



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



**ZKA**

ZYRA KOMBËTARE E AUDITIMIT  
NACIONALNA KANCELARIJA REVIZIJE  
NATIONAL AUDIT OFFICE

# AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY OF SHTIME FOR YEAR 2025

Prishtina, May 2026

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# 1 Audit Opinion

We have completed the audit of the financial statements of Municipality of Shtime for the year ended on 31 December 2025 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 authorities<sup>1</sup>.

## Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Municipality of Shtime, which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports<sup>2</sup>, for the year ended as at 31 December 2025.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the annual financial statements of the Municipality of Shtime, 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 (as amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

### Basis for Qualified Opinion

B1 During 2025, based on court decisions, the Treasury has executed direct payments in the amount of €582,606 from the Municipality's budget for jubilee salaries and meals, which are registered under inadequate economic categories.

*For more details, see subchapter 2.1 Issues with impact on the audit opinion*

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

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

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

## Compliance Conclusion

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

In our opinion, except for the effects of matters described in the *Basis for Compliance Conclusion* section of our report, transactions carried out in the process of execution of Municipality of Shtime'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

- A1 The Municipality has failed to carry out the inspection (verification) of at least 20% of all buildings within the territory of the Municipality.
- A2 In 10 cases, we have found that regular job positions were held by acting officials longer than the established legal deadline.
- A3 In three cases, there were deficiencies in the preparation of the bill-of-quantities for capital projects.
- B2 In five cases, invoices/liabilities of €26,789 were not paid within the statutory time limit of 30 days.
  
- B3 The municipality continues to keep projects completed in the 2016-2024 period as ongoing investments.

*For more, 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 AFS*

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 Shtime's financial reporting process.

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

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

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

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

Our objective is also to express an audit opinion on compliance of respective Municipality of Shtime'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.
- 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 Shtime's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

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

## 2 Findings and recommendations<sup>4</sup>

During the audit, we have identified areas of possible improvement, including internal control, that are presented for your consideration below in the form of findings and recommendations.

In 2025, the Municipality of Shtime spent €11,285,453 or 98% of the final budget. The issue that has affected the audit opinion is related to the inadequate classification of expenses. Other controls weaknesses we identified are in the management of revenues, accounts receivable, payments, holding of positions with acting staff longer than the allowed period, as well as asset management.

It is worth noting that during 2025, payments of €582,606 were made by the Treasury based on court/enforcement decisions for the collective contract, of which the principal debt was €488,517 whilst €94,089 accounted for additional enforcement expenses.

This report resulted in ten (10) recommendations, of which three are new, four are repeated and in is partially repeated recommendation.

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

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<sup>4</sup> Issue A and Recommendation A – means new issues and recommendations  
Issue B and Recommendation B – means repeated issues and recommendations  
Issue C and Recommendation C – means partially repeated  
issues and recommendations

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## 2.1 Issues with impact on the audit opinion

### Issue B1 – Misclassification of expenditures

**Finding** Financial Rule No. 01/2013/MF – Expenditure of Public Money, Article 18, paragraph 3, stipulates that expenditures must be recorded under the appropriate codes as defined by the Administrative Instruction on the Chart of Accounts. Furthermore, the Treasury Chart of Accounts specifies the relevant expenditure codes and categories to be applied by Budget Organizations (BOs).

During 2025, based on court decisions, the Treasury executed direct payments of €582,606 from the Municipality’s budget for jubilee salaries and meal allowances, which were not recorded under the appropriate economic categories. Of this amount, €250,512 was executed from capital investments, €184,077 from goods and services, and €148,017 from subsidies.

Payments related to jubilee salaries and meal allowances arose as a result of the collective agreement, the related expenditures of which had not been planned in the budget. Nevertheless, these payments were executed by the Treasury.

**Impact** Payments executed from inappropriate expenditure categories result in unfair financial reporting, as well as overstatement and/or understatement of expenditure categories.

