



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 KAÇANIK FOR YEAR 2024

Prishtina, May 2025

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1 Audit Opinion

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

Basis for Qualified Opinion

- B1 During budget execution, the municipality made payments totaling to €458,448 from inadequate economic categories.
- A1 Non-capital assets in the AFS were understated by €14,894.

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

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

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

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

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

Audit Conclusion on Compliance

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

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

Basis for the Conclusion

- A2 In three (3) cases, payments for projects were made in violation of the budget law.
- A3 Delays in the implementation of capital projects range from 207 to 524 days.
- A4 Failure to meet the legal requirement to inspect 20% of immovable properties each fiscal year.
- B2 In three (3) cases, there is no compliance with the steps for processing payments as required by the Financial Rule.
- A5 Entering into contractual obligations without sufficient budget and funds.
- B3 Delays in payment of financial obligations from 30 to 81 days.
- B4 In two (2) cases, procurement procedures were carried out without an executive project.

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

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

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

The mayor is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, the mayor is responsible for establishing

internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

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

Management's Responsibility for Compliance

The Management of Municipality of Kaçanik 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 Kaçanik '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

³ Collectively referred to as compliance with authorities

opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Kaçanik '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 improvements in financial management and control, which are presented below for your review in the form of findings and recommendations.

The issues that have had an impact on the financial audit opinion are those related to the inadequate classification of expenditures.

Areas for further improvement have been identified such as inadequate management of public contracts, entering into contractual obligations without a budget, lack of an executive project, delays in completing contracted works, and delays in paying financial obligations.

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 improve internal controls over financial reporting and compliance with authorities regarding the management of public sector funds.

This report resulted in 12 recommendations, of which six (6) are new recommendations and six (6) are repeated recommendations. We will follow up (review) these recommendations during next year's audit.

It is totalling noting that during 2024, payments in the amount of €736,775 were made based on court/enforcement decisions, of which €626,017 were paid for the collective contract, whilst the remaining €110,758 was due to delays in the payment of invoices resulting from a lack of funds.

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

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

2.1 Issues with impact on the audit opinion

Issue B1 – Inadequate classification of expenditures

Finding According to the Financial Rule No. 01/2013/MF on Public Funds Expenditure, Article 18 (3), expenditures must have adequate codes, as determined by the Administrative Instruction on the chart of accounts, and the Treasury chart of accounts also determines the relevant codes and categories of expenditures that BOs must apply.

Based on the payments tested, we noticed that payments were made from inadequate codes, in the amount of €458,448. capital investments, payments in the amount of €410.561, goods and services in the amount of €22.122, from the municipality in the amount of €15.499 and from subsidies and transfer payments in the amount of goods and services and the municipality €10.266.

Payments for jubilee salaries and bonuses occurred as a result of the collective agreement, the expenses of which were not planned in the budget.

Impact Payments made from inadequate expenditure categories lead to incorrect financial reporting, as well as overstatement/understatement of expenditure categories.

Recommendation B1 The Mayor should ensure that expenditures are planned and executed according to adequate economic categories, to enable their correct reporting in the AFS.

Response of entity's management (Agree).

Issue A1 - Failure to record assets in accounting records

Finding Regulation No. 02/2013 on Management of Non-financial Assets by Budget Organizations, Article 6, stipulates that capital assets must be registered in KFMIS, whilst non-capital assets and stocks must be registered in the e-assets system.

Based on the samples tested, in two (2) cases, non-capital assets totalling €14,894 were not registered in the e-asset system IT equipment totalling €5,150, and a compressor with other equipment totalling €9,744.

Assets under €1,000 are not registered in e-assets due to lack of mutual communication between responsible officials.

Impact Lack of accurate and complete records causes a lack of information for management regarding the assets available to the municipality, causes overstatement/understatement of assets and may result in inaccurate and incomplete presentation of information in the AFS.

Recommendation A1 The Mayor should ensure that all municipal assets are accurately recorded in accounting records according to legal requirements.

Response of entity's management (Agree).

2.2 Issues with impact on compliance conclusion

Issue A2 - Payment of projects in violation of the budget law

Finding

According to Article 9 (2) of Budget Law No. 09/L-260, no later than thirty (30) days after the issuance of the full budget appropriations for the fiscal year 2024, the Government shall submit to the Assembly for information the table showing the changes made to Table 4.2 (financing of municipal capital investments), which is required from budget organizations to fulfil outstanding financial obligations from the previous year.

