Republika e Kosovës
Republika Kosova
Republic of Kosovo

Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE HOSPITAL AND UNIVERSITY CLINICAL SERVICE OF KOSOVO FOR THE YEAR 2025

Prishtina, Jun 2026

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1. Audit Opinion

We have completed the audit of the financial statements of the Hospital and University Clinical Service of Kosovo 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[1].

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Hospital and University Clinical Service of Kosovo (HUCSK) which comprise the Statement of Cash Receipts and Payments, Budget Execution Report, and Explanatory notes to financial statements, including a summary of important accounting policies and other reports[2] for the year ended as of 31 December 2025.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the annual financial statements of the Hospital and University Clinical Service of Kosovo 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 The presentation and disclosure of the capital assets register in the AFS was understated by €8,415,650, while the non-capital assets register was understated by €662,078 as a result of unrecorded assets and incorrect classification in the asset registers.

B2 Expenditures presented in the AFS were misclassified in the amount of €3,857,681, resulting in the overstatement/understatement of the relevant economic categories.

A1 The initial and final revenue budget presented in the Statement of Budget Execution within the Annual Financial Statements (AFS) was understated by €1,048,801 due to the unfair presentation of budget information.

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

[2] Other reports as required in Regulation no.01/2017 on Annual Financial Report, Article 8

B3 As a result of inadequate financial assessment and the failure to update the register, contingent liabilities were overstated by €233,634.

A2 The pharmaceutical stock disclosed in the AFS was overstated by €58,154 due to the inclusion of expired items.

B4 In Prizren Hospital, the asset "4-Door Van" appeared in the asset register, but its physical existence could not be confirmed.

For more detailed information 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.

Compliance Conclusion

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 conclusion, transactions carried out in the process of execution of the Hospital and University Clinical Service of Kosovo's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Conclusion

A3 Nine (9) management-level positions are held by acting officials, in contradiction to the applicable legal provisions.

B5 Delays of five (5) to 86 days in payment of invoices in the amount of €5,890,791.

A4 In four (4) payments for the purchase of medical equipment in a total of €927,200, delays in the delivery of goods, ranging from three (3) to 52 days beyond the contractual deadlines, were found.

A5 Granting an advance payment in the amount of €341,502 for capital investments, beyond the ceilings set by the Law on Budget Appropriations.

For more information see subchapter 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 Director General 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 Director General 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 Chairman of the Board of Directors of the Hospital and University Clinical Services of Kosovo is responsible to ensure the oversight of the Hospital and University Clinical Service of Kosovo's financial reporting process.

Management's Responsibility for Compliance

The Hospital and University Clinical Service of Kosovo's Management is also responsible for the use of the Hospital and University Clinical Service of Kosovo'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

[3] Collectively referred to as compliance with authorities

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 The Hospital and University Clinical Service of Kosovo's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation

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 Hospital and University Clinical Service of Kosovo's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

2 Findings and recommendations[4]

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

Areas that require further improvement include asset management, with a particular focus on the complete and accurate registration of capital and non-capital assets, the adequate classification of expenditures, and the fair presentation of disclosures in financial statements.

Regarding compliance with applicable legislation and regulations, greater focus should be placed on preventing delays in payment execution and management-level positions from being held by acting officials beyond the legally prescribed deadlines.

This report resulted in 12 recommendations, of which five (5) are new recommendations, and seven (7) are repeated ones.

For the status of the previous year's recommendations and the level of their implementation, see Chapter 5.

[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 audit opinion

Issue B1 - Understatement of asset registers in the AFS as a result of shortcomings in their registration and maintenance

Finding

According to Regulation No. 02/2013 on the Management of Non-Financial Assets in Budgetary Organizations, Article 6.3 stipulates that capital assets must be recorded in KFMIS, while the non- capital assets and stocks in the "e- assets" system. Also, Article 10 of the same regulation stipulates that all non- financial assets, after being owned and supervised by the budget organization, regardless if they are paid or partially paid, shall be recorded in the accounting registers and are subject to inventory and evaluation. At the same time, Article 22 of this regulation stipulates the depreciation rates as well as the calculation based on the nature of the asset.

As a result of the deficiencies identified in asset record-keeping, the value of capital assets in the asset registers was understated by €8,415,650 (affected by an understatement of €8,866,398 and an overstatement of €450,750), whilst the non-capital assets register was understated by €662,078.