**Recommendation B1** The mayor should continue efforts, in cooperation with the Ministry of Finance, to address the issue of planning and execution of expenditures related to the collective agreement, ensuring that payments and recording of expenditures are made under the appropriate economic codes as defined in the Chart of Accounts, in order to ensure that they are fairly presented in the AFS.

**Management’s Response:** Agree

## 2.2 Issues with impact on the compliance conclusion

### Issue A1 – Deficiencies in the Inspection of Municipal Properties

**Finding** Law No. 06/L-005 on Immovable Property Tax, Article 15, paragraph 2 stipulates that inspection activities shall be carried out annually for at least twenty percent (20%) of all buildings within the municipality's territory, whereas parcel inspections are conducted only when necessary. Furthermore, paragraph 1 of this Article stipulates that the municipality shall inspect immovable properties within its territory and may engage private inspectors to assist in carrying out inspection activities.

During 2025, the Municipality failed to meet the legal quota of at least 20% for inspection of buildings/parcels. Out of a total of 11,405 properties, surveyors managed to inspect 1,812 buildings/parcels, representing only 15.88%.

According to the confirmation provided by the responsible property tax official, the failure to fulfil the legal obligation to verify 20% of buildings/parcels occurred as a result of the dysfunctional property tax system

**Impact** Failure to inspect 20% of properties may result in a higher or lower tax burden for taxpayers.

**Recommendation A1** The mayor should provide for the annual verification of at least 20% of immovable properties, in order to ensure that any changes to the properties are incorporated into the database to accurately reflect the respective tax obligations.

**Management's Response: Agree**

### Issue A2 – Exceeded statutory deadline for acting appointments

**Finding** According to the Law No. 08/L-197 on Public Officials, Article 35, as amended by Law No. 08/L-294, a public official may not be appointed in an acting capacity for more than 12 months, except in cases where the recruitment procedure has been announced but the position has not been filled due to objective reasons. Furthermore, a vacant position may not be held by an Acting Official for more than two (2) years.

The Municipality of Shtime, specifically the Directorate of Health (Main Family Medicine Centre – MFMC), has maintained 10 regular positions filled by Acting Officials beyond the statutory period of twelve (12) months, thus exceeding the maximum period of two years.

This occurred as a result of the failure to initiate regular recruitment

procedures due to court disputes related to these positions, as well as insufficient oversight to ensure that the legal two-year limit for acting appointments was not exceeded.

**Impact** Maintaining job positions with Acting Officials for a period longer than the one provided by the law runs afoul with the legal requirements and creates the risk that such positions may be occupied by individuals who do not meet the required criteria and qualifications for the respective positions.

**Recommendation A2** The mayor should ensure the statutory deadlines established for appointing officials in regular positions in an acting capacity are complied with, by undertaking actions to initiate and finalize recruitment procedures, as well as addressing court disputes that hinder the filling of these positions.

**Management's Response: Agree**

### Issue A3 – Deficiencies in the preparation of the bill-of-quantities for capital projects

**Finding** Regulation No. 001/2022 on Public Procurement, Article 10, stipulates that one of the responsibilities of the request unit is the preparation and/or proposal of the project assignment, design, technical specifications (TS), terms of reference (ToR), as well as the bill-of-quantities and cost estimate.

During the audit of three tested contracts with a total value of €326,969, we found that the bills-of-quantities contained technical errors in the naming of locations where the works were intended to be implemented. Within the bills-of-quantities of these contracts, descriptions of locations from other projects were mistakenly retained instead of the actual locations where the works were to be executed.

This occurred due to the requesting unit's insufficient due diligence during the preparation of the bill-of-quantities.

**Impact** Inconsistencies in the naming of locations within the bill-of-quantities may cause ambiguities during the implementation phase of contracts and lead to inefficient contract management.

**Recommendation A3** The mayor should strength internal controls over the requesting units regarding the preparation of technical documentation, requiring that all bills-of-quantities and other documents are accurate and consistently aligned in terms of location descriptions, in order to ensure that ambiguities during contract execution are avoided.

