) recommendations, of which six (6) are new, four (4) are repeated, and one (1) is partially repeated.

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

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<sup>4</sup> Issue A and recommendation A means new issue and recommendation  
Issue B and recommendation B means repeated issue and recommendation  
Issue C and recommendation C means partly repeated issue and recommendation

## 2.1 Issues with impact on the audit opinion

### Issue B1 - Classification of expenses into inappropriate economic categories

#### Finding

Financial Rule No. 01/2013/MF-on Public Funds Expenditure, Article 18, point 3, stipulates that expenditures must have adequate codes, as defined in the administrative instruction for the accounting plan. The accounting plan of the KFMIS accurately defines the economic categories 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 €937,133 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 relate to payments for the collective contract of education employees, €769,465 were paid from the budget of the capital investments category, and €92,692 from the budget of goods and services; and
- For expenses of equipment and school laboratory materials, which by nature belong to the category of goods and services, €74,976 were paid from the budget of capital investments.

Also, a sample/payment worth €35,000 processed by the Treasury, from court decisions, the municipality has failed to provide us with the file.

This had happened due to payments from the Treasury as a result of court decisions related to the collective contract for education employees, as well as incorrect budget planning. While the reason for not providing evidence is as a result of the municipality not requesting these cases from the Treasury in a timely manner and the Treasury's delays in responding.

#### 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 B1** The mayor should ensure that expenditures are planned in the appropriate budget allocations or that funds are reassigned so that payments and expenses are recorded in the appropriate economic categories

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

**Issue A1 - 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 BOs maintain accurate, complete, up-to-date and in accordance with applicable legislation accounting records for all financial and other non-financial information.

The value of contingent liabilities in the annual financial statements was overstated by €113,072, as the register recorded nine cases for which the municipality had reached agreements with the plaintiffs and the cases in court were assessed with a final decision and the continuation of the enforcement procedure, and in another case the value of the dispute was not presented correctly.

This had occurred due to negligence in updating information in the contingency register and financial presentation.

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

**Recommendation A1** The mayor should ensure that the list of contingent liabilities is updated in a timely manner, and that cases for which agreements have been made between the plaintiff and the municipality, and which are in the enforcement procedure, are not presented as contingent liabilities.

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

## Issue B2 - Understatement of assets in the annual financial statement

**Finding** Regulation MF-No. 02/2013 on the management of non-financial assets by budget organizations, Article 6.3 stipulates that capital assets must be registered in KFMIS, while non-capital assets and stocks must be registered in the e-asset system.

Non-capital assets worth €74,977 were not recorded in the e-assets asset register, and capital assets worth €45,829 were not recorded in the KFMIS accounting asset register. As a result, non-financial assets presented in the annual financial statements were understated in total by €120,806.

This had happened due to the negligence of the officials responsible for registering non-financial assets.

**Impact** Failure to record non-financial assets has resulted in the failure to report assets fairly and accurately in the annual financial statements.

**Recommendation B2** The mayor should strengthen internal controls in asset management and conduct a review and ensure the complete and accurate recording of assets in accounting records, and conduct a reassessment of the entire list of municipal assets.

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

## 2.2 Issues with impact on compliance conclusion

### Issue A2 - Shortcomings in the performance of the contract with a fixed price

**Finding** Regulation No. 002/2024 on amending and supplementing Regulation No. 001/2022 on public procurement, 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” or each “item” in order for the CA to determine which is the offer with the lowest price. In these cases, the threshold or ceiling of +/-30% does not apply. Given the fact that the weighting of the categories must be done based on the weight and importance of the respective category, this means that the realized (spent) value cannot differ from the weight ratios initially given in the tender dossier.

The public contract with a point price “Repair and maintenance of roads and rivers in BL Klina e Epërme, Prekaz, Turiçec, Polac, Qirez, Runik, Likoc, Rezallë”, worth €1,400,000, was implemented in total at the planned value, however, the planned expenses for the first category weighted by 65% or €910,000, were implemented in the amount of €1,207,898, exceeding the allowed limit by €297,898 or 33%. Furthermore, category 3 with a weight of 3% or €42,000 was not implemented at all, while category 2 with a weight of 7% or €98,000, was implemented only by 0.7% or €6,749.