More specifically, the capital assets register was understated due to the failure to record capital assets amounting to €8,866,398 and non-capital assets amounting to €662,078 as follows:

- The assets purchased under the contract "*Supply of products for Paraplegic and Tetraplegic Persons*", that had not been distributed to the beneficiary by the year-end amounted to €6,293,374 (of which equipment over €1,000 amounted to €5,631,296 and equipment under €1,000 amounted to €662,078). The same were not registered in any asset register;

- Failure to record payments for the year related to the projects: "*Modernization of the Infrastructure of HUCSK*" - three payments in a total of €2,385,431, "*Adaptation of the Corridors of UCCK*" - one payment in the amount of €84,699, "*Renovation and reorganization of the Paediatrics and Internal Medicine wards - Prizren General Hospital*" - one payment in the amount of €341,502";

- Partial recording of three invoices for the year with a total of €752,750, resulting in assets of €423,470 remaining unrecorded;

Meanwhile, the capital assets register was overstated by €450,750 as a result of the misclassification of assets, as follows:

- Three medical devices purchased in 2008 were classified as healthcare facilities with a useful life of 40 years instead of being recorded as medical devices with a useful life of five (5) years, thus overstating the asset register by €348,767;
- Nineteen medical refrigerators (300L), purchased in 2019, were classified as healthcare facilities with a useful life of 40 years, instead of being registered as medical devices with a useful life of five (5) years, thus overstating the asset register by €23,750;
- The assets register was overstated due to the incorrect recording of equipment and projects that had already undergone technical acceptance within "ongoing investments" class, without applying depreciation, specifically: a medical device purchased in 2021 with a purchase value of €33,400 overstated the asset register by €32,287; two payments totalling €176,115 related to the Specialist Ambulance construction project, for which technical acceptance was carried out in December 2019, overstated the asset register by €26,417; and three payments of €312,458 related to the Cardiology project in Prizren, for which technical acceptance was carried out in December 2023, overstated the asset register by €19,529.

This was as a result of ineffective internal controls over the asset management process, including the process between asset receipt and their recording in the relevant systems (KFMIS and e-Asset). Furthermore, inadequate coordination among the responsible units (procurement, acceptance, and finance), as well as incomplete implementation of regulatory requirements regarding the timely recording of assets, contributed to the identified deficiencies.

Impact Failure to record assets purchased during the year, irregularities in asset classification, and the application of inappropriate depreciation rates have resulted in untrue and unfair presentation of information in the AFS. This weakens the reliability of financial reporting and increases the risk of mismanagement and lack of control over public assets.

Recommendation B1 The Board of Directors and the Director General should ensure that appropriate controls and adequate coordination are established among the responsible units in order to enable capital assets to be recorded at their correct value, thereby ensuring their true and fair presentation in the AFS.

Entity management response (Agree)

Issue B2 - Inadequate classification of expenditures

Finding

Financial Rule No. 01/2013 on Public Funds Expenditure, Article 18, paragraph 3 stipulates that "Expenditures should have the adequate codes, as defined under the Administrative Instruction for the accounting plan." Likewise, Administrative Instruction No. 19/2009 on the Chart of Accounts, Article 11, stipulates that "All Chief Administration Officers (CAO) and Chief Financial Officers (CFO) of the budget organizations should ensure that all transactions are entered into the KFMIS according to the structure of the chart of accounts and the classifications set out in this Administrative Instruction." While the December 2023 Chart of Accounts further specifies the accurate recording of expenditures across all economic codes.

During the year, payments totalling €3,857,681 were executed from economic categories that did not match the nature of the expenditures. Of this amount, €3,663,653 were paid from the capital investment category and €194,028 from the goods and services category. This misclassification has affected the incorrect presentation of expenditures in the AFS, as follows:

- Two payments totalling €2,592,587 for the supply of products for paraplegic and tetraplegic persons were classified as Capital Investments, although they should have been classified under the Subsidies and Transfers category;
- Within three payments for medical equipment recorded under the Capital Investments category, an amount of €906,657 related to equipment with a unit value below €1,000, which should have been paid and recorded under the Goods and Services category;
- Seven payments totalling €319,357 (of which €154,948 was recorded under Goods and Services and €164,409 under Capital Investments) were executed through the Treasury pursuant to court decisions, although they related to the Wages and Salaries category; and
- Two payments amounting to €39,080, recorded under Goods and Services, should have been classified as Capital Investments, as they related to the improvement and renovation of healthcare facilities

This occurred as a result of payments being processed and expenditures being recorded under inappropriate economic codes, as well as the lack of analysis of the nature of expenditures by the authorizing officer during the budget planning process.

Impact Payments executed from inadequate expenditure categories lead to the overstatement/understatement of the respective expenditure categories and, consequently, to untrue and unfair presentation of expenditures in the AFS.

Recommendation B2 The Board of Directors and the General Director should ensure that appropriate measures are taken to ensure that payments and expenditures are recorded under the relevant economic codes, in accordance with the Chart of Accounts, to enable their true reporting in the AFS. Where budget plans do not correspond to the nature of the expenditure and the needs of HUCSK, budget reallocations should be undertaken to ensure the availability of funds for the proper settlement of expenditures.