**Management's Response: Agree**

## Issue B2 – Delayed Payment of Financial Obligations

**Finding** According to the Law on Public Financial Management and Accountability (LPFMA), No. 03/L-048, Article 39, the Chief Financial Officer (CFO) of a Budget Organization is responsible for ensuring that any valid invoice and payment request for goods, services, and/or works delivered to the Budget Organization are paid within 30 calendar days from receipt of the invoice or payment request.

In five cases, invoices/obligations totalling €26,789 were not paid within the statutory deadline of 30 days. Payment delays ranged from 5 to 38 days beyond the statutory deadline.

This occurred as a result of inadequate controls over payment execution and public contract management, as well as budget constraints arising from expenditures executed through court decisions.

**Impact** Delayed payment of invoices may result in additional costs for the Municipality.

**Recommendation B2** The mayor should strengthen controls over budget planning and invoice management, in order to ensure that payments are processed within the legally prescribed timeframe.

**Management's Response:** Agree

### Issue B3 - Failure to Close Ongoing Investments

**Finding** MF Regulation No. 02/2013 on the management of non-financial assets in budget organizations, Article 11, paragraph 3, stipulates that upon completion of the investment process, capital non-financial assets shall be classified as assets in use. From the moment the asset is ready for use, depreciation shall commence.

In the asset register for assets worth over €1,000, we found that the Municipality has recorded payments amounting to €535,152 as ongoing investments for projects completed in previous years (2016–2024), co-financed with the Ministry of Education, Science, Technology and Innovation (MESTI). Upon completion, these assets should have been transferred to assets in use and depreciation applied accordingly.

This occurred due to the non-submission of required documentation for asset registration by MESTI as the co-financing partner, despite repeated requests from the Municipality to provide the necessary documentation.

**Impact** Failure to close ongoing investments, transfer them as assets in use, and to apply depreciation may result in untrue presentation of the assets value in the accounting records and financial statements, leading to a misstatement of information in the AFS.

**Recommendation B3** The mayor should take the necessary actions to ensure that MESTI provides the required documentation for the registration of completed projects, in order to ensure accurate and complete asset recording.

**Management's Response: Agree**

## 2.3 Other financial management and compliance issues

### 2.3.1 Revenues

The revenues generated in 2025 by the Municipality of Shtime amounted to €755,243. They include revenues from property tax, construction permits, administrative fees, business tax, rent, etc. In addition to its own revenues presented in the following table, the municipality also received indirect revenues collected from the central level in the amount of €224,808 (court fines, forestry fines, traffic fines).

#### Issue B4 – Shortcomings in regular reporting on use of municipal property

**Finding** Law No.06/L-092 on Allocation for Use and Exchange of Municipal Immovable Property, Article 22 (2), stipulates that the Mayor shall be obliged to present, within its regular six (6) months reports, to the Municipal Assembly the specific report on monitoring the implementation of contracts and fulfilment of the purpose for allocating the immovable properties for use, until the commencement of implementation and achievement of the purpose for allocating the property for use.

Although the Mayor prepared the regular semi-annual reports, these reports did not include information on the monitoring of contract implementation related to the allocation of municipal properties for use.

This occurred due to inefficient internal controls in ensuring compliance with legal requirements related to the monitoring of contract execution and the achievement of the intended purpose of allocating municipal properties for use.

**Impact** The lack of information on the monitoring of contracts for the use of municipal immovable property limits transparency and reduces effective oversight of municipal asset management.

**Recommendation B4** The mayor should ensure that the regular semi-annual reports include information on the monitoring of contract implementation and the achievement of the intended purpose of allocating municipal immovable properties for use.