Based on the samples tested, we identified that in three (3) cases, payments were made from project funds approved in the 2024 budget law for other projects.

- The contract for the project "Construction of social housing facilities" was signed in 2022 for a value of €406,747, based on the budget allocations for the year. However, the project was not fully implemented during the year 2022/2023. As a result, in 2024, the municipality made a payment for this project in the amount of €30,000, spending the funds of the project "Supply of equipment for the MFMC".
- In addition, the Municipality made a payment for the project "Construction of social housing facilities" in the amount of €30,000, spending the funds of the project "Purchase of a vehicle for palliative care".
- The contract for the project "Design of projects for the Municipality of Kaçanik" was signed in 2023 in the amount of €120,000, based on the budget allocations for the year. However, the project was not fully implemented during 2023. As a result, in 2024 the municipality made a payment for this project in the amount of €25,106 by spending the funds of the project "Construction of roads and sidewalks in Reshan".

This occurred as a result of dysfunctional controls during the preparation, monitoring and execution of the budget for capital projects.

Impact

Using funds from one project to pay the obligations of another project, overseeing legal procedures, increases the risk that approved projects will not be implemented and the municipality's objectives will not be achieved.

Recommendation A2The Mayor should ensure that controls are strengthened, and accountability is increased in the process of allocating funds for capital projects, giving priority to unfinished projects from previous years.

Response of entity's management (Agree).

Issue A3 - 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. In the contracts concluded between the municipality and the economic operators, the deadlines for the implementation of the contracts are defined.

Based on the samples tested, we observed in four (4) cases that the works were not implemented in accordance with the dynamic plan as foreseen in the contract. The identified cases are:

- The contract "Construction of the Bridge over the Nerodime River - Kaçanik" totalling €79,961 was not completed according to the 60-day dynamic plan.
- The contract "Construction of Underpass - Kaçanik" totalling €210,097 was not completed according to the 70-day dynamic plan.
- The contract "Regulation of the city square" totalling €286,810 was not completed according to the 24-months dynamic plan.
- The contract "Construction of sidewalk, cycling path and public lighting on Murat Lika Street, Strazhë" totalling €122,852 was not completed according to the 90-day dynamic plan.

Delays for these contracts ranged from 207 to 524 days.

The delays occurred due to the lack of available funds to complete the contract as a result of improper project planning and several problems in the expropriation of properties, as well as the setting of deadlines for the implementation of projects without proper analysis and the lack of responsibility of economic operators in implementing the works according to the deadline stipulated in the contract.

Impact

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

Recommendation A3 The Mayor should ensure that controls are established in this area with rigorous supervision of contract management. The implementation of contracts should be implemented in accordance with the dynamic plan/deadline for the performance of works/supplies, while the measures/penalties foreseen in the contract should be applied for unjustified delays.

Response of entity's management (Agree).

Issue A4 - Failure to comply with the legal requirement for the inspection of immovable assets

Finding The Law No. 06/L-005 on Immovable Property Tax, Article 15 (1 & 2) stipulates as follows: Inspection 1. The Municipality shall inspect immovable properties within the territory of the Municipality. The Municipality may engage private inspectors to assist in inspecting activities. 2. Inspection activities shall be carried out each year for at least twenty per cent (20%) of all objects within the territory of the Municipality and only when it is necessary for parcels.

We have identified that in 2024, the municipality had not conducted any inspection (verification) of immovable assets for property tax purposes, as required by the applicable law. The municipality has not taken any alternative measures or actions to verify 20% of immovable assets/facilities.

According to the municipality, the reason for not conducting inspections of properties and facilities was the lack of staff.

Impact Failure to apply the legal requirement for inspection of immovable assets results in a lack of accurate information on taxable property. This situation allows errors to flow in the assessment, not reflecting the actual on-site situation compared to that recorded in Protax. Also, this lack of information may lead to inaccurate assessment of property tax revenues.

Recommendation A4 The Mayor should ensure that 20% of immovable assets are verified so that any property changes are integrated into the database to reflect the correct tax liability.

Response of entity's management (Agree).

