



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 PRISHTINA FOR YEAR 2024

Prishtina, June 2025

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1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Prishtina 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 on 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 Prishtina, 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 Prishtina, give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting, the Law no.03/L-048 on Public Finance Management and Accountability (amended/supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

Basis for Qualified Opinion

- A1 Accounts receivable in the AFS were overstated by €30,008.
- B1 The value of contingent liabilities in the AFS was overstated by €3,886,576.
- B2 During budget execution, the municipality made payments in the amount of €3,907,548 from inadequate economic categories.
- B3 Capital assets were overstated by €3,220,349 as a result of classifying assets in inadequate categories in the accounting register.

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

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

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

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

Audit Conclusion on Compliance

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

In our opinion, except for the effects of the matter/s described in the Basis for Compliance Conclusion section of our report, transactions carried out in the process of execution of Municipality of Prishtina 's budget have not been 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 Irregularities have been identified in the management of subsidies for private public kindergartens.
- A3 The Municipality, in three (3) cases did not conclude the contract based on adequate procurement procedures.
- A4 In one (1) case, the Municipality entered into contractual obligations of €1,398,964 without sufficient budget coverage.
- A5 In two (2) cases, construction permits were issued after the procurement procedures had started and after the signing of contracts.
- A6 The amount of €5,200,000 was paid as an advance payment in violation of the Public Procurement Law and the Budget Law.
- A7 The Municipality concluded a new contract amounting to €1,200,000 for design services despite the existence of a current contract for similar services.
- A8 In three (3) cases we identified shortcomings in the management of "In-house" contracts.
- B4 In 31 cases of payments amounting to €4,382,079, the steps set for processing payments were not adhered to, as purchase orders were processed after receipt of the invoice and in 27 payments amounting to €3,172,852, commitments were drafted and signed after receipt of the invoice.
- B5 In three (3) procurement procedures, the economic operators selected as winners were ineligible.

- B6 In 17 capital investment payments, totalling to €3,400,807, changes were made to the allocated budget amounts for capital projects without the approval of the Municipal Assembly.
- B7 In nine (9) contracts there were delays in the implementation of works.
- B8 In ten (10) employment contracts, there was an increase in the quantities in the items, without obtaining the necessary approvals.
- B9 In three (3) public framework contracts with unit prices, the value spent in a certain category exceeded the value allowed for expenditure according to weighting.
- B10 In 12 payments totalling to €1,143,191, we noticed that payment of invoices were delayed beyond the legal deadline of 30 days.
- B11 The Municipality allocated a subsidy in the amount of €50,000 to an NGO in the field of sports, without announcing a public call and without concluding an agreement with the beneficiary.

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.

Another issue

- 1 We have not tested procurement procedures such as: "Construction of the Arbëri - Youth Palace urban island" with a contracted value of €6,589,459 and "Construction of a public slaughterhouse" of €2,877,777, which, according to evidence provided by the Municipality, are under investigation by the justice authorities.

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 Prishtina 's financial reporting process.

Management's Responsibility for Compliance

The Management of Municipality of Prishtina 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 Prishtina '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 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.

³ Collectively referred to as compliance with authorities

- 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 Prishtina '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 shortcomings 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 possible improvement in financial management and control, which are presented below for your consideration in the form of findings and recommendations.

Issues with an impact on the financial audit opinion are those related to the improper classification of expenses, unfair and untrue presentation of contingent liabilities, non-financial assets, and accounts receivable.

Revenue controls need to be strengthened to generate accurate information regarding delays in reviewing construction permits and shortcomings in the use of public property.

Areas for further improvement have been identified in the management of public contracts and subsidies, payments for works and services without procurement procedures and acceptance reports, changes in budget amounts without proper approvals, shortcomings in the bid evaluation process during procurement procedures and their correct application.

From the samples tested, we identified that during 2024, expenses in the amount of €3,511,845 were incurred for the execution of court decisions. Of which, €2,437,372 were paid for the principal debt, while €1,074,473 were spent on interest and enforcement costs.

Meanwhile, in the area of assets, further measures should be taken to put e-assets to operation and carry out the inventory process according to the requirements of the asset regulation.

The 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.

This report resulted in 27 recommendations, of which 12 are new recommendations, 14 are repeated recommendations and one (1) is partially repeated. We will follow up (review) these recommendations during next year's audit.

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

2.1 Issues with impact on the audit opinion

Issue A1 - Improper presentation of accounts receivable in the AFS

Finding According to the Regulation MoF - No.01/2017 on Annual Financial Reporting by Budget Organizations, Article 16, BOs that collect revenues are obligated to keep complete records of uncollected amounts.

During the testing of accounts receivable, we noticed incorrect presentation of data in the AFS:

- In one case, a payment of €8,052 for a waste collection fee was incorrectly included as a deduction in the list of accounts receivable. At the same time, this amount was also recorded in the customer's analytics, resulting in an understatement of the total value of accounts receivable for the same amount; and
- On the other hand, accounts receivable from infrastructure taxes were overstated by €38,061.

These inaccuracies occurred as a result of poor internal controls and the discrepancy between internal records and the data reported in the financial statements.

Impact Inaccurate presentation of accounts receivable affects the reliability of financial information, leading to their understatement or overstatement in the AFS.

Recommendation A1 The Mayor should ensure the strengthening of internal controls, in order to improve the management process and accurate reporting of accounts receivable in the AFS.

Auditee's Management Response (Agree)

Issue B1 - Overstatement of and failure to report contingent liabilities in the annual financial statements (AFS)

Finding According to Regulation No. 01/2017 on Annual Financial Reporting, Article 18, budget organizations, in accordance with the LPFMA, report all contingent liabilities.

During the audit of contingent liabilities, we noticed that the value reported in the AFS was overstated by €3,886,576, specifically it was overstated by €4,185,823, while on the other hand it was understated by €299,247, due to the following cases:

- In two cases, involving an amount of €3,548,368, lawsuits were withdrawn by the claimant and through Basic Court rulings it was found that there is no possibility of appeal. However, they were still presented in the AFS as active lawsuits;
- One case, involving an amount of €268,625, which was settled through enforcement during 2024, was again reported as a contingent liability in the AFS;
- One case, involving an amount of €333,333, was presented as a contingent liability, although the Permanent Tribunal of Arbitration had declared a lack of jurisdiction to consider the case and the party was instructed to pursue the matter in court. The claimant had not taken any subsequent legal action;
- A lawsuit, involving an amount of €35,497, was presented twice in the AFS, resulting in a doubling of the amount for the same case;
- Two lawsuits totalling €4,065,587 were included in the AFS, understated by €299,247, compared to the available legal documentation; and
- A total of 327 active lawsuits, related to the collective agreement and for which an exact amount claimed had not yet been determined, were not included at all in the AFS as contingent liabilities, even though there is a real possibility that they will result in damages for the institution. The legal office had sent a list of these cases, but the finance office had not included them in the reporting, acting on the opinion that lawsuits without an exact value should not be included in the financial statements. This represents a shortcoming in the interpretation of the reporting requirements according to the applicable regulation and good accounting practices.

This situation occurred due to the lack of a proper system for managing cases, which are currently kept in physical form, resulting in weak internal controls in terms of their updating and management. The non-inclusion of active cases without much precision in the AFS occurred due to the lack of proper coordination and clarification between the legal office and the finance office.

Impact

The presentation of contingent liabilities in inaccurate values leads to stakeholders or users of the AFS not being informed fairly and accurately regarding the disclosure of these liabilities, and at the same time to poor budget planning for the following year.

Recommendation B1 The Mayor should take actions to develop an internal control system for managing contingent liabilities, including the establishment of a proper system for litigation and lawsuits in progress. It is also recommended that the finance and legal offices work closely together to ensure that any potential liabilities are identified, regularly assessed, and included in the financial statements with adequate supporting documentation.

Auditee's Management Response (Agree)

Issue B2 - Misclassification of expenses into economic categories**Finding**

According to Article 18 (3) of Financial Rule No. 01/2013 on Public Funds Expenditure, expenditures must have adequate codes, determined by the accounting plan. The Treasury's accounting plan also determines the relevant codes and categories of expenditures that BOs must apply.

Based on the payments tested, we noticed that payments in the amount of €3,907,548 were made from inadequate codes, as follows:

- From the category of capital investments, payments were made for goods and services in six (6) cases in the amount of €1,019,281, while 3 (three) payments in the amount of €760,760 were made for subsidies and transfers;
- From the category of goods and services, payments were made related to salaries and wages in two cases worth €5,400, payments related to subsidies and transfers in five (5) cases worth €81,006, as well as capital investments in one case worth €150,017; and
- From the category of subsidies and transfers, payments related to goods and services were made in ten (10) cases in the amount of €382,921.

In the execution of payments from the treasury for collective agreement obligations, out of 12 samples tested in the amount of €3,511,846, in seven (7) cases we noticed misclassifications of expenses across economic categories in the amount of €1,508,162. Of this amount, from the tested samples the treasury had paid according to the court's enforcement decision for jubilee salaries and meals for teachers from the goods and services category €224,709 and from the capital investment category €1,283,453.

The inadequate classification of expenditures was the result of poor internal controls in budget planning and the execution of payments from the appropriate categories. Meanwhile, misclassifications in the case of court decisions occurred due to the lack of budget allocations in the appropriate economic category to execute payments of court enforcement decisions, as well as poor budgeting and planning.

Impact

Payments made from inadequate expenditure categories affect unfair financial reporting, as well as overstatement/understatement of expenditure categories.

Recommendation B2 The Mayor should ensure that expenditures are planned and incurred according to adequate economic categories, in accordance with the accounting plan, to enable their fair reporting in the AFS.

Auditee's Management Response (Agree)

Issue B3 - Overstatement of the asset ledger and inaccuracy in recording information in the asset accounting registers

Finding The Regulation of the Ministry of Finance No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 11, stipulates respectively in paragraphs 1 and 3 that " Capital non-financial assets that are in the ongoing investment stage or in the construction stage shall be recorded in the accounting register in the ongoing investments category." and "Upon completion of the investment process, capital non-financial assets will be classified as non-financial assets in use. Depreciation shall apply from the moment of utilizing the asset."

Further, Article 8 (4) states that the Chief Administrative Officer establishes a commission for receipt of non-financial assets, by decision, responsible to verify the quality, quantity, type and value of received non-financial assets and documented with minutes and that are in compliance with the contract or purchase order.

During the audit, we identified inaccuracies in the recording and updating of information in the asset accounting register for the following cases:

- A transfer of €5,120,000 made under the agreement between the Municipality of Prishtina and UNDP for the modernization of education through innovation and cultural heritage has been recorded in the asset register as assets in use – cultural objects. This project has not yet been completed, and the relevant assets have not been received by the municipality. As a result, the recording of these assets as assets in use is not in line with the requirements for the registration of capital assets.

