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**ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE**

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AUDIT REPORT

**ON THE ANNUAL FINANCIAL REPORT OF THE MINISTRY OF
EDUCATION, SCIENCE AND TECHNOLOGY FOR
THE YEAR ENDED 31 DECEMBER 2016**

Prishtina, June 2017

The National Audit Office of the Republic of Kosovo is the highest institution of economic and financial control which, according to the Constitution and domestic laws, enjoys functional, financial and operational independence. The National Audit Office undertakes regularity and performance audits and is accountable to the Assembly of Kosovo.

Our Mission is to contribute to sound financial management in the public administration. We perform audits in line with internationally recognized public sector auditing standards and good European practices.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Ministry of Education, Science and Technology in consultation with the Assistant Auditor General, Valbon Bytyqi, who supervised the audit.

The opinion and report issued are a result of the audit carried out by Luljeta Sylaj, Ariana Berisha-Rexhëbeqaj and Arnisa Aliu under the management of the Head of Audit Department, Bujar Bajraktari.

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Executive Summary

Introduction

This report summarises the key issues arising from our audit of the 2016 Annual Financial Report of the Ministry of Education, Science and Technology, which determines the Opinion given by the Auditor General. The examination of the 2016 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions. Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in our External Audit Plan¹ dated 20/10/2016.

Our audit focus (detailed in Annex 1) has been on:



The level of work undertaken by the National Audit Office to complete the 2016 audit is a direct reflection of the quality of internal controls implemented by the Management of the Ministry of Education, Science and Technology.

Opinion of the Auditor General

Unmodified Opinion

The Annual Financial Statements *present a true and fair view* in all material aspects.

However, we draw your attention to the fact that the value of fixed assets disclosed in the AFS was overstated. This has been the result of not transferring the ownership of the schools to the municipalities and as a result of the registration of books in the register of capital assets.

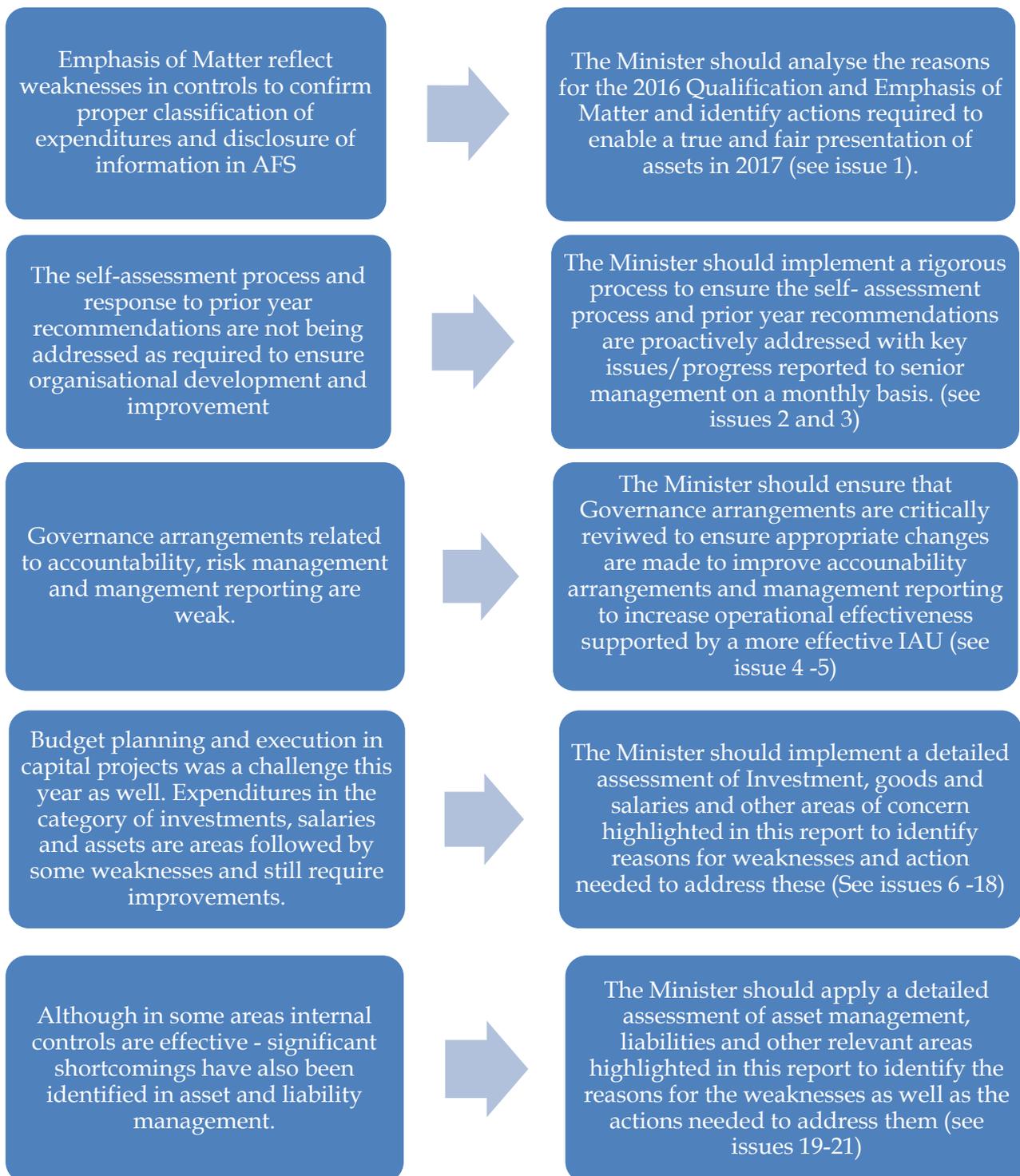
For more, please refer to Section 1.2 of this report.

Annex II explains the different types of Opinions applied by the National Audit Office.

We would like to thank the Minister and his staff for the cooperation during the audit process.

¹ The term External Audit Plan replaces the term Audit Planning Memorandum

Key Conclusions and Recommendations



Minister's response – audit 2016

The Minister has considered and agreed on detailed audit findings and conclusions and committed to implement the recommendations given.

1 Annual Financial Statements and other External Reporting Obligations

Introduction

Our review of the Annual Financial Statements (AFS) of the Ministry of Education, Science and Technology (MEST) considers both compliance with the reporting framework and the quality and accuracy of information recorded in the AFS. We also consider the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance (MoF).

The declaration regarding presentation of the AFS incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the AFS. These declarations are intended to provide the Government with the assurance that all relevant information has been provided to ensure that a comprehensive audit can be undertaken.