Entity management response (Agree)

Issue A1 - Misstatement of Revenue Budget the Statement of Budget Execution

Finding MF Regulation No. 01/2017 on Annual Financial Reporting by Budgetary Organizations, Article 14, specifies that the Budget Execution Statement shall include budget execution and present information on the initial budget according to the Annual Budget Law, the final budget according to the KFMIS, as well as budget execution, including a comparison between the final budget and execution.

Despite the audit team's request to correct the Annual Financial Statements (AFS), the Cash Inflow continued to present the annual collections of non-tax revenues instead of the initial and final budget amounts for these revenues. Consequently, the required corrections were not reflected in the AFS. This has resulted in a difference of €1,048,801 between the budgeted revenues and the amount reported.

The identified deficiencies occurred due to inadequate controls over the preparation and review of the AFS, as well as failure to fully comply with the requirements of the financial reporting regulation.

Impact Untrue presentation of information relating to the initial and final budget of non-tax revenues resulted in the understatement of this information in the Statement of Budget Execution, thereby affecting the reliability of the financial statements.

Recommendation A1 The Board of Directors and the Director General should ensure that the Annual Financial Statements are not submitted unless they have been scrutinised by management and fully comply with the requirements of the financial reporting regulation, in order to prevent the recurrence of similar deficiencies in the coming years.

Entity management response (Agree)

Issue B3 – Inaccuracies in the Recording and Reporting of Contingent Liabilities in the AFS

Finding

Regulation No. 01/2017 on Annual Financial Reporting by Budgetary Organizations, Articles 17 and 18 emphasize that BOs must report in the Annual Financial Statements all contingent liabilities, so that the financial statements fairly and completely present the financial situation of the institution.

The contingent liabilities register was overstated by €342,311:

- In two cases within HUCSK the disclosed value of contingent liabilities was overstated by €247,190 compared to the real value of the dispute; and
- A lawsuit in General Hospital of Gjilan, amounting to €95,121 continued to be part of the register of disclosed contingent liabilities even though the dispute had already been concluded.

Furthermore, four (4) cases were disclosed in the AFS without a financial value assigned, whereas according to the supporting documentation maintained by UCCK, their combined value amounted to €108,677. Analysis of the contingent liabilities register revealed that, out of 3,970 legal cases, approximately 16% (625 cases) did not have an assigned financial value.

The inaccurate disclosure of contingent liability values was a result of the lack of proper financial valuation and failure to update the register when lawsuits are finalized

Impact

This has contributed to the inaccurate presentation of data in the AFS, reducing the reliability and transparency of the financial information presented to potential stakeholders.

Recommendation B3 The Board of Directors and the Director General should take measures to determine a possible financial value for contingent liabilities, as well as ensure that the register is periodically updated, in order to provide a true and fair view of the organisation's financial situation.

Entity management response (Agree)

Issue A2 - Inclusion of Expired Items in Pharmaceutical Stock

Finding

MoF Regulation No. 01/2017, Article 6 *Accounting records of budget organizations* stipulates that budget organisations shall maintain accurate, complete, up-to-date accounting records for all financial and other non-financial information, in accordance with the applicable legislation.

The pharmaceutical stock registers contained seven (7) items with an aggregate amount of €58,154 that had expired during the year. As a result, they were not recorded as expired items in the Pharmaceutical Stock Management System (PSMS). This amount was included in the current stock report presented in the AFS.

This occurred as a result of the lack of regular monitoring of the expiration dates of medicines in stock, as well as insufficient periodic stock control to ensure that expired medicines are identified and accounted for according to relevant procedures.

Impact

Keeping expired medicines in stock leads to untrue presentation of the stock value in the financial statements, resulting in overstatement.

Recommendation A2

The Board of Directors and the Director General should strengthen controls over pharmaceutical stock management, ensuring that regular monitoring of expiration dates of items is carried out. Also, actions should be taken to identify and account them according to internal procedures.

Entity management response (Agree)

Issue B4 - Lack of assets

Finding

According to MF Regulation No. 02/2013 on the Management of non-Financial Assets, Article 8, non-financial assets are acquired through purchase, construction, donations and transfers from other budget organizations.

For the asset "Four-doors Van" with an original value of €25,000, which according to the the asset register belongs to the General Hospital of Prizren, no evidence was available to confirm its physical existence and use, was there any evidence indicating that the asset had been donated or disposed of. This matter had also been reported in the audit reports of the previous two years; however, the status of the asset in the registers remains unchanged.

During 2025, the General Hospital of Prizren submitted a request for the initiation of criminal proceedings to the Regional Unit for the Investigation of Economic Crimes and Corruption in Prizren.

This occurred due to the lack of clear policies for the recording, verification, and management of assets. Furthermore, there was a lack of accountability on the part of the responsible officials of the General Hospital of Prizren regarding the provision of information on assets maintained in the registers and the verification of their physical existence.