This occurred due to shortcomings in accurate planning of needs and the lack of proper controls by contract managers and direct supervisors in monitoring projects.

**Impact** Failure to maintain the percentage or weighting of contracted categories causes additional budgetary costs because the weighting ratio was the main factor in selecting the cheapest tender or offer during the procurement procedure.

**Recommendation A2** The mayor should ensure through the requesting units and the procurement department that, during the preparation of requests and tender dossiers for public framework contracts according to weighting, they play an active role in determining real needs. There is also a need for more active supervision during the implementation of contracts by contract managers, so that the realized value of the category does not exceed the weight or limit of the contracted value.

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

### Issue B3 – Failure to timely pay obligations and additional budgetary costs due to court and enforcement decisions

**Finding** Article 41 of Financial Regulation No. 01/20213/MF on Public Funds Expenditure, stipulates that the budget organization must pay every valid invoice for the payment of works, goods and services received within 30 calendar days from the date of receipt of the invoice.

In 16 cases, invoices worth €449,008 were not paid within the legal deadline of 30 days from the date of receipt. The delays ranged from 7 days to 180 days.

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 costs.

This had occurred due to improper management of liabilities, and entering into liabilities without securing the necessary budgetary funds.

**Impact** Delays in making payments within the deadline result in the municipality being subject to lawsuits from contractors, causing additional financial costs due to legal proceedings.

**Recommendation B3** 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 A3 - Weaknesses in the subsidy processes of NGOs and individual beneficiaries****Finding**

Internal regulation on subsidies no. 01-400/01-003/689/20 dated 04.12.2020, article 20, subsidies for culture, youth, and sports, point 1.3.5, stipulates that: the documents that must be submitted during the application for the allocation of subsidies include, among others: the external audit report for clubs that benefit from an amount over (5) thousand euros within the calendar year. Also, article 5 paragraph 2, of the same regulation specifies that the beneficiary of subsidies can only be a natural and legal person once a year, with the exception of cases for a natural person in the field of health, for the needs of healing and food security (social welfare) and in the field of agriculture. Further, Article 13 of this same regulation specifies that the Municipality allocates scholarships for students, pupils, underprivileged education, students with special needs, competitions or quizzes, publishing books, students who have shown good results at the national and international level.

Further, according to the Regulation MF.No. 04/2017 On the criteria, standards and procedures for public financing of NGOs, Article 13 public call criteria and required documentation point 1 the public call must contain the following information: 1.1 call instructions for applicants, including criteria for the selection of beneficiaries.

During the testing of subsidy procedures for NGOs and individual beneficiaries, we identified these shortcomings:

- In three (3)<sup>5</sup> cases of subsidies to NGOs in the field of culture, youth and sports, in a total amount of €40,400, the beneficiaries did not meet the criteria set out in the internal regulation for subsidies. This is because the same had not brought the external audit report as required by the municipal regulation. For the same cases, the Municipality had not published the guidelines for applicants in the respective calls.
- In the subsidy procedure for the project "National Festival "Albanian Rhapsody", in the amount of €17,800, we identified that the Municipality had subsidized this NGO twice within the calendar year 2024, despite the fact that according to the criteria of the relevant regulation, the beneficiary of subsidies can only be once a year. The total value of subsidies within the year was €33,700.

- In the payment on behalf of scholarships for students, the Municipality had financed the transportation of students with special needs and poor economic conditions with a value of €3,500. The payment was made based on the decision of the Director of the Municipal Directorate for Education, while the beneficiary was a natural person selected by the parents of the students through signatures and not through legal procedures for selecting the beneficiary.

This occurred as a result of the failure of responsible persons to implement relevant procedures and regulatory acts during the public call procedures and the assessment of subsidy requests.