1.1 Audit Opinion

Unmodified Opinion with Emphasis of Matter

We have audited the AFS of the MEST for the year ended on 31st of December 2016 which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement and the Explanatory Notes of the Financial Statements.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2016 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (cash based Accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

Basis for the opinion

We conducted the 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 AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

Emphasis of Matter

We draw your attention to the fact that:

- Capital assets are overstated for around €13 million. This occurred because schools built by MEST were not transferred to municipalities after finalisation that are also owners of those schools; and
- Law no. 04/L-032 on Pre-University Education in the Republic of Kosovo obliges MEST to provide free textbooks for pupils for Level I and II of pre-university education. Based on this, MEST in 2016 budgeted and spent €9,259,452². The funds for these texts were wrongly treated as Capital Investments instead of being treated as Subsidies and Transfers, despite MEST requests addressed to MoF, in order that these assets are not treated as capital investments. These expenditures were recorded in the assets register overstating the value of the assets disclosed in the AFS.

Our opinion is not modified for these issues.

Responsibility of Management and Those Charged with Governance and AFS

The Secretary General of MEST is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law number 03/L-048 on Public Finance Management and Accountability (as amended and supplemented).

The Minister is responsible to ensure the oversight the Ministry's financial reporting process.

Auditor General's Responsibility for the Audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the

² This amount includes liabilities from the previous year (for the purchase of textbooks) in the amount of €2,368,415.

assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the presentation of the financial statements.

1.2 Compliance with AFS and other reporting requirements

MEST is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, as amended and supplemented with Law no.03/L-221, Law no. 04/L-116 and Law no. 04/L-194;
- For MEST subordinate units, reporting to respective management boards and for Public Universities, reporting to the Governing Councils of the Universities;
- Compliance with Financial Rule no.01/2013;
- Compliance with Financial Rule no.02/2013;
- Action Plan on implementation of recommendations;
- Requirements of Financial Management and Control (FMC) procedures;
- Quarterly reports including nine Month Financial Statements;
- Progress Reports on Capital Investments of over €10,000;
- Draft and Final Procurement plans in time;

Draft AFS had some errors which following our suggestions, were adjusted and the final statements were submitted once again to the Treasury.

Even after these adjustments, AFS contained some errors regarding the disclosure of assets. These errors are explained above in the Emphasis of the Matter.

Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the MoF can be considered to be correct.

In the context of other external reporting requirements, MEST has managed to submit timely reports required by the applicable legal framework.

1.3 Recommendations for the first part of the report

On the abovementioned issue within the basis for the opinion as an Emphasis of Matter, we give the following recommendation:

Recommendation 1 The Minister should ensure that a comprehensive review has been made to determine the reasons for the Emphasis of Matter. Action should be taken to address issues systematically, to avoid errors in classification of expenditures and secure accurate assessment and recording of capital and non-capital assets. Ownership of schools built for municipalities should be transferred to the latter and assets removed from the Ministry's asset register. A government-level debate should be held on the issue of books to find an acceptable form for handling these.

2 Governance

Introduction

Effective governance arrangements are fundamental to MEST for successfully managing the challenges it faces and ensuring that service delivery is optimised for the benefit of taxpayers and other service users.

A key tool supporting effective Governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. Similarly, the self-assessment checklist completed by all Budget Organisations provides a framework for developing enhanced Governance arrangements. It is important that the answers provided are supported by appropriate evidence.

The remainder of our review of governance arrangements reflects a consideration of:

- those areas of Governance Arrangements where significant improvements are required and where we believe that our recommendations can generate positive improvements including consideration of the Internal Audit system; and
- areas of Financial Management and Control identified through our audit work including specific work directed at compliance issues in key income and expenditure systems (these areas are considered in Section 3 of this report)

Overall Governance Conclusion

Within the Good governance we consider the progress of MEST in preparing the risk list as an initial document. However, there are some weaknesses in governance, particularly when it comes to the failure to fully implement prior year recommendations, lack of engagement in covering key positions held with acting (for more than a year) and low impact of internal audit in enhancing the efficiency of internal controls.

MEST should be committed towards improving the abovementioned shortcomings in order to prevent the possibility of having poor value for money and ineffective management, which directly affects the provision of poor services to taxpayers.

2.1 Progress in the Implementation of Prior Year Recommendations

Our Audit Report on the 2015 AFS of MEST resulted in 26 recommendations. By the end of our audit for 2016, seven (7) recommendations have been fully implemented; 15 are in the process of implementation and four (4) others have not yet been implemented. For a more thorough description of the recommendations and how they are addressed, see Annex III.

Issue 2 - Implementation of Prior Year Recommendations - Medium Priority

Finding MEST made progress in implementing prior year's recommendations. However, a formal process needs to be followed to manage and monitor the way the Auditor General's recommendations are implemented in order to be fully implemented.

Risk The continued weaknesses of controls in key financial systems which have not been addressed, have affected:

- Incorrect and incomplete disclosure of information in the AFS;
- Poor governance, which reduces the ability of management to take timely action against financial challenges; and
- Failure to address Internal Audit recommendations by failing to take into account their work to acceptable extent.

Recommendation 2 The Minister should ensure that that a revised action plan is implemented which clearly sets out a timetable for addressing the recommendations made by the AG with accountable staff members identified and with initial focus on those of greatest significance. The implementation of the plan should be continuously monitored.

2.2 Self-Assessment Checklist of FMC components

The MoF produced a detailed self-assessment checklist for Budget Organisations to support effective governance arrangements. For all audits we undertook we have tested the quality of FMC self-assessment questionnaires submitted to the Ministry by assessing one key question in each component of the checklist.

We have summarised our findings for MEST below and the summary of our work across all audits will be consolidated in our Annual Audit Report. This is not intended to give a commentary on the quality of the whole self-assessment questionnaire submission but will provide a 'snapshot' across a number of key questions to support the MoF in its attempts to increase the effectiveness of the process and develop the FMC system as a whole.

Issue 3 – Self Assessment Checklist – High Priority**Finding**

As part of our audit we have considered key questions related to the five components of the self-assessment checklist. For the questions considered we found that:

1. The self-assessment questionnaire completed by MEST has acknowledged that the required risk management systems were in the initial phase. MEST in April 2017 prepared a list of risks, where for operational areas it identified potential risks and actions to be undertaken, but it did not develop any plan for monitoring the implementation of the risk management plan;
2. Effective monitoring processes as well as a comprehensive development strategy are considered as in place by the MEST. However, for the strategy 2011-2016, there was no monitoring report for 2016;
3. Preparing adequate reports on a regular basis is considered as in place by the MEST and the evidence given to us supports this conclusion; and
4. Public universities, which operate within the MEST, do not complete the self-assessment questionnaire, did not have development strategies (with the exception of the University of Gjakova), and had no annual work plans for 2016 and did not have a risk register in place.