Impact

The inability to verify the physical existence of assets recorded in the registers and the the absence of supporting information about them increases the risk of their misuse, loss or disposal.

Recommendation B4

The Board of Directors and the Director General should strengthen controls over asset management to ensure that adequate information and supporting evidence of the physical existence of all assets held in the registers are maintained, in order to avoid the possibility of loss or misuse of assets.

Entity management response (Agree)

2.2 Issues with an impact on the compliance conclusion

Issue A3 - Acting appointments in managerial positions beyond legal time limits

Finding

Law No. 08/L-294 on amending and supplementing Law No. 08/L-197 on Public Officials, Article 9.2, stipulates that a public official cannot be appointed as an acting officer for longer than twelve (12) months, except in cases where the recruitment procedure has been announced, but for objective reasons the position has not been fulfilled. Also, the same provision stipulates that a vacant position cannot be replaced by an acting officer for a period longer than two (2) years. Furthermore, Article 18 of the same law states that within 30 days after the entry into force of this law (June 2025) institutions are obliged to adapt these decisions in accordance with Article 35 of the basic law.

In various programs within HUCSK, nine (9) management level positions have been identified that were covered by acting decisions (UD) not in accordance with the legally established deadline. The decisions for these positions were from 2010 to 2023. It has been confirmed by the responsible officials that the positions covered by AO which were not in accordance with the legal provisions were 337 in total.

Management has not taken sufficient and timely actions to develop regular recruitment and appointment procedures through public competitions, and decisions were not adapted to changing legal provisions.

Impact

Covering management-level positions with acting officials for longer than the permitted period creates uncertainty in decision-making and the responsibilities of key functions.

Recommendation A3

The Board of Directors and the Director General should adapt decisions on acting positions in accordance with current legal provisions, as well as ensure that within a reasonable timeframe, recruitment procedures are carried out in accordance with legal requirements for filling positions held by acting positions.

Entity management response (Agree)

Issue B5 – Delayed Payment of Invoices

Finding

Law No. 03 /L-048 on Public Financial Management and Accountability, Article 39.1 stipulates that the CFO of a budget organization shall be responsible for ensuring that every valid invoice and demand for payment for goods, services and/or works supplied to the budget organization is paid within thirty (30) calendar days after the budget organization receives such an invoice or demand for payment.

In 21 cases totalling €5,890,791, we found that the received invoices were not paid within the specified deadline. These delays ranged from five (5) to 86 days beyond the allowed 30-day payment period.

The delays resulted from inefficient management of liabilities, lack of adequate planning of financial resources and weaknesses in internal controls related to the payment process.

Impact

Exceeding the legal deadline for payment of liabilities may expose HUCSK to lawsuits from economic operators, resulting in additional legal/enforcement costs or liabilities in the subsequent year.

Recommendation B5 The Board of Directors and the Director General should ensure the improvement of internal controls in the effective management of liabilities so that all invoices received are paid within 30 days of their receipt.

Entity management response (Agree)

Issue A4 – Delayed delivery of medical devices and unauthorised extension of contractual deadlines

Finding

According to Article 2 of the contracts and the Special Conditions, the delivery period for goods is clearly specified and must be complied with by the economic operator. Furthermore, Articles 61.22, 61.23, and 61.24 of the Rules and Operational Guidelines for Public Procurement (ROGPP) specify that, in cases where changes to the terms and conditions of an awarded contract are required, the process must be initiated by the Contract Manager, prepared by the Procurement Unit, and approved by the Chief Administrative Officer (CAO) before any contract amendment may be issued to the economic operator.

In four payments relating to the procurement of medical equipment, with a total of €927,200, delays in the delivery of goods beyond the contractually agreed deadlines were identified. Despite these delays, we found no evidence that the contractual penalties had been applied. Extensions of delivery deadlines had been approved by the Contract Managers without obtaining the approval of the CAO. The identified delays ranged from 3 days to 52 days.

This occurred due to non-compliance with established procedures for contractual amendments and insufficient monitoring of contract implementation.

Impact Delayed delivery of goods has led to delayed implementation of HUCSK activities and projects, while amendments to contractual terms without the required authorizations undermine transparency and proper contract management.

Recommendation A4 The Board of Directors and the Director General should ensure that internal controls and systematic monitoring of the implementation of contracts are strengthened, so that all goods and services are received in accordance with the contractual terms. In cases of delays, the contractual penalties provided for in the contract should be applied in order to enhance accountability and ensure compliance with contractual obligations.

Entity management response (Agree)

Issue A5 - Advance Payment for Capital Investments Exceeding the Limits Prescribed by the Budget Appropriations Law

Finding According to Law No. 08/L-332 on Budget Appropriations for 2025, Article 13 (Advance Payments), paragraph 4, advance payments made during the month of December are limited to 5% of the contract value.