#### **Impact**

Granting subsidies in the absence of complete documentation and in violation of the applicable regulations results in unequal treatment of applicants, increases the risk that funds will not be used effectively and the purpose of the subsidy will not be achieved.

**Recommendation A3** The mayor should ensure that the assessment and approval of subsidy requests are carried out in accordance with the criteria set out in the regulations and within the legal scope of the municipality. In addition, supervision is increased in the process of assessing requests, to prevent the approval of assistance in the absence of the necessary documentation or for purposes that exceed the competences of the municipality.

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

#### **Issue A4 - Security of contract execution not within the appropriate time frame**

**Finding** The contract notice and tender dossier for the contract "Supply of goods and services for the needs of the DCYS and other directorates in the Municipality of Skenderaj" determined that the execution security would be for a duration of 37 months from the date of signing the contract.

In the contract "Supply of goods and services for the needs of the DKRS and other directorates in the Municipality of Skenderaj", with an estimated value of €220,000, the performance security did not cover the period specified in the contract notice and in the tender dossier of 37 months, since the tender winner had offered the performance security for a period of 13 months.

Failure to comply with the requirements set out in the tender dossier regarding the assurance of contract execution is the result of the lack of adequate control by the contracting authority before signing the contract.

**Impact** Accepting performance security with a shorter duration risks the contracting authority not having sufficient financial protection in the event of non-performance of the contract by the contractor.

**Recommendation A4** The mayor should ensure that public contracts are signed only when the contractor provides execution security within the deadline specified in the tender dossier.

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

## Issue A5 - Low percentage of property inspections for property tax

**Finding** Law No. 06/L-005 on Immovable Property Tax, Article 15, provides that: "The Municipality must annually carry out inspection (verification) actions for at least 20% of all properties within the territory of the Municipality."

The municipality during 2024 failed to inspect or verify at least 20% of the registered properties within the territory of the municipality. During the year, the municipality inspected only 16.4% of the total properties.

This had occurred due to deficient controls and insufficient commitments to verify properties according to legal requirements.

**Impact** Failure to inspect properties results in incomplete information on current properties and impacts on the unfair and inaccurate assessment of property tax burdens, respectively lower own-account revenues from property tax.

**Recommendation A5** The mayor should ensure increased real estate verification activities, according to legal requirements, so that any property changes are integrated into the database to reflect the correct tax liability.

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



## **Issue B4 - Failure to evaluate contractors' performance through the e-procurement platform by contract managers**

**Finding** Article 70, item 25, of Regulation 001/2022 on public procurement, 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, point 61 of the Rule and Operational Guide on Public Procurement requires that contract management records be prepared, maintained and archived in the contract management module in the electronic procurement system.

For nine (9)<sup>6</sup> completed public contracts, project managers and managers' supervisors did not evaluate the performance of contractors in the contract management module of the e-procurement platform. Also, in ten (10) contracts for goods and services, contract managers did not archive contract data through the electronic public procurement system.

This occurred due to insufficient controls and non-implementation of regulatory requirements for the management and evaluation of the implementation of public contracts.

**Impact** Failure to update information about project implementation in the electronic module makes it impossible to analyze, monitor and evaluate the performance of public contracts. This also allows deficiencies in contract management to appear in the future.

**Recommendation B4** The mayor should ensure that contract managers and direct supervisors of managers post information about project implementation and assess contractor performance through the contract management module on the e-procurement platform.

**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 €5,439,268, and €5,337,594 were spent during 2024. Capital investments consist of investments in road infrastructure, construction and renovation of health, educational and cultural facilities, water supply, sewage, lighting networks, machinery, supplies of medical equipment, etc.