During the testing of capital assets, we noticed that the value reported in the AFS was overstated by €3,220,349 for the following cases:

- A total of 44 assets, totalling €2,486,110, belonging to 11 capital projects completed from 2016-2018, are recorded as ongoing investments even though they should have been classified as assets in use and depreciation applied at a net value of €745,234. In this case, the assets are overstated by €745,234;

- A project totalling €2,000,000 related to the district heating metering activity within the framework of the energy efficiency project in Kosovo, has remained registered as an ongoing investment in the asset ledger. This project was registered based on an agreement signed in 2021 between the Municipality and the Kosovo Millennium Foundation (KMF), with the aim of supporting the heating metering service for customers connected to the Termokos network and was completed in 2022.

Under the terms of this agreement, the assets purchased under the project remain at the disposal of the Termokos Enterprise, and as a result, should not appear in the KFMIS registers as municipal assets. In this case, the assets have been overstated by €2,000,000;

- Two stages recorded as ongoing investments in the amount of €200,000 remained recorded in this category, although the respective projects were completed in 2016 and their value was already included in the register of assets in use with a total net value of €496,194. As such, they should be deleted. In this case, the assets were overstated by €200,000;
- Also, two situations for a capital project recorded in 2024, totalling €180,704, as ongoing investments, have remained in this category despite the fact that they were recorded as assets in use worth €512,434. In this case, the assets have been overstated by €180,704;
- For the latter, the property officer had addressed the Treasury requesting their settlement, but the request was not very clear and as a result these situations are recorded twice, causing their double presentation in the assets registers; and
- Three stages totalling €94,411, recorded as ongoing investments in 2018, are in fact misclassified payments and do not constitute capital assets. In this case, the assets are overstated by €94,411.

The identified shortcomings were due to the failure of internal controls in the asset management process and the heavy workload on just one asset officer.

Impact

The above-mentioned shortcomings affect the fair presentation of the asset status in the financial statements and risk its poor management.

Recommendation B3 The Mayor should ensure that concrete measures are taken to improve the management of municipal assets, ensuring that the registration, classification and updating of all assets is conducted in accordance with the real situation and legal requirements. The need to increase human capacity in this area should also be considered, with the aim of more efficient and accurate asset management.

Auditee's Management Response (Agree)

2.2 Issues with impact on compliance conclusion

Issue A2 - Irregularities in the process of managing subsidies for private public kindergartens

Finding

On 23/11/2018, the Mayor approved the decision on subsidizing parents who enrol their children in community-based kindergartens in the Municipality of Prishtina. According to this decision, the subsidy is distributed based on the monthly income of the parents. Point 5 of the decision determines that the evaluation of requests and decision-making on the benefit of the subsidy should be made by a representative of the Municipality and two representatives of the kindergarten. The Directorate of Education and the Directorate of Finance are responsible for the implementation of the decision.

According to Article 35, paragraph 7, of the Kindergarten's Internal Regulation, parents with an income of less than €1,000 will be subsidized by the Municipality of Prishtina as follows: parents with an income of up to €500 will be subsidized by the Municipality with €50 per child; parents with an income of up to €700 will be subsidized by the Municipality with €30 per child; parents with an income of up to €800 will be subsidized by the Municipality with €20 per child; and parents with an income of over €1,000 per month and those who run individual businesses will not benefit a subsidy from the Municipality.

Whereas Article 5 states that the Commission for verification of documentation consists of the Administrator, the Chair of the Kindergarten Council and the Representative from the Municipality. Article 8 stipulates that the Executive Director of the kindergarten makes the final decision on the granting of subsidies.

During 2024, the Municipality of Prishtina paid €58,820 in subsidies for the public-private garden Botanika. In this process, during the audit, several irregularities related to the non-implementation of legal requirements and the lack of control by the responsible directorates were identified, as follows:

- The Commission for the verification and evaluation of documentation during 2024 was not operational. The representative of the Municipality did not participate in the process of reviewing the documentation and approving the lists;

- The lists prepared by the kindergarten, which were submitted to the Municipality for payment, were signed only by the kindergarten administrator, without the involvement of the full commission and without the signature of the representative of the Municipality, as required in the decision of the Mayor;
- The lists were manipulated by reporting incorrect incomes of parents receiving subsidies for their children by including beneficiary children on the lists who did not meet the criteria for subsidies; and
- ATM withdrawals in the amount of €46,320 were observed.

In this regard, from the 14 samples tested, we observed that:

- Seven parents had paid the full monthly fee, despite the fact that the kindergarten had received subsidies on their behalf totalling €3,900; and
- Four children who did not attend kindergarten during 2024 were included in the lists and the kindergarten received subsidies for them in a total amount of €3,150.

For the purpose of paying subsidies, the kindergarten had provided the Municipality with the bank account statement as evidence for verifying the monthly payments of the parents for the subsidized children. However, this evidence was falsified since the data presented in the submitted bank account did not match the real data of the monthly payments by the parents. For example, a parent had paid the full monthly fee of €150, while in the bank account statement presented to the Municipality this payment was presented as €50, in order to justify the receipt of the subsidy.

This situation resulted due to shortcomings in the management and control by the Municipality, as well as non-compliance with the procedures set out in the decision of the Mayor. Furthermore, a lack of institutional responsibility has been evidenced by the competent officials of the Municipality and representatives of the kindergarten, who have not taken the necessary actions to ensure that the subsidy process is carried out in a regular and fair manner and in accordance with legal requirements.

Impact

The lack of oversight of subsidies has led to the misuse of public funds and the possibility of unfair benefits. This situation undermines the credibility and purpose of public subsidies.

Recommendation A2 The Mayor should ensure that the education and finance departments establish operational control mechanisms for the subsidy process, guaranteeing the involvement and functioning of the commission for verification and evaluation of documentation in accordance with the approved decision. In addition, a full review of subsidies granted during 2024 should be conducted to identify and address unjustified benefits. In cases where benefits contrary to the criteria are found, legal and administrative measures should be taken to return public funds and hold the officials involved accountable.

Auditee's Management Response (Agree)

Issue A3 - Application of negotiated procurement procedures not in accordance with the Law on public procurement (LPP)

Finding According to the LPP, Article 35, the contracting authority may use negotiated procedures without publication of a contract notice to carry out the procurement activity only after complying with this Article, point 2.1 (iii) if, to the extent strictly necessary for reasons of extreme urgency brought about by objectively verifiable events which could not have been reasonably foreseen by the contracting authority concerned, such contracting authority cannot grant the time required for carrying out any other procedure provided for in this Law, provided that this provision may not be used if the circumstances which created the extreme urgency situation are attributable to negligent or intentional acts or omissions of the contracting authority.

Whereas, According to article 9.4, if the contracting authority is a public authority, such public authority must take reasonable measures to ensure that the items that meet these needs are not available from any other public authority.

The municipality used the negotiated procedure without publication of a contract notice in three cases, although the legal conditions for its use were not met:

- The Municipality conducted a negotiated procedure without publication of a notice for the contract “Provision of additional machinery for the collection, transportation and disposal of municipal waste” in the amount of €1,000,000, although the legal conditions for the use of this procedure were not met. This was done through the engagement of a private operator for a one-year term, although the Municipality had an active “In-house” contract with KRM “Pastrimi” for such services concluded on 29/02/2024, in which the Municipality of Prishtina is the main shareholder. The use of this procedure was justified by the Municipality based on the decision to declare a state of emergency dated 14/02/2024, which followed a report prepared by the working group established on 08/11/2023 and which describes the situation as of this date. This report evidenced irregularities in waste management and was used as a basis to justify the emergency situation.

The Municipality had long been aware of the problems with the existing operator KRM “Pastrimi”, through complaints from citizens and repeated remarks about non-implementation of obligations under the contract. This situation shows that the need for additional engagement of machinery was not unforeseen. This activity was also foreseen in the 2024 procurement plan. The PPRC had, during monitoring, given an opinion on reconsidering the possibility of avoiding the use of this procedure in order to increase transparency and competition. From the evidence analyzed, we see that the Municipality has not exhausted all possibilities to resolve the situation through cooperation with KRM “Pastrimi”. Furthermore, no analysis has been documented to identify alternatives for improving the implementation of the existing contract or engaging another public operator before engaging a private operator.

In the official response provided by KRM “Pastrimi” during the audit process, it was stated that they were not offered any opportunity to submit an official proposal or to be part of a formal competition process. According to the Enterprise, the contract was initiated and concluded directly by the Municipality, without any prior notice.

- The Municipality had concluded the contract “Construction of a shelter for stray dogs – Negotiated”, in the amount of €410,000, through the negotiated procedure without publication of the contract notice. The reason for using this procedure was an emergency situation related to the risk posed by stray dogs to citizens. However, the audit found that this contract had been concluded as a result of a previous contract in the amount of €187,115, which provided for the construction of the shelter in Slivovo on an area of 8 hectares. Subsequently, the Municipality had decided to relocate the project to another location in Hajvali, on a smaller area of 3.5 hectares, which was considered as more suitable. The items in the preliminary bill of quantities of the first contract show that the project was not complete, because it did not include some basic items such as construction of facilities for dogs. As a result of the change of location and the filling of several items, additional work was contracted that was not included in the initial contract, for which the Municipality concluded a second contract through a negotiated procedure.

According to Article 35 (2.4) of the LPP, the negotiated procedure without publication may be used only for the implementation or execution of additional works, which were not included in the initial concept of a previously awarded project, but which due to unforeseen circumstances have become necessary, but on condition that the amount for additional works does not have a value greater than 10% of the initial contract. In this case, the second contract amounts to €410,000, which constitutes an excess of 119.1% in relation to the initial contract – beyond the limit allowed by law. Furthermore, this project was included in the procurement plan in the amount of €450,000, which indicates that it was not an unforeseen situation. This indicates that the use of the negotiated procedure in this case was not reasonable and contrary to the legal requirements for public procurement. The municipality should have applied an open procurement procedure, abiding by the principles of competition and transparency.

- The Municipality had concluded the contract “Renovation of educational institutions – Buffets” in the amount of €849,306.96 through the negotiated procedure without publication of the contract notice. The decision of the Mayor of the Municipality of 29/07/2024 on approval of the full-day teaching program in five schools in Prishtina was used as justification for the use of this procedure. This justification was also mentioned in the contract notice in the PPRC, while it was not foreseen in the procurement plan. However, from the audit we have concluded that the need for the renovation of the buffets does not constitute an unforeseeable or extraordinary circumstance, as required by the public procurement legislation to justify the use of the negotiated procedure without publication. The decision to apply full-day teaching was not an event arising from extreme emergencies caused by objectively verifiable events that could not have been foreseen. As a result, the use of the negotiated procedure in this case contradicts the legal requirements for this type of procedure. The municipality should have applied an open procedure, ensuring competition and transparency in procurement.

Planning lapses, failure to address situations in a timely manner, and lack of coordinated actions by the Municipality have led to the unfair use of the negotiated procedure without publication, bypassing the competitive procedures provided for by law.