Risk

Lack of effective risk management and strategy monitoring may lead to non-achievement of objectives. This is because proactive actions needed to prevent or avoid the impact of such issues are not be undertaken in a planned and systematic way. Further on, the lack of strategies and work plans creates ambiguity when it comes to the institution's goals and makes it impossible to monitor the achievement of objectives.

Recommendation 3

The Minister should ensure that a review of the processes for completing the self-assessment checklist and proactively addressing areas of weaknesses is implemented. A revised mechanism to confirm the accuracy of the questionnaire should be applied and ensure supporting documentation. Further on, the Minister should ensure that direct responsibility for risk management is delegated to a relevant staff and ensure regular monitoring and monthly reporting on the implementation of the requirements in this area. University Rectors should ensure that strategies and work plans are drafted and achievement of objectives and implementation of plans are monitored on a regular basis.

2.3 Specific Governance Reviews

Our work on specific areas of governance arrangements has been informed by our audit planning which considered the context within which MEST operates and the challenges that it faces.

2.3.1 Management Reporting and Accountability

A range of internal controls are applied by Management to ensure that financial systems and operational activities operate as intended. It is important that these include appropriate reporting to management to enable an effective and timely response to identified operational problems.

Universities, Agencies and Units of MEST have limited autonomy of action. These are not independent in the context of the AFS, and some in execution of expenditures given that payments go through MEST, and the latter prepares final AFS.

Budget planning is also done by MEST in cooperation with Financial Officers of Universities, Agencies and other entities. To ensure effective financial management, an effective consolidation and reporting process is needed.

Issue 4 - Accountability Processes - High Priority

Finding During 2016, the management positions in 17 cases, (including the Secretary General, departmental directors, Heads of division and positions of different officers) were covered by Acting, for certain cases with a duration of more than one (1) year. This phenomenon is also expressed in other MEST agencies and programs. This situation has arisen as a result of not completing court proceedings and not considering the timeframe for Acting. As a result, the functioning of the governing structures have not always secured effective accountability.

Risk Covering senior positions with acting for longer than allowed may result in poor accountability and ineffective management controls.

Recommendation 4 The Minister should ensure that within a reasonable period of time, acting positions are covered with regular staff and the legal timeframe for exercising the position in the capacity of Acting is not exceeded. This increases accountability, responsibility and ensures effective development of Ministry's activities.

2.4 Internal Audit System

The Internal Audit Unit (IAU) operates with two members of staff - the Director of IAU and one (1) auditor. An effective audit requires a comprehensive work programme that reflects financial and other risks to the Ministry and provides sufficient assurance over the effectiveness of internal control. The impact of Internal Audit output should be judged by the importance that management places on addressing recommendations and the support provided by an effective Audit Committee.

Issue 5 - Functioning and Efficiency of IAUs - High Priority

Finding

There are a number of weaknesses in the IAU as:

- IAU continues to operate with a limited number of staff, compared with the size, complexity and needs of the Ministry. As a consequence, eight (8) audits were planned. Out of which, six (6) were completed, whilst three (3) audit reports have been produced for the audit of special schools/resource centres because the audit covered three (3) out of six (6) existing centres. According to this, it turn out that eight (8) audit reports have been produced but important areas such as procurement and students centre have not been covered by internal audit.
- Internal audit reports were not seriously addressed by the management. In the audit reports, a total of 40 recommendations were given, but the process of implementing the IAU recommendations was not monitored. Consequently there is no accurate information on how many of these recommendations have been implemented; and
- The Audit Committee (AC) had held three meetings but did not make a significant contribution to the improvement of internal controls because no action was taken to push forward the implementation of the IAU recommendations.

Risk

The implementation of the IAU recommendations has an impact that the level of internal controls do not improve and increases the risk that the same mistakes and shortcomings continue to be repeated, resulting in operational inefficiencies and financial losses.

Recommendation 5

The Minister should ensure that AC critically reviews audit plans and reports by securing effective communication between management, AC and IAU. Further on, the management should take concrete actions to implement the IAU recommendations. AC needs to be more active in pushing this process forward and monitoring the implementation of the recommendations.

3 Financial Management and Control

Introduction

Our work on Financial Management and Control outside of the areas of Governance referred to section two reflects the detailed work undertaken on Revenue and Expenditure Systems. As part of this we consider Budget management, Procurement and Human Resources issues, and Assets and Liabilities.

Financial Management and Control Conclusion

The Management has implemented a number of key controls in financial systems, but controls over a range of expenditure areas require further improvement in order to prevent the risk that MEST have poor value for money and ineffective management of the activities. The main areas where further improvements are needed are: management and monitoring of contracts, management of non-financial assets and management of liabilities.

3.1 Budget Planning and Execution

We have considered the sources of budgetary funds, spending of funds by economic categories. This is highlighted in the following tables:

| Description | Initial Budget | Final Budget | 2016 Receipts | 2015 Receipts | 2014 Receipts |
|---------------------|----------------|--------------|---------------|---------------|---------------|
| Own Source Revenues | 1,868,948 | 1,868,948 | 3,222,790 | 3,187,905 | 3,953,410 |

The planned revenues were €3,990,829 whilst €3,222,790 were collected during 2016. Compared with 2015 there was an increase of revenues by 11%, but compared with the annual plan, the execution was 81% of the plan. Amongst others, The non-execution, the abolition of the fee for the maturity test by graduates had an impact in not meeting the revenue plan. Allowed revenues for spending in this year were €1,868,948, whilst €1,454,985 were spent from current revenues and the rest of the revenues goes to the Kosovo Budget.

Table 2. Sources of budgetary Funds (in €)

| Description | Initial Budget | Final Budget ³ | 2016 Outturn | 2015 Outturn | 2014 Outturn |
|---|-------------------|---------------------------|-------------------|-------------------|-------------------|
| Sources of Funds | 45,545,415 | 49,684,732 | 47,892,635 | 42,800,007 | 49,325,724 |
| Government Grant -Budget | 42,076,467 | 44,903,931 | 44,228,978 | 38,954,016 | 44,199,147 |
| Carried forward from previous year ⁴ - | 1,600,000 | 1,600,000 | 1,543,000 | 958,600 | 2,000,000 |
| Own Source Revenues ⁵ | - | 512,772 | 507,121 | 397,468 | 294,080 |
| External Donations | 1,868,948 | 1,868,948 | 946,897 | 1,282,535 | 1,938,389 |

The final budget in relation to the initial budget was increased by €4,139,317. This increase has occurred as a result of the budget review and subsequent decisions of the Government on budget changes.

In 2016, MEST used 96% of the final budget or €47,892,635, an improvement of 5% compared with 2015. explanations for the current position in terms of budget execution are given below.