Issue B2 - Failure to comply with the steps for processing payments as required by the Financial Rule

Finding Financial Rule No. 01/2013/MF on Public Funds Expenditure, Article 22 sets forth the steps for processing payments, where initially a purchase request is made, a purchase order is issued, the goods/services are received, then the Economic Operator presents the invoice for payment.

Of the 26 samples tested in the goods and services category, we observed that in three (3) cases involving an amount of €34,165.35, the steps for processing payments were not adhered to, where initially the goods and services/supplies were received, then the commitment and purchase orders were issued. This figure and number has decreased from the previous year but still needs improvement.

This was due to the failure of controls by the finance and procurement office as the commitment officer and the procurement office had not followed the steps for processing payments according to the financial rule.

Impact Failure to comply with the steps for processing payments may result in increased municipal liabilities to economic operators.

Recommendation B2 The Mayor should ensure that internal controls are strengthened in the payment execution process. Payment processing should be done according to the chronology of events, with funds first committed, purchase orders issued, and then goods/works received.

Response of entity's management (Agree).

Issue A5 - Entering into contractual obligations without sufficient budget and funds

Finding Law No. 08/L-260 on Budget Allocations for the Budget of the Republic of Kosovo for the year 2024, Article 12 (7), sets forth the limits on commitments and expenditures. The signing of contracts for multi-year capital projects is done 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 Funding of Municipal Capital Investments, planned funding of projects and the allocated amount that must be implemented within three (3) years.

Based on the samples tested, we identified the following shortcomings:

- The repair of the "Bob-Kulla e Hasanit" road cost €327,127, whilst the Budget Law allocated €150,000 for this project over three years. The municipality entered into contractual obligations for €171,172 without having an approved budget.
- Construction of the physical education hall at the PLSS "Idriz Seferi" cost €366,700, whilst the Budget Law allocated funds for this project in the amount of €300,000. The municipality entered into contractual obligations for €66,000 without having an approved budget.
- Construction of the "Kaçanik Fire Station Phase II" cost €143,516, whilst the Budget Law allocated funds in the amount of €50,000.00 for this project. The municipality entered into contractual obligations for €93,516 without having an approved budget.

This occurred due to poor controls when initiating procurement procedures without a budget approved by the Assembly of Kosovo and without sufficient funds.

Impact

Entering into obligations without budget planning and without securing the necessary funds leads to an increase of unpaid obligations, has budget implications for the current year, as well as is a burden on the budget of the following year.

Recommendation A5 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 budget appropriations law and that there are sufficient budget funds allocated for all contracts entered into.

Response of entity's management (Agree).

Issue B3 - Delays in payment of invoices

Finding

Law No. 03/L-048 on Public Financial Management and Accountability, Article 39, states that the CFO of the Budget Organization is responsible for ensuring that every valid invoice and payment request for goods and services supplied and/or works performed for the BO are paid within 30 calendar days after receipt of the invoice or payment request.

In five (5) cases, invoices totalling to €4,451 relating to the construction of a sports field in the amount of €1,555, the repair and maintenance of vertical and horizontal signage in the Municipality of Kaçanik in the amount of €1,695, the maintenance of parks and public spaces in the amount of €516, the maintenance of medical facilities and equipment in the amount of €500, and the salary for consulting services in the amount of €185 presented in the Financial Statements, were unpaid for more than 30 days, with a delay of 30 days to 81 days.

This occurred due to inadequate controls in the execution of payments and management of public contracts, and the lack of financial funds to make payments within the legal deadline.

Impact

As a result of delays in paying invoices, the municipality may face additional costs of interest and penalties for delays caused by third parties.

Recommendation B3 The Mayor should strengthen controls over invoice management, ensuring that payments are made within the legally established deadline.

Response of entity's management (Agree).

Issue B4 - Lack of executive project

Finding Regulation No. 001/2022 on Public Procurement, Article 19 (17) inter alia stipulates that "The Contracting Authority is responsible for drawing up the Executive project which shall be attached (also on electronic devices) to the technical specifications, which are part of the tender dossier. No Contracting Authority is allowed to issue tender documentation without attaching the detailed project description."

Following our tests, it resulted that executive projects were not prepared for four (4) capital projects, the cases are as follows:

-
- Repair and asphaltting of urban roads - Kaçanik (Retender) in the amount of €147,667.
- Construction of a warehouse and garage at the MFMC in the amount of €214,465.