Impact

The use of the negotiated procedure without publication undermines competition and transparency in public procurement, creating a risk of favouritism, inadequate management of public funds, and reducing public confidence in the procurement system. Failure to contract services provided by public authorities results in the Municipality contracting these services at a higher price.

Recommendation A3 The Mayor should ensure that the negotiated procedure without publication is used only in exceptional cases and in full compliance with the conditions set out in the legal requirements. Before engaging private operators, capacities should be reviewed with public authorities, and efforts to cooperate with them should be documented.

Auditee’s Management Response (Agree)

Issue A4 - Entering into contractual obligations without sufficient funds**Finding**

The Law No. 08/L-260 on Budget Allocations for the Budget of the Republic of Kosovo, for the year 2024, Article 12, paragraph 7, limits on commitments and expenditures, The signing of contracts for multi-year capital projects is made by BOs only in cases where such expenditures for the total cost of the project are foreseen in the budget law for the fiscal year 2024 and for the following two (2) years, table 4.2 Financing of Municipal Capital Investments, planned financing of projects and the allocated amount that must be realized within three years.

During the audit, we noted that the Municipality had signed a contract for the project “Construction of the Social Work Center” worth €2,898,964, with a deadline for completion of the works of 240 calendar days. According to the Budget Law, the Municipality had allocated budgetary funds for this project for the period 2024–2026, in a total amount of €1,500,000, which means that it has entered into contractual obligations without sufficient budgetary coverage, in the amount of €1,398,964.

Moreover, a discrepancy was noted in the project planning documents in the Statement of Needs and Availability of Funds because a value of €2,916,477 was projected, which exceeds the budgeted value of the project, while in the procurement plan for 2024 this project was planned to be implemented only in the amount of €500,000.

This occurred due to the failure of controls upon initiation of procurement procedures, as well as the lack of proper budget planning for certain projects.

Impact

Entering into financial obligations without securing the necessary funds affects the increase in unpaid financial liabilities and enforcement costs and circumvents the budget law or budgetary implications for the current and following year.

Recommendation A4 The Mayor should ensure that all necessary controls are in place at all times, so that prior to initiating procurement procedures, it is ensured that capital projects are included in the appropriations law and that there are sufficient budgetary funds allocated by the appropriations law for all contracts entered into.

Auditee’s Management Response (Agree)

Issue A5 - Initiation of procurement procedures without issuing construction permits**Finding**

According to the Construction Law, Article 5, paragraph 1.1, the types of construction are new construction (including installation), reconstruction, repair - renovation, rehabilitation - improvement (does not require a construction permit), construction works aimed at protecting immovable monuments of cultural heritage, demolition, landscape construction and installation or erection of temporary constructions.

Article 19 of this law states that municipalities issue construction permits for categories I and II of construction.

If the competent authority assesses that the construction documentation has not been prepared in accordance with the construction conditions and the provisions of this law, the Code, and the Law on the Protection of Cultural Heritage, including Specially Protected Areas, it will not issue the construction permit.

During the audit, two cases were identified where permits for the implementation of works were issued after the signing of contracts. Those cases are:

- In the case of the construction of the Social Work Center, with a contract value of €2,898,964, the construction permit was issued on 20/02/2025, while the contract for the implementation of the project was signed on 26/11/2024. Although in this case the works had not started without the construction permit, the procedure was carried out in violation of the legal order, as the permit is a prerequisite document for signing the contract; and
- In the project for the construction of the road in the Kodra e Trimave neighbourhood, with a contract value of €598,764, it was noted that the works had begun on 22/07/2024, while the decision to grant consent from the Urban Planning Directorate was issued on 01/08/2024, i.e. after the start of the works and after the signing of the contract on 03/07/2024.

It is important to note that in both cases, the requests for construction permits from the Directorate of Capital Investments and Contract Management were submitted after the start of the procurement procedures (contract notices), which indicates a lack of planning and adherence to the proper procedural flow.

These situations occurred as a result of shortcomings in project planning and the lack of effective internal control mechanisms to ensure that the necessary documentation was prepared and verified before initiating procurement procedures and concluding contracts.

Impact

The above-mentioned shortcomings jeopardize the legality and sustainability of capital project construction, increase the possibility of expenses through annex contracts or technical changes during implementation, risk delays in project implementation, and create opportunities for cancellation or repetition of procedures due to the lack of required legal documentation.

Recommendation A5 The Municipality should ensure that no procurement procedure for construction projects is initiated without first obtaining a construction permit, in accordance with the requirements of the Law on Construction. Internal control mechanisms should also be strengthened and clear requirements for cooperation between relevant departments should be established so that permits for the commencement of works are granted before the initiation of procurement procedures and the signing of contracts.

Auditee's Management Response (Agree)

Issue A6 - Contracting and advance payments in violation of the Procurement Law and the Budget Law

Finding

According to Law No. 04/L-042 on Public Procurement, Article 3, the Contracting Authority may be exempted from the application of the procedures and provisions of the law only if: their application would compromise a legitimate secret or security interest, and if the Government has given its consent for the contract to be exempted from the scope of the law due to the requirement for special security measures or the classification of the matter as a state secret. This exemption shall apply only in accordance with the Law on Access to Public Documents and shall not apply to: postgraduate or professional training for workers, food and beverage representation services, concession contracts regulated by the Law on PPP, and the purchase or rental of immovable property, except as otherwise provided by law.

The Budget Law No. 08/L-260 for 2024, Article 13, provides that BOs may pay advances to contractors for capital projects and for goods and services up to fifteen percent (15%) of the contract value. Such payment may only be made on the basis of a legally concluded contract, with a value higher than ten thousand Euros (€10,000) which has been entered into in accordance with the Public Procurement Law.

According to Financial Rule No. 01/2013 on Public Funds Expenditure, Article 21 (2), expenditures that do not require procurement are: salaries, expenses paid in cash and petty cash; travel advances; utilities; subsidies and transfers and interdepartmental transactions. Meanwhile, Article 23 (2) of this Rule determines that the report on the receipt of goods/services by the authorized official or commission must be submitted to the Office for Budget and Finance (together with the contract and purchase order).

According to the Municipality's agreement with UNDP, Article 3, the contribution will be administered by UNDP in accordance with UNDP's regulations, rules, policies and procedures, applying its procedures for the execution of its projects, and according to Article 6 of this agreement, the contribution will be subject exclusively to the internal and external audit procedures provided for in the UNDP's financial regulations, rules, policies and procedures. Meanwhile, according to Article 5 of the agreement, the ownership of equipment, supplies and other property financed by the contribution will pass to UNDP. Issues related to the transfer of ownership by UNDP will be determined in accordance with the relevant UNDP policies and procedures.

- The Municipality, on 05/09/2024, entered into a contractual agreement with UNDP to implement the projects: 1. Construction of the Multioperation Hall (Tulltorja); and 2. Concert Hall of the former Gërmia building (Modernization of education through innovation and heritage). These projects are scheduled to be completed on 31/08/2025. Through this agreement, the Municipality agreed with UNDP to transfer a cost value of €5,120,000 in advance in return for the project. While, according to a UNDP progress report, the latter would participate with only €100,000, a value that was not included in the agreement at all. The management and responsibility for implementing the procedures for the execution of the project was assigned to UNDP.

This agreement was in violation of the Public Procurement Law and the Budget Law for 2024 because the Municipality had delegated all responsibilities for the development of procurement procedures to the UNDP but had also transferred all funds to the UNDP in the form of a prepayment.

Furthermore, the process of transferring funds was carried out in the absence of reports of receipt of supplies, works and services.

The transfer of the total value of funds of €5,120,000 was carried out as follows:

- In September, 3 payments worth €900,000,
- In October, 3 payments worth €1,200,000,
- In November, 2 payments worth €300,000; and
- In December, 3 payments worth €2,720,000.

On 19/02/2025, a quarterly project progress report was drafted, covering the period September - December 2024, through which we noticed that the project has barely commenced. The Municipality also confirms through electronic communication that the project is still in the initial design phase.

We have initiated the physical examination procedure to verify the progress of works, supplies and services, but according to the Municipality, the projects for the rehabilitation of the Gërmia building and the Tulltore facility are still in the design phase and the works have not begun.

- On 07/05/2024, the Municipality concluded a financing agreement with UNDP for the project "Institutional Strengthening of the Municipality of Prishtina" in the amount of €80,000 for the contracting of specific services for the engagement of experts. The payment was made from the category of goods and services without applying procurement procedures and in the form of an advance payment, while there is a lack of evidence to justify the receipt of services.

The Municipality has only submitted a general quarterly progress report, which is not dated, not documented, and does not contain detailed technical or narrative information on the services provided by the engaged experts (asset management, urban planning and legal issues experts). In addition, individual contracts, engagement reports and proof of payments for these experts are missing, making it impossible to verify their real contribution to the project.

These have occurred as a result of the avoidance of implementing legal requirements for contracting and accepting works and services, and as a result of weak internal controls. Furthermore, cooperation agreements have not included clear specifications on the rights and obligations of the parties, leaving room for ambiguity in the manner of implementation and verification of the services performed.

Impact Making payments without complying with the Public Procurement Law, the Budget Law and other relevant procedures, such as reports on the acceptance of works or services, undermines the principles of competition and transparency in the management of public funds. This allows for the circumvention of supervision and the uncontrolled use of these funds, jeopardizing the achievement of the purpose and mismanagement of funds. Additionally, such a practice of transferring funds in violation of the applicable legal framework opens up great opportunities for budget spending without achieving value for money.

Recommendation A6 The Mayor should ensure that the expenditure of public funds is carried out in full compliance with the applicable legislation on the management of public finances. Any contracting of works or services must be carried out through regular procurement procedures, whilst any payment must be based on a report of receipt of goods or services.

Auditee's Management Response (Agree)

Issue A7 – Entering into a design contract despite the existence of a contract for similar services

Finding The Municipality signed on 27/03/2023 a contract titled "Consultancy for the establishment of the capital city's architect service for the needs of the Municipality of Prishtina" worth €12,000,000. This contract includes the preparation for the standardization and design of construction projects, urban plans, and zonal maps. It also includes consultancy and architectural designs for emergency needs of the Capital, the organization of competitions, exhibitions, the engagement of evaluation teams, professional support services for the needs of the directorates, etc.

During the audit, we noted that on 21/02/2024, the Municipality concluded a contract worth €1,200,000 for the competition and design of the "Art & Technology Hub – Tulltorja" facility. This contract includes four complete design phases: elaborate conceptual design, schematic design, implementation design and completion of documentation according to the requirements of the Urban Planning Directorate.

The services included in this contract are of the same nature as those included in the existing contract "Consultancy for the establishment of the capital city architect's service for the needs of the Municipality of Prishtina" in the amount of €12,000,000 which also covers such design needs depending on the requirements of the Municipality.

This project was not foreseen in the procurement planning, and we have not received any justification from the requesting unit.