Table 3. Spending of funds by economic categories - (in €)

| Description | Initial Budget | Final Budget | 2016 Outturn | 2015 Outturn | 2014 Outturn |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Spending of funds by economic categories | 45,545,415 | 49,684,732 | 47,892,635 | 42,800,007 | 49,325,724 |
| Wages and Salaries | 14,939,774 | 16,054,402 | 15,925,257 | 13,314,071 | 8,641,673 |
| Goods and Services | 9,057,453 | 9,207,561 | 8,294,192 | 8,851,988 | 9,520,979 |
| Utilities | 1,245,259 | 1,115,732 | 935,411 | 991,042 | 735,285 |
| Subsidies and Transfers | 3,821,929 | 3,393,938 | 3,374,488 | 3,918,128 | 3,963,032 |
| Capital Investments | 16,481,000 | 19,913,099 | 19,363,287 | 15,724,778 | 26,464,754 |

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries increased by €724,682 compared with the initial budget. This occurred as a result of budget review as well as Government decisions on adjusting the MEST budget;
- The budget for Goods and Services was initially reduced during budget review by €930,980, while with subsequent government decisions it was increased by €1,081,088. This includes the transfer of the €213,300 from subsidies to Goods and Services (for remunerating Committees included in the Matura test assessment), as well as from the carried forward own source revenues of €450,572 and donations of €722,182. In the end

³ Final budget - the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

⁴ Own Source Revenues unspent in previous year carried forward into the current year.

⁵ Receipts used by the entity for financing its own budget.

there was still a reduction of the budget by Government decision on behalf of budget savings in the amount of €404,956;

- The final budget for Utilities was reduced by €138,526 compared with the initial budget. This was done with a budget review and Government decisions;
- The budget for Subsidies and Transfers was initially increased with a budget review by €207,130, and later with a government decision it was reduced by €635,120. Expenditures in this category were 99% of the final budget; and
- The budget for Capital Investments, with budget review was reduced by €1,526,327 and then with government decisions this budget increased by €4,994,426. Most of the budget increase (€3,149,524) was made to cover the purchase of books for pupils of 1-9 classes. Finally, the execution of the capital investment budget was 97% of the final budget.

Issue 6 - Budget Planning and Execution - High Priority

Finding

Although the final budget is executed at 96%, we cannot say that MEST had good budget performance. This is because there have been many needs over the year for re-adjusting the budget and transfers between different budget categories and programs.

Further on, the spending were concentrated at the end of the year, with 46% of the total budget being spent in the last quarter of the year. One of the reasons for spending at the end of the year was the purchase of books made after September.

Another issue related to budget execution is misclassification of spending. Inventories and equipment in the amount of €75,465 were planned/ executed from Capital Investments, instead they should have been executed from goods and services.

Risk

Numerous budget changes throughout the year increase the risk that certain goals and objectives are not executed according to the initial goals. Concentration of many spending in the last months of the year may impact payments to avoid effective controls as a result of increased volume of payments. Inadequate classification of expenditures causes overstatement/understatement of certain economic categories in AFS.

Recommendation 6

The Minister should ensure that planning of budget requests precedes a proper analysis of the needs as well as the factors affecting the budget implementation. This would reduce budget adjustment needs throughout the year. Budget performance should also be systematically monitored on a monthly basis, identifying and addressing barriers to planned budget execution. The expenditures should be classified in line with the accounting plan.

Issue 7 - Advance payment in contradiction with the budget law - High Priority

| | |
|-------------------------|--|
| Finding | Under the Law on the Budget of the Republic of Kosovo for 2016, in November there shall be no payments over ten (10%) and in December over five (5%) of the contract value, and only following the approval by the Minister of Finance. We found that for the elementary school project in Klina, an advance payment was made in December in the amount of €108,671 (10% of the value of the contract). The required approval was not taken for advance payment. |
| Risk | Advance payments without proper approvals are in contradiction with the budget and carry a risk of having payments made out of the proper controls on one side and avoidance of budget surplus on the other. |
| Recommendation 7 | The Minister should initiate a specific review to determine the reasons of advance payment in contradiction with budget law, and determine the required measures to ensure that such payments will not occur in the future. All advance payments should be made in line with the Law on Budget, and the financial rules requirements. |

3.1.1 Revenues

Revenues generated by MEST during 2016 were € 3,222,790. Out of €1,868,948 allowed for spending, MEST during the year spent €1,454,985. The rest have been transferred to the general budget of Kosovo. Revenues are collected from fees for Student Housing and Food at the Student Centre (SC), participation in academic services, licenses for Educational establishments, sale of services, rent, as well as fees for document verification.

Recommendations

We have no recommendations in this area.

3.1.2 Wages and Salaries

Wages and Salaries comprise 32% of MEST expenditures. They are paid through a centralised system (payroll). However, many key controls confirming the accuracy and completeness of the payments related to: payroll authorisation, verification of changes, calculation of allowances and fees for professors, budget review etc., should be implemented at the level of Ministry and units. These controls when it comes to professor salaries are delegated at faculty level and finance department at CA. Remuneration of wages and salaries, in addition to other legislation in the public sector, is also regulated by the University's internal regulations on personal income. Our tests have revealed that controls in the salary field were not always effective to prevent mistakes and improper payments. In particular, we have identified:

Issue 8 - Salary Management for Professors - High Priority**Finding**

All public universities operating within the MEST have drafted Regulations on Personal Income Staff as a template for the Regulation on Personal Income of the University of Prishtina. These regulations provide for the method of compensation of academic staff, based on certain conditions and criteria for staff. During the audit of the salary of academic staff, in six (6) Universities⁶, we have noticed many cases where personal income regulations have not been in place. This has reflected on the following issues:

- In four cases in UPz and in one case at UHZ, the full norm of overtime hours until the remunerations to professors was complete.
- In three (3) cases in UMIB we have seen that professors are paid in advance (e.g. for overtime hours of December, professors got remunerated right in December while according to the regulation on salaries, remuneration should be made in the following months based on the evidence that these hours have been held;
- In testing the attendance list at Universities, we found nine (9) cases in UPz, four (4) cases in UKZ, where the attendance lists of the students in the lecture is not verified by the authorised person of the faculty. Failure to certify the lists by authorized officers leaves room for suspicion that classes have been held by the teachers. It should be noted that UPz, following our recommendation, in the last quarter of 2016, engaged in improving this shortcoming:
- From 52 samples tested in UPz and UHZ, in two (2) cases at UHZ, and in six (2) cases in UPz we have noticed that the professors do not write-down at all the lecture hours, and others write-down only the beginning of the lecture hours, whilst the officials responsible for calculating the hours spent make the calculation without such evidence;
- In two (2) cases, we have noticed that the professors did not fully cover the lecturing hours fund, and they were compensated with full salaries. On one occasion, the professor held only four (4) less lessons, and another professor took six (6) less lessons until they received the full salary. According to the regulation, non-attendance is penalised by partial payment.

