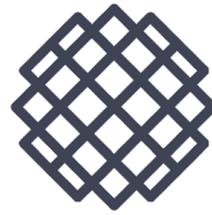




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

Document No: 24.16.1-2017-08

AUDIT REPORT

**ON THE ANNUAL FINANCIAL STATEMENTS OF THE
INDEPENDENT MEDIA COMMISSION FOR THE YEAR ENDED 31
DECEMBER 2017**

Prishtina, june 2018

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 through quality audits strengthen accountability in public administration for an effective, efficient and economic use of national resources.

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 Independent Media Commission in consultation with the Assistant Auditor General, Emine Fazliu who supervised the audit.

The report issued is a result of the audit carried out by Burbuqe Idrizi (Team Leader) and Shpresa Zenelaj (Team Member) under the management of the Head of Audit Department, Ramadan Gashi.

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Executive Summary

This report summarises the key issues arising from our audit of the 2017 Annual Financial Statements of the Independent Media Commission, which determines the Opinion given by the Auditor General. The examination of the 2017 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions (ISSAIs). 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 Plan dated 11/07/2017.

Our audit focus has been on:



The level of work undertaken by the National Audit Office to complete the 2017 audit is determined depending on the quality of internal controls implemented by the Management of the Independent Media Commission.

The National Audit Office acknowledges the Senior Management and Staff of Independent Media Commission for cooperation during the audit process.