This occurred as a result of the lack of controls regarding the evaluation and establishment of project specifications in the tendering process.

Impact

Entering into a design contract despite the existence of a contract for similar services increases the risk of overlapping services and double spending for the same purposes.

Recommendation A7 The Mayor should ensure that before initiating new contracts, a thorough analysis of the coverage of existing contracts is conducted, to avoid overlapping and duplication of services.

Auditee's Management Response (Agree)

Issue A8 - Shortcoming in the management of "In-house" contracts

Finding

According to Article 2 (3) of the "In-house" contract for the management of the Center for the treatment of stray dogs, concluded between the Municipality of Prishtina and NPL "Gjelbër" on 29/03/2024: "The prices for the services performed under this contract cannot differ from the prices agreed upon through this contract." According to Article 9 of this contract, invoices must be submitted upon completion of the services, and payment is made only upon receipt of the relevant documentation.

Meanwhile, in Article 6 of the "In-house" contract with NPL "Pallati i Rinisë" JSC concluded on 13/07/2023, the company is required to submit monthly reports that will be verified and monitored by the contracting authority through the contract manager.

In three cases we identified shortcomings in the implementation and supervision of "In-house" contracts:

- During the audit, we noticed that the Municipality made a payment of €50,000 under the “At Home” contract with NPL “Gjelbër” for the purchase of two vehicles for catching stray dogs. However, from the documentation provided during the audit, it results that the contracted and paid value for the vehicles by the Enterprise for the purchase of the vehicles was €44,400. Despite this, in the statement made by the contract manager in the Municipality, it was reported that the supply was made for the full value of €50,000, without any explanation for the difference in how those funds of €5,600 were used by the Enterprise;
- Whereas, in item 19 involving equipment for internal infrastructure (cabinets, refrigerator, surgical lamp, etc.) in the amount of €30,000, the Municipality had made the payment based on the invoice and contract, but the supporting documentation showed different prices from those invoiced by the Enterprise. For example: the refrigerator was invoiced for €1,635, while the Enterprise's contract with the EO gives the price of €1,178; the surgical lamp (ceiling mounted) was invoiced for €4,000, while the supply contract shows it at a value of €3,304. During the on-site verification, it was not possible to confirm the supplies due to the lack of technical specifications, serial numbers and accompanying documentation. The installed lamp was not mounted on the ceiling, but with a mobile version, which contradicts the description on the invoice. Also, for almost three months after the contract was signed (until 21/06/2024), there was no body appointed to supervise it.

In both cases, the Municipality did not have any monitoring mechanism to track how these additional funds were used by the Enterprise.

- During the audit, we noted that two payments totalling €36,108 were made by the Municipality to the Local Public Enterprise “Pallati i Rinisë”, for the payment of rent for sports halls and offices intended for the development of cultural and sports activities. The payments were executed only at the request of the Mayor, without a prior acceptance report from the contract manager, as clearly required in the contract. Furthermore, the contract manager was appointed with a delay of about five months after the signing of the contract.

The identified shortcomings occurred as a result of the lack of an operational mechanism for the supervision and control of “In-house” contracts. The municipality has not established clear procedures for monitoring the implementation of contracts, has not ensured the timely appointment of contract managers, and has not applied the control of supporting documentation to justify payments.

Impact

The above-mentioned shortcomings increase the risk in ensuring the proper use of public money. Furthermore, delays in the appointment of contract managers have weakened institutional control and accountability, whilst the lack of monitoring mechanisms has meant that the Municipality does not have complete and verifiable information on how the funds allocated to public enterprises are used. This may also create harmful precedents for similar practices in the future.

Recommendation A8 The Mayor should ensure the establishment and functioning of clear mechanisms for monitoring and supervising “In-house” contracts. It should be guaranteed that any payment is made only after full technical, administrative and financial verification of the supplies. The use of remaining or unspent funds should also be documented and clarified and the timely appointment of contract managers should be ensured to prevent similar situations in the future.

Auditee’s Management Response (Agree)

Issue B4 – Failure to adhere to payment processing steps

Finding

Financial Rule No. 01/2013 on Public Funds Expenditure, Article 22, defines the steps for processing payments, where initially a purchase request is made, a purchase order is issued, the goods/services are received, and then the economic operator presents the invoice for payment.

During the audit, we noticed that these steps were not complied with in the following cases:

- In 31 cases of payments⁷ in the amount of €4,382,079, the steps set for processing payments were not abided by, as the purchase orders were processed after receipt of the invoice; and
- In 27 cases of payments worth €3,172,852, commitments were drafted and signed after receipt of the invoice.

This phenomenon occurred as a result of ineffective controls, due to the fact that legal procedures for spending public money were not implemented by responsible officials.

Impact

Failure to apply appropriate control procedures during the payment process may result in the municipality not fulfilling its invoiced liabilities on time, resulting in an increase in unpaid liabilities, which will be a burden on the following year's budget, and delays in payments.

Recommendation B4 The Mayor should ensure that the steps set out in the applicable rules for processing payments are observed by the responsible officials, such that funds are first committed, a purchase order is issued, and then the goods/works are received.

Auditee's Management Response (Agree)

Issue B5 - Selection of ineligible economic operators during the evaluation of bids in procurement procedures

Finding

According to the LPP Article 59.4, the contracting authority will consider a tender as responsive only if the tender in question complies with all the requirements set out in the tender dossier and in the contract notice.

Regulation 001/2022 on Public Procurement requires in Article 26.6 that if the Contracting Authority requests certificates drawn up by independent bodies carrying out certification activities to verify that the economic operator meets certain quality assurance standards based on Kosovo, European or international standards, each member of the group shall prove that it meets the relevant standards.

In three (3) procurement procedures, we noted shortcomings in the evaluation process, as follows:

- In the Design Competition "Art & Technology Hub - Tulltorja", with a signed contract in the amount of €1,200,000, the requirement in the tender dossier was that the EO must provide evidence of professional staff such as: Two (2) Graduated Architectural Engineers - MSc in Architecture (300 ECTS) with a minimum of 5 years of design experience after graduation, with references for work of a similar nature. During the audit, we noticed that the proposed candidates lacked references that prove their experience in similar projects. This contradicts the requirements set out in the tender dossier and constitutes a deficiency in the assessment of the capacities of the proposed staff.

Furthermore, during interviews with relevant officials, it was noted that the evaluation committee had only analysed the concept part of the project and not the entire bid documentation which proves the fulfilment of the technical and professional suitability criteria. The members of the committee stated that they had only evaluated the creative part (concept), without going into the legal and technical aspects of the documentation. However, the tender evaluation report was signed by all members of the evaluation committee;

- In the tender dossier for the project "Construction of roads in the Kodra e Trimave neighbourhood", the contract signed on 08/07/2024 worth €598,764, stated in the requirements on technical and professional capabilities that the EO must prove that it is certified with ISO 9001 2015. We have noticed that the winning EO had only brought the ISO certificates of the fourth member of the consortium, but not of the other members and the lead member as required. In addition, for some key items such as: Project Manager, Construction Engineer, Geodesy Engineer, and Hydrotechnical Engineer, professional experience proven by work contracts was required. The winning EO had submitted only references on work experience, not contracts; and

- In the tender dossier for the project “Renovations for various Social Centres in the neighbourhoods of Kodra e Trimave, Tophane, Qafa, Aktash, Pejton, Ulpiana”, the contract signed at an estimated value of €100,000, as well as a marked price of €13,197, included in the list of required equipment a crane truck and tipper with a carrying weight of minimum 2 tons. The winning EO had offered equipment for rent, but the chassis number in the agreement did not match the one in the booklet, proving that the vehicle was not the one contracted. Also, the request for an electrotechnical engineer with at least 5 years of experience after graduation was not proven in accordance with the specifications in the tender dossier.

These shortcomings occurred due to a weak evaluation process by the relevant committees. There was a lack of clear understanding of the criteria set out in the tender dossiers, their correct interpretation and their application in accordance with the requirements of the tender dossier.

Moreover, a lack of internal control by responsible officials to verify the compliance of documentation and prevent the signing of evaluation reports with errors was observed.

Impact

The selection of economic operators that do not meet the established criteria may result in poor quality implementation of public contracts, damage to the integrity of the procurement process, lack of security for the fulfilment of the EO's obligations, and loss of the opportunity to withdraw the tender security in case of non-fulfilment of contractual conditions.

Recommendation B5 The Mayor should ensure the strengthening of controls in the procurement area, so that the evaluation of bids is carried out in full compliance with the requirements set out in the tender dossiers and in compliance with legal requirements. Also, through responsible officials, ensure that members of the committees understand their duties and responsibilities in their respective engagements, and in case of any errors, these are identified by procurement officials before signing the evaluation report.

Auditee's Management Response (Agree)

Issue B6 - Budget changes for capital projects without the approval of the Municipal Assembly

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

During the audit, we noted that for 17 capital investment payments, totalling €3,400,807, the funds were taken from other projects approved in the budget law. In 11 cases⁶, totalling €2,178,572, the payments were made by order of the Mayor, based on the requests of the relevant directorates.

However, these changes did not receive prior approval from the Municipal Assembly, as required by law.

This occurred due to the disregard by the Municipality's management of legal requirements for obtaining the Assembly's approval before budget changes.

Impact Making budget changes without the approval of the Municipal Assembly weakens transparency and accountability in the public finance management process. This approach also jeopardizes the implementation of existing projects, as they may be left without sufficient funding for their completion.

Recommendation B6 The Mayor should ensure that any changes to the budget amounts of projects approved in the budget law are approved in advance by the Municipal Assembly, in accordance with legal requirements.

Auditee's Management Response (Agree)

Issue B7 - Delays in the implementation of capital projects**Finding**

According to Article 70.23 of Rule 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.

The contracts signed between the Municipality and economic operators specify the timeframe for the completion of the works.

In addition, according to Article 29 of the Public Procurement Regulation, the performance security is intended to support the fulfilment of the contract, while Article 29.6 states that the performance security will remain valid for a period of thirty (30) days after the completion of the contract.