This occurred due to the negligence of the requesting units without first drafting the executive implementation projects and the lack of efficient functioning of controls at the procurement office, developing procedures without meeting the legal requirements.

Impact Initiating the procurement procedure without an executive project may result in poor implementation of work contracts and may result in unplanned expenses or poor value for money spent.

Recommendation B4 The Mayor should ensure that proper control is functional through the procurement office, in order to review whether the requesting units draft the executive project according to legal requirements and the needs of the municipality, setting the standard of quality of work or supply.

Response of entity's management (Agree).

2.3 Findings on financial management and compliance

2.3.1 Capital Investments

The final budget for capital investments was €4,321,364, of which €3,436,778 or 80% were spent. They relate to construction of local roads, educational facilities, maintenance of investments, water supply, sewage, equipment, etc.

Issue B5 - Shortcomings in contract management through the electronic e-procurement platform

Finding Regulation No. 001/2022 on Public Procurement, Article 70.24 point (f) stipulates 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.

Based on the samples tested, in four (4) cases, contract management and contractor performance evaluation were not maintained and archived through the electronic public procurement system (e-procurement), such as:

- Repair and asphaltting of rural roads - Kaçanik in the amount of €276,480.
- Construction of the physical education hall at the PLSS "Idriz Seferi" in the amount of €367,000.
- Construction of the Firefighters' Facility - Kaçanik, Second Phase in the amount of €143,516.
- Construction of wastewater sewage in the village of "Begracë" in the amount of €295,121.

This occurred due to poor internal controls in the contract management process through the electronic e-procurement platform.

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

Recommendation B5 The Mayor should ensure that controls are strengthened to ensure that contract management is maintained and archived in the electronic public procurement system.

Response of entity's management (Agree).

2.3.2 Receivables

The municipality disclosed the accounts receivable in the AFS in the amount of €2,315,991 in 2024. This amount consists of accounts receivable from property tax in the amount of €2,042,630, taxes from the exercise of activity in the amount of €219,070, and taxes from rent in the amount of €54,291.

Issue B6 - Weaknesses in accounts receivable management

Finding According to Law No. 06/L-005 on Immovable Property Tax, Article 26, the Municipality, the Ministry of Finance and the competent enforcement bodies have the authority and powers to collect unpaid tax liabilities exceeding the amount of €10. Despite the fact that during 2024, the municipality took action to collect debts by submitting unpaid invoices/obligations to enforcement. In total, receivables, compared to the previous year, have increased from €1,973,138 to €2,315,991, marking a difference of €342,853, or about 14.8%. The increase is related to property tax.

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

Impact Failure to collect charged revenues on time affects the level of funds collected for the municipal budget, while the statutory expiration of receivables makes their collection difficult or even impossible and reflects negatively on the financing and implementation of projects from own-source revenues.

Recommendation B6 The Mayor should ensure the strengthening of internal controls for the management of receivables, as well as increasing the efficiency of their collection. In addition, the causes of the increase in receivables should be analysed and a strategy for their collection should be created, including taking the necessary legal actions for collection.

Response of entity's management (Agree).

2.3.3 Internal Audit Function

The IA Unit has planned five (5) audits, all of which have been completed.

Issue A6 – Failure to operationalise the IAU

Finding As stipulated in Law No. 06/l-021 on Public Internal Financial Control, Article 19, Establishment of the internal audit function, 2. The internal audit unit shall be established in one of the following forms: 2.1. independent Internal Audit Unit that is directly subordinated to Head of the Public Sector Entity; 2.2. joint Internal Audit Unit based on the criteria set forth by the Ministry of Finance; 2.3. upon agreement for providing internal audit service from one Public Sector Entity to another, with prior approval of the Minister of Finance; or 2.4. upon contracting a professional company for performing internal audit, following the approval by the Ministry of Finance.

The head of the IAU retired on 21/03/2025 and the municipality had not taken any measures to operationalise the IAU.

This occurred due to the retirement of the head of the IAU and the management's negligence for engaging the internal auditor/head of the important IAU in monitoring the functioning of internal controls.

Impact Failure to operationalise the IAU affects the effectiveness of the internal control system and poor monitoring of the progress of work activities in the municipality.