Opinion of the Auditor General

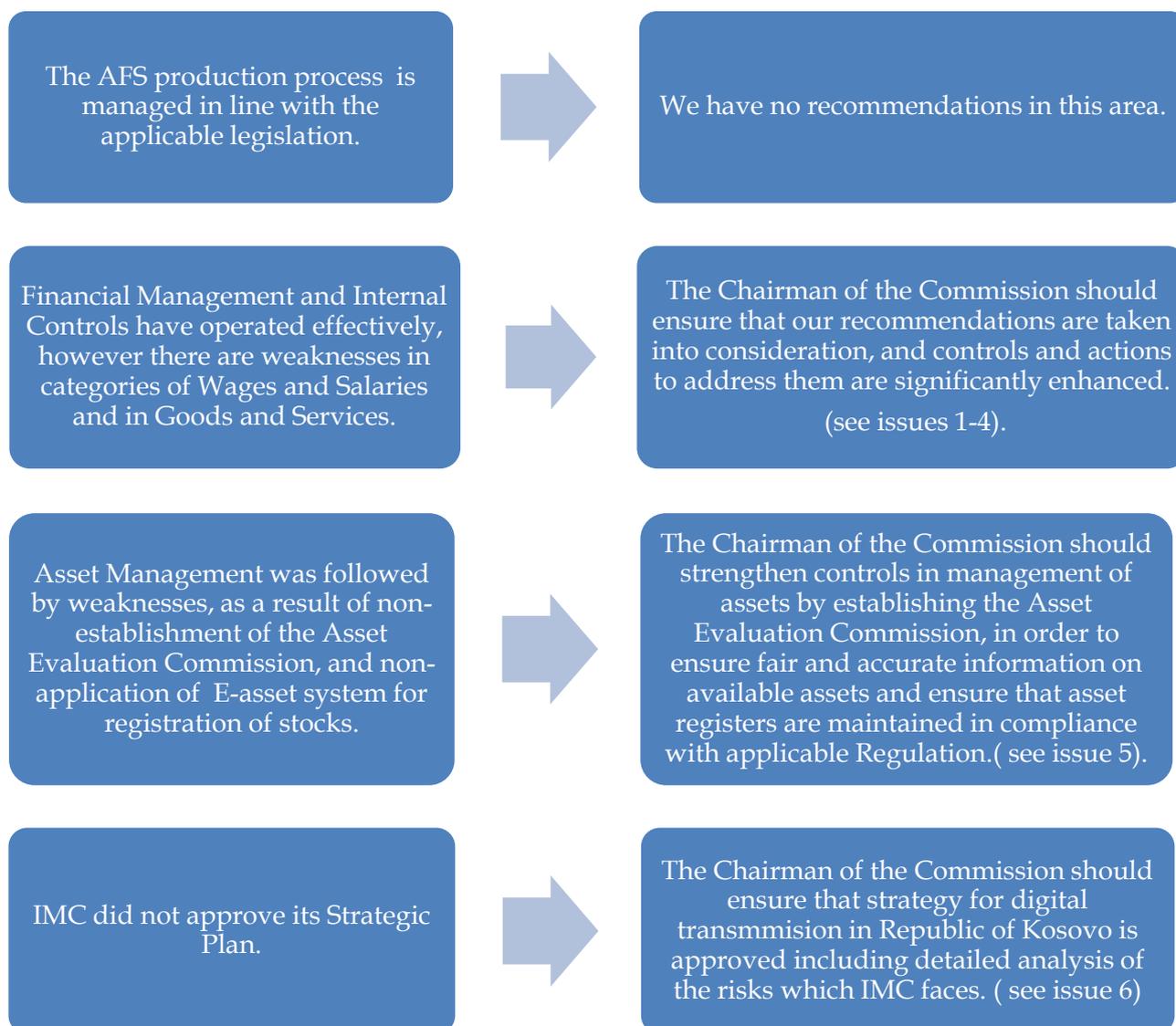
Unmodified Opinion

The Annual Financial Statements for 2017 *present a true and fair view* in all material aspects.

For more, please refer to Section 2.1 of this report.

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

Key Conclusions and Recommendations



Management response -2017

The Management has considered and agreed on most of the detailed audit findings and conclusions. Comments partially agreed upon or not agreed at all are detailed in Annex III.

1 Audit Scope and Methodology

Introduction

The National Audit (NAO) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of Financial Statements and other financial records and expression of opinions on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- All matters arising from or relating to the audit.

Audit work undertaken reflected our audit risk assessment for xxx. We have analysed the Independent Media Commission business to the extent to which management controls can be relied upon when determining the overall testing required to provide the necessary level of evidence to support the AG's opinion.

The following sections provide a more detailed summary of our audit finding with particular emphasis on observations and recommendations in each area of review. Management's responses to our findings can be found in Annex III.

Our procedures included a review of the internal controls, accounting systems and related substantive tests and related governance arrangements 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.

2 Annual Financial Statements and other External Reporting Obligations

Introduction

Our audit of the Annual Financial Statements (AFS) 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.

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 assertions are intended to provide the Government with the assurance that all relevant information has been provided to ensure that an audit process can be undertaken.

Unmodified Opinion

We have audited the AFS of the Independent Media Commission for the year ended on 31st of December 2017 which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

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

Basis for the opinion

The audit is carried out 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.

Responsibility of Management and Persons Charged with Governance for AFS

The Chief Executive 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 no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

The Chairman of the Commission is responsible to ensure the oversight of the IMC'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 detect every material misstatement that might exist. Misstatements may 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 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 the Management, as well as evaluating the presentation of the financial statements.

2.1 Compliance with AFS and other reporting requirements

IMC 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);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations; and
- Requirements of Financial Management and Control (FMC) procedures.
- Nine-month Financial Statements in time;
- Procurement Plan for 2017; and
- AFS are prepared and signed in time by CAO and CFO.

In the context of the reporting requirements, we have not identified any irregularity.

DECLARATION MADE BY THE MANAGEMENT OF THE INDEPENDENT MEDIA COMMISSION

Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance is considered to be correct given the material errors are not identified during the audit.

2.2 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

3 Financial Management and Control

Introduction

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

Financial Management and Control Conclusion

Effective financial management and control require review processes and supporting Instruction that are fully in compliance with laws, internal regulations and other control processes. Procurement procedures are developed by Central Procurement Authority (CPA) as foreseen by the Law on Public Procurement (LPP). However, covering key positions with Acting beyond legal timeframe and asset management, still remains a challenge for the Institution.

3.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ¹	2017 Outturn	2016 Outturn	2015 Outturn
Sources of Funds	1,214,276	764,276	728,953	992,514	1,252,430
Government Grant -Budget	1,214,276	764,276	728,953	992,514	1,252,430

The final budget in relation to the initial budget is reduced by €450,000. This difference is a result of budget cut by decision of the Government no. 08/151 dated 02.08.2017, in category of Capital Investments for capital project "Construction of IMC object".

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

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
Spending of funds by economic categories	1,214,276	764,276	728,953	992,514	1,252,430
Wages and Salaries	388,292	388,292	370,499	343,425	362,239
Goods and Services	347,984	347,984	331,650	339,752	286,879
Utilities	28,000	28,000	26,804	16,693	26,999
Capital Investments	450,000	-	-	292,644	576,313

In 2017, IMC has spent €728,953 or 95% of the final budget, with a reduction of 5% compared with 2016. In general, budget execution remains at the satisfactory level.