**Issue A6 - 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 projects:

- The works contract "Construction of sewage systems in the villages of Qirez, Prelovc, Baks, Krasaliq, Kozhicë, Krasmirov L=61,184M", with a total value of €1,190,000, was to be completed by the end of 2020, while it was completed in February 2023, or 25 months late;
- The works contract "Rehabilitation and functionalization of the project - Enjoy the city on foot on Ilaz Kodra Street in Skenderaj", with a value of €189,117, was to be completed in October 2022, while it was completed in December 2023, or 12 months late; and
- The contract "Purchase of motorized equipment for the maintenance of the city of Skenderaj", with a value of €163,000, the supply was to be completed within 30 days, while the equipment was delivered 3 months late.

This had occurred due to insufficient controls by contract managers, but also due to budgetary shortfalls arising from 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 A6** The 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 Receivables

The total receivables presented in the 2024 AFS are €1,821,029. The value of receivables mainly consists of property and land taxes (79%), municipal taxes on business (11%), and (10%) rent from the use of properties.

### Issue C1 – Shortcomings in accounts receivable management

**Finding** Contract no. 05/353-10 on the lease of business premises, Article 2 stipulates "The lessee of the premises is obliged to pay the rent set by the Municipality on a regular basis for each month, eventually by the 5th of the following month, through the Property Sector of this Directorate to the designated account of the Municipality's budget." Also, in contract no. 05/464-213 on the temporary lease of public land, Article 3 stipulates "The user of public land is obliged to pay an annual rent per m2 for the use of the land for each year according to the tariff set in the municipal regulation in force, otherwise, for non-payment of the rent, the land will be taken from use, while the remaining debt will be sought according to the law through the court."

The municipality had not effectively managed accounts receivable for rent and lease from the use of public properties. Our testing resulted in that, in two cases for rent from public property in the amount of €22,870, and one case for rent for the use of public property in the amount of €7,450, the municipality had not taken legal action within 2024 to collect the debt. The total debt for rent and lease from public property had increased to €167,151, compared to €153,717 in 2023.

This occurred due to the improper functioning of internal controls in the management of accounts receivable.

**Impact** Failure to collect receivables reflects in a lower level of budget from own source revenues. Consequently, this may also affect the achievement of the Municipality's objectives, making it impossible to invest in projects financed by these funds.

**Recommendation C1** The mayor should take measures to improve the functioning of the relevant units, in order to ensure better management of revenues and accounts receivable.

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

### 3 Summary on budget planning and execution

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

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

| Description                        | Initial budget    | Final budget <sup>5</sup> | 2024 Expenditures | 2023 Expenditures | 2022 Expenditures |
|------------------------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|
| <b>Sources of funds</b>            | <b>18,582,311</b> | <b>21,113,589</b>         | <b>20,949,548</b> | <b>18,709,687</b> | <b>14,195,206</b> |
| Government Grants – Budget         | 17,283,040        | 18,467,038                | 18,359,973        | 16,257,693        | 12,543,990        |
| Funding through borrowing          | 0                 | 0                         | 0                 | 0                 | 129,597           |
| Carried forward from previous year | 0                 | 344,429                   | 322,124           | 417,798           | 309,371           |
| Own source revenues                | 1,299,271         | 1,688,798                 | 1,658,354         | 1,607,215         | 1,197,791         |
| Domestic Donations                 | 0                 | 1,881                     | 0                 | 420,575           | 0                 |
| External donations                 | 0                 | 611,442                   | 609,096           | 6,406             | 14,456            |

The final budget is higher than the initial budget by €2,531,278. This increase is the result of government decisions worth €1,183,999, changes to the own-source revenue plan for €389,527, revenues carried over from the previous year worth €344,429, and €613,324 from donations.

In 2024, the Municipality of Skenderaj has spent 99% of the final budget or €20,949,548, with an improvement of 1% compared to 2023 where the implementation was 98%. The explanations for the current position are detailed below.