⁶ University of Prizren "Ukshin Hoti" (UPz), University of Gjakova "Fehmi Agani" (UGJFA), University of Gjilan "Kadri Zeka" (UKZ), University of Peja "Haxhi Zeka" (UHZ), University of Mitrovica "Isa Boletini" (UMIB), University of Applied Sciences Ferizaj (UASF).

Risk Remuneration of professors in violation of regulations increases the risk of mismanagement with the budget and the execution of irregular payments. Further on, advanced payments, lack of monitoring and verification of attendance on the teaching process by authorised faculty officials increase the risk of making payments for potentially unacceptable services.

Recommendation 8 The Minister in cooperation with university rectors should ensure that all payments/remunerations are made fully in compliance with the Regulations on Personal Income. Strict monitoring and verification of the continuity of the lecturing process should be strengthened so that payments are based on the services provided, while for hours not held should be subject to withdraws in line with the requirements of the regulations.

Issue 9 - Remuneration of Teacher for Exams - Medium Priority

Finding Universities within the MEST have adopted their own personal income regulations, based on the University of Prishtina Regulation no. 1/126 produced on 27/04/2012, which foresee the remunerations of professors, €0.60 for each bachelor student who appears at the exam, and €3 for each master student who appears in the examination. According to current guidelines, bachelor students do not pay at all for exam, and the students at the master level for each exam pay €2.5. This means that the revenues collected from exams do not cover the expenses for the remuneration of professors. Additionally, taking exams should be an inseparable part of the job assignments for which professors receive the basic salary and eventually the fees.

Risk Remunerations of professors for exams, causes unnecessary costs for universities and may bring financial difficulties. This can be evidenced by the ongoing situation of obligations and requests for additional remuneration in salaries.

Recommendation 9 The Minister, together with the Rectors of the Universities, should seek the options for reviewing the abovementioned regulations in order to adapt it to the current circumstances and with budget opportunities. Further on, due to the same nature of work, the Minister should engage in unifying regulations and remunerations.

3.1.3 Goods and Services and Utilities

final budget for goods and services was € 9,207,561. Of these, € 8,294,192 or around 90% were spent. These expenditures relate to contract services, supplies with expendable materials, services, maintenance, etc.

Issue 10 – Extension of framework contracts - High Priority

Finding According to the public procurement rules, the public framework contract cannot be extended or renewed, which means that the duration of the contract should be determined at the beginning of the procurement process. SC entered into two 24-month framework contracts: “Supply with meats and meat products for the needs of SC” in the amount of €743,000, which has expired on 15.07.2015, and “Supply with other food items for the needs of the SC” of €426,036 which expired on 17.07.2015. After the expiration of the contracts, both were extended for a period of one year. The reasoning was the necessity to supply the SC and the expectation that this supply is executed through the CPA.

Risk Any deviation from the legal framework may present the risk of non-transparency of the spending of public money and potentially harmful transactions for MEST or SC respectively.

Recommendation 10 The Minister should ensure that all necessary actions are taken to avoid such cases and to determine the most appropriate alternatives to manage similar situations.

3.1.4 Subsidies and Transfers

The final budget for Subsidies and Transfers was €3,393,938. Out of them, in 2016, €3,374,488 were spent, or 99% of them. This budget has been used for different categories of education, the bulk of support for different scholarship schemes with external partners and a part for research and scientific projects.

Recommendations

We have no recommendations in this area.

3.1.5 Capital Investments

Capital Investments consume most of the MEST budget or around 40% of it. The final budget for this category was €19,913,099, of which 97% or €19,363,287 were spent. This budget was spent on arrangement and construction of educational and administrative facilities, purchase of books, purchase of information technology equipment, purchase of inventory, etc. Our testing has highlighted the following shortcomings:

Issue 11 - Management of Capital Projects - Medium Priority

Finding According to the regulation on public procurement and good practices, whenever contract management requires expertise, this should be done in a way that the constructions is made according to the proper conditions and quality. In the case of construction works related to the construction of educational facilities, for seven (7) tested contracts, MEST assigned the contract managers who followed the execution of the works, but did not appoint a professional supervisory body which simultaneously carrying out capital investments and overseeing the specific works stipulated in the contract.

Risk Management of construction contracts, in absence of a supervisory body, increases the risk that the contracts are not executed according to the quantity and quality provided for in the related contracts.

Recommendation 11 The Minister should require from the project supervision department that, in case of execution of construction work, to propose and appoint professional supervisory bodies to ensure that the constructions are carried out according to the standards set forth in the terms of the respective contracts.

Issue 12 - Delays in implementing the capital project - High Priority

Finding The construction process of schools has been followed by delays of many years. Out of 11 projects started in 2009, six (6) of them were completed, two (2) were in process of technical acceptance, while in three (3) others⁷ are still ongoing. MEST did not apply penalties to companies, because according to them the circumstances of the delays were mutually, the lack of budget, changes in the specifics and the negligence of the companies on the other.

Risk Delays in completion of projects reflect on the quality of the works. This also affects the non-achievement of the Ministry's objectives and the quality of service Offered meals.

⁷ Construction of elementary school in Fushe Kosovo and secondary schools in Podujevo and Mitrovica

Recommendation 12 The Minister should provide a thorough review of the reasons that have caused delays in implementation of these projects and take the required measures to complete it as soon as possible. The quality of the works should be verified by the competent oversight bodies to confirm that the works have been carried out in line with contracted terms and standards.

3.1.6 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue 13 - Contract Management - High Priority

Finding The Public Procurement Guideline determines that a contract manager must be appointed after the contract is signed and a contract management plan has to be prepared through which the performance of the contract is monitored. However this requirement was not fully implemented by the MEST units resulting in shortcomings in contract management in the following cases:

- In the project “Drafting the master plans for UHZ” of €143,525, which was made in agreement with the Municipality of Peja, there was no contract management plan. In addition, the receiving report does not contain the details necessary to understand that the company completed the activities according to the specifications required in the tender dossier;
- For the project “Renovation of facility and adjusting of courtroom space” in UHZ of €18,462, although contract manager was appointed, no contract management plan had been drafted. Further on, the Technical Receiving Committee had made some remarks on the works carried out, while in case of payment there was no evidence that these remarks are improved before payment was made;
- In two (2) cases, contract managers were not appointed at CS, and in six (6) other cases - three (3) at UHZ and four (4) at UPz, managers were formally assigned but no plans for contract management were in place.

Risk Lack of managers and contract management plans increases the risk that contracts are not be executed in line with contract terms and conditions.