HUCSK, namely the General Hospital of Prizren, executed an advance payment in December of in the amount of €341,502 or 15% of the contract value, for the project "Renovation and Reorganization of the Paediatric and Inpatient Wards of the General Hospital". Although the advance payment was provided for in the contract, its execution was contrary to the legal limitations.

This occurred due to failures in the controls over the payment certification and execution process, whereby the payment was authorised based on the contractual provisions without taking into account the year-end legal limitations on advance payments.

Impact Granting advance payments in violation to the legal limitations exposes the budget to the risk of irregular use of public funds.

Recommendation A5 The Board of Directors and the Director General should ensure that the process of certification and execution of payments for capital investments is carried out in compliance with the legal limitations set out in the Law on Budget. A more rigorous oversight in the process of authorising payments should also be ensured, in order to prevent the granting of advance payments that lack a proper legal basis.

Entity management response (Agree)

2.3 Other financial management and compliance issues

2.3.1 Capital and non-capital assets

The amount of capital assets presented in AFS is €252,481,369, that of non-capital assets is €6,328,035, and of inventories is €25,882,017.

Issue B6 – Incomplete functionalisation of the e-Asset system

Finding

According to MF Regulation No.02/2013 on the Management of Non-Financial Assets, Article 6.3, capital assets must be recorded in KFMIS, whilst non-capital assets and inventories must be recorded in the e-Assets system.

Despite recommendations issued over the years, HUCSK has still not managed to fully functionalize the e-Asset system across all of its programs.

- At the University Clinical Centre of Kosovo (UCCK), only 22 out of a total of 45 clinics have operationalised the e-asset system;
- The e-Asset system had not been operationalised by the General Hospitals of Mitrovica, Peja, Gjilan, and Vushtrri, as well as in the Centre for Integration and Rehabilitation of Chronic Psychiatric Patients – Shtime and the Mental Health Centres either. Asset reporting in the Annual Financial Statements (AFS) was therefore based on the records kept in Excel spreadsheets.

This situation resulted from insufficient efforts and the lack of necessary actions to fully operationalise the e-asset system, as well as the inadequate infrastructure within UCCK regarding the required technological equipment.

Impact

Failure to use the e-Asset system increases the risk of errors in recordkeeping, potential write-offs, misuse, loss or misappropriation of assets.

Recommendation B6

The Board of Directors and the Director General should take all necessary actions to ensure the full operationalisation of the e-Asset system and ensure that it serves as the basis for asset reporting in the AFS.

Entity management response (Agree)

Issue B7 -Non-reconciliation of inventorying records with asset registers

Finding

Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 19, stipulates that the Non-Financial Assets Inventory Commission shall be a temporary body established by the Chief Administrative Officer of the budget organization. The responsibilities of this Commission are, *inter alia*, as follows: inventorying of all non-financial assets owned and controlled by the budget organisation; stocktaking of non-financial assets; and reconciliation of the inventoried balance with the non-financial asset records.

Although HUCSK and its subordinate units had established inventory commissions and initiated the inventory process, this process had not commenced in the Central Warehouse of HUCSK. In addition, the summary reports prepared by the inventory commissions were, in most cases, limited to a checklist format. Consequently, the commissions did not fully discharge their responsibilities as provided for by the Regulation, and the reconciliation of inventoried balance with the non-financial asset records was not performed.

Furthermore, during this audit, deficiencies related to asset management were identified at HUCSK, including unrecorded assets and recording errors. These deficiencies reflect the absence of an effective inventory and reconciliation process with the respective records, a process that would have enabled the timely identification and addressing of problems before they could affect the financial statements.

This situation was mainly as a result of negligence and insufficient understanding of the regulatory requirements governing the asset management.

Impact

Failure to conduct inventory procedures in compliance with requirements of the applicable regulations may result in untrue and incomplete reporting of asset values in the AFS.

Recommendation B7 The Board of Directors and the General Director should ensure that the established control system is sufficiently effective and guarantees the performance of periodic asset inventory processes in compliance with the applicable regulation, in order to ensure true and complete reporting of asset values in the AFS.

Entity management response (Agree)

3 Issues resolved in the course of the audit

During the audit we found some issues and communicated them to the management, which have been effectively resolved in the course of the audit. These issues require no further actions and are only reported for purposes of documenting the said communication, actions taken, and results thereof.

The material issues identified and rectified during the audit are presented below:

Issue 1	**Incorrect calculation of night-shifts allowances for Friday**
Finding	As a result of compensating Friday night-shifts at a rate of 150% of the basic salary (accounting them as weekend shifts), additional expenditures amounting to €231,604 were incurred across all HUCSK units during the January–July 2025 period.
Required Action	The recommendation issued in the 2024 Audit Report emphasised the need to take measures to verify the calculation of night-shifts compensation.
Result	Following the receipt of the Final Audit Report, corrective actions were undertaken, which became effective in the calculation of such compensation starting from August 2025.