- There were no differences between initial and final budget in the category of Wages and Salaries. Unspent funds at the end of the year were €17,793, since four positions remained vacant throughout 2017; and

¹ Final budget - the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

- There were no differences between initial and final budget in the category of Goods and Services but, unspent fund at the end of the year were €16,334, as a result of reduce on internet expenditures.

3.2 Revenues

IMC generates revenues from audio-visual media services from these sources: licence application fee, annual licence fee, licence changing and renewing fee. In 2017, IMC have generated revenues from penalties and fines against media. Collected revenues have been transferred into the Budget of Kosovo.

Table 3. Own Source Revenues (in €)

Description	Initial Budget	Final Budget	2017 Receipts	2016 Receipts	2015 Receipts
Own source revenues	418,156 ²	418,156	206,362	282,103	309,326
Total	418,156	418,156	206,362	282,103	309,326

IMC has planned to collect revenues in value of €418,156, and out of this value, it has collected €206,362 or 49% of planned revenues. Collected revenues were generated by licence (€192,985), penalties (€997) and fines (€12,380), including payments from previous years.

This low level of revenues incurred due to the change of the Regulation on Revenues (old regulation³ has determined higher fees for this services while collection was done according to the new regulation⁴). From examined samples we have not identified any issue to report.

Recommendations

We have no recommendations in this area.

3.3 Wages and Salaries

Wages and salaries are paid through a centralised system (payroll) managed by MPA and MoF. Key controls to confirm accuracy and inclusiveness of payments are payroll lists signed by the Heads of the organisation units. We tested the compliance of payroll list with the payment system (current employees, recruitments, terminations, maternity leaves and retirees). We have also checked if the employees were paid based on contract.

² ICM Budget Planning di not contain a detailed plan related to collection of revenues and was not foreseen by the Law on Budget but, the value disclosed was foreseen by "Planning and Budget Requests for 2017-2019 (PCF4)".

³ KPM-2014_03 Regulation for Payment of Licence.

⁴ KPM_2017_03 Regulation on annual fee for the licence dated 25.01.2017 (which abrogates Regulation KPM-2014_03).

Issue 1 - Special Service Agreements

Finding Based on article 12 of the Law on Civil Service no.03L/149, timeframe for Special Service Agreements should be less than six months, whereas a simplified recruitment procedure is applied, and potential candidates are subject to the Law on Obligations.

We have identified that in 2017, IMC entered into Special Service Agreement with two employees for positions, *Coordination and Liaison Officer, and Data Processing Officer* for six (6) months. Payment for this service was carried out from category of Goods and Services (code 13460) in value of €7,537. Contracts for Special Services are entered into for regular positions and not for the experts of specific field, whereas simplified recruitment procedure was not applied. In our recommendation, this type of agreement was stopped by the end of 2017.

Risk Special Service Agreement without applying simplified recruitment procedure for a period of more than six (6) months and for regular positions limits competition and increases the risk that the services are not compatible with the IMC needs and the budget planned for this category is not used to its purpose.

Recommendation 1 The Chairman of the Commission should ensure that the Special Service Agreements are applied only for a specific purpose, appropriately planned and in line with applicable laws.

Issue 2 – Maternity Leave Compensation

Finding Regulation 06/2011, Article 12 determines that the first six (6) months of maternity leave shall be paid by the Institution with compensation of 70% of basic salary of the employee. In one case of Maternity Leave during 2017, the employee was compensated with the allowance of KCS, €30 per month, in the first period of Maternity Leave.

On 20.11.2017 IMC requested explanations from MPA on Maternity Compensation but it did not receive a formal explanation in this regard.

Risk Continuing with the payment of allowances during Maternity Leave with non-compliance to the applicable regulations may result with damage to the IMC budget. Failure to stop KCS allowances during maternity leave risk damaging the IMC budget when compensation for maternity leave is carried out.

Recommendation 2 The Chairman of the Commission should ensure that compensations in case of maternity use are fully in compliance with the legal requirements and establish additional controls to prevent reoccurrence of identified mistakes.

3.4 Personnel Management

The approved number of staff for 2017 was 41 positions, while the current number of employees by the end of the year was 37. Four positions remained vacant because, one employee got retired and two positions were vacant (the Position of IAU and position of a Board member), and even though one position of a Commission member was filled in at the end of the year but not processed in payroll list.

