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**Fourth Semi-annual Report by Kosovo on
Implementation of the Reform Agenda of Kosovo
under the EU Reform and Growth Facility for the
Western Balkans**

Audit Summary
At the National Level
For the Reform and Growth Facility (RGF) Instrument

Reporting Period: 01 January-30 June, 2026

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I. INTRODUCTION

This National Summary of Audits provides a consolidated assessment of internal audits conducted in 2025 and audits conducted for the period 1 January 2026 – 30 June 2026 within the framework of the implementation of the Reform and Growth Facility (RGF).

The Summary was prepared by the Central Harmonisation Unit within the Ministry of Finance, in accordance with its mandate to harmonise, coordinate and consolidate internal audit activities across the public sector, including those relating to the implementation of the RGF.

It serves as a national assurance instrument for assessing the compliance, effectiveness and reliability of the management and control systems established by the institutions involved in implementing RGF measures. Based on information submitted by institutional internal audit units, it consolidates the main audit findings and recommendations, and outlines any identified shortcomings, risks and corrective actions and their implications for the Declaration of Assurance (DoA).

The audit coverage includes the principal institutions responsible for, jointly responsible for, or supporting the implementation of RGF measures, including the Office of the Prime Minister, line ministries, executive agencies, the Assembly, independent institutions and regulatory bodies. During the reporting period, data from **13 internal audit engagements** conducted by **13 public institutions/Internal Audit Units (IAUs)** were consolidated. These engagements are directly related to the implementation, monitoring, and reporting of the measures envisaged under the **Reform and Growth Facility (RGF)**. Of these engagements, **11 were compliance audits, 1 was systems-based audit and 1 was a combined systems-compliance audit**. With regard to their status, 8 audit engagements have reached the final audit report stage, while 5 engagements were at the draft audit report stage at the time of preparation of the audit summary.

In conclusion, the Summary of Audits confirms that the institutional and internal control framework required for the implementation of the Reform and Growth Facility (RGF) is in place and provides sufficient assurance regarding the achievement of reform targets, the reliability of reporting, the prevention of irregularities, and the protection of the European Union's financial interests. Further efforts are nevertheless required to establish the anti-fraud coordination service (AFCOS) and ensure the systematic application of the existing risk management framework.

II. OBJECTIVE OF THE AUDIT SUMMARY

The overall objective of the audits relating to the implementation of the Reform and Growth Facility for the Western Balkans (RGF) is to provide independent and objective assurance on the adequacy, effectiveness and reliability of the institutional, governance, and internal-control arrangements established for the management, monitoring and reporting of Kosovo's Reform Agenda, in accordance with applicable national rules and Reform and Growth Facility (RGF) Instrument requirements.

The audits also provide assurance that appropriate systems are in place to prevent, detect and correct irregularities, fraud, corruption, and conflicts of interest that may affect the European Union's financial interests.

Accordingly, the audits aim to:

- assess the effectiveness of controls established for the implementation of the Reform Agenda in the framework of RGF instrument;
- evaluate the functioning of governance structures, including reporting, monitoring, inter-institutional coordination, checks and verifications;
- provide assurance on the accuracy, completeness and reliability of information reported on reform implementation;
- identify systemic control weaknesses and recommend corrective and improvement measures; and
- support the preparation of the Declaration of Assurance and the continuous strengthening of the internal-control framework.

The overall objective is therefore closely aligned with EU public internal control standards, under which internal audit provides independent assurance and advisory services. It assesses and contributes to improving the effectiveness of governance, risk management and internal control processes, thereby supporting accountability and the achievement of institutional objectives. In performing this role, internal audit remains independent from management and does not assume responsibility for the design, implementation or operation of internal controls.

III. OVERVIEW OF THE NATIONAL INTERNAL AUDIT ENVIRONMENT

The legal framework governing Public Internal Financial Control (PIFC) in Kosovo is founded on Law No. 06/L-021 on Internal Control of Public Finances and its accompanying implementing legislation. This law regulates, among other elements, the internal control system of public finances, encompassing both financial management and internal audit functions. It establishes clear lines of managerial accountability, internal control responsibilities, risk management processes, ex-ante compliance mechanisms, and ex-post evaluations. Aligned with European Union principles and based on the COSO model, the PIFC framework is structured around two key operational components: financial management and control (FMC), and internal audit (IA).