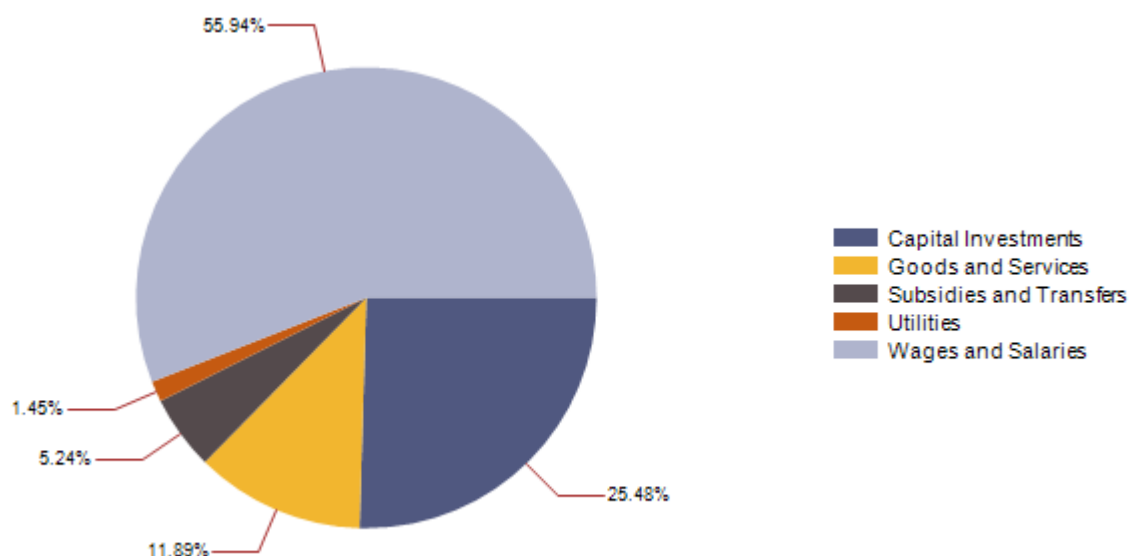
**Table 2. Spending of funds by economic categories (in €)**

| Description                                     | Initial budget    | Final budget      | 2024 Spending     | 2023 Spending     | 2022 Spending     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Spending of funds by economic categories</b> | <b>18,582,311</b> | <b>21,113,589</b> | <b>20,949,548</b> | <b>18,709,687</b> | <b>14,195,206</b> |
| Wages and Salaries                              | 10,529,849        | 11,720,442        | 11,719,195        | 9,758,084         | 8,127,199         |
| Goods and Services                              | 2,386,428         | 2,521,771         | 2,491,898         | 2,474,417         | 1,773,318         |
| Utilities                                       | 289,323           | 324,127           | 303,122           | 317,868           | 198,310           |
| Subsidies and Transfers                         | 1,002,000         | 1,107,980         | 1,097,739         | 1,407,504         | 803,249           |
| Capital Investments                             | 4,284,711         | 5,439,268         | 5,337,594         | 4,751,813         | 3,293,129         |
| Reserves  | 90,000            | 0                 | 0                 | 0                 | 0                 |

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

- The budget for wages and salaries increased by €1,190,593. The increase was influenced by government decisions to cover the budget deficit caused by court decisions in the amount of €1,183,999, and €6,595 from donations. Budget spending in this category at the end of the year was 100%.
- The budget for goods and services increased by €135,343. The increase was influenced by the change in the own-source revenue plan for €131,551, from the transfer of last year's revenue for €1,826, and €1,966 from donations. The budget execution of this category at the end of the year was 98.8%.
- The final budget for utilities increased by €34,804. The increase was mainly influenced by the carryover of last year's revenues for €19,804, and by the increase in the own-source revenue plan for €15,000. The budget execution in this category at the end of the year was 93.5%.
- The budget for subsidies and transfers increased by €105,980. The increase was influenced by the change in the annual own-source revenue plan for €79,837, from the carried-over revenues of last year for €25,032, and €1,111 from donations. The budget for this category was realized at 99.1%.
- The budget for capital investments increased by €1,154,557. The increase was mainly influenced by the receipt of donations worth €603,652, revenues carried over from the previous year worth €297,767, from the change in the annual plan of own source revenues for €163,139, and from the reallocation of €90,000 from the reserves category. The budget of this category was 98.1% implemented. The Public Investment Program includes 56 capital projects of the current year and previous years. The projects are mainly dedicated to investments in road infrastructure, public lighting, sports halls, construction and renovation of health, educational and cultural facilities, water supply networks, sewage, rivers, parks, 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 €1,575,277, while €1,299,271 were planned, exceeding the plan by €276,006. They mainly relate to taxes for construction permits, property tax, revenues from the use of public property, participations, and other municipal taxes. Compared to the previous year, the level of revenue collection has decreased by €211,161, which mainly concerns tax revenues, namely property tax.