Despite this, the budget that was spent for wages and salaries was 95%. This happened due to engagement of the IMC staff for overtime to monitor early elections for the Assembly of Kosovo and regular local elections in 2017. Payment for overtime was executed for (July/October/November and December).

Issue 3 – Covering Positions with Acting

Finding Based on article 30 of the LCS, in cases when there is a vacant position in civil service, the Acting may not be appointed for more than three (3) months.

During audit, we have observed that one out of four positions covered by Acting had exceeded the allowed period of appointment. The position of Public Relations Senior Officer was covered by Acting since 01.06.2016, and the same person has exercised the same duty during (April/December 2016). This practise is still a challenge to cover Acting positions with regular staff.

Finding The practice of covering key positions with Acting for long period of time despite breaching the applicable laws is also risking to be managed by people that do not meet the criteria. This may affect negatively in the overall performance of the organisation.

Recommendation 3 The Chairman of the Commission should ensure that recruitment procedures are developed to cover these positions with regular contracts. The Acting service term should not be longer than the legally set period.

3.5 Goods and Services and Utilities

The final budget of Goods and Services and utilities was €375,984. Out of which €358,454 or 95%. Considerable part of expenditures includes rent, maintenance and reparations, travel and contractual expenditures. There is no internal regulation in place for IMC representation expenditures to define the way/the level of expenditures and the key personnel has the right to use it. In addition, our tests have pointed out the following weaknesses:

Issue 4 - Compensation for Training Services

Finding On 21.02.2017, IMC had executed a payment from category of Goods and Services (13410) for Capacity Building Program "MASTERCLASS" into account of the Albany Associates LTD in value of €20,740. The training "Rules and Procedures for Digital Transmission" was organised by Albany Associates LTD and held on 28.02-02.03.2017 in Tirana for 17 IMC officers. The advance payment was executed based on one price list, the agenda sent by e-mail (dated 23.01.2017) and invoice dated 20.02.2017, without any agreement /contract that determines rights and liabilities of the parties involved. IMC had justified the fund for payment of the training with the list of the participating officers by implementing training project. The above payment is not in compliance with the article 14 of the Law on Budget no.05/L-125 and article 26⁵ of the Regulation no.01/2013.

Risk Execution of payment by IMC prior to confirming training services are provided to its officials increase the risk for partly or non-achievement of the objectives by the parties and to depreciate the used money. This type of payment may be considered irregular and may cause financial damages to IMC.

Recommendation 4 The Chairman of the Commission should ensure that payments are not executed prior to delivery of training services. Payment from Goods and Services should be followed by an agreement that determines the rights and obligations of parties involved and compliance with the Law on Budget and applicable Regulations.

3.6 Capital and Non-Capital Assets

We have reviewed if registration and keeping evidence is done in compliance with the MoF Regulation no. 02/2013 for management of non-financial assets of the Budget Organisation.

The value of Capital assets over €1,000 disclosed in 2017 AFS was in value of €698,828, Non-Capital Assets under €1,000 with €25,449, and stocks in value of €409. In addition, 73% of capital assets were registered in KFIMS and 67% of Non-Capital assets in E-asset Register in zero value. Despite this, stocks and office supplies in IMC were not stored in proper space (warehouse), due to the lack of space within premises.

Our Audit on asset management identified the following shortcomings.

⁵ No obligation arising out of a document, agreement or arrangement shall be valid or enforceable if the document, agreement or arrangement creating or giving rise to such obligation has been created, accepted or concluded in a manner that fails to comply with the applicable provisions of LPFMA.

Issue 5 – Asset Management

Finding On 03.01.2018, IMC established the Commission on Inventory of Assets but, the Commission did not achieve to conclude the process and come out with a report about presence and asset situation till 29.01.2018. For this reason the results of inventory were not disclosed in AFS. Also, IMC did not inform the Commission for Evaluation of financial assets as required by the Regulation on Management of Assets no.02/2013.

IMC is not applying the system E-Assets for registration of stocks⁶, and the value of €409 disclosed in statements is based only on its physical numbering.

Risk Lack of the Commission for Evaluation of Assets, non-application of E-Asset system for stocks and delays in inventory of assets at the end of the year, increases the risk for keeping inaccurate evidence and unfair disclosure in AFS. In such conditions the assets are exposed to the risk of loss, misuse or alienation.