The implementing legislation provides the foundational rules for FMC and IA across all public sector entities (PSEs). These include Financial Rule No. 01/2013/MoF on expenditures and internal controls; Regulation GRK-No. 01/2019 on the establishment and operation of internal audit units in PSEs; and Administrative Instruction No. 01/2019 on the functioning of Audit Committees. In 2024, the legal framework was further strengthened by Administrative Instruction No. 04/2024, adopted by the Minister of Finance, introducing a national training programme for the certification of internal auditors in the public sector. In addition, a range of procedural tools and guidelines support implementation, including the Internal Audit Manual (2008), the updated Internal Audit Manual (2020, Parts I and II), the Performance Auditing Handbook (2023), the Standard Operating Procedure for addressing audit findings (2019), and the Methodology for Ensuring Audit Quality (2023).

Institutionally, the Law on Public Finance Management and Accountability requires every budget organization to establish an Internal Audit Unit (IAU) or at minimum, appoint an internal auditor. The internal audit function serves to enhance managerial accountability by providing independent and objective assurance to the Head of the PSE on the adequacy and effectiveness of financial management and

control systems, as well as offering advisory input for improvement. Oversight and coordination of internal audit across the public sector are provided by the Central Harmonization Unit (CHU) within the Ministry of Finance.

Kosovo's audit system is designed to ensure the efficient, effective, and lawful use of public funds. It is anchored in robust FMC systems and independent internal auditing, supported by CHU oversight to guarantee quality and consistency. Internal audit plays a pivotal role in enhancing performance, compliance, and governance within PSEs, thereby promoting transparency, accountability, and integrity in public administration.

Internal auditors operate with full operational independence, reporting directly to the head of the PSE and informing the Audit Committee. A functional audit trail system, integrated within the Kosovo Financial Management Information System (KFMIS), ensures traceability of all financial transactions. Internal audit documentation includes tools such as the Internal Audit Questionnaire, control environment assessment checklists, risk analysis forms, audit programmes, auditor statements, and final audit reports with documented follow-up on recommendations.

In cases of irregularities, conflicts of interest, or suspected fraud, internal auditors are legally obligated to report in writing to the appropriate institutional authorities. When a potential criminal offence is identified, the auditor must refer the matter to the police or prosecutor's office. Heads of PSEs are likewise mandated to forward such findings to the relevant investigative bodies. If findings pertain to issues under the jurisdiction of other administrative authorities, such as conflicts of interest, these are reported to the respective institutions—for example, the Agency for the Prevention of Corruption (APC), which may initiate its own administrative or legal proceedings.

Recent advancements in Kosovo's internal audit system include the introduction of performance audits, strengthened quality assurance mechanisms for IAUs, and the implementation of shared IAUs among small budget organizations to ensure adequate internal control coverage across all entities.

A systems audit was organised by European Commission and implemented by Grant Thornton Greece in the first quarter of 2026. The draft audit report with findings and recommendations is being finalised. It examined the design of the internal control systems set up and/or planned to be set up by Kosovo, for the purpose of managing the risks to the achievement of the objectives of the Reform and Growth Facility for the Western Balkans, the 'Financing Instrument', in accordance with internationally recognised standards, and which existed at the time of audit. The audit confirmed the already identified shortcomings of the internal control especially those related to the Reform Agenda with a number of additional specific recommendations for the IT systems.

IV. SCOPE OF THE INTERNAL AUDIT

Internal audit is an independent and objective activity that aims to ensure and improve public sector management processes through the assessment of internal control, risk management and governance practices. Law No. 06/L-021 on Internal Control of Public Finances and Regulation GRK-No. 01/2019 on the Establishment and Implementation of the Internal Audit Function in Public Sector Entities set out the requirement that every public sector entity must implement the internal audit function in accordance with the methods established by law.

The scope of internal audit is defined by the legal framework consisting of Law No. 06/L-021 on Public Internal Financial Control, bylaws governing the internal audit and financial management control and

internal manuals and guides in line with the international standards for the professional practice of internal auditing under the Professional Practices Framework.