In nine (9) cases we observed that the works were not carried out in accordance with the dynamic plan as foreseen in the contract. The identified cases are:

- The contract "Design Competition - Tulltorja" worth €1,200,000 was signed on 21/02/2024 with a completion date of 9 months from the date of signing the contract, it had not yet been completed. As a result of the delays, the execution bank guarantee in the amount of €120,000 expired on 21/12/2024;
- The contract "Construction of bridges in the western part of the central ring road" in the amount of €3,298,455 was signed on 14/03/2024 with a completion date of 120 calendar days from the signing of the contract. At the time of the audit, it had not yet been completed;
- The contract "Implementation of the mobility plan" worth €727,167 had not yet been completed, while the dynamic plan was 120 days from the date of signing the contract on 25/03/2023;
- Contract "Construction of the 7 Shtatori school" with a contracted value of €1,878,000 signed on 23.03.2023 with a completion date of 210 days and two annex contracts worth €55,635.30 and €132,100 respectively signed on 17/09/2024 with a completion date of 30 days, have not yet been completed;

- The contract "Reconstruction of Mic Sokoli and 27 November streets - Lot 1" with a contracted value of €378,816 and a dynamic plan of 120 days from the date of signing the contract on 02/08/2023 has not yet been concluded;
- The contract "Construction of the wings of Muharrem Fejza Road" worth €486,448, with a dynamic plan of 90 days from the date of signing the contract on 08/05/2023, has not yet been completed;
- The contract "Construction of shelter - dog park - Negotiated" with a contracted value of €410,000, has not yet been concluded, even though the dynamic plan was 60 days from the date of signing the contract on 17/09/2024;
- The contract "Construction of the collector on the extension of road B (phase 4) with a contract value of €399,700, had not yet been completed, even though its completion date was 60 calendar days from the date of signing the contract on 22/04/2024; and
- The contract "Construction of sports fields in the Municipality of Prishtina - Field in Hajvali" with a contracted value of €262,930, had not yet been completed, although according to the dynamic plan it should have been completed 90 calendar days from the date of signing the contract on 08/11/2023.

Delays in the implementation of projects occurred as a result of work delays due to the emergence of additional work needs, the conclusion of contracts without being equipped with construction permits, the establishment of deadlines for the implementation of projects without proper analysis, as well as the non-compliance of projects and contract items with reality. Meanwhile, the failure to extend the execution security deadline jeopardizes the contract fulfilment deadline.

Impact

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

Meanwhile, the expiration of the term of coverage of the execution insurance until the completion of the project risks that the municipality will not have coverage for potential damages and expenses and makes it impossible to impose any possible punishment on operators in cases where the contract is not fulfilled.

Recommendation B7 The Mayor should ensure that before initiating work projects, the conditions for project implementation are met, such as obtaining the necessary work permits, resolving property issues, properly drafting execution projects to minimize unforeseen work requirements, and strengthening controls in the continuous supervision of project progress, so that the works are carried out according to dynamic plans and the execution insurances provided by economic operators cover the period up to 30 days after the completion of the contract.

Auditee's Management Response (Agree)

Issue B8 - Changes to contract terms without proper approvals

Finding According to Article 71.1 of Regulation No. 001/2022 on Public Procurement, Contract Amendment refers to a change in the terms and conditions of an awarded contract. The contract amendment is initiated by the Contract Manager. In the case of works contracts, the prior approval of the designer is required.

The contract amendment will not be issued to the Economic Operator before receiving approval from the CAO and committing funds for the amended contract.

We have observed that in ten (10) identified work contracts there were changes in the quantities executed in several items, increasing/decreasing the contracted quantity or in some cases not executing the contracted items at all, but without increasing the total contract price, authorized by the contract managers. For these changes, there was no amendment to the contract.

Changes in contracted quantities occurred in the following contracts:

- In the contract "Construction of Road A - first part" worth €8,497,801, there was an increase in the quantities in five contract items worth €102,307, which represents an increase of up to 284% in the quantities under the contracted items;
- In the contract "Implementation of the mobility plan" worth €727,167, there was an increase in the quantities under 11 contract items, amounting to €85,078 and representing an increase of up to 181% in the quantities under the contracted items;

- In the contract "Regulation of the martyrs' cemetery in Viti i Mareci - Prishtina" worth €537,892, there was an increase in the quantities under 14 contracted items, amounting to €4,518 or up to 694% of the quantity for the contracted items;
- In the contract "Construction of Prugovc-Lebane-Barilevë roads" worth €264,470, the increase in contracted quantities in 17 items worth €4,816 or up to 24% of the quantity for the contracted items;
- In the contract "Reconstruction of roads on Mic Sokoli and 27 Nëntori streets" worth €378,816, there was an increase in the quantity in two contracted items with a total value of €10,529, or up to 68% of the quantity for the contracted items;
- In the contract "Renovation of the location space at the Bregu i Diellit - Prishtina Roads Directorate", worth €417,638, there was an increase in the quantity in 12 contracted items, amounting to €66,661 or up to 456% of the quantity for the contracted items;
- In the contract "Construction of the wings of Muharrem Fejza Road" worth €486,448, there was an increase in quantity in seven items worth €24,118, representing an increase of up to 2.745% in quantities in the contracted items;
- In the contract "Construction of the road in Radashevci" worth €253,366, there was an increase in the quantity in three items worth €2,612, representing an increase of 15.76% in the quantities in the contracted items;
- In the contract "Construction of the Pavarësia school annex" in the amount of €879,554, there was an increase in four items in the amount of €13,201 or up to 311%; and
- In the contract "Construction of the grandstand for the football club KF Ramiz Sadiku" worth €199,386, there was an increase in quantity in nine items worth €5,264 or up to 153.7%.

These occurred as a result of dysfunctional controls in contract management, lack of proper project planning, and changes in field conditions with the intention of making projects more operational.

Impact Changing the contracted quantity in the absence of proper approvals and evidence that specific analyses have been conducted for these changes raises the risk that the implementation of the works will not be in accordance with the project requirements and creates the opportunity for manipulation with the items and quantities of the initial tender.

This could consequently lead to exceeding the contract.

Recommendation B8 The Mayor should strengthen accountability regarding the management of capital projects, ensuring that for any changes to the terms and conditions of the contract, procedures are implemented for obtaining the necessary approvals according to the applicable procurement rules and amending the contract in accordance with the changes made.

Auditee's Management Response (Agree)

Issue B9 - Implementation of quantities in public framework contracts not in line with the weights specified in the tender dossier

Finding According to Regulation No. 001/2022 on Public Procurement, Article 17.35, whenever the Contracting Authority does not know the indicative quantities, contracts with unit prices, the CA must determine the weights based on the importance of each "category of services" in order for the CA to determine which is the lowest priced offer based on the scoring.

Consequently, the weighing of items must be done based on the weight and importance of the respective category, which means that the quantity implemented (spent) cannot and should not differ from the weight ratios given in the Tender Dossier.

The contract manager remains responsible for clearly demonstrating that the quantity ordered and spent is in line with the given weight and the real needs of the CA.

In three (3) public framework contracts with unit prices, the value spent for a certain category, cases have been identified where the value spent for a certain category has exceeded the allowed value based on the weighting according to the contract. These are the following contracts:

- In the contract "Construction of mobility safety fences" with an estimated value of €1,200,000, category B of the specifications was weighted with 40% of the contract or an expenditure allowance of up to €480,000, while it was exceeded by being implemented in the amount of €889,613 or 74% of the contract value;
- In the contract "Investment and regulation of public spaces phase II" with an indicative value of €1,000,000 with a total price of €55,091, category A of the specifications was weighted with 60% of the contract or the spending allowance of up to €600,000 was exceeded, being implemented in the amount of €767,851 or 79%. Whereas, category B, weighted at 40% or €400,000 of the contract value, was implemented at €513,790 or 51%.

Furthermore, the total payments reached €1,281,641, which represents an excess of 28% of the contract value. This contradicts the legal principle that in weighted framework contracts, the plus/minus 30% tolerance is not applied as in contracts with indicative quantities; and

- In the contract "Horizontal and vertical signalling lot II", with an indicative value of €450,000, category A of the specifications was weighted with 80% of the contract or an expenditure allowance of up to €360,000, while it was exceeded in implementation at the amount of €535,409 or 119% of the contract value.

These overruns occurred as a result of poor planning of needs, improper determination of the weighting of categories based on the importance of the works/services in the tender dossier, and lack of control by contract managers during contract implementation.

Impact

Exceeding the allowed quantities according to the weight assigned to them in the tender dossier and in the contract, affects the lack of transparency in decision-making for selecting the bid with the lowest price.

This happens because the decision to award the contract was based on a balanced price structure according to the foreseen weights, while in implementation they are not respected. As a result, the municipality jeopardizes budget planning, entering into additional unforeseen obligations.

Recommendation B9 The Mayor should ensure, through the requesting units, that an accurate assessment of the municipality's real needs is made during the preparation of tender requests and that the weights specified in the tender dossiers reflect the importance and expected volume of the services to be performed in practice. During contract implementation, contract managers should monitor implementation according to the approved weights, to ensure full compliance with legal requirements and budgetary objectives.

Auditee's Management Response (Agree)

Issue B10 - Delays in payment of invoices and additional costs for the municipality as a result of the execution of payments through court and enforcement decisions

Finding According to the LPFMA, Article 39, it the CFO of the Budgetary Organization is responsible for ensuring that every valid invoice and payment request for goods and services supplied and/or works performed for the BO is paid within 30 calendar days after receipt of the invoice or payment request. While according to Article 40 of the LPFMA, the invoice may be executed directly by the Treasury upon receipt of a final order from the court/bailiff.

From the samples tested, we identified that the Municipality had paid €1,074,473 in 2024 in interest and enforcement proceedings, as a result of payments under court decisions. In total, payments including debt and interest were €3,511,845, where €250,405 was paid for goods and services and €3,261,440 for capital investments.

Also, from testing samples in three (3) cases of capital investments with a total value of €330,332, and in goods and services in nine (9) cases tested with a total value of €812,859, we noticed that invoices paid late, beyond the legal deadline of 30 days. Payment delays ranged from 12 to 316 days.

This occurred due to inadequate controls in the execution of payments and management of public contracts, lack of financial funds as some contracts were concluded without sufficient funds, and delays in completing cases.

Impact Delays in the payment of invoices hence payments made through court decisions, cause difficulties to implement the budget according to plans, and cause additional costs in the Municipality's budget.

Recommendation B10 The Mayor should strengthen controls over invoice management, ensuring that payments are made within the legally established deadline.

Auditee's Management Response (Agree)

Issue B11 - Subsidizing NGOs without public calls

Finding According to the Regulation MoF-No. 04/2017 on Criteria and Standards of Public Financing of Non-Governmental Organizations (NGOs), Article 2.1, the financing of NGO projects and programs is carried out according to a public call and in line with the criteria of the Regulation.

The Municipality allocated a subsidy to the Basketball Club "Sigal Prishtina" in the amount of €50,000, without announcing a public call and without concluding an agreement with the beneficiary. The subsidy was approved only by decision of the Municipal Assembly.

This occurred due to the failure of internal controls and the lack of accountability for implementing legal requirements regarding NGO subsidies.

Impact The allocation of subsidies without a public call undermines transparency and competition, excluding other NGOs from the opportunity to apply on an equal footing. Furthermore, the lack of a signed agreement prior to payment risks the beneficiary not being legally obligated to meet the objectives and conditions of the funding, which could negatively impact the management of public funds.

Recommendation B11 The Mayor should ensure that when providing financial support to NGOs, public calls are applied according to the requirements of the applicable regulation. Also, ensure that the signing of the agreement between the Municipality and the beneficiary takes place before the payment of funds.