Recommendation 5 The Chairman of the Commission should enhance controls on asset management by establishing the Commission on Evaluation of Assets, in order to perform a fair and comprehensive evaluation of all assets and to confirm the status of their functionality/use. The results of the final reports should be reviewed by IMC and followed by required accounting registrations in compliance with legal requirements.

3.7 Handling of Cash and Cash Equivalents

Cash is managed in compliance with Regulation 01/2013 for expenditure of public money. All transactions of petty cash were registered in a specific account when justifying expenditures made from the petty cash funds.

Recommendation

We have no recommendation in this area.

3.8 Receivables

The value of receivable accounts disclosed in AFS was €545,239. Comparing to the previous year (€290,371) they were increased by €254,868.

⁶ Article 6 paragraph 3 and article 24 paragraph 2 of Regulation 02/2013

IMC did not collect all receivables for provided services to licenced operators. The structure of the receivable accounts is mainly made of annual licencing fees to all categories of licencing, penalties and fines from previous years.

Receivable accounts for 2011 and 2013 were processed for collection in Basic Court while, receivable accounts for (2014/2015/2016 and 2017) were processed for collection at private bailiff.

Although IMC had taken concrete actions for collection of revenues, as timely notification of Licence Using Operators and sending cases to the court and private bailiff, has still resulted with high level of Receivable Accounts.

The increase of receivables in relation to the previous year was due to the IMC sent cases for collection to the Court and the private bailiff treated them as contingent assets in the AFS. This was not in line with IPSAS 19 paragraph 40 and with regulation no.02 / 2013 article 14 on the management of non-financial assets in Budget Organizations. AFS are adjusted by IMC and the value of contingent assets (€371,822) is disclosed in Receivables.

Recommendation

We have no recommendation in this area.

3.9 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2017 was €27,002. These liabilities are carried forward to be paid in 2018. The reason for non-payment was lack of funds and invoices collected in 2018.

IMC has a good control system in place for management of payments and reporting of outstanding liabilities was done on regular monthly basis at Treasury.

Notwithstanding this, the report on outstanding liabilities contained 20 invoices in value of €21,032, out of which (€1,877) utility invoices collected in January 2018. This presentation was not in compliance with Regulation 01/2017 on Annual Financial Reporting - article 17 which states that Budgetary Organisations should report all Liabilities (invoices) generated till 31 December of the reporting year.

Recommendation

We have no recommendation in this area.

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS of IMC resulted in six key recommendations. IMC had prepared an Action Plan within 30 days after receiving NAO report for 2016, that presents the way to implement recommendations.

At the end of our 2017 audit, four recommendations have been implemented, one recommendation was on process; and one has not been addressed yet. Recommendation on process of implementation was related to the draft of the strategy by IMC but not approved by Government, while the recommendation that have not been addressed yet is related to the covering of positions with Acting.

Furthermore, out of five recommendations given in 2015, four recommendations had been implemented in 2017 and one was on process⁷. For a more thorough description of the recommendations and how they are addressed, see Annex II.

5 Good Governance

Introduction

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, and coordination of NAO with internal audit and good governance with public assets.

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. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

In general IMC has good controls in relation to its statutory obligations. Financial management and control has demonstrated a good process of review and assurance for implementation of laws and other control processes. IMC governance, in the area of management and accountability reflects positively. IMC has implemented most part of the recommendations and prepared the

⁷ Draft of the Strategy by ICM, but not approved by the Government.

Risk register, had identified several risks that may affect the organisation in achievement of its objectives. The lack of a strategy is a weakness in control environment and small number of staff is a challenge to IMC in segregation of duties and responsibilities.

5.1 Internal Audit System

The Internal Audit Unit is an important segment in securing Senior Management that the internal control mechanisms are designed and implemented in proper as intended. Where observed that the internal functions are not working properly, the internal audit will provide instructions and recommendations on how to improve them.

Based on AI No.23/2009 on the Establishment of the Internal Audit Unit, the Independent Media Commission does not meet the criteria for the establishment of IAU. In absence of an IAU, internal audit is carried out by the Internal Audit Department (IAD) within Ministry of Finance (MoF).

During 2017, IAD did not carry out any internal audit process. In December of the current year IMC had filed a request to the Central Harmonization Unit to secure an Internal Auditor for 2018 until this positioned is covered with staff, or until audit is carried out.

Recommendation

We have no recommendation in this area.

5.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

Issue 6 – Non-approval of Strategic Plan

Finding Although IMC has carried out a series of internal controls to ensure proper functioning of the systems, we have observed several weaknesses that do not allow timely and effective response to identified operation issues.

