



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

**AUDIT REPORT**  
**ON THE SPECIAL-PURPOSE ANNUAL FINANCIAL**  
**STATEMENTS OF THE IMPROVEMENT AND REHABILITATION**  
**OF IRRIGATION SYSTEMS PROJECT IN KOSOVO FOR THE**  
**PERIOD**  
**1 JANUARY 2024 TO 31 DECEMBER 2024**

**Prishtina, July 2025**

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# 1 Audit Opinion

This report summarises the key issues arising from the audit of the special-purpose annual financial statements of the Improvement and Rehabilitation of Irrigation Systems Project in Kosovo, for the period 1 January 2024 to 31 December 2024, which sets out the Opinion of the Auditor General. The examination of the special purpose financial statements for the audit period was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures which were necessary to obtain an opinion on the financial report.

## 1.1 Audit Opinion on the annual financial statements of the Improvement and Rehabilitation of Irrigation Systems Project in Kosovo

Our audit of the special-purpose annual financial statements considers compliance with reporting requirements under the agreement and the quality and accuracy of the information presented in the financial statements.

### Unmodified opinion

We have audited the special-purpose financial statements of the project funded by the World Bank for the period 1 January 2024 to 31 December 2024, which involves a summary of funds resources and expenditures incurred, statement of applications for withdrawal of funds and the disclosures.

In our opinion, the special-purpose annual financial statements of the Improvement and Rehabilitation of Irrigation Systems Project in Kosovo for the period 1 January 2024 to 31 December 2024, give a true and fair view in all material respects, in accordance with reporting requirements agreed by both parties and in accordance with the principles of cash-based accounting.

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

### Emphasis of Matter – Basis of accounting

- 1 We would like to draw your attention to the fact that the special-purpose financial statements have been prepared in compliance with special purpose framework. As a result, they cannot be used for any other purpose

Our audit opinion was not modified in this respect.

**Responsibilities of Management and Those Charged with Governance**

The Management is responsible for the true and fair preparation of special-purpose financial statements in accordance with the Agreement entered into between the Government of Kosovo, represented by the Minister of Finance, and the International Development Association. This information consists of the Statement of Funds and their Use and the Statement of Funds Withdrawal.

The Minister of Agriculture, Forestry and Rural Development is responsible to ensure the oversight of the Ministry of Agriculture, Forestry and Rural Development's financial reporting process.

**Auditor General's Responsibility for the audit**

We conducted our audit in accordance with the Law on National Audit Office and INTOSAI Framework of Professional Pronouncements (IFPP). This law and these standards require that we honour the ethical criteria and plan and carry out the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

The audit involves performing procedures to obtain evidence about the financial records and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. The audit also includes assessing the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as assessing the overall presentation of the financial statements.

In carrying out the risk assessment procedure we consider the relevant internal control regarding the entity's preparation of the financial statements but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate, in written, any significant shortcoming in internal control relevant to the audit of the financial statements, which we identify during the audit.

## 2 Audit Scope and Methodology

Based on the agreement/contract entered into with the World Bank, the National Audit Office (NAO) is responsible for carrying out the financial audit. This audit includes the examination and assessment of the financial statements and other financial records as the following:

- Whether the special-purpose financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether all external funds have been used in accordance with respective terms of funding agreements;
- Whether the financial records, systems and transactions comply with laws and regulations applicable for funds allocated by the World Bank;
- Whether financial statements comply with the requirements of the agreement concluded between the Republic of Kosovo and the World Bank; and
- Compliance of internal control functions

Our audit was based on risk assessment. We have analysed the operations of the Improvement and Rehabilitation of Irrigation Systems Project in Kosovo, which operates within the Ministry of Agriculture, Forestry and Rural Development, and the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

Our procedures have included a review of internal controls, accounting systems and interrelated substantive tests, as well as related governance arrangements to the extent considered necessary for the effective conduct of audit.

Vlora Spanca, Auditor General

Mjellma Dibra, Audit Director

Aurora Morina, Team leader

Valbona Tolaj, Team member

## Annex I: Explanation of the Different Types of Opinion Applied by NAO

(Extract from ISSAI 200)

### **Form of opinion**

147. 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.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or 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 modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

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

151. 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, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

### **Determining the type of modification to the auditor's opinion**

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express **a qualified opinion** if: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express **an adverse opinion** if, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion** if, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 170519 provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

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

157. 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.