Internal audit focuses in assessing the following key elements of audit:

- Governance and oversight structures and systems,
- Financial management and controls focusing on the adequacy and effectiveness of financial management systems and other control systems related to the performance of duties and achievement of goals,
- compliance with laws, regulations, internal rules, and contracts,
- Procurement processes,
- Identifying and managing risks, and
- Providing recommendations for improving actions

For the purposes of this audit summary, the audit scope pertains to the **calendar year 2025**, with data collection, monitoring, and reporting finalized by **June 2026**. The entities covered by the internal audit include central- level institutions (ministries executive agencies and other central level public bodies), municipalities and public enterprises. According to data from the consolidated annual report on the functioning of the public internal financial control system in public sector entities for the year 2025, prepared by Central Harmonisation Unit in the Ministry of Finance, internal audit coverage reached 78.82%, marking an improvement compared to 76.74% in the previous year.

In summary, the **audit scope** was comprehensive and well defined, covering the **institutional, legal, procedural, and operational aspects** of internal financial control and audit systems across Kosovo's public sector, focusing on compliance, effectiveness, and areas for improvement.

Throughout 2025, the Central Harmonization Unit has continued to provide methodological support, monitoring, and training programs for public sector entities, with the aim of strengthening the internal control and internal audit systems.

IV.1. Scope of audits conducted for Growth Plan Reforms under the Reform and Growth Facility

For the purposes of this audit summary, the audit scope pertains to the **period 1 January to 30 June of 2026**, with data collection, monitoring, and reporting finalized by 15 July **2026**. The audits conducted were based on risk-based strategic and annual planning of the entities involved in the implementation and management of Reform Agenda measures related to the Reform and Growth Facility (RGF), in accordance with the methodology defined in Chapter VI of the Internal Audit Manual in the Public Sector.

According to data gathered from reporting institutions, the sources of information for the preparation of the Summary Audit Report for the period 1 January 2026 – 30 June 2026 were the institutional-level Audit Summaries prepared by the public institutions as follows:

- Parliament of Republic of Kosova
- Office of Prime Minister
- Ministry of Economy
- Ministry of Internal Affairs
- Ministry of Industry, Entrepreneurship, Trade and Innovation
- Ministry of Finance
- Ministry of Education and Science
- Ministry of Justice

- Ministry for Labour, Family and Values of the Liberation War
- Ministry for Environment and Spatial Planning
- Ministry for Digitalisation and Public Administration
- Kosova Prosecutorial Council
- Kosova Judicial Council

The summary is based on information provided by 13 Internal Audit Units in 13 implementing institutions, which carry out audit activities in a planned manner, supported by their Strategic and Annual Plans, in some cases amended, reflecting the objectives of the internal audit activity, the measures envisaged to achieve these objectives, as well as the resources required for their achievement.

The audits covered comprehensively all types of reforms, including:

- Adoption of strategies, laws and other secondary legislation related to economic growth reforms;
- Adoption of procedures and decisions supporting the implementation of the reform steps; and
- Preparation of reports on the implementation of the reform steps.

In summary, the audit scope was comprehensive and clearly defined, covering the institutional, legal, procedural and operational aspects of the Reform Agenda steps, as well as the related internal control and audit arrangements across Kosovo's public sector. The audits focused on compliance, the effectiveness of management and control systems, and areas requiring further improvement.

V. AUDIT METHODOLOGY

The internal audit system in Republic of Kosovo is based on the core methodological principles international standards for the professional practice of internal auditing which Emphasizes independence, objectivity, and professional competence. The methodology consists of a systematic and disciplined process based on international standards and tailored to Kosovo's public sector. It is divided into three key phases:

(i) Audit Planning

Audit planning involves both strategic and annual planning stages. The strategic plan, typically spanning three years, identifies auditable systems, assesses risks, and sets audit priorities. The annual plan, derived from the strategic plan, outlines the specific audits to be conducted within the year, including their objectives, required resources, and timelines. A risk assessment is conducted to prioritize audit activities by understanding the entity and its processes, identifying risks and controls, and evaluating the effectiveness of those controls. Initial meetings with management are held to ensure alignment on audit objectives and expectations.

(ii) Fieldwork (Execution)

During the fieldwork (execution) phase, auditors perform various testing approaches including systems and compliance audits, financial audits, performance audits, and IT audits. They apply test types such as substantive tests – both analytical and detailed – and control tests to evaluate the effectiveness of internal controls. Sampling techniques used can be statistical, like attribute and predictive models, or non-statistical. Evidence is collected through interviews, document reviews, observations, and performance of procedures. All evidence and conclusions are carefully documented in structured working papers to support the audit findings.