Recommendation A6 The municipality should ensure that the IAU is not left without an IAU head and take measures to hire an IAU head.

Response of entity's management (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	11,958,982	13,147,496	12,132,927	11,159,685	8,975,661
Government Grants – Budget	11,034,782	10,832,821	10,831,509	10,345,461	8,111,286
Funding through borrowing	0	0	0	0	73,968
Carried forward from previous year	0	1,098,068	688,195	440,514	386,278
Own source revenues	924,200	924,200	357,502	368,928	395,449
Domestic Donations	0	5,678	3,116	4,781	8,680
External donations	0	286,729	252,604	0	0

The municipality for 2024 had made payments in the amount of €12,132,927 or 92% of the final budget. The final budget was higher than the initial budget by €1,188,514. This increase was from the transfer of own revenues from the previous year of €1,098,068 and donations of €292,408, as well as a budget reduction of €201,961 by government decision.

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	11,958,982	13,147,496	12,132,927	11,159,685	8,975,661
Wages and Salaries	6,759,179	6,557,218	6,557,218	6,157,975	5,069,788
Goods and Services	1,421,513	1,458,206	1,430,944	1,540,810	969,418
Utilities	200,000	252,246	200,562	147,744	176,626
Subsidies and Transfers	415,529	558,463	507,425	360,285	322,604
Capital Investments	3,137,761	4,321,364	3,436,778	2,952,871	2,437,225
Reserves	25,000	0	0	0	0

The explanations for the budget changes in the economic categories are as follows:

The final budget for wages and salaries was reduced by €201,961. This reduction resulted from the Kosovo Government Decision No. 03/239 dated 24.12.2024.

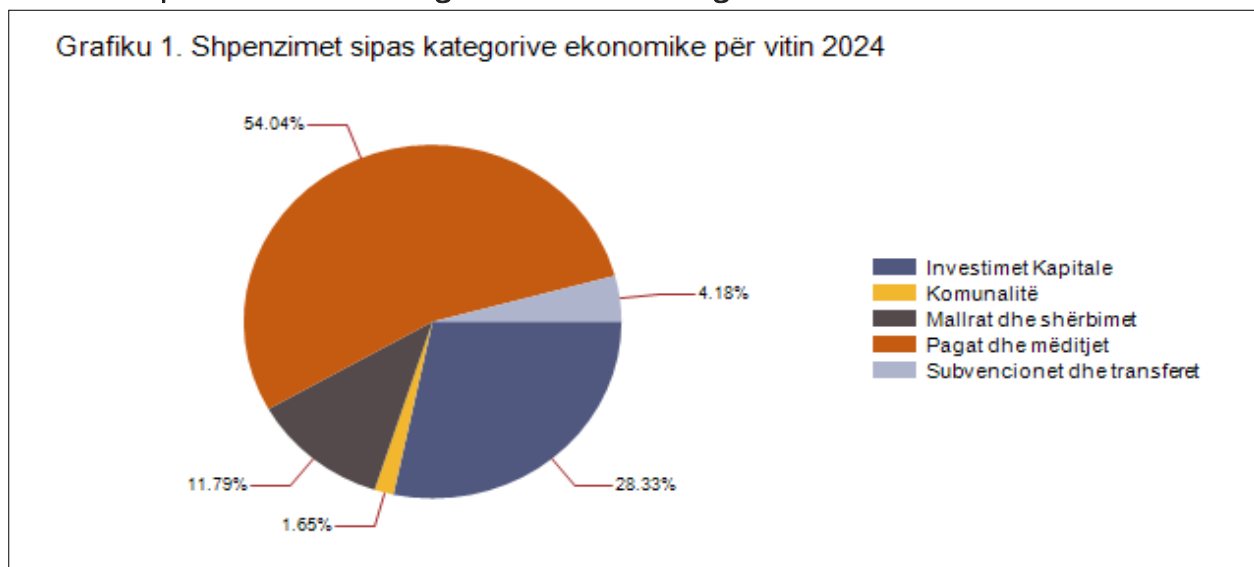
The final budget for goods and services increased by €36,693, of which €34,293 was an increase due to the unused own-source revenues carried over from 2023, and €2,400 was an increase from donations.

The final budget for utilities, compared to the initial budget, increased by €52,246 from own-source revenues carried over from 2023.