In 2024, the Municipality received €120,626 in revenue from traffic fines, €20,345 from court fines, and €90 from the Forestry Agency, or a total of €149,061. 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 realization of payments.

Table 3. Revenues (in €)

| Description              | Initial budget   | Final budget     | 2024 Receipts    | 2023 Receipts    | 2022 Receipts    |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total of revenues</b> | <b>1,299,271</b> | <b>1,299,271</b> | <b>1,575,277</b> | <b>1,786,438</b> | <b>1,444,554</b> |
| Tax revenues             | 377,870          | 377,870          | 217,509          | 374,702          | 336,698          |
| Non-tax revenues         | 921,401          | 921,401          | 1,357,590        | 1,411,736        | 1,107,856        |
| Other revenues           | 0                | 0                | 178              |                  |                  |

## 4 Progress in implementing recommendations

The audit report for the 2024 AFSs for the Municipality of Skenderaj resulted in seven (7) key recommendations. The Municipality had prepared an Action Plan outlining how it will implement the recommendations given. The 2023 audit report was discussed in the municipal assembly. The Municipality had also prepared a periodic report on the progress of implementing the 2023 audit recommendations. By the end of our 2024 audit, one (1) recommendation had been implemented; one (1) was in the process of being implemented, four (4) had not been implemented, and one (1) was no longer applicable, as shown in Chart 2, below.

For a more complete description of the recommendations and how they have been addressed, see Table 3 (or the Table of Recommendations).