(iii) Reporting and Follow-Up

Audit findings are carefully classified, documented, and discussed with the audited entity to ensure clarity and transparency. These findings are then compiled into a structured audit report that includes conclusions and actionable recommendations. A closing meeting is held with management to confirm and validate the results of the audit. Following the audit, a systematic follow-up process is conducted to monitor the implementation of recommendations, utilizing tracking systems and periodic status reports to ensure accountability and progress.

Audit tools

As outlined in the internal audit manuals, a comprehensive set of audit tools and templates has been developed and put in use to support all phases of the audit process. These include planning tools such as strategic and annual audit plan templates, risk assessment forms, and resource allocation documents. For execution, some of the tools include checklists, risk evaluation forms, interview guides, sampling tools, and test documentation formats. Reporting and monitoring are also supported by templates for audit reports, classification matrices, follow-up tracking, and quarterly status reports. Additionally, work paper documentation tools include formats for permanent and current audit files, audit program templates, and records for compliance and control testing.

According to CHU consolidated annual report for 2024, the results from the analysis of the 2024-2026 strategic and annual internal audit plans for 2024 show that the internal audit units followed the stages of the planning process, starting from the phase of understanding the business, identifying systems, the audit approach, assessing risks for systems, and up to the phase of determining audit resource requirements. The strategic and annual audit plans of the Internal Audit Units were approved by the Head of the public sector entity and the Audit Committee. High-risk internal audit units have assessed these systems: public procurement, subsidies, budget, revenues, asset management, human resources, accounting, accounts payable, accounts receivable, information technology, petty cash, and other specific systems.

V.1. Audit methodology for Growth Plan Reforms under the Reform and Growth Facility

The audits were conducted in accordance with the Global Internal Audit Standards, Law No. 06/L-021 on Public Internal Financial Control, published in the Official Gazette No. 3/2018 in April 2018, and its implementing acts, including Regulation (GRK) No. 01/2019 on Establishment and Implementation of the Internal Audit Function at the Public Sector Entity and Regulation MoF No. 01/2019 on Financial Management and Control. The audits also followed the Internal Audit Manual for the Public Sector, published in 2020 with EU support under the project “Improving Public Management, Control and Accountability in Kosovo”, in particular Chapter VI.

Three audit engagements were carried out in July 2026, covering the Ministry for Digitalisation and Public Administration, the Ministry of Environment and Spatial Planning, and one reform step under the Ministry of Economy, while a further ten engagements were carried out during May–June 2026.

These Audit Summaries are based on:

- audit reports submitted by 13 public institutions;
- follow-up activities and verification of supporting documentation for measures classified as “achieved” and “in progress” with deadlines December 2024–December 2025 and January–June 2026;

- analysis of findings across the Financial Management and Control (FMC) components—control environment, risk management, control activities, information and communication, and monitoring—based on audit evidence, audited documentation and information obtained from the implementing structures;
- consolidation of audit findings for all FMC components;

In the absence of fund allocations, the audits focused exclusively on assessing the compliance and effectiveness of internal control systems. Public institutions submitting institution-level Audit Summaries reported on the RGF measures within their remit, including measures covered by the audits conducted and, where applicable, measures where the institutions are in a supporting role to the main implementing body.

VI. AUDIT SUMMARY

VI.1 Key Findings and recommendations

Internal audit continues to play a significant role in assessing governance, risk management, and internal control systems.

Internal audit coverage improved from 76.74% in 2024 to 78.82% in 2025, an increase of 2.64%. However, plan implementation declined from 99.53% to 93.79%, while the implementation rate of audit recommendations decreased slightly from 84% to 82.77%. Audit committee coverage also fell from 100% to 93.85%. Overall, the results show improved audit coverage, but weaker performance in the execution of audit plans, implementation of recommendations and functioning of audit committees.

Some 18 public sector entities have not yet established the internal audit function. Of these, seven public sector entities are required to implement the internal audit function through independent internal audit units, while eleven entities, due to their small budgets, are obligated to implement the internal audit function through other forms as defined by the Public Internal Financial Control Law. In three public sector entities where internal audit units are operational, the audit committees have not been functioning.

The recommendation implementation rate stands at 82.77%, reflecting a good level of responsiveness to recommendations, while also indicating the need to strengthen the accountability of public sector entity leaders for their full and timely implementation. Monitoring activities carried out by the Central Harmonization Unit have identified the need for improving audit planning and the implementation of internal audit methodology.

The audit findings did not show any major changes compared to previous years. The assessment results indicate a well-established and broadly stable performance in financial management and control in 2025 compared with 2024.