Auditee's Management Response (Agree)

2.3 Findings on financial management and compliance

2.3.1 Revenues

The revenues generated by the Municipality of Prishtina in 2024 were €32,342,571. They relate to revenues from property tax, construction permit taxes, administrative taxes, revenues from business activities, revenues from legalization taxes, waste taxes, and revenues from infrastructure taxes. In addition to its own revenues, the municipality has also received indirect revenues collected from the central level in the amount of €4,624,345 (traffic fines €4,414,963, court revenues €209,382).

Issue B12 - Delays in reviewing requests for construction permits and environmental permits

Finding According to Law No. 04/L-110 on Construction, Article 17, subparagraph 1.2, the construction permit must be issued within 30 days of receipt of the application for category I and within 45 days for categories II and III.

In addition, according to Article 11 of Administrative Instruction No. 01/2017 on the Issuance of Municipal Environmental Permits, the decision to approve or reject the municipal environmental permit must be issued within 30 days from the date of receipt of the request, signed by the director of the relevant directorate.

In 14 tested cases, we noticed that the Municipality did not respect the legal deadlines for reviewing requests for construction and environmental permits. Delays in reviewing construction permits ranged up to 22 months, while delays for environmental permits were up to 6 months, beyond the deadlines set by legislation.

These delays occurred as a result of malfunctioning internal controls and lack of supervision.

Impact Delayed review of permit requests negatively impacts the late collection of revenues derived from these services as well as the lack of regular and timely services for citizens.

Recommendation B12 The Mayor should analyse the causes of delays in the review of construction and environmental permits and take measures to ensure that they are reviewed within the legally established deadlines.

Auditee's Management Response (Agree)

Issue B13 - Use of public properties without compensation and with expired contracts

Finding Law No. 03/L-040 on Local Self-Government stipulates that municipalities have the right to lease municipal movable and immovable property, in accordance with the legal provisions in force.

During 2023, municipal commissions designated for the verification and evaluation of contracts for the provision of municipal immovable property had drafted reports and provided concrete recommendations, including: the immediate release of occupied spaces, the provision of municipal property in accordance with applicable laws for expired contracts, the retroactive payment of rent for the land used, and the release of properties occupied by users without legal documentation.

In connection with these recommendations, the Municipal Assembly had approved a regulation on the granting of municipal property for use for up to 1 year. However, after the review of legality by the Ministry of Local Government Administration (MLGA), the regulation was returned for reconsideration.

Despite this, the Municipality had not taken any other concrete actions to implement the recommendations even during 2024.

The lack of sufficient controls and effective monitoring by relevant departments had resulted in the recommendations of the committees and the assembly not being addressed in a timely and appropriate manner.

Impact Failure to implement recommendations and the lack of concrete actions risks that public property will continue to be misused by users, while the Municipality loses the revenues it is entitled to, negatively impacting the local budget and sustainable revenue management.

Recommendation B13 The Mayor should ensure that the recommendations given by the relevant committees and approved by the Municipal Assembly are implemented within the established deadlines, in accordance with the legislation in force.

Auditee's Management Response (Agree)**2.3.2 Wages and Salaries**

The final budget for salaries and wages was €43,893,367, while €43,879,580, or 99% of the budget, was spent. The number of items approved according to the budget law was 4,871 employees, while at the end of the year the number of employees was 4,718.

Issue A9 - Lack of work attendance evidence**Finding**

Article 17.1 of Regulation (GRK) No. 04/2024 on Working Hours, Leave and Attendance of Public Officials stipulates that “A public official shall be obliged to register on the electronic attendance sheet” and “When it is not applicable, a public official’s attendance shall be evidenced through registration in the record books.”

From the samples tested during the audit of salaries and allowances, we have identified that:

- In six (6) cases, it was not possible to provide evidence of the attendance of officials at work through the electronic system or record books.
- In four (4) cases of overtime compensation, there was no evidence of attendance that proves the performance of overtime work. In one of these cases, an official was identified who did not appear at all in the entry/exit system for the month of September 2024, while there was a decision for transfer to another budgetary organization dated 01/09/2024. Despite this, he received full salary for the months of September and October, in the amount of €1,452.

According to personnel officials, the file for processing had reached the payroll office in November 2024, two months late.

These occurred because the Municipality did not ensure full implementation of the attendance registration system for all public officials. This shortcoming is mainly observed at the level of management and managerial staff. Furthermore, internal controls regarding the timely communication and processing of changes in the salary system are weak, and there is a lack of systematic verification of supporting documentation for additional payments.

Impact

The lack of electronic attendance recording or alternative evidence creates a risk that salaries are processed without actual work coverage. Also, overtime payments without supporting documentation negatively impact the financial efficiency, accountability and reliability of the personnel management system and public funds.

Recommendation A9 The Mayor should ensure the full functioning of the electronic attendance registration for all officials, without exceptions, and measures should be taken for regular and independent verification of attendance records. Also, internal controls in the payroll department should be strengthened, so that any change in the status of officials is reflected in real time, and salaries are processed only for the period when there is a legal and documented commitment. In cases where unjustified payments have been made, a concrete way of returning them to the Municipality budget should be established.

Auditee's Management Response (Agree)

Issue A10 - Failure to update employment contracts under the Law on Public Officials

Finding Regulation (GRK) No. 06/2024 on Classification of Jobs in the Civil Service, Article 34, stipulates that "Institutions in the scope of action of this Regulation are obliged to prepare the classification and grouping of job positions in accordance with this Regulation and the job position catalogue no later than three (3) months after entry into force of this Regulation." Similarly, Article 102 (1) of Law No. 08/L-197 on Public Officials stipulates that "Upon the entry into force of this Law, all institutions shall be obliged to prepare and offer the current official for signature the new appointment letters and/or employment contracts."

During the audit, we noted that the Municipality had not yet drafted the regulation on systematization and classification of jobs as a prerequisite for harmonizing employment contracts with the new legal framework. Out of 70 contracts tested, in 46 cases the contracts were not updated regarding coefficients and other elements specified in the Law on Public Officials.

As a result, public officials continue to have contracts that are not harmonized with the law and regulations in force. According to information received from competent officials, a commission has been established to draft the regulation, and the document is in the finalization phase.

The failure to update contracts has resulted from the failure to draft the regulation on systematization and classification of jobs in a timely manner, which is a prerequisite for the implementation of the Law on Public Officials in terms of contracts and new coefficients.

Impact Failure to update employment contracts and non-compliance with the new coefficient system has caused non-compliance with legal requirements and has resulted in the incorrect inclusion of items in the salary structure.

Recommendation A10 The Mayor should expedite the finalization and adoption of the regulation on systematization and classification of jobs, in order to enable the updating of employment contracts in accordance with the Law on Public Officials.

Auditee's Management Response (Agree)

2.3.3 Goods and Services and Utilities

The final budget for goods and services was €32,884,446, while €32,726,680 or about 99% of the budget was spent. They mainly relate to design and consultancy expenses, repair and maintenance, equipment purchase, transportation expenses, etc

Issue A11 – Shortcomings in project management through the electronic e-procurement platform

Finding Regulation No. 001/2022 on Public Procurement, Article 70.24 (f), provides that contract managers “Shall ensure that all contract management records are prepared, maintained and archived in the contract management module in the electronic procurement system.

The tests conducted showed that in eight (8)⁸ cases, contract management and contractor performance evaluation were not conducted through the electronic e-procurement system.

The non-use of the system occurred as a result of bypassing the procedure set out in the regulation, due to the lack of administrative responsibility on the part of the officials responsible for contract management.

Impact Failure to maintain contracts through the electronic e-procurement system may result in poor contract management and does not provide sufficient opportunity for management or other authorized users to receive real-time information regarding the progress and performance management of contracts.

Recommendation A11 The Mayor should ensure that all contracts are managed and documented through the contract management module in the e-procurement system in accordance with legal requirements. Also, measures should be taken to strengthen administrative discipline and internal monitoring, so that responsible officials fulfil their obligations arising from the legislation in force.

Auditee’s Management Response (Agree)**2.3.4 Capital and non-capital assets**

The value presented in the AFS of capital assets, non-capital assets and stocks is respectively €2,551,789,039, €3,423,170, and €1,218,304.

Issue B14 - Shortcomings in asset stocktaking and reporting of assets under €1,000 and stocks**Finding**

Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 19 (4.3), stipulates that: The responsibility of the Non-Financial Assets Inventorying Commission is also “Comparing the situation of inventory with the condition in the non- financial registers;”.

Whereas, according to Article 24, after reconciling the inventory and valuation status with the status of the non-financial asset registers, the status of non-financial assets must be part of the annual financial statements in accordance with the Financial Rule on Annual Financial Statements.

According to Article 6 (3) of this Regulation, non-capital assets and stocks must be registered and managed by the e-asset program.

During the audit regarding asset management, we noted the following shortcomings:

- The Municipality has carried out the inventory process in several relevant directorates, but this process has not been carried out in the directorates of culture, sports and public services. Furthermore, a summary inventory report has not been prepared that would enable the comparison and harmonization of the situation with the existing property registers, as required by Articles 19 and 24 of the Regulation.
- Also, assets valued under €1,000 and stocks have not been reported this year in the financial statements through the e-asset system, despite the establishment of a registration commission and the completion of its work in December 2024. The registration of assets has been done in the system, but financial reporting is based on manual registers (Excel), which are maintained by the asset officer.

According to the latter, reporting through e-assets was not possible due to the lack of data assessed by some directors by the relevant commission, as well as the lack of data entry into the system for purchases in 2024; and

- Out of a payment worth €24,482, only €14,841 was recorded in the Excel records as assets under €1,000. While the amount of €9,641, which belongs to expendables sent to the Education Directorate, was not recorded at all in the inventory register.

These shortcomings are a result of the lack of coordination between departments and officials responsible for assets, as well as the lack of a common approach to asset management.

Moreover, the non-inclusion of some units in the inventory process indicates a lack of responsibility in implementing legal requirements.

Impact

The failure to include all organizational units in the inventory process and the lack of a summary report jeopardizes the accuracy and completeness of asset data in the annual financial statements.

Failure to fully register in the e-asset system weakens the effective control and management of non-capital assets, while the use of manual registers increases the risk of errors, inconsistencies and lack of transparency.

Recommendation B14 The Mayor should ensure that the inventory process includes all organizational units, and a summary report is drafted that reflects the real state of the assets. Additionally, concrete actions should be taken to strengthen cooperation between relevant departments and officials, and to ensure that all non-capital assets and stocks are registered and reported through the e-asset system, in accordance with legal requirements and applicable regulations.

Auditee's Management Response (Agree)

2.3.5 Receivables

The Municipality of Prishtina disclosed in the 2024 AFSs accounts receivable in the amount of €85,693,408. This amount mainly consists of property tax in the amount of €49,214,027, waste tax in the amount of €14,828,952, construction permit taxes in the amount of €11,494,887, and other taxes in the amount of €10,155,542. During 2024, accounts receivable from property tax increased by €8,925,184 or 22% compared to 2023.