Issue 2	**Untrue presentation of information in the financial statements**
Finding	While examining the Annual Financial Statements (AFS), comparing the budget and expenditures, and reviewing the explanatory notes, we found several discrepancies, as the following: • Explanatory notes 2, 3 and 6 to the Financial Statements: expenditures for the respective categories by source of funding were not disclosed, while the amount presented as the final budget corresponded to the initial budget. The differences identified in the final budget disclosures were as follows: the Wages and Salaries category was understated by €4,419,233; the Goods and Services category was understated by €9,874,946; and the Capital Investment category was overstated by €1,263,267); • Note 9 – Non-tax revenues: the comparative amount for 2023 was understated by €3,498,769 due to technical errors in the presentation of figures;

- Article 19.3.2 – Non-capital assets (below €1,000) was overstated by €1,856,173 due to deficiencies in consolidating the data with HUCSK program records;
- Article 19.3.3 – Inventories were understated by €21,426,489 due to shortcomings in consolidating the data with program records

Action required The review of the 2025 AFS conducted by the audit team highlighted the need for corrections to ensure the fair presentation and reliability of the reported financial information, taking into account the material impact of the identified misstatements.

Result This issue has been subsequently corrected by HUCSK, following consultations with the audit team, within the legal deadlines set by the Ministry of Finance.

Issue 3 **Inaccuracy in the execution of an enforcement payment**

Finding An enforcement payment executed by the Treasury in the amount of €207,951 included an overpayment because the list of debtors contained an amount of €37,312 relating to an obligation that did not belong to HUCSK.

Action required The audit team's review of payments executed through enforcement decisions identified the need to correct this expenditure and recover the funds that were not attributable to HUCSK.

Result Following the corrective actions undertaken by management, the amount was reimbursed to the Treasury account in November 2025.

4 Summary on budget planning and execution

This chapter gives a summarised information on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is highlighted in the following tables:

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

Description	Initial budget	Final budget[5]	2025 Expenditures	2024 Expenditures	2023 Expenditures
Sources of funds	**190,656,752**	**203,687,664**	**197,161,734**	**170,460,810**	**154,716,693**
Government Grants – Budget	190,656,752	203,685,110	197,161,734	170,348,877	148,110,128
Funding through borrowing	0	0	0	0	6,605,585
Domestic Donations	0	113	0	0	0
External donations	0	2,441	0	111,933	980

The final budget compared to the initial budget increased by €13,030,912 as a result of budget changes approved by through the Government's decisions.

In 2025, HUCSK spent 97% of the final budget, which represents a similar execution rate compared to the previous year.

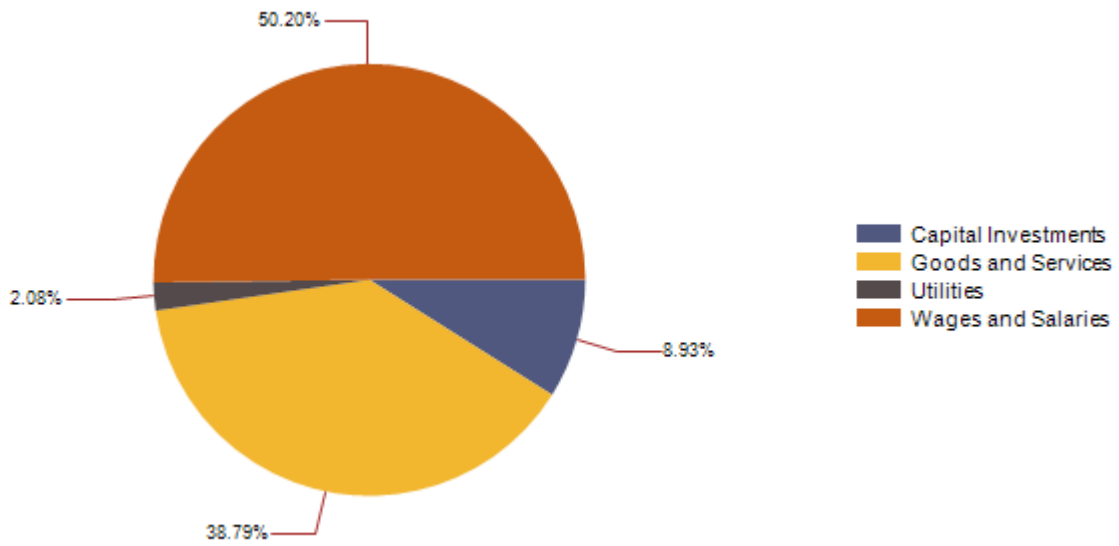
Table 2. Spending of funds by economic categories (in €)

Description	Initial budget	Final budget	2025 Expenditures	2024 Expenditures	2023 Expenditures
Spending of funds by economic categories	**190,656,752**	**203,687,664**	**197,161,734**	**170,460,810**	**154,716,693**
Wages and Salaries	94,561,890	98,981,123	98,975,903	89,971,846	84,532,481
Goods and Services	69,506,346	79,381,292	76,487,721	63,711,039	58,769,656
Utilities	4,139,016	4,139,016	4,095,880	3,626,047	4,175,220
Capital Investments	22,449,500	21,186,233	17,602,230	13,151,879	7,239,337

- The final budget for Wages and Salaries increased by €4,419,233 compared to the initial budget, as a result of the increase in the salary multiplier unit by 0.5, which consequently increased the value of night-shifts compensations. The budget execution rate in this category was at 100%.