The final budget for subsidies increased by €142,934, of which €139,803 from the unused own-source revenues carried over from 2023 and €3,131 from donations.

The final budget for capital expenditures, compared to the initial budget, increased by €1,183,603, of which: €871,727 from the unused own-source revenues carried over from 2023, €286,876 from donations, and an additional €25,000 from reserves. Expenditures in this category include payments made for capital projects such as the construction of local roads, rehabilitation of water supply and sewerage systems, construction of buildings, and sports fields. It is worth noting that from this category, the Treasury and the municipality, according to enforcement/judicial decisions, had paid €511,158 for bonuses, education qualification, obligations arising from the collective contract, and other liabilities toward economic operators.

Chart 1. Expenditures according to economic categories for 2024



In 2024, the municipality disclosed in the AFR accounts receivable amounting to €2,315,991. This amount consists of receivables from property tax totalling €2,042,630, rental taxes amounting to €54,291, and revenues from business activities totalling €219,070.

Own-source revenues planned for 2024 amounted to €924,200, while actual revenues collected were €743,936. These revenues include property tax, building permits, environmental permits, administrative fees, participations, rental income, and others. The main reason for not meeting the planned revenue target was the low collection of property tax revenues, which were planned at €427,088 but only €310,632 were collected, achieving 66% of the target.

Revenues collected by central-level institutions and distributed to the municipalities for the year 2024 include traffic fines amounting to €197,207, court fines amounting to €12,850, and revenues from the Forest Agency totalling €26,968. (These revenues are not included in the municipality's budget plan.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	924,200	924,200	743,843	884,219	682,981
Tax revenues	472,088	472,088	310,633	443,998	380,303
Non-tax revenues	452,112	452,112	432,959	440,162	302,678
Other revenues	0	0	252	59	

4 Progress in implementing recommendations

Our audit report on the 2023 AFS resulted in 14 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, and six (6) recommendations have not been addressed as shown in the following Chart 2. For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

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

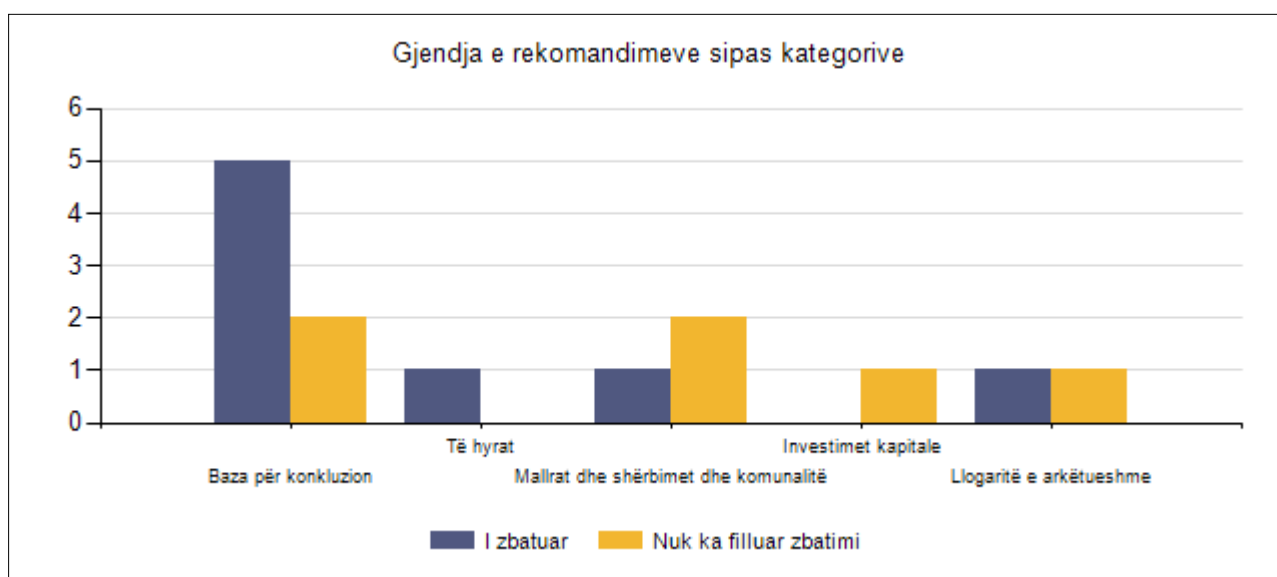


Table 4 Summary of the previous year's recommendations

No	Audit Area	Recommendations of 2023	Actions taken	Status
1.	Basis for Conclusion	The Mayor should ensure that internal controls are strengthened in the payment execution process. Payment processing should follow the chronological order of events and fully comply with the steps	Necessary actions have not been taken.	Implementation not started