Issue C1 – Failure to collect debts from waste taxes

Finding According to Article 18 (1) of the Regulation on Waste Management of the Municipality of Prishtina of 01/12/2023, in the event that a debtor fails to pay the waste fee, the Municipality has the right to take legal action through judicial proceedings in the competent court or through private bailiffs, in order to collect uncollected debts.

Accounts receivable for 2024 totalled €85,693,408, of which €14,828,951 or 17% were for uncollected waste taxes. The municipality did not take any concrete action to collect these debts during the year, as required by regulation.

This situation has resulted from the lack of active involvement of the responsible department in taking the necessary actions to collect debts, as well as the lack of a clear monitoring mechanism for debtors.

Impact Failure to collect revenues from waste fees reduces the Municipality's capacity to generate its own revenues, negatively impacting the municipal budget and the implementation of projects financed by these funds.

Recommendation C1 The Mayor should ensure the strengthening of control and action mechanisms in the debt collection process, using all available legal means, including enforcement and judicial procedures, in order to increase efficiency in the management of own-source revenues.

Auditee's Management Response (Agree)

2.3.6 Internal Audit Function

The Internal Audit Unit (IAU) of the Municipality of Prishtina operates with five staff members – the IAU Director and four auditors. For 2024, this unit drafted an annual work plan based on the strategic plan, including 8 regular audits and one to be conducted upon request. It has conducted all the regular audits as planned, which were related to procurement management procedures in the Municipality, excursions, inspections, medical equipment management, budget execution in the Directorate of Education and the Directorate of Capital Investments and Contract Management, the fleet, and subsidy management in the Directorate of Agriculture. A total of 42 recommendations were given in these reports. Of these, 22 were implemented, 12 were in process and 8 were not implemented. The period covered in the IAU reports mainly included the previous year until the time of completion of the respective audit. The Audit Committee held six meetings throughout 2024, where it reviewed the IAU's reports, findings, recommendations, and their progress, as shown in the respective minute reports.

Issue A12 - Lack of action plans and shortcomings in the process of verifying the implementation of recommendations

Finding According to Law No. 06/021 on Public Internal Financial Control, Article 23, subparagraph 1.3, the head of the public sector entity ensures the implementation of agreed recommendations for internal audit.

Whereas, according to GRK Regulation No. 01/2019 on Establishment and Implementation of the Internal Audit Function in the Public Sector Entity, Article 9 (7), internal auditors monitor the implementation of recommendations systematically according to the action plan approved by the head of the public sector entity.

Out of eight (8) internal audit reports, only five directorates have prepared action plans to address the recommendations. The IAU had made 42 recommendations in the internal audit reports, of which only 22 had been implemented, while eight (8) recommendations had not been addressed at all and 12 others were in the process of being implemented.

The lack of action plans has contributed to difficulties in monitoring the implementation of recommendations and has created obstacles during the preparation of the annual report of the Internal Audit Coordination and Harmonization Unit (IACU).

It is also unclear how the IAU has monitored the implementation process of recommendations, as we were unable to verify the reported data on the number of recommendations implemented. This creates uncertainty regarding the progress reporting and indicates the need for a clearer and documented mechanism for monitoring and reporting on the implementation of internal audit recommendations.

These shortcomings are the result of a lack of commitment on the part of management and audited units to address and improve the functioning of internal control.

The failure to use a documented mechanism for monitoring the implementation of recommendations has resulted in a lack of an accurate and verifiable overview of the progress of the implementation of recommendations.

Impact

The issues highlighted above may undermine the credibility of the internal controls, limit the ability to assess the effectiveness of measures taken by management, and prevent informed decisions to improve processes. This also risks repeating the same shortcomings year after year.

Recommendation A12

The Mayor should ensure that all audited directorates prepare and submit action plans to address the IAU recommendations, in accordance with the relevant instructions. Meanwhile, the IAU should develop and implement a clear and documented procedure for following up and reporting on the progress of the recommendations given, based on verifiable information.

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, according to economic categories. This is illustrated through the tables and graphs below:

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

Description	Initial budget	Final budget ⁵	2024 Expenditures	2023 Expenditures	2022 Expenditures
Sources of funds	123,699,998	171,772,332	138,197,295	114,195,436	87,375,438
Government Grants – Budget	83,921,030	87,152,973	84,136,708	70,033,925	58,872,924
Funding through borrowing	0	0	0	0	624,289
Funding through borrowing – Investment Clause	1,000,000	1,000,000	969,980	0	0
Carried forward from previous year	0	44,770,569	30,405,135	25,056,184	16,043,271
Own source revenues	38,778,968	38,778,968	22,671,402	19,105,328	11,831,886
Domestic Donations	0	34,554	0	0	1,500
External donations	0	35,268	14,070	0	1,567

The final budget of the Municipality of Prishtina is higher than the initial budget by €48,072,334 or 39%. This budget increase is the result of the Government's decisions for budget allocations in the amount of €3,231,942, as well as the inclusion of revenues carried over from previous years in the amount of €44,770,569 and donations in the amount of €69,822 in the final budget.

In 2024, the Municipality spent 80.4% of the final budget or €138,197,295, with an increase of 12.2% compared to the previous year. The explanations for the current position are detailed below.

It is worth noting that the Treasury, had made payments worth €10,582,839 from various economic categories, according to enforcement/court decisions, for obligations arising from collective contracts, for expropriations and to economic operators.

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	123,699,998	171,772,332	138,197,295	114,195,436	87,375,438
Wages and Salaries	40,499,674	43,893,367	43,879,580	39,574,435	32,700,638
Goods and Services	28,200,000	29,883,101	29,833,925	29,344,958	26,396,100
Utilities	3,000,000	3,001,345	2,892,755	2,607,669	2,517,257
Subsidies and Transfers	5,500,000	5,747,022	5,232,457	5,143,898	7,396,124
Capital Investments	46,350,325	89,247,497	56,358,577	37,524,476	18,365,319
Reserves	150,000	0	0	0	0

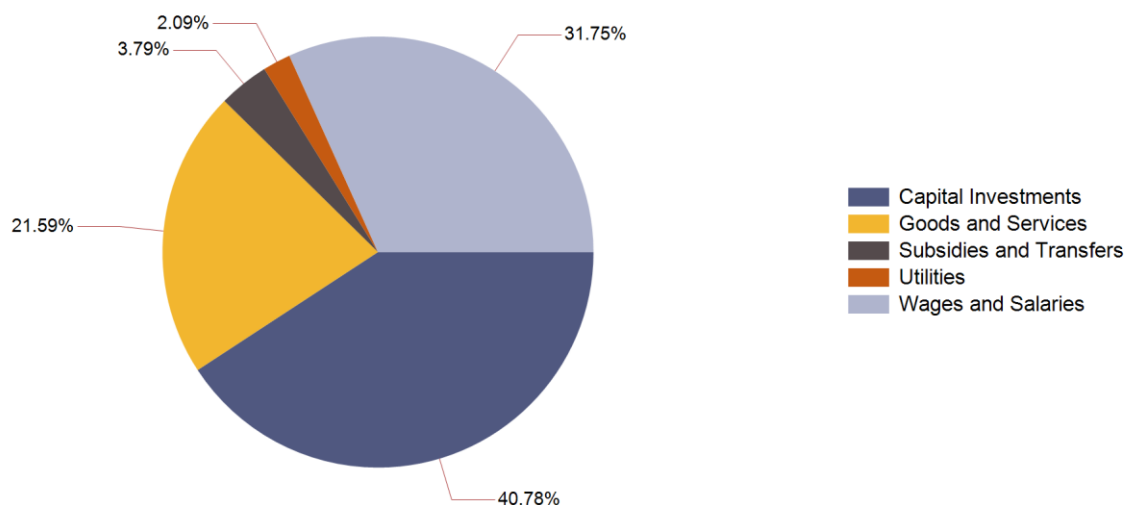
The Municipality had budget transfers across categories. However, all movements/changes were supported by relevant decisions of the Ministry of Finance and the Government. Explanations about budget changes are disclosed as follows:

- The final budget for salaries and wages compared to the initial budget was increased by €3,393,693. The final budget consists of a government grant of €43,731,616, then own source revenues of €150,000 and external donations of €11,751. For the period January - December 2024, the budget execution is 99.9%;
- The final budget for goods and services compared to the initial budget had increased by €1,683,101. The majority of this budget consists of a government grant of €22,862,000, own source revenues of €5,338,000, carried forward revenues of €1,676,132 and donations in the amount of €6,969; By the end of 2024, budget execution was 99.8%;
- The final budget for municipal expenditures compared to the initial budget increased by €1,345 from the own source revenues carried forward of €1,345. By the end of the year, budget execution was 96.4%;
- The final budget for subsidies and transfers compared to the initial budget increased by €247,022. This budget consists of government funds of €3,000,000, own source revenues of €2,500,000, own source revenues for transfers of €213,114 and internal donation grants of €33,908. Budget execution at the end of the year was 91%;
- The final budget for capital investments compared to the initial budget had an increase of €42,897,172. This budget consists of a borrowing fund of €1,000,000, a government fund of €14,559,357, own revenues of €30,940,968, own revenues for transfers of €42,729,978 and donations of €17,194. By the end of the year, the Municipality had

managed to spend only €56,358,577 or 63.1%. Of this amount, payments in the amount of €19,784,921 or 35% were made in December alone.

This under-execution of the budget initially comes as a result of the signing of contracts in the fourth quarter of the year, while the contracts signed during 2024 had also encountered obstacles in implementation in relation to the dynamic plan from the beginning due to failure to meet the conditions for the start of works, such as failure to obtain the necessary permits, problems with expropriations, unplanned work as a result of poor project design, etc.

Chart 1. Expenditures according to economic categories for 2024



The revenues generated by the Municipality of Prishtina in 2024 amounted to €32,342,571. They relate to revenues from property tax, construction permit taxes, administrative taxes, revenues from business activities, revenues from legalization taxes, waste taxes, and revenues from infrastructure taxes. For 2024, the Municipality had planned revenues in the amount of €38,778,968. Compared to the previous year, the level of revenue collection decreased by €2,385,633. The increase in revenue collection during the year was in property tax revenues of 6.16%.

In addition to this amount, revenues from traffic fines and fines from the Courts were in the amount of €4,624,421 which are collected by the Ministry of Internal Affairs (MIA) and the Kosovo Judicial Council (KJC) which are allocated to the Municipality for expenditure. These revenues are not included in the table below, because they are planned and implemented by the line ministries.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	38,778,968	38,778,968	32,342,571	34,728,204	31,576,156
Tax revenues	14,905,828	14,905,828	8,618,214	13,133,087	9,161,332
Non-tax revenues	23,873,140	23,873,140	23,708,938	21,587,700	22,396,975
Other revenues	0	0	15,419	7,417	17,848

4 Progress in implementing recommendations

Our audit report on the 2023 AFS of the Municipality of Prishtina resulted in 22 key recommendations. The Municipality prepared an Action Plan outlining how all recommendations would be implemented. By the end of our 2024 audit, eight (8) recommendations have been implemented, one (1) is under process and 13 recommendations have not yet been addressed, as shown in the following Chart 2.