Recommendation 13 The Minister should require the responsible persons at public universities to appoint project managers for each contract. Plans for managing each contract should be prepared, and reports on the performance of contracts should be prepared.

Issue 14 - Insufficient procurement planning - Medium Priority

Finding MEST did not have a good procurement planning, this is confirmed by contract reports signed by all its units, where most of the procurement procedures were initiated and executed in the second half of the year. UPz did not prepare the final procurement plan according to the requirements of the Law on Public Procurement, which requires to identify with reasonable details all supplies, services and works that it intends to procure during the year.

Risk Poor procurement planning affects the poor value of money and potential financial losses as a result of not identifying common unit needs and not applying adequate procurement procedures.

Recommendation 14 The Minister should ask from Procurement Officers that in case of drafting the procurement plan, in cooperation with the requesting units to make a proper assessment of the needs, and in procurement plans they also include the approximate time of the procurement execution.

Issue 15 - Irregularities in payment processing - Medium Priority

Finding According to Regulation no. 01/2013 on the Spending of Public Money, the process of committing funds is firstly processed, the purchase order, and upon receipt of the purchases, the receiving report is made and the invoice is accepted.

In processing 17 payments related to goods and services of €425,722, we found that the goods/services and receipts were initially received, and later (commitment of funds, purchase request, and purchase order) were made. Further on, in eight (8) capital investment payments of €526,249, the commitment was made after the invoicing.

Risk The risk of failure to follow the proper control procedures while receiving the goods and making payments could affect the receiving of goods that are not in compliance with contractual terms and potentially irregular payments.

Recommendation 15 The Minister should initiate an internal review to determine why the requirements of the financial rule have not been addressed in all cases and determine the appropriate measures/processes to ensure that failures in similar issues will not occur in the future.

Issue 16 - Closing of Advances - Medium Priority

Finding In two (2) cases in the amount of €15,198, advances were not closed and reasoned within the legal deadline. Delays were 30 and 58 days. This is in contradiction with Administrative Instruction no.2004/07 on official travel, and it happened due to the fact that officials did not bring in evidence regarding the expenditures made.

Risk Delays in closing advances increase the risk that public money is used irregularly by certain persons.

Recommendation 16 The Minister should ensure that controls over management of advances are being monitored continuously. All persons using advances should make the necessary reconciliations within the required legal period.

Issue 17 - Irregular receiving of the goods - High Priority

Finding The way goods are received is specified in the Financial Regulation no. 01/2013. However, this regulation did not find effective implementation by the MEST units, resulting in the following shortcomings:

- Irregular receiving of inventory for sports halls in pre-university education schools in the amount of €500,529. The inventory was distributed directly to schools and received by school principals, and in some cases from a committee with two (2) members;
- Payments for supply with working equipment (technical, electrical, central heating and water supply) for maintenance in SC in the amount of €7,467, the material was received only by the receiving officer without establishing a committee for receiving the goods;
- In the payment "Purchase of equipment from the project Euphoria" in the amount of €159,020. UHZ did not establish a committee for receiving the goods. the equipment was received by one person as well as there was no receiving report regarding the quantity and quality of the purchases received; and
- In supply with furniture for UHZ in the amount of €8,370, the goods were received by a committee of three officials, but in case there was no decision/authorisation proving the assignment of this Committee.

Risk Receiving of inventory from non-competent persons and lack of Receiving Committees increases the risk of receiving goods of poor quality and in contradiction with the contracted terms.

Recommendation 17 The Minister should request the responsible ministry officials and subordinate units to effectively and consistently respect the requirements of the instructions regarding the receipt of the goods. This would ensure that the goods are received in line with the quality and quantity of the goods contracted.

3.2 Assets

3.2.1 Capital and Non Capital Assets

The total value of assets disclosed in the AFS of 2016 was €263,109.320. Out of them, capital assets (over €1,000) were €259,777,730 and non-capital assets (under €1,000) were €3,331,590. Stocks in the amount of €715,270 were also disclosed in the AFS. Capital assets over €1,000 are recorded in the accounting register, whilst assets under €1,000 and stocks have been recorded by each unit in the e-asset system, which are then consolidated into a register which is presented in the AFS. We have identified the following issues:

Issue 18 - Uncertainty in the legal basis for purchase and distribution of textbooks - High Priority

Finding Based on the Law no. 04/L-032 on Pre-University Education in the Republic of Kosovo, MEST issued the Administrative Instruction (MEST) no. 13/2016 on providing pupils with School Textbooks, their use and preservation, which instruction contravenes the concerning Law. This Instruction obliges students/parents to preserve and return texts at the end of the school year, while the Law states that the texts are provided free of charge. There are also contradictions within the law because on one hand it is clear that the texts are given free of charge and on the other hand it obliges MEST to issue a special Instruction for their distribution and preservation.

Risk The legal uncertainties regarding the process of supplying textbooks cause confusion among students/parents regarding the obligation to preserve or return the texts. At the same time, this also makes it difficult to manage the supply and distribution process of textbooks.

Recommendation 18 The Minister should initiate the review of Law no. 04/L-032 on Pre-University Education in the Republic of Kosovo and in order to avoid uncertainties about supply and treatment of textbooks. Administrative Instruction (MEST) no. 13/2016, with a view to simplifying and clarifying the process should also be reviewed.

Issue 19 - Failure to declare stocks from the Municipal Education Directorates - Medium Priority

The Committee on Verification and Distribution of Texts established on 07/07/2016 requested from the Municipal Education Directorates (MEDs) to declare the textbooks deposited (unused) as well as the new requests for the academic year 2016/2017. We have noticed that at the time requests for supply with textbooks are submitted, the MEDs in Drenas, Malishevo, Prizren, Rahovec, Ferizaj and Viti did not declare the stocks at all.

Risk Failure to declare stocks may affect the growth in demand for textbooks compared with real needs and unnecessary increase of expenditures.

Recommendation 19 The Minister should ensure that communication between the MED and the committee responsible for managing the distribution of textbooks is improved so that the requests for text comply with the requirements.

Issue 20 - Poor Asset Management - Medium Priority

Finding In addition to the issues raised in the Emphasis of Matter, we have also identified other issues related to asset registers which, due to the minor importance, were not presented within the Emphasis of Matter. Regulation no. 02/2013 stipulates that capital assets should be recorded in KFMIS, whereas non-capital assets and stocks should be recorded in the "e-assets" system. This regulation was not implemented by MEST units resulting in the following shortcomings:

- Capital Assets Register within UHZ was overstated by €55,149. This amount relates to the inventory, purchase of which was wrongly executed from Capital Investments, although their value was below €1,000. These purchases should have been carried out by goods and services and recorded in e-assets.
- Further on, the amount of €143,728 paid for the design of UHZ projects was recorded as assets in use, whilst the premises for which these projects were designed still have not started to be build; and
- The Agency for Vocational Education, the Accreditation Agency, the Pedagogical Institute, the Student Centre, the Albanological Institute, the University of Mitrovica, the University of Gjilan and the University of Ferizaj did not use the e-assets system for recording non-capital assets and stocks. The staff was not trained to get access to its use, therefore assets w under € 1,000 were recorded in individual records of each unit. Furthermore, for the assets under €1,000 in the above mentioned units, no depreciation has been

calculated and as a consequence the value presented in the AFS is overstated.