Findings and main challenges from the audits conducted are summarised as follows:

- Risk management is not fully implemented across all Public Sector Entities;
- Monitoring of internal controls requires improvement;
- The internal audit function is not implemented in all Public Sector Entities in accordance with legal requirements;
- Audit committees are not operational in certain Public Sector Entities;
- Implementation of recommendations remains a challenge for a number of Public Sector Entities;

- The Law on Public Enterprises has not been harmonized with the Public Internal Financial Control Law regarding the audit committees.

For all these findings, internal auditors have provided recommendations for eliminating the shortcomings identified during the audit of Kosovo Public Sector Entities. The recommendations given during 2025 can be summarised in the following:

- Improvement of the functioning of Financial Management and Control components;
- Standardized implementation of risk registers;
- Strengthening of human resource capacities of internal audit units;
- Further development of managerial accountability framework;
- Improvement of control mechanisms;
- Development of a comprehensive professional training program;
- Implementation of the internal audit function in accordance with legal requirements;
- Development of an action plan for the implementation of recommendations with clear deadlines and responsibilities, especially for the EU-organised audit of systems for compliance to the RGF requirements;
- Strengthening monitoring mechanisms and follow-up on recommendation implementation through systematic periodic reporting;
- Strengthen managerial accountability in terms of implementation of recommendations;
- Harmonization of the Law on Public Enterprises with the Public Internal Financial Control Law.

The Head of the public sector entity is responsible for implementing the recommendations (paragraph 1.3 of Article 23 of Law No. 06/L-021 on PIFC), while the role of the internal auditor is to monitor the process of implementing the recommendations.

VI.2 Summary of audits conducted for Growth Plan Reforms under the Reform and Growth Facility

The summary of the audits conducted and the structured reporting of this information provide a consolidated national overview of audits related to the Reform and Growth Facility (RGF). This includes assessments of the effectiveness of Public Internal Financial Control (PIFC) systems, the accuracy and completeness of information, monitoring of risks related to double financing, fraud and corruption, and compliance with other requirements of the national control framework and the RGF Instrument.

The sources of information for the preparation of the Summary Audit Report for the period 1 January 2026 – 30 June 2026 were the institutional-level Audit Summaries prepared by the public institutions as follows:

- Parliament of Republic of Kosova
- Office of Prime Minister
- Ministry of Economy
- Ministry of Internal Affairs
- Ministry of Industry, Entrepreneurship, Trade and Innovation
- Ministry of Finance
- Ministry of Education and Science
- Ministry of Justice
- Ministry for Labour, Family and Values of the Liberation War
- Ministry for Environment and Spatial Planning
- Ministry for Digitalisation and Public Administration
- Kosova Prosecutorial Council
- Kosova Judicial Council

Of the 13 institutional audits conducted, one was systems-based audit, eleven were compliance audits, and one was a combined systems and compliance audit. The entities assessed included departments within ministries, subordinate bodies and executive agencies, as well as other public institutions, including the Prosecutorial Council, the Judicial Council and other central institutions.

The systems-based audits assessed whether the management and control arrangements for implementation of the Reform Agenda were adequately designed and operating effectively. The compliance audits examined whether specific RGF measures, transactions, grant schemes or implementation processes complied with the applicable legal and procedural requirements.

One combined systems and compliance audit was conducted by the Ministry of Labour, Family and Values of the Liberation War in relation to reform step 4.2.1.1, "50% of Active Labour Market Measures to target women, youth (aged 15–29), people with disabilities, those living in rural areas and ethnic minority groups". The audit examined the planning, monitoring and reporting arrangements, with particular attention to the electronic monitoring and reporting systems of the Employment Agency. It also assessed compliance with legal requirements and the completeness and accuracy of data relating to all categories of beneficiaries of active labour market measures.

The table below provides information on the Internal Audit Units involved, the specific audit programme for each audit conducted, the entities covered, the RGF measures assessed, and the type of audit performed.