For a more thorough description of the recommendations and how they are addressed, see Table 3 (or Table of recommendations).

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

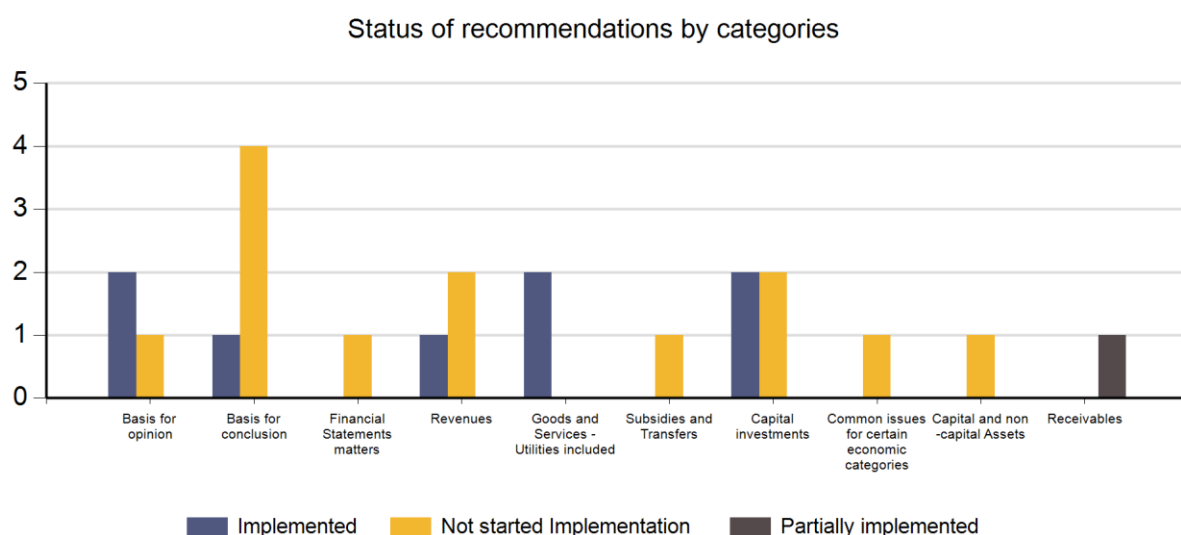


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of 2023	Actions taken	Status
1.	Basis for Opinion	The Mayor should ensure effective controls over the recording and accurate presentation of the value of unpaid liabilities, in accordance with the requirements of the financial reporting regulation, in order to enable their accurate reporting in the AFS.	This year we have not identified any incorrect reporting of outstanding liabilities in the AFS.	Implemented
2.	Basis for Opinion	The Mayor should ensure that capital assets are recorded and reported accurately and completely, in accordance with legal requirements.	During the asset audit, we have not identified any cases where assets were not registered in KFMIS.	Implemented
3.	Basis for Opinion	The Mayor should ensure the strengthening of controls and oversight, particularly in cases involving a high volume of cases, in the management of contingent liabilities, in order to ensure that financial information on contingent liabilities is disclosed accurately and completely.	The recommendation has not been addressed, as this year we have also identified an understatement of contingent liabilities in the AFS.	Implementation has not started.
4.	Basis for Conclusion	The Mayor should strengthen accountability in the management of capital projects by ensuring that for every change in the terms and conditions of the contract, procedures are followed to obtain the necessary approvals in accordance with applicable	The recommendation was not implemented since this year we have also identified cases where contract items	Implementation has not started.

		procurement rules, and that the contract is amended in line with the changes made.	were changed without the proper approvals.	
5.	Basis for Conclusion	The Mayor should ensure the strengthening of controls in the area of awarding and monitoring subsidies, in order to ensure that the funds provided by the municipality are used solely for the subsidized purposes. If the beneficiaries fail to justify the use of the funds in accordance with the intended purpose, measures should be taken to recover the funds from the beneficiaries.	During the audit, we have not identified such cases.	Implemented
6.	Basis for Conclusion	The Mayor should ensure that for any changes in the budget amounts of projects approved in the budget law, prior approval is obtained from the Municipal Assembly.	This year too, the Municipality made payments in the without the approval from the Municipal Assembly from the budget amounts of other capital projects.	Implementation has not started.
7.	Basis for Conclusion	The Mayor should ensure that the steps defined by the applicable rules for the processing of payments by the responsible officials are respected, so that the commitment of funds is made first, followed by the issuance of the purchase order, and then the receipt of goods/works.	This year too, we have identified cases where the purchase order and commitment were processed after receipt of the invoice.	Implementation has not started.
8.	Basis for Conclusion	The Mayor should ensure the strengthening of controls in the area of procurement so that the evaluation of bids is carried out in	This year too, we have identified shortcomings in the bid evaluation	Implementation has not started.

		full compliance with the requirements set out in the tender dossiers and in accordance with legal requirements. Additionally, through the responsible officials, the Mayor should ensure that the members of the evaluation committees understand their duties and responsibilities in their respective engagements, and that any potential errors are identified by procurement officials before the evaluation report is signed.	process, resulting in the selection of winning EOs that did not meet the criteria according to the tender dossier.	
9	Annual Financial Statements	The Mayor should ensure that expenditures are planned and executed according to the appropriate economic categories, in compliance with the chart of accounts, in order to enable their accurate reporting in the AFS.	No actions have been taken to correctly classify expenditures from inadequate codes.	Implementation has not started.
10	Revenues	The Mayor should ensure better cooperation and communication between the Municipal Property Tax Department and the Ministry of Finance, Public Administration and Telecommunication (MFPT), in order to eliminate possible errors in the data related to the assessed tax or any other potential errors.	From the samples tested, we have not identified any shortcomings in the application of the deduction for primary residences.	Implemented
11	Revenues	The Mayor should analyse the causes of delays in the review of construction and environmental permits and take measures to ensure that they are reviewed within the legally prescribed deadlines.	No action has been taken in this regard.	Implementation has not started.
12	Revenues	The Mayor should ensure that the recommendations given by the respective committees, approved by	During 2024, no effective measures were taken to	Implementation has not started.

		the Municipal Assembly, are implemented according to the specified requirements within the shortest possible timeframe.	implement the requests by the relevant committees.	
13	Goods and Services and Utilities	The Mayor should ensure that contracts are concluded in a timely manner, and that invoicing, acceptance of works, and payments for these works are made according to the contracted prices for the respective period, and not retroactively.	During testing, we have not identified such cases.	Implemented
14	Goods and Services and Utilities	The Mayor should ensure the strengthening of controls in the Procurement Department and the Finance Directorate to make sure that procurement procedures are conducted timely for the conclusion of contracts for insurance services, in order to avoid situations of orders placed outside the contract period that violate the law.	During testing, we have not identified such cases.	Implemented
15	Subsidies and Transfers	The Mayor should ensure that public calls are applied in accordance with the requirements of the applicable regulation when providing financial support to NGOs. Additionally, it should be ensured that the signing of the agreement between the municipality and the beneficiary takes place before the payment of funds.	This year, the municipality also allocated subsidies to NGOs without applying a public call.	Implementation has not started.
16	Capital Investments	The Mayor should ensure that before initiating work projects, the conditions for project implementation are met, such as obtaining the necessary work permits, resolving property issues,	No actions have been taken to ensure the implementation of capital projects	Implementation has not started.

		and properly preparing the executive project plans to minimize requests for unforeseen work. Furthermore, controls should be strengthened in the continuous supervision of project progress to ensure that the works are carried out according to dynamic plans and that execution guarantees provided by economic operators cover the period up to 30 days after the contract completion.	according to the dynamic plan.	
17	Capital Investments	The Mayor of the Municipality should ensure, through the requesting units, that during the preparation of requests and tender dossiers for framework public contracts based on weighting, an active role is played in determining the municipality's real needs, so that these contracts are executed in full compliance with the weights specified in the tender dossier.	Cases of exceeding quantities in public framework contracts with unit prices have again been identified.	Implementation has not started.
18	Capital Investments	The Mayor should ensure that positions which have been paid for but not completed are finalized in accordance with the contract. Additionally, it should be ensured that the quality of the work carried out complies with the contractual conditions and that any damaged work is repaired in accordance with the terms of the contract.	During the audit, we have not identified such cases.	Implemented
19	Capital Investments	The Mayor should ensure increased accountability among requesting units regarding the preparation of specifications for work contracts, ensuring that they comply with the executive project. Additionally, the Mayor should take measures to prevent the risks of double	From audit tests and on-site verifications, we have not identified such cases.	Implemented

		payments for the same work related to capital projects.		
20	Common Issues	The Mayor should strengthen controls in invoice management by ensuring that payments are made within the legally prescribed deadlines.	This year too, there have been payments for court decisions and delays in fulfilling obligations.	Implementation has not started.
21	Assets	The Mayor should ensure that non-capital assets and inventories are recorded and managed through the e-asset system. Necessary actions should be taken to implement the use of this application for asset management. Asset inventory should be conducted before the end of the fiscal year so that all changes in asset value are reflected in the annual financial report.	The recommendation has not been implemented as the reporting of assets under €1,000 and stocks for 2024 was done through excel registers and not the E-asset system. Also, the inventory was not conducted in all directorates, and the inventory commission did not draft a summary report on the inventory process.	Implementation has not started.
22	Accounts Receivable	The Mayor should ensure the strengthening of control mechanisms in the collection of debts from taxpayers by utilizing all available means, including legal actions.	During the review, we noted that the Property Tax and Urban Planning Directorate had taken measures to address the recommendation, while effective measures had	Partially implemented

			been taken to collect debts from taxpayers for waste taxes.	
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Vlora Spanca: Auditor General

Blerim Kabashi: Audit Director

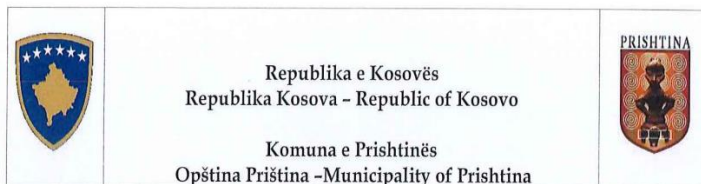
Nora Rashiti Nishefci: Team leader

Kushtrim Leci,: Team member

Ajtene Llapashtica: Team member

Endrita Gjyrevci: Team member

Annex I: Letter of confirmation



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 Prishtinës, për vitin 2024 (në tekstin e mëtejshëm "Raporti");
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Përparim Rama

Kryetar i Kryeqytetit



Data: 29.05.2025

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 ⁵ 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.