- The final budget for Goods and Services increased by €9,874,946 compared to the initial budget. The execution rate in this category was at 96%.
- The final budget for Capital Investments decreased by €1,263,267 compared to the initial budget, as a result of budget cuts at the year-end. The list of capital projects included 23 projects; however, two of these projects incurred no expenditures during the year, which contributed to the budget cuts. The execution rate in this category was at 83%.

Chart 1. Expenditures by economic categories for year 2025



In 2025, the revenues collected by HUCSK amounted to €3,123,932. These relate to revenues from co-payments, medical certificate fee, parking fee, etc.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2025 Receipts	2024 Receipts	2023 Receipts
Total of revenues	**4,172,733**	**4,172,733**	**3,123,950**	**3,502,065**	**3,759,915**
Non-tax revenues	4,172,733	4,172,733	3,123,932	3,501,459	3,759,915
Other revenues	0	0	18	606	

5 Progress in implementation of recommendations

The audit report on the 2024 AFS of the HUCSK resulted in nine recommendations. HUCSK prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2025 audit, two (2) recommendations had been implemented and seven (7) recommendations had not yet been implemented, as shown in Chart 2, below. Compared to last year, the status of implementation of recommendations remains almost the same.

For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

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

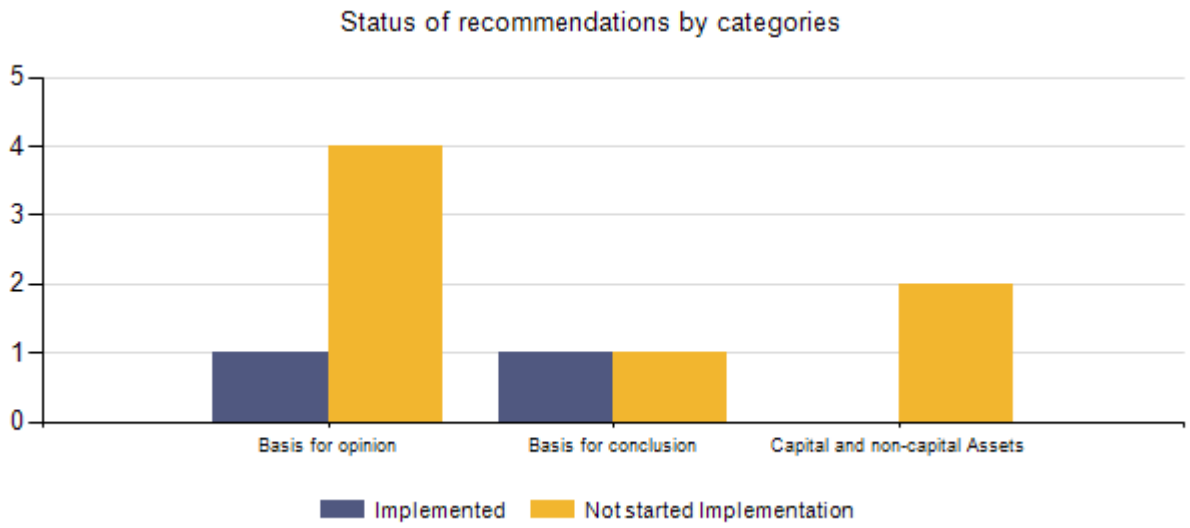


Table 4. Summary of previous year's recommendations

No.	Audit Scope	Recommendations for 2024	Actions taken	Status
1.	Basis for opinion	The Board of Directors and the Director General should ensure that appropriate controls are in place to enable capital assets to be recorded at their correct value, so that their reporting in the AFS is fair and reliable.	During testing, we noticed that even during 2025 there is overstatement of assets in the registers.	Implementation has not started.