Table 1: Data on audits conducted in the period 01.01.2026 - 15.07.2026

No.	Internal Audit of Institution	Audit Process Date/No.	Assessed Measures	Type of Audit	Implementation Period
1	Parliament	No.345/26251 Date 30.06.2026	Reform steps: 5.5.1.2 5.5.1.3 3.1.1.1 1.2.1.2	Compliance	June 2025 Dec 2025 Dec 2024 Jun 2026
2	Office of Prime Minister	No. 723 Date: 22.06.2026	Reform steps 5.2.1.1 5.4.1.1 5.4.1.2 3.1.1.3	Compliance	Dec 2024 Dec 2024 Dec 2025 Dec 2025
3	Kosova Judicial Council	No. 1019/2026 Date: 23.06.2026	Reform steps: 3.1.4.3 5.1.1.1	Compliance	Dec 2026 Dec 2024
4	Ministry of Education and Science	Date: 30.06.2026	Reform steps: 4.1.2.1 4.1.3.2 4.2.2.3	Compliance	Jun 2025 Jun 2026 Jun 2026
5	Ministry of Economy	No.1188 Date: 18.06.2026 No.1307 Date:08.07.2026 No.1201 Date: 19.06.2026 No. 1185 Date: 18.06.2026 No. 1184 Date: 18.06.2026	Reform steps: 2.3.1.1 2.4.1.1 2.5.1.1 3.1.5.1 3.1.5.2	2.3.1.1 System 2.4.1.1 Compliance 2.5.1.1 System 3.1.5.1 System 3.1.5.2 System	Jun 2025 Jun 2025 Dec 2024 Dec 2025 Jun 2026

6	Ministry for Labour, Family and Values of the Liberation War	nr.757/2026, date 30.06.2026	Reform steps: 4.2.1.1	Combined [System+Compliance]	Jun 2026
7	Ministry for Internal Affairs	Date: 29.06.2026	Reform steps: 5.3.1.1	Compliance	Jun 2025
8	Ministry of Justice	Date: 30.06.2026	Reform steps: 5.1.1.2 5.1.1.3 5.3.1.1 5.4.1.3 3.1.4.1	Compliance	Jun 2025 Dec 2025 Jun 2025 Jun 2026 Jun 2025
9	Kosovo Prosecutorial Council	No. 1019 Date: 23.06.2026	Reform steps: 5.1.1.1 5.1.1.4 5.3.1.2	Compliance	Dec 2024 Jun 2026 Jun 2026
10	Ministry for Digitalisation and Public Administration	No. 1707 Date:14.07.2026	Reform step: 1.1.1.1	Compliance	Dec 2025
11	Ministry of Finance	Date: 12.06.2026	Reform Steps: 1.2.1.1 1.2.2.1 3.1.1.2 3.2.1.1	Compliance	Dec 2025 Jun 2025 Jun 2025 Dec 2025
12	Ministry of Industry, Entrepreneurship, Trade and Innovation	Date: 30.06.2026	Reform steps: 3.1.1.3 3.1.2.1 3.1.2.2 3.1.2.3 3.1.4.1 3.1.4.2 3.2.1.2	Compliance	Dec 2025 Dec 2024 Jun 2025 Jun 2026 Jun 2025 Jun 2026 Jun 2026
13	Ministry of Environment and Spatial Planning	No. 3947/26 Date: 10.07.2026	Reform Steps: 2.4.1.2 2.4.1.3 2.5.1.2 2.6.1.1	Compliance	Dec 2025 Jun 2026 Dec 2025 Jun 2026

VI.3 Findings and Recommendations of Audits conducted for the Growth Plan Reforms under the RGF Facility

Main Findings

The analysis of all documents reveals several clear patterns. First, the audits generally confirm the existence of internal controls and that actions have been undertaken; however, in some institutions, the controls are assessed as only partially effective in ensuring the timely completion of reforms. This is particularly evident in the reports concerning the Office of the Prime Minister, the Assembly, the Ministry of Internal Affairs, and the Ministry of Industry, Entrepreneurship and Trade.

Second, a considerable number of steps have not failed due to a lack of activity, but because the preparatory activities have not yet resulted with the required legal or institutional adoption: adoption of legislation, appointment, operationalisation of a body, financial allocation, or operationalisation of a mechanism.

Based on the challenges identified by audits of specific reform areas, a number of horizontal, cross-cutting challenges have been identified that affect the pace and consistency of implementation across multiple sectors. These are outlined below.

a. Delays in legislative processes

Delays in legislative processes constitute the most recurrent challenge identified across the reports reviewed. This challenge affects the following areas:

- energy;
- innovation;
- bankruptcy;
- late payments;
- public procurement;
- state aid;
- microfinance institutions;
- justice reform;
- the Civil Code.