**Management's Response: Agree**

## Issue C1 – Shortcomings in the property taxpayers database

**Finding** Law No.06/L-005 on Immovable Property Tax, Article 12, stipulates that the municipality is responsible for the registration and management of property tax data in the property tax registers, in accordance with the relevant secondary legislation. In addition, the Ministry of Finance, specifically the Property Tax Department, has notified municipalities regarding the decision to record personal identification numbers in the implementation of Article 11 of Law No. 06/L-005, with the aim of avoiding duplication and irregularities and ensuring effective implementation of the provision.

In analysing the property tax database, we found that 3,072 taxpayers did not have their personal identification numbers registered in the system. It should be noted that the municipality is in the process of correcting and updating the database with taxpayers' personal identification numbers.

This occurred as a result of the inclusion of agricultural land taxation and the inability to update records in the system due to the malfunctioning of the property tax software during 2025.

**Impact** The lack of personal identification numbers in the property tax database represents a deficiency and increases the risk of undue benefits, allowing certain taxpayers to potentially benefit from unauthorised primary residence deductions.

**Recommendation C1** The mayor should take the necessary actions to ensure that the property tax database is fully updated with all taxpayers' personal identification numbers.

**Management's Response: Agree**

## 2.3.2 Common issues for certain economic categories

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

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

**Finding** Regulation No. 01/2022 on Public Procurement, Article 70.2 provides that the performance evaluation of contractors will be carried out in the electronic procurement system by contract managers through the module for performance evaluation of contractors, during and upon completion of the implementation of public contracts and framework contracts. As well as Article 73.1 Contracting authorities through contract managers and the electronic procurement system will maintain a summary of contract management records related to each procurement procedure.

Based on the samples tested, we found that, in 13 cases of contract management with a total value of €726,288, contract/project managers have not started to keep and archive documentation for contract management and performance evaluation of contractors through the electronic public procurement system.

This happened as a result of poor internal controls over the contract management process through the electronic e-procurement platform.

**Impact** Failure to maintain and archive contract documentation through the public procurement system may result in weak contract management, does not provide sufficient opportunity for management or authorized users to access real-time information on contract progress and contractor performance.

**Recommendation B5** The mayor should ensure that that all contract/project managers apply contract management procedures and performance evaluation of economic operators/contractors through the electronic public procurement system.

**Management's Response: Agree**

### 2.3.3 Accounts receivable

In the AFS for 2025, the Municipality disclosed accounts receivable amounting to €1,169,629. This balance consists of property tax receivables of €1,167,642; public property lease receivables of €1,372.64; and public space lease receivables of €614.40.

#### Issue B6 – Low Efficiency in the Management of Accounts Receivable

**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 shall have the authority and competences to collect outstanding tax liabilities which exceed the amount of ten (10) Euros. In addition, Law No.08/L-244 amending and supplementing Law No.06/L-055 on Immovable Property Tax, Article 6, specifies that for the 2024 tax year and subsequent years, the tax liability for non-resident persons may be paid in a single instalment, no later than 30 September of the respective tax year.

Compared to the previous year, accounts receivable in 2025 increased by €325,511, or approximately 39%. The main challenge remains the low level of property tax collection, particularly for prior years. Although the Municipality undertook certain actions during 2025 to collect the accounts receivables, including sending reminder notices to taxpayers with unpaid obligations, no additional concrete measures were taken, such as initiating enforcement procedures through bailiffs for the recovery of these debts.

The shortcomings identified regarding accounts receivables are due to inefficient internal controls in their collection and recovery process.

**Impact** Delayed collection of revenues and lack of adequate enforcement actions have an adverse impact on the financing and implementing projects with own-source revenues. Furthermore, insufficient collection measures increase the risk of ageing and potential write-off of receivables.

**Recommendation B6** The mayor should ensure that all possible options are thoroughly considered and that appropriate mechanisms are put in place to improve the efficiency of debt collection, including the application of all legal measures against taxpayers who fail to meet their obligations.

**Management's Response:** Agree

### 3 Summary on budget planning and execution

This chapter gives a summary on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is illustrated through the following tables and charts.