Risk Failure to maintain assets registers regularly and non-use of the e-assets system prevents effective management and proper asset control. This also causes inaccurate disclosure of information to the AFS.

Recommendation 20 The Minister should ensure that the Organization's non-financial asset management is in line with guidelines and rules in force. Appropriate measures should be taken in terms of staff training and the functionality of the e-asset system in all units. Asset registers should be complete, as defined in the relevant guideline, and updated continuously in order to present the real position of assets in the financial statements.

3.3 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2016 was €593,760. This represents a significant progress compared with last year, considering that at the end of 2015 MEST had liabilities in the amount of €3,961,840. The liabilities of 2016 were carried forward to be paid in 2017.

Issue 21 - Management of liabilities - Medium Priority

Finding The value of outstanding liabilities at the end of 2016 was €593,760. This represents a part of the budget challenge because the Ministry also had contingent liabilities in the amount of €726,530. While the liabilities had undergone substantial reductions, contingent liabilities increased by around 11%. The increase in contingent liabilities may affect the budget that is planned to be spent on other projects.

Risk Remaining outstanding liabilities and increased contingent liabilities increases the risk that future expenditure plans are not met due to the need to pay earlier liabilities or contingent liabilities.

Recommendation 21 The Minister should initiate a review of the balance of outstanding liabilities to determine the causes of delays and the necessary measures to avoid them. Further on, the management should carefully handle the increasing trend of contingent liabilities.

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

Annex I: Audit Approach and Methodology

The responsibilities placed on the Auditor and Those Charged with Governance are detailed in the Opinion set out in Section 1.2 of this report.

While a key output of our work is the audit opinion this report reflects the totality of our work with specific focus also on Governance Issues including Financial Management and Control. The latter is informed by our extensive, risk based, compliance audit programme.

The Executive Summary is intended to highlight the key finding of the audit and the key action that the Minister should ensure are taken to address identified management/control weaknesses.

The detailed report provides an extensive summary of our audit finding with emphasis on determining the cause audit findings and providing appropriate recommendations to address these. For completeness we have included issues identified at the interim audit where they remain relevant. Our findings are defined as:

High Priority - issues which if not addressed may result in a material weakness in internal control and where action will offer the potential for improvements to the efficiency and effectiveness of internal controls; and

Medium Priority - issues which may not result in a material weakness but where action will also offer the potential for significant improvements to the efficiency and effectiveness of internal controls.

Findings considered low priority were reported separately to finance staff.

Our procedures included a review of the internal controls and accounting systems and associated substantive testing and associated governance arrangements only to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Annex II: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

Form of opinion

147. 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.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or 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 modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. 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, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain

sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705¹⁹ provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

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

157. 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.

158. 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.

159. 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.

Annex III: Prior Year Recommendations

| Audit Component | Recommendation given | Implemented | Under implementation | Not implemented |
|-----------------------------------|---|-------------|---|------------------------------|
| Financial statements | The Minister should analyse the reasons behind the Emphasis of Matter in 2015 and identify the actions required to enable the right classification of expenditures and fair presentation of assets in the 2016 AFS. | | | No measures have been taken. |
| 2.3 Prior Year Recommendations | The Minister should ensure that a serious approach is implemented in handling the AG's recommendations by the level of management. He should ensure that a revised action plan is implemented which clearly sets out measures undertaken, and a timetable for addressing the recommendations made by the AG with accountable staff members identified and with initial focus on those of greatest significance. The action plan should be monitored formally on regular basis and results of the implementation of recommendations should be reported to management in order to take adequate measures. | | Most of the recommendations are in process of being implemented. Further challenge is complete implementation of all the recommendations given. | |
| 2.4 FMC self-assessment checklist | The Minister should ensure that a review of the processes for completing the self-assessment checklist and proactively addressing areas of weaknesses is implemented. A revised mechanism to confirm the accuracy of the return and to ensure supporting documentation supports the submission should be applied. | | It is implemented, partially. The list of risks was prepared in 2017. | |

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| 2.5 Specific Governance Reviews | The Minister should analyse the reasons why key position are not staffed on timely basis with regular staff. Further, the Minister should prioritise the recruitment of regular staff in all positions exercised by acting civil servants. This may increase accountability, responsibility and ensures effective development of Ministry's activities. | | | No measures have been taken. |
| | The Minister should ensure, along with other key staff in the Ministry and Rectors, to produce an action pan on the measures necessary for full functionalization of Public Universities. The Minister should also make a critical analysis to highlight difficulties and key challenges faced by Universities during the functional and organisational independence process in order that they are addressed appropriately. | | The recommendation is in process of implementation. | |
| 2.5.2 Risk Management | The Minister should ensure that immediate responsibility for risk management is delegated to a named staff/Director and ensure monthly reporting on the implementation of requirements in this area and the risks that are being managed. | | The list of risks was drafted in 2017, it remains to evaluate the monitoring in the future. | |
| 2.5.3 Management Reporting | The Minister, together with the Rector of the University of Gjilan, should ensure that a review of current reporting requirements to management is implemented to determine the most appropriate format of reporting, which is required to support effective business management. The Rector should initiate a request for access and on-going training of staff to support management with financial reporting. At the same time, the Steering Council should ensure that recurrent financial reports are reviewed and eventual variances between the budget and expenditure are handled. Necessary actions should be taken to address the issues raised. | Yes | | |

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| 2.6 Internal Audit System | To gain maximum benefit from Internal Audit activity, the Minister should ensure functioning of an Audit Committee and maximizing of audit work is introduced. The Audit Committee should critically review Internal Audit plans (to confirm that they are risk based and provide the required assurance to management) and Internal Audit outputs. It should also review actions taken by management on Internal Audit recommendations. | | The Audit Committee was established, though it did not make a significant contribution. | |
| 3.3 Planning and Budget Execution | The Minister should ensure a comprehensive budgeting process which is based on a complete communication and coordination with the University staff. Mechanisms ensuring the involvement of the staff during the budgeting process should be created. In addition, the General Secretary should initiate the development of an acceptable strategy (budget formulae) for budget allocation which would be based on the criteria set forth. | | In process of implementation. | |
| | The Minister should ensure that budget performance is systematically monitored on a monthly basis and that this review identifies and addresses barriers to planned levels of budget execution. Where initial budget assumptions are found to be incorrect this should be fully reflected in the final budget process. | | In process of implementation. | |
| 3.4 Procurement | The Minister should ensure that an internal review is implemented to determine why specific Procurement requirements are not addressed for all procurement exercises. Subsequently enhanced controls should be introduced to ensure that the systematic weaknesses identified are addressed. A concrete plan for the completion of works in the uncompleted schools should be produced and same should be monitored on regular basis. Procurement needs produced by units should be incorporated in a joint plan to facilitate the management of procurements foreseen. | | Compared with last year there are issues that have not been repeated. As far as capital investments are concerned, there is still setbacks. | |