158. 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.

159. 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.



## Annex II: Letter of Confirmation

**Improvement and Rehabilitation of Irrigation Systems  
Project**

**(IRIS)**

(Grant No TF0C1898)

(P179737)

**Financial Statements**

for the period from March 26 (inception date) to December 31,  
2024

Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No TF0C1898)

**Statement of Sources and Uses of Funds**

For the period from March 26, 2024 to December 31, 2024

*(in EUR unless otherwise stated)*

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**Financial Statements of the project**

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Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No TF0C1898)

**Statement of Sources and Uses of Funds**

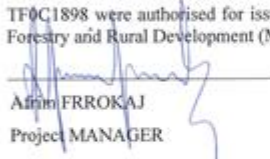
For the period from March 26, 2024 to December 31, 2024

(in EUR unless otherwise stated)

	Notes	From March 26, 2024 to December 31, 2024	Cumulative from March 26, 2024 (Inception date) to December 31, 2024
<b>Sources of Funds:</b>			
Grant No TF0C1898 funding	4	143,539	143,539
Temporary advances by the Government of Kosovo	5	872,716	872,716
<b>Total Sources of Funds</b>		<b>1,016,255</b>	<b>1,016,255</b>
<b>Uses of Funds:</b>			
Works	6	(632,403)	(632,403)
Goods	7	(3,511)	(3,511)
Consulting services	8	(313,958)	(313,958)
Training and workshop	9	(44,420)	(44,420)
Incremental operating costs	10	(21,963)	(21,963)
<b>Total Uses of Funds</b>		<b>(1,016,255)</b>	<b>(1,016,255)</b>

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 8 and forming an integral part of the financial statements.

The financial statements of the Improvement and Rehabilitation of Irrigation Systems Project Grant No TF0C1898 were authorised for issue by the management of the Project under the Ministry of Agriculture, Forestry and Rural Development (MAFRD) May 20, 2025 and signed on its behalf by:

  
Adim FRROKAJ  
Project MANAGER

  
Adile OSMANI  
Financial Management Specialist

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

Summary of Statements of Expenditure  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

Grant No. TF0C1898

Withdrawal application	Type of application	Appl. Pym. Amount	Works	Goods	Training	Consultant services	Incremental Costs	SOE	Date received	Value date
IRIS/01	Reimbursement	143,539	-	3,190	35,877	87,994	16,477	143,539	04-Dec-24	16-Dec-24
<b>Total</b>		<b>143,539</b>	<b>-</b>	<b>3,190</b>	<b>35,877</b>	<b>87,994</b>	<b>16,477</b>	<b>143,539</b>		

Afrim FRROKAJ  
Project MANAGER

Adile OSMANI  
Financial Management Specialist

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**1) General**

The Grant Agreement for the Improvement and Rehabilitation of Irrigation Systems Project (IRIS), between the Republic of Kosovo ("Recipient") and the International Bank for Reconstruction and Development and International Development Association ("Bank"), acting as administrator of the European Commission — World Bank Partnership Programme Part III for Europe and Central Asia Programmatic Single-Donor Trust Fund, was signed on October 23, 2023. The Project became effective on March 26, 2024, and its closing date is set on March 31, 2026. The total financing amount will not exceed Euro 9,150,000.

Pursuant to the Grant Agreement, the Ministry of Agriculture, Forestry and Rural Development (MAFRD) is responsible for overall Project implementation with due diligence and efficiency, in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices and in accordance with the provisions of the Financing Agreement. A Project Implementation Unit ("PIU") within MAFRD has been established to implement, monitor, control and complete the Project activities. As of December 31, 2024, the PIU had 8 employees.

**Project objective and description**

The objective of the Project is to increase the efficiency of water utilization and boost agricultural productivity in the Project area.

The Project consists of the following parts:

**Part 1. Rehabilitation and Modernization of the RDIS**

- 1.1. Rehabilitation of the RDIS, including: (a) rehabilitation works to modernize and upgrade the RDIS, including, inter-alia: (i) rehabilitation and upgrade of the regulating structure, aiming at controlling water flow and water use to ensure efficient water management; and (ii) rehabilitation of three irrigation sub-systems; and (b) supervision of the progress and quality of works.
- 1.2. Modernization of the RDIS through support to the development and establishment of SCADA to: (a) ensure better water use efficiency and institutional and financial sustainability of the irrigation system; (b) enable remote operation of irrigation structures and reduce operating costs and water losses; (c) allow centralized monitoring and control and detect irregularities in real-time; (d) allow safer and faster operation of the valves in outlet structures; and (e) allow for better planning and water release.