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

Description	Initial budget	Final budget <sup>5</sup>	2025 Expenditures	2024 Expenditures	2023 Expenditures
<b>Sources of funds</b>	<b>10,777,180</b>	<b>11,486,574</b>	<b>11,285,453</b>	<b>11,041,411</b>	<b>9,376,389</b>
Government Grants – Budget	9,918,922	10,242,835	10,160,772	9,532,757	8,616,369
Funding through borrowing – investments clause	0	117,758	73,754	175,933	0
Carried forward from previous year	0	266,448	240,584	583,502	273,758
Own source revenues	858,258	858,258	810,343	543,139	486,262
Domestic Donations	0	1,203	0	0	0
External donations	0	72	0	206,080	0

The final budget was higher than the initial budget by €709,394. This increase was from the Government's grant of €323,913, the investment clause of €117,758, the revenues of €266,448 carried forward from the previous year, as well as donations of €1,275.

In 2025, the Municipality spent 98% of the final budget, or €11,285,453.

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

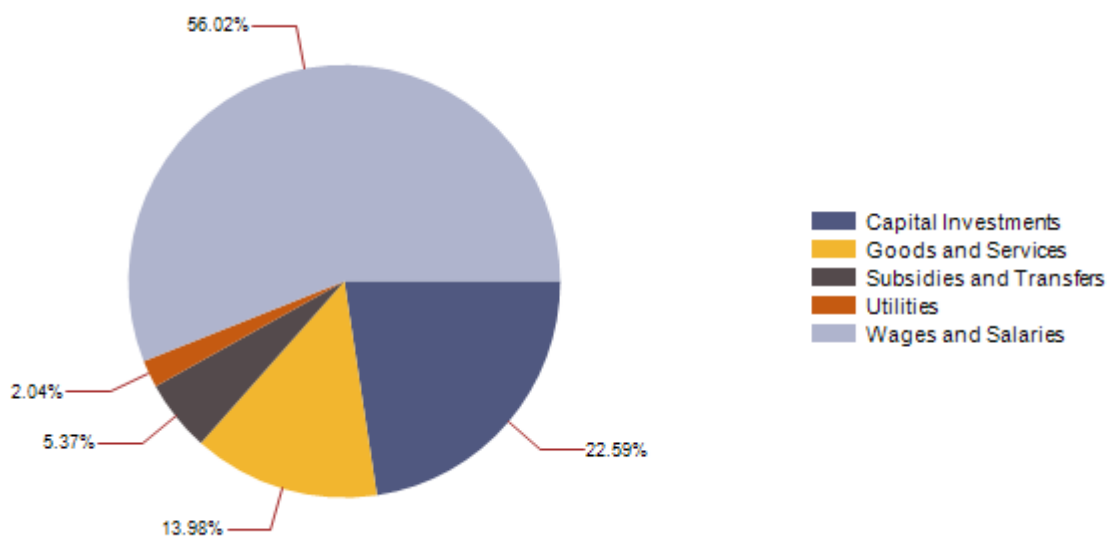
Description	Initial budget	Final budget	2025 Spending	2024 Spending	2023 Spending
<b>Spending of funds by economic categories</b>	<b>10,777,180</b>	<b>11,486,574</b>	<b>11,285,453</b>	<b>11,041,411</b>	<b>9,376,389</b>
Wages and Salaries	5,998,886	6,323,655	6,322,610	5,926,455	5,295,789
Goods and Services	1,502,000	1,600,881	1,577,622	1,398,678	1,190,007
Utilities	230,000	230,000	229,965	219,445	252,649
Subsidies and Transfers	500,000	607,400	606,219	449,388	313,059
Capital Investments	2,546,294	2,724,638	2,549,037	3,047,445	2,324,885

<sup>5</sup> Final budget – the budget approved by the Assembly and subsequently adapted by the Ministry of Finance