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| 3.4.1 Remunerations (Wages and Salaries) | The Minister should ensure that a review of personnel management is taken to ensure that necessary changes are timely reported in order to prevent eventual overpayments. Reasons for failure of prohibitions to function on timely basis should be analysed and corrective measures should be taken. A better coordination between departments should be ensured to avoid potential errors in Wages and Salaries. | Yes | | |
| 3.4.2 Subsidies and Transfers | The Minister should initiate the production of a legal framework or an internal instruction regulating the area of subsidies. Legal basis should determine Ministry's priorities, criteria and procedures necessary to be followed by potential beneficiaries. This would direct subsidies in the areas with more interest for the Ministry; it would ensure formal better controls and would impact on the increase of transparency and equal opportunities for all stakeholders. | Yes | | |
| 3.4.2 Subsidies and Transfers | The Minister should ensure that subsidies are subject to effective monitoring by determining the reporting requirements to beneficiaries of subsidies on the manner of use of funds. | Yes | | |
| 3.5 Own Source Revenues | The Minister should request from the Chief Executive of the Accreditation Agency to consider the possibility of enhancing the revenues module in the current Management Information System. This would enable a better management of revenues, including invoicing, reporting and the Agency's revenues analyses. | | The Accreditation Agency is in the process of digitalising processes in this institution. | |

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| 3.6.2 Handling of debts | The Minister should initiate a review of the status of debts to determine causes of delay and measures required to address them. The assessment of liabilities should continue to be made on regular monthly basis and payments should be made within the timelines set out by Financial Rules. | | Compared with the previous year, the liabilities have dropped significantly, but contingent liabilities are still high. | |
| Public Universities 4.2 Governance | The Minister should ensure that persons charged with governance in Universities are appointed after a rigorous process of assessment in order to guarantee sustainability of functioning of Steering Councils. This enables higher stability of governance in Universities and easier achievement of strategic objectives. | | In process of implementation. | |
| 4.3 Remunerations (Wages and Salaries) | The Rector of the University of Prizren should analyse the findings above and consider the reasons why internal regulation requirements for remuneration of the academic staff are not respected. The Rector should ensure that controls are implemented on the level of faculties and hours are paid only after they are confirmed formally by the Deans of Faculties that evidence of professors is held. | Yes | | |
| | The Rector of the University of Prizren along with the General Secretary should make an immediate solution for the internal audit staff and the asset officer staff. The Rector, prior to any recruitment, should ensure an enhanced dialogue with the Ministry to clarify rights and responsibilities in order to avoid misunderstanding of the legislation. | | | No measures have been taken |

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| | The Rector of the University of Peja should analyse the findings above and consider the reasons why internal regulation requirements for remuneration of the academic staff are not respected. The Rector should ensure that controls are implemented on the level of faculties and hours are paid only after they are confirmed formally by the Deans of Faculties that evidence of professors is held. | | We have noticed deficiencies even though compared to the previous year their number was smaller. | |
| | The Rector of the University of Peja should review all special service contracts and determine reasons and the need for a high number of such contracts. A comprehensive analysis of the need for staff should be done to initiate a dialogue with MEST and Ministry of Finance for additional budget for Wages and Salaries. | | We have noticed deficiencies even though compared to the previous year their number was smaller. | |
| | The Rector of the University of Gjakova should analyse the findings above and consider the reasons why internal regulation requirements for remuneration of the academic staff are not respected. The Rector should ensure that controls are implemented on the level of faculties and hours are paid only after assurance is obtained that they are held including evidence of professors and formal confirmations by the Deans of Faculties. | Yes | | |
| | The Rector of the University of Gjakova should ensure that this issue is immediately handled and necessary legal measures are taken to return the funds paid unjustly, to the budget of the University. At the same time, the Rector should ensure to avoid similar cases in the future. | | The recommendation is in process. The competent authorities are dealing with the case. | |

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| | The Rector of the University of Mitrovica should analyse the findings above and consider the reasons why internal regulation requirements for remuneration of the academic staff are not respected. The Rector should ensure that controls are implemented on the level of faculties and hours are paid only after necessary assurance is obtained that hours are held, including evidence of professors and formal confirmation by the Deans of Faculties. | | In the process of implementation, since still continue to pay overtime rates. | |
| | The Rector of the University of Gjilan should analyse the findings above and consider the reasons why internal regulation requirements for remuneration of the academic staff are not fully respected. The Rector should ensure that controls are implemented on the level of faculties and hours are paid only after necessary assurance is obtained that hours are held, including evidence of professors and formal confirmations by the Deans of Faculties. | | | No measures taken |
| 4.4 Procurement in Universities | The Rectors of the University of Prizren and Gjakova should ensure that an internal review is implemented to determine why procurement requirements are not addressed in all procurements conducted. Subsequently, enhanced controls should be put in place to ensure that weaknesses identified are addressed. | | In process of implementation. In Gjakova we have not identified findings of such nature, while in Prizren we have noticed irregularities. | |

Annex IV: Letter of confirmation

LETTER OF CONFIRMATION

For having agreed on the Auditor General's findings of 2016 and implementation of recommendations:

To: National Audit Office

Venue and date: 27.06.2017

Honoured,

We hereby confirm that:

- We have received the draft audit report of the National Audit Office on the 2016 Annual Financial Statements of the Ministry of Education Science and Technology, hereinafter referred to as the Report;
- Agree on the findings and recommendations and I have no comment on the content of the Report; and
- Within 30 days from receiving the final report, I will submit the action plan on implementation of recommendations including the deadlines and responsible staff for their implementation.

Acting Secretary General:

Alush Istogu



LLETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për vitin 2016 dhe për implementimin e rekomandimeve

Për: Zyrën 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 Ministrisë së Arsimit, Shkencës dhe Teknologjisë (MAShT), për vitin 2016 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.
- Z. Alush Istogu..... *Alush Istogu*

U.D. Sekretar i Përgjithshëm i MAShT.

Data: 27 qershor 2017, Prishtinë