		defined by the financial regulation on public expenditure.		
2.	Basis for Conclusion	The Mayor should improve fund management to ensure financial obligations are met timely and within 30 days, including preparing a detailed budget analysis to avoid delays in invoice payments.	Delays in payment of invoices	Implementation not started
3.	Basis for Conclusion	The Mayor should strengthen controls to ensure that staff overtime is engaged only after proper planning and analysis of needs in exceptional cases or when workload increases and is pre-approved by the Mayor. Overtime work should not exceed 8 hours per week.	Recommendation has been addressed.	Implemented
4.	Basis for Conclusion	The Mayor should take measures to regulate the position of the Chief Nurse at the MFMC in accordance with the Health Directorate's organizational chart.	Recommendation has been addressed.	Implemented
5.	Basis for Conclusion	The Mayor should strengthen controls over the Procurement Office, ensuring that in cases where Economic Operators withdraw during the tender process, the tender security is confiscated.	Recommendation has been addressed.	Implemented
6.	Basis for Conclusion	The Mayor should strengthen controls to ensure the contract manager properly supervises contracts and that payments are not made without ensuring contracts are implemented, avoiding overspending.	Recommendation has been addressed.	Implemented

7.	Basis for Conclusion	The Mayor should ensure that the Procurement Office does not release the tender file if the brand is specified in the preliminary and pre-accounting documentation	Recommendation has been addressed.	Implemented
8.	Revenues	The Mayor should ensure that funds collected from issuing certificates are timely handed over to the cashier so that money is deposited into the municipality's bank account by the end of the day.	Recommendation has been addressed.	Implemented
9	Goods and Services and Utilities	The Mayor should ensure expenses are planned and executed according to appropriate economic categories, allowing accurate reporting in line with public sector accounting standards and the chart of accounts.	Necessary actions have not been taken.	Implementation not started
10	Goods and Services and Utilities	The Mayor should require all project managers to ensure that contract management is maintained and archived within the public procurement electronic system	Necessary actions have not been taken.	Implementation not started
11	Goods and Services and Utilities	The Mayor should strengthen controls at the Procurement Office to ensure all required documents are uploaded to the public procurement electronic platform	Recommendation has been addressed.	Implemented
12	Capital Investments	The Mayor should ensure controls and monitor compliance with legal requirements so that procurement procedures for contracting works are initiated only after projects are	Necessary actions have not been taken.	Implementation not started

		prepared according to needs and specified requirements.		
13	Accounts Receivable	The Mayor should ensure officials in relevant departments intensify efforts and take all measures to collect receivables and reduce their increasing trend over the years.	Increase in receivables, especially in property tax.	Implementation not started
14	Accounts Receivable	The Mayor should ensure officials managing receivables update and maintain accurate records of receivables.	Recommendation has been addressed.	Implemented

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

Vlora Spanca: Auditor General

Blerim Kabashi: Audit Director

Fanol Hodolli: Team leader

Agim Sogojeva: Team member

Shefkije Beka: Team member

Annex I: Letter of confirmation

	REPUBLIKA E KOSOVES REPUBLIKA KOSOVA KOMUNA E KAÇANIKUT OPŠTINA KAÇANIK		
Data	29.05.2025	Vendi	Kaçanik
Nj. org.	Numri	Shtojcë	
	01-400/01-	12058/25	

Komuna e Kaçanikut

Opština Kaçanik/ Municipality of Kaçanik

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

z. Besim Ilazi- Kryetar i Komunës së Kaçanikut

Data: 29 maj 2025, Kaçanik



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

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

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

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

(Extract from ISSAI 200)

Forms of opinion

Unmodified opinion

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

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

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

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

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

Modifications to the opinion in the auditor's report

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

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

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

Adverse opinion

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

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

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

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

Disclaimer of opinion

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

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

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

An Emphasis of Matter paragraph should:

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

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