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

- The final budget for Wages and Salaries increased by €324,769 compared to the initial budget, as a result of Government's Decision. The final budget execution for this category was at 100%.
- The final budget for Goods and Services increased by €98,881, compared to the initial budget. This increase resulted from the carry-forward of the previous year's own-source revenues and the designated donor grants. The final budget execution for this category was at 98.5%.
- The final budget for Utilities compared to the initial budget remained unchanged. Budget execution for this category was at 100%.
- The final budget for Subsidies and Transfers increased by €107,400 compared to the initial budget. This increase resulted from the carry-forward of the previous year's own-source revenues and funding from borrowing. The final budget execution for this category was at 100%, which also reflects expenditures executed through court decisions related to jubilee salary payments arising from the collective agreement.

Chart 1. Expenditures by economic categories for year 2025



Revenues collected by the Municipality of Shtime during 2025 amounted to €755,243. These mainly consist of revenues from property tax, construction permit fees, administrative charges, business activity fees, rental income, etc. In addition, the Municipality also received indirect revenues collected at the central level, including court fines, forestry fines, and traffic penalties, in the total amount of €224,808.

**Table 3. Revenues (in €)**

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
<b>Total of revenues</b>	<b>858,258</b>	<b>858,258</b>	<b>755,243</b>	<b>558,033</b>	<b>902,172</b>
Tax revenues	285,657	285,657	320,036	221,528	332,448
Non-tax revenues	572,601	572,601	428,697	336,505	568,302
Other revenues	0	0	6,510		1,422

## 4 Progress in implementing recommendations

The audit report for the 2024 AFSs resulted in nine (9) recommendations. The municipality had prepared an action plan stating how it will implement the recommendations given.

By the end of our 2025 audit, two (2) recommendations have been implemented, one (1) was partly implemented and six (6) have not been implemented yet, as shown in Chart 2 below. For a more complete description of the recommendations and how they were addressed, see Table of Recommendations No. 4.

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

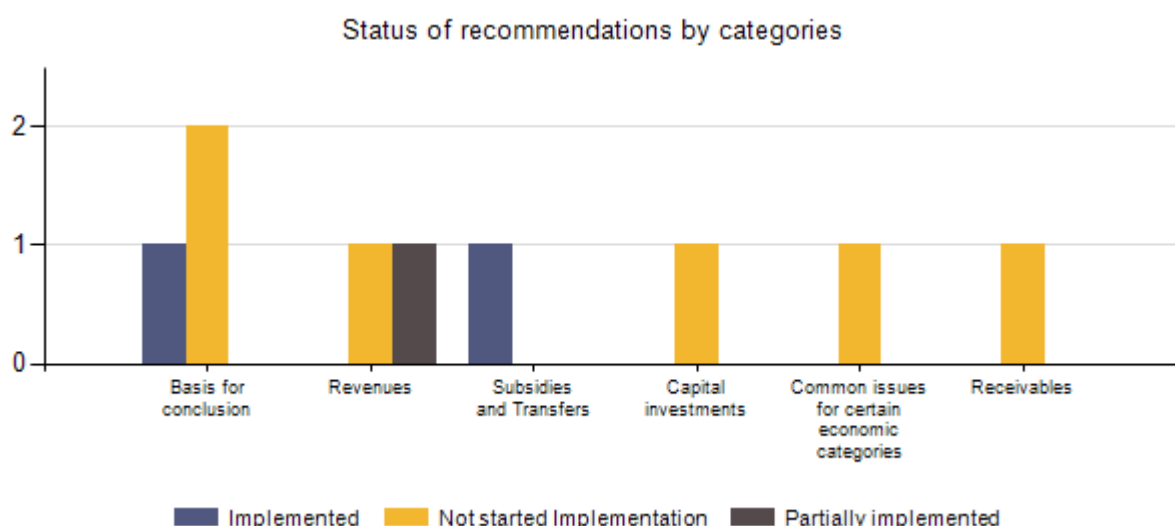


Table 4. Summary of the previous year's recommendations

No	Audit Scope	2024 Recommendations	Actions taken	Status
1.	Basis for conclusion	The mayor should strengthen controls over invoice management, ensuring that payments are made within the legally established deadline	There are no necessary actions.	Implementation has not started
2.	Basis for conclusion	The mayor should ensure that controls over this area with rigorous supervision in contract management are established. Contracts should be implemented in accordance with the dynamic plan/deadline for the performance of works/supplies and the measures/penalties foreseen in the contract should be applied for unjustified delays.	From the tested samples, we have not encountered such cases.	Implemented