**Part 2. Capacity Building to Increase Water Use Efficiency and Agriculture Productivity**

Improving the sustainability and efficiency of infrastructure investments and increasing the capacities of all relevant stakeholders through the provision of technical assistance to:

- 2.1. existing irrigation providers to improve the overall corporate governance and best practices in management and to prepare quality business plans.
- 2.2. farmers to support: (i) on-farm irrigation development, including activities to develop and operate a pilot farm in the RDIC area, introducing modern on-farm irrigation technologies and good practices for an efficient on-farm water management; and (ii) agriculture practices, including activities to optimize production costs and ensure the transition to a more productive agriculture while introducing agro-ecological practices, developing value chains, supporting marketing and empowering farmer groups.
- 2.3. the MAFRD and the municipalities by strengthening their capacities to: (i) provide irrigation and drainage advisory services to the farmers on irrigation technologies and water use management; and (ii) the organization of knowledge exchanges related to Project activities.

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**1) General (continued)**

**Part 3. Project Management, Coordination, Monitoring and Evaluation**

Provision of support for the establishment of the PIU, including technical assistance, training and Operating Costs for Project management, coordination, and monitoring evaluation.

**Grant Agreement No. TF0C1898**

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category, as stated in the original and revised Financing Agreement:

Category	Amount of the Grant Allocated (expressed in Euro)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consulting services, non-consulting services, Operating Costs and Training the Project	9,150,000	100%
<b>Total amount</b>	<b>9,150,000</b>	

The commitment and payment currency are EUR. As of December 31, 2024, the amount of EUR 143,539 was disbursed from the Grant proceeds.

**2) Basis of preparation**

The project financial statements have been prepared for the purpose of complying with grant agreement and standard conditions of the Grant No TF0C1898.

The financial statements comprise the Statement of Sources (Cash Receipts) and Uses (Payments); the Statement of Expenditure used as the basis for the submission of withdrawal applications for the period from March 26 to December 31, 2024, and a summary of significant accounting policies and other explanatory notes.

The financial statements have been prepared in accordance with cash basis IPSAS - Financial Reporting under the Cash Basis of Accounting. On this basis, income is recognised when received rather than when earned and expenses are recognised when paid rather than when incurred. Accordingly, direct and indirect payments of the Project's expenses, which are made from the proceeds of the credit, are recognised as sources and uses of funds at the time the payment is made.

The financial statements prepared for the special purpose are presented in Euro ("EUR"), unless otherwise stated.

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**3) Summary of significant accounting policies**

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

**3.1 Recognition of income and expenses**

Income is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

**3.2 Taxation**

The Project is exempt from Value Added Tax (VAT) and Custom Duties, pursuant to the Law No. 05/L-037 dated August 2015 on Value Added Tax (VAT). The local employees of the project are liable for personal income tax and social security contributions.

**4) Grant No. TF0C1898 funding**

The Grant funding is composed as follows:

	For the period from March 26 to December 31, 2024
Reimbursements	143,539
<b>Total</b>	<b>143,539</b>

**5) Temporary advances received by Government of Kosovo**

The temporary advances received by the Government of Kosovo are composed as follows:

	For the period from March 26 to December 31, 2024
Government funds at the beginning of period	-
Project eligible expenditures paid from Governments Funds	1,016,255
Reimbursements from Grant (Note 4)	143,584
Government funds movement during the period	872,716
<b>Government funds as at December 31, 2024</b>	<b>872,716</b>

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**6) Works**

The expenditure for works is detailed as follows:

	For the period from March 26 to December 31, 2024
Renovation works for the irrigation system in the Radoniqi water supply.	632,403
<b>Total</b>	<b>632,403</b>

**7) Goods**

Goods are detailed as follows:

	For the period from March 26 to December 31, 2024
Office equipment	2,516
Office furniture	995
<b>Total</b>	<b>3,511</b>

**8) Consultant services**

Consultant services are detailed as follows:

	For the period from March 26 to December 31, 2024
Consultancy service to support preparation of irrigation measures and strategic annual programing	7,050
Consultant for preparation of the environmental impact assessment	2,600
Consultancy services payment for supervision of works for Radoniqi - Dukagjini irrigation scheme	64,560
Capacity Building for increasing water use efficiency and agricultural productivity	159,765
PIU Staff net salaries	65,494
Personal income tax for PIU	6,900
Employee pension contribution for PIU	3,434
Red Media-Communication and Outreach Campaign	4,155
<b>Total</b>	<b>313,958</b>



Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**9) Training**

Expenditures for training are detailed as follows:

	<b>For the period from March 26 to December 31, 2024</b>
Fee and subsistence - study tour in France	15,833
Transportation expenses - study tour in France	5,840
Transportation expenses - study tour in Italy	1,836
Fee and subsistence - study tour in Italy	20,911
<b>Total</b>	<b>44,420</b>

The training expenditures consists of travel and subsistence cost for: (i) a study tour in France organized in 29 Sep-03 Oct' 2024, whereby 2 farmers, irrigation providers, MAFRD and municipalities staff learned about a well-established farming, advanced practices and efficient use of water for irrigation for improving productivity, profitability and sustainability of their operations and on increasing their competitive potential in the sector, and (ii) a study tour in Italy organized in 17-21 Nov' 2024 aiming to promote opportunities for growth of commercial and semi-commercial agro-rural businesses through knowledge and experience exchange, whereby 2 farmers, irrigation providers, MAFRD and municipalities staff.

**10) Incremental operating costs**

Expenditures for incremental operating costs are detailed as follows:

	<b>For the period from March 26 to December 31, 2024</b>
Office rent	8,266
Translation services	750
Employer pension contribution	3,434
Telecommunication/mobile phone/internet	1,382
Office supplies/printing services/advertisement	1,290
Utilities	249
Rental of chairs and tents (inauguration of the irrigation system in the Radoniqi-Dukagjini)	600
Representation expenses	2,533
Vehicle (maintenance/insurance and fuel consumption)	2,659
Small purchases for office supplies	800
<b>Total</b>	<b>21,963</b>

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Notes to the Project Financial Statements**  
for the period from March 26 to December 31, 2024  
(in EUR unless otherwise stated)

**11) Liabilities**

There are no liabilities as of December 31, 2024..

**12) Expenditures by parts**

The expenditures by Project Parts and nature are as follows:

Project Parts/ Type of expenditure	Works	Goods	Consultant Services	Training	IOC	Total period March 26 to December 31, 2024
Part 1: Rehabilitation and Modernization of the Radoniqi-Dukagjini Irrigation Scheme	632,403	-	67,160	-	-	699,563
Part 2: Capacity Building to increase water use efficiency and agriculture productivity	-	-	166,815	44,420	-	211,235
Part 3: Project Management, Coordination, Monitoring and Evaluation	-	3,511	79,983	-	21,963	105,457
<b>Total year ended on December 31, 2024</b>	<b>632,403</b>	<b>3,511</b>	<b>313,958</b>	<b>44,420</b>	<b>21,963</b>	<b>1,016,255</b>

**13) Undrawn grant facilities**

The balance of the undrawn funds from Grant TF0C1898 as of December 31, 2024, is EUR 9,006,461.

Kosovo Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No. TF0C1898)

**Statement of cumulative expenditures withdrawal schedule**  
(IRIS)

(TF 0C1898)

Statement of Cumulative Expenditures Withdrawal Schedule  
(Supplementary schedule  
to the Annual Financial Statements)

**Financial Statements**  
for the period from March 26 to December 31, 2024

Improvement and Rehabilitation of Irrigation Systems Project (IRIS)  
(Grant No TF0C1898)

Statement of cumulative expenditures withdrawal schedule  
For the period from March 26 (inception date) to December 31, 2024  
(in EUR, unless otherwise stated)  
Grant No. TF0C1898

Withdrawal application	Type of application	Appl. Pym. Amount	Works	Goods	Training	Consultant services	Incremental Costs	SOE	Date received	Value date
IRIS/01	Reimbursement	143,539	-	3,190	35,877	87,994	16,478	143,539	04-Dec-24	16-Dec-24
Total		143,539	-	3,190	35,877	87,94	16,478	143,539		

  
Afrim ERROKAJ  
Project MANAGER

  
Adile OSMANI  
Financial Management Specialist