2.	Basis for opinion	The Board of Directors and the Director General should ensure that appropriate measures are taken to ensure that payments and the recording of expenses are made in the relevant economic codes according to the chart of accounts, to enable their correct reporting in the AFS. If the budget planning does not match the nature of the expenditure and the needs of the HUCSK, the funds must be reallocated in order to ensure funds for the regular payment of expenses.	Even during 2025, HUCSK had cases of misclassification of expenses.	Implementation has not started.
3.	Basis for opinion	The Board of Directors and the Director General should strengthen controls over asset management to ensure information and evidence of the physical existence of all assets held in the registers, in order to avoid the possibility of loss or misuse of assets.	The case has been submitted to the investigation unit within the Kosovo Police, but there are no results yet.	Implementation has not started.
4.	Basis for opinion	The Board of Directors and the Director General should ensure that analyses have been conducted to assess the impact of this issue on other programs of the HUCSK, and measures have been taken to ensure that the calculation of the Friday on-call duty allowance is made in accordance with applicable legislation.	The Friday on-call duty component has been corrected by all units in the second half of the year.	Implemented
5.	Basis for opinion	The Board of Directors and the Director General should ensure more effective coordination between programs and establish appropriate mechanisms for the consolidation of financial data. Also, a full and detailed verification of the financial statements should be carried out before their submission, in order to ensure that the data is accurate, complete and in accordance with financial reporting requirements. As well as, take measures to determine a possible financial value for contingent liabilities, in order to provide a clear and fair view of the financial situation of the organization.	During this year as well, we observed that reporting was not accurate, as contingent liabilities and assets were not properly presented.	Implementation has not started.
6.	Basis for conclusion	The Board of Directors and the Director General should ensure that	Even during 2025, there were cases	Implementation has not started.

		all invoices received are paid within 30 days of their receipt.	when received invoices were not paid on time.	
7.	Basis for conclusion	The Board of Directors and the Director General should strengthen internal controls and, through the Responsible Procurement Officer, ensure that members of the evaluation committees consider a tender as responsive only if the tender in question complies with all the requirements of the tender dossier. Also, ensure effective controls at the requesting units and in the procurement office in order to avoid the use of unclear criteria when drafting technical specifications.	During compliance testing this year, we did not identify any irregularities.	Implemented
8.	Assets	The Board of Directors and the Director General should ensure that the established control system is sufficiently effective and guarantees that the periodic asset inventory process is carried out according to the requirements of the applicable regulation, in order to have accurate and complete reporting of the value of assets in the AFS.	In several programs and units of HUCSK, even during 2025, we have encountered issues with the inventory process.	Implementation has not started.
9.	Assets	The Board of Directors and the Director General should take all necessary actions to ensure the full functionalization of the e-Asset system and that it is used as the basis for asset reporting in the AFS.	Even in 2025, HUCSK had not fully functionalized the e-Asset system across all its programs.	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

Mjellma Dibra, Audit Director

Mirlinda Beqiri, Team Leader

Jehona Krasniqi Rexha, Team Member

Xhevat Seferi, Team Member

Annex I: Letter of confirmation

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

DATË/PRANUAR/DORËZUAR: 29-05-2026
DATUM/PRIMLJENO/OSTAVLJEN:
DATE/RECEIVED/SUBMITTED:

Njësia Org. Org. Jedin. Org. Unit	Shif.klasif. Klasif. Kod Class. Code	Nr. Prot. Br. Prot. No.	Nr.i faqeve Br. Stranica No. Pages
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Nr. i njësisë org. jed. org. unit: 1
Nr. prot. Broj pr. Prot. No.: 1614
Nr. i faq. Br. str. No. page: 1
Data Datum Date: 29.05.26
PRISHTINË - PRISTINA - PRISTINA

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 të **Shërbimit Spitalor dhe Klinik Universitar të Kosovës,** për vitin 2025;
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit;
- 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. Elvir Azizi

Drejtor i Përgjithshëm në Shkurt

Data: 29.05.2026

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

Auditor's Report on the financial statements [5] should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities[6]. 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 t

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.

Endnotes

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

[2] Other reports are a requirement of Article 8 of Regulation 01/2017 on Annual Financial Reporting.

[3] Collectively referred to as compliance with authorities

[4] 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.

[5] 1. The invoice in the amount of €528,000 for the contract "supply and installation of equipment and beds for haemodialysis for the nephrology clinic" was recorded at only €265,500. 2. The invoice in the amount of €98,800 for the contract "supply of medical equipment for the needs of the units of HUCSK lot 2" was recorded at only €32,600. 3. The invoice in the amount of €125,930 for the contract "Supply of accessories, instruments and material for neuroendoscopy" was recorded at only €31,160.

[6] These cases have been observed in the contracts for the supply of the "Digital C-Arm System", "Endoscopy Flexible system for Gastro and Colonoscopy- complete", "Complete 4K system for Laparoscopy" and "Electrical Operating Table for General Surgical procedures and Surgical Light for Operating Rooms".

[7] Final Budget – the budget approved by the Assembly and then adjusted by the Ministry of Finance

[8] Financial statements in the public sector also include budget execution statement(s)

[9] Compliance with authorities: compliance with laws, regulations, standards, or good practices.