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

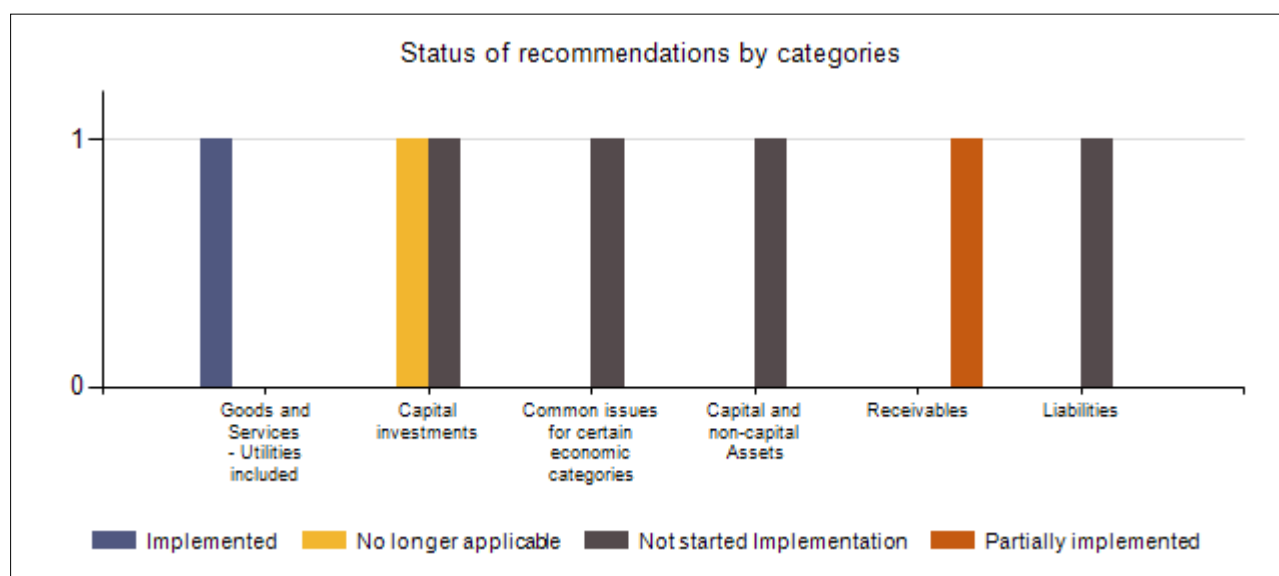


Table 4 Summary of previous year's recommendations

| No | Audit Scope                      | Recommendations for 2023  | Actions taken             | Status                          |
|----|----------------------------------|---|---------------------------|---------------------------------|
| 1  | Goods and Services and Utilities | The Mayor should ensure that the acceptance of purchased goods is carried out only by the authorized commission, to confirm that the supplies are received according to the quality and quantity specified in the contract. | Actions have been taken.  | Implemented                     |
| 2  | Capital Investments              | The Mayor should require all project managers to ensure that contract management is maintained and  | No action has been taken. | Implementation has not started. |



|   |                         |  |  |                                 |
|---|-------------------------|--|--|---------------------------------|
|   |                         | archived by the electronic public procurement system.  |  |                                 |
| 3 | Capital Investments     | The Mayor should ensure that internal controls are strengthened in the payment execution process. Payments must be processed in chronological order and in full compliance with the steps defined by the financial regulation for public expenditure.        | No longer applicable.  | No longer applicable            |
| 4 | Common Issues           | The Mayor should ensure that expenditures are planned within the appropriate budget allocations or that funds are reallocated so that payments and expense recordings are made according to the proper economic codes.                                       | Expenditure misclassifications are present again this year.                        | Implementation has not started. |
| 5 | Assets                  | The Mayor should strengthen internal controls in asset management, conduct a review, and ensure the complete and accurate recording of assets in the accounting registers, as well as carry out a reassessment of the entire municipal asset list.           | This year too we have understatement of assets in the annual financial statements. | Implementation has not started. |
| 6 | Accounts Receivable     | The Mayor should take measures to improve the functioning of the respective units, aiming to ensure better management of revenues and accounts receivable.   | Actions have been taken on several types of accounts receivable.                   | Partially implemented           |
| 7 | Outstanding Liabilities | The Mayor should ensure better planning of budget funds, and that the initiation of expenditure procedures takes place only when funds are available, in order to eliminate delays in invoice payments and avoid potential disputes from economic operators. | This year too, we have cases of non-payment of obligations on time.                | Implementation has not started. |

Vlora Spanca: Auditor General

Blerina Krasniqi: Audit Director

Ilir Abazi: Team leader

Ardian Bytyqi, Team member

Edon Kabashi: Team member

## Annex I: Letter of confirmation



REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/REPUBLIC OF KOSOVO  
KUVENDI KOMUNAL/ASSEMBLY OF MUNICIPALITY/SKUPŠTINA OPŠTINE  
SKENDERAJ

Nr. 04.052/01-0023848/25  
Data 24.06.2025



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo

Kuvendi i Komunës Skenderaj  
Skupština Opštine Skenderaj  
Skenderaj Municipal Assembly

Zyra e Kryetarit /Kabinet Predsednika / Office of the Mayor

### 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 Skenderajt, për vitin 2024 (në tekstin e mëtejme “Raporti”);
- pajtohem/ nuk pajtohem/ pajtohem pjesërisht/ me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe (kjo pikë përshtatet nga entiteti)
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Fadil Nura

Kryetar i Komunës së Skenderajt,

Data 23.06.2025, Skenderaj



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

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

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

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

(Extract from ISSAI 200)

### Forms of opinion

#### **Unmodified opinion**

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

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

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

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

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

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

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

- Modified (qualified)
- Adverse, or
- Disclaimer

#### **Qualified opinion**

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

#### **Adverse opinion**

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

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

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

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

### Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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