Several reports identify the dissolution or non-functioning of the Assembly as an objective factor that has interrupted the completion of these legislative processes.

b. Non-implementation of reform steps related to the establishment or operationalisation of institutional structures

A recurring challenge concerns delays in the establishment or operationalisation of institutional structures envisaged under the reforms. Relevant examples include:

- the Investment and Export/Innovation Agency;
- the National Innovation Council;
- the Innovation Fund;
- the State Aid Commission;
- the Translation and Language Harmonisation Unit;
- unfilled managerial positions.

c. Human resource capacities

Staffing shortages continue to constrain implementation capacity, and are particularly evident in:

- police intelligence structures;
- the Ministry of Environment, Spatial Planning and Infrastructure;
- several newly established structures within the Office of the Prime Minister, as well as agencies that remain in the process of operationalisation.

d. Documentation and audit trail

Insufficient documentation to support reported progress represents a further challenge. There was one submitted audit report concerning reform step 4.1.3 and 4.2.2.3, an example of this issue, whereby the absence of adequate supporting evidence prevents confirmation of fulfilment, notwithstanding progress reported by the institution.

e. Inter-institutional coordination

A number of reforms require coordinated, simultaneous action by several institutions. Shortcomings in inter-institutional coordination are particularly evident in relation to:

- the Confiscation Fund;

- public procurement;
- state aid;
- bankruptcy;
- energy;
- justice reform;
- environmental reforms.

f. Contribution from third parties and donors

The internal control system includes checks and verification procedures for identifying and reporting third-party contributions. The reports reviewed did not identify any issues of double funding, while noting that reliance on external experts and contracting procedures may affect negatively the overall pace of implementation.

Main Recommendations

Based on the institutional internal audits recurring across the individual reports, the horizontal recommendations can be summarised as follows:

- Strengthen monitoring of Reform Agenda deadlines, including early warning for steps at risk of not being completed.
- Develop concrete action plans for incomplete steps, specifying the activity, responsible institution and person, deadline, required evidence, and implementation status.
- Accelerate legal procedures and clearly distinguish between work that can be completed administratively and work that depends on the Assembly.
- Strengthen inter-institutional coordination, particularly where more than one institution is co-responsible for a step.
- Fill staffing gaps and vacant managerial positions that are necessary for the operationalisation of reforms.
- Standardise the documentation of evidence to the extent possible for different types of RGF reforms so that fulfilment of a step can be clearly identified, assessed, reported and subsequently verified by all relevant authorities including the National Audit Office and European Commission.
- Continue systematic controls of risks related to fraud, corruption, conflicts of interest, and double funding, including documentation of donor funding sources.
- For steps confirmed as completed, continue monitoring the sustainability of results through periodic monitoring of the functioning of the mechanisms established.

Overall, the reports indicate that controls and implementation activities for the Reform Agenda are in place. The main challenge, however, is the timely conversion of preparatory processes into final and verifiable results – adopted legislation, functioning institutions, filled positions, operational mechanisms, and achieved quantitative targets. This is also the issue most frequently reflected in the recommendations of the internal audit units.

VII. CONCLUSIONS

Based on the internal audit systems and processes in place and the results of the audits reviewed, Kosovo's internal control framework provides a reasonable level of assurance that the key internal control arrangements relevant to the implementation of the Reform and Growth Facility are established and functioning within the national framework for public internal financial control, financial management and internal audit.

The audits confirm that institutional, legal, procedural and operational control arrangements are generally in place. However, weaknesses remain in certain areas, particularly risk management, monitoring of internal controls, implementation of audit recommendations, inter-institutional coordination, administrative capacity, documentation of supporting evidence, and the timely operationalisation of legal and institutional reforms.

Institutions have undertaken, or are in the process of implementing, corrective measures aimed at addressing these weaknesses, strengthening internal control arrangements and administrative capacities, and improving the consistency of monitoring, reporting and verification processes.

Notwithstanding these measures, a residual level of risk remains. This relates primarily to the timely completion of reform steps, the effective functioning of newly established structures, the completeness and reliability of supporting evidence, and the consistent application of risk-management and control arrangements across implementing institutions. The residual risks identified do not, on the basis of the audit evidence reviewed, indicate a systemic failure of the internal control framework, but require continued management attention, monitoring and follow-up.

Overall, the audit results provide reasonable assurance on the functioning of the internal control framework supporting implementation of the Reform Agenda, while confirming the need for continued implementation of corrective measures and systematic follow-up of identified risks and audit recommendations.