3.	Basis for conclusion	The mayor should ensure that all ongoing investments registered in the municipality's accounting registers are closed and recorded as assets under the respective classes	The necessary actions have not been taken.	Implementation has not started
4.	Revenues	The mayor should ensure that the regular six (6) monthly reports also contain special reporting on monitoring the implementation of contracts and the fulfillment of the purpose of allocation for use of immovable property	For 2025, the same situation continues regarding the lack of reporting on municipal properties given for use.	Implementation has not started
5.	Revenues	The mayor should take the necessary actions to ensure that the property tax database records all taxpayers' personal numbers	In 2025, taxpayers without a personal identification number were identified in the property tax database. Although from the list it can be seen that this number has decreased.	Partially implemented
6.	Subsidies and Transfers	The mayor should ensure that the public call requirements be observed when providing financial support to NGOs and that beneficiary NGOs submit financial and narrative reports in accordance with legal requirements	The necessary actions have been taken	Implemented
7.	Capital Investments	The mayor should ensure that controls are strengthened to ensure that contract management is kept and archived in the electronic public procurement system	The necessary actions have not been taken.	Implementation has not started
8.	Common Issues	The mayor should ensure that expenses are planned in and incurred from adequate economic codes in order to enable their true reporting in the AFS	The municipality has not registered expenditures under adequate economic categories this year either, thus resulting in misclassifications of expenditures.	Implementation has not started
9.	Accounts Receivable	The mayor should ensure that all possible options are actively considered, establishing adequate mechanisms in order to increase efficiency in debt collection by considering all measures in accordance with the law against operators who do not fulfil their obligations	No actions have been taken by the management to establish mechanisms for the collection of accounts receivable.	Implementation has not started

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

Vlora Spanca, Auditor General

Shkelqim Xhema, Audit Director

Arian Haxha, Team Leader

Fatlinda Podvorica, Team Member

Ejup Simnica, Team Member

Albesa Tolaj, Team Member

# Annex I: Letter of confirmation




REPUBLIKA E KOSOVËS  
REPUBLICA KOSOVA/REPUBLIC OF KOSOVO

KOMUNA SHTIME  
OPŠTINA ŠTIMLJE/MUNICIPALITY OF SHTIME

Zyra e kryetarit/Kancelarija predsednika/Major's office

**LETËR E KONFIRMIMIT**

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2025 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 vjetore të Komunës së Shtimes, për vitin 2025 (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.

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO  
ZYRA KOMBËTARE E AUDITIMIT  
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

DATE PRANIMIS/SUBMITTED: 21-04-2026

Nr. Prot. Br. Prot.	Nr. Tanave Str. Stranica
04	47
021	1

z. Qemajl Aliu,  
Kryetar i Komunës së Shtimes

Data: 24 prill 2026, Shtime



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

Auditor's Report on the financial statements<sup>6</sup> should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities<sup>7</sup>. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

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

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

(Extract from ISSAI 200)

### *Forms of opinion*

#### **Unmodified opinion**

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

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<sup>6</sup> Financial statements in the public sector include also the statement(s) of budget execution

<sup>7</sup> Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

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

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

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

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

- Modified (qualified)
- Adverse, or
- Disclaimer

#### **Qualified opinion**

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

#### **Adverse opinion**

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

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

- a) Are not confined to specific elements, accounts or items of the financial statements
- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

### **Disclaimer of opinion**

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

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

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

An Emphasis of Matter paragraph should:

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

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