- IMC had drafted the strategy on digital transmission in Republic of Kosovo and sent it to the Government for approval but, the same one was not approved due to its high cost. Strategic objectives for 2017 has foreseen in the Midterm Expenditure Framework 2017-2019; and
- Based on these objectives IMC has drafted a register to identify, evaluate and avoid risks that will prevent the achievement of objectives. In order to manage these risks IMC had also summarised them in the report for their management, as required by FMS procedure nr.4. Reports were done in regular basis (as recommended in quarters). But, reports did not include the risks that may arise in absence of staff and object, two issues faced by IMC during 2017.

Risk The lack of an approved strategic plan does not allow addressing of issues required for improvement of effectiveness and monitoring of progress towards achievement of desired results in long-term period.

Recommendation 6 The Chairman of the Commission should ensure approval of the strategy on digital transmission in Republic of Kosovo, and perform thorough analysis of the risks that IMC is facing.

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

Annex I: 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 II: Progress in Implementation of Prior and Earlier Year Recommendations

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
2.4. Self-Assessment Checklist	The Chairman of the Commission 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 checklist and to ensure supporting documentation should be applied.		IMC had drafted the Strategy on Digital Transmission in Republic of Kosovo and submitted it for approval to the Government, whereas it was not approved because of its high cost.	
Audit Component	Recommendation given in 2016	Implemented	Under implementation	Not implemented
2. Financial Statements – Emphasis to matter, because non-capital asset in value of €26,027 was not disclosed in Annual Financial Statements	The Chairman of IMC should ensure that necessary actions are taken to improve identified issues with the emphasis to the matter. In this regard to enhance controls in asset management and reporting, including reporting in AFS.	Yes, this recommendation was implemented.		

2.2 Self-Assessment Checklist	The Chairman of IMC Commission should ensure that the completion of the self-assessment questionnaire is analysed and that the areas with weaknesses have been addressed proactively. Particular importance should be paid to developing the risk management process in order to prevent the risks that hinder the achievement of the organization's objectives.		IMC had drafted the Strategy on Digital Transmission in Republic of Kosovo and submitted it for approval to the Government, whereas it was not approved because of its high cost.	
3.1.1 Revenues - Delays in collection of revenues	The Chairman of IMC Commission should increase controls on timely collection of revenues based on annual planning and legislation, as well as begin to execute sanctions in case fees are not paid in time.	Yes, this recommendation was implemented.		
3.1.2 Wages and Salaries - Covering positions with Acting	The Chairman of IMC Commission should take action to terminate the practices of covering positions with Acting as well as initiate recruitment procedures in order to cover these positions with regular contracts as foreseen by law.			No, this recommendation was not implemented because the phenomena of covering positions with Acting longer than allowed by the law, was still present in 2017.

3.1.3 Purchase and processing from inadequate category	The Chairman of IMC Commission should ensure that expenditures are budgeted according to economic categories, as well as purchases/ payments are made and recorded in an appropriate category for the purpose of fair disclosure of expenditures in the AFS.	Yes, this recommendation was implemented.		
3.3 Failure to report liabilities in the list of obligations.	The Chairman of IMC Commission should ensure that outstanding liabilities are reported in line with regulation 02/2013 on reporting of Outstanding Liabilities. The exact values of the liabilities should be carried forward from one month to the next, in line with the legal requirements.	Yes, this recommendation was implemented.		

Annex III: BO Response to OAG Findings

Findings/Issues	Agree Yes/No	BO Response in Case of Disagreement	NAO Opinion
Issue 2: Maternity Leave Compensation	No	<p>On 20.11.2017 IMC have asked MPA for clarification related to the compensation manner for maternity leave but, have not received any official clarification in this regard. Since payment are calculated through payroll system within MPA, reasonably IMC does not have access to intervene in discontinuing the KCS allowance.</p> <p>It is the IMC Opinion that it would be appropriate if MPA would deal with the compensation of maternity leave.</p>	The content of the comment given by IMC is not denying the finding, but it only provides the explanations which we have presented in the report. No evidence has been provided for this matter to prove the opposite, therefore our recommendation remains unmodified.
Issue 3: Covering Positions with Acting	Partially	<p>Assignment of Acting for the Position of Senior Public Relations Officer from 1 June 2017 to 28 February 2018 when the Senior Public Relations Officer has been transferred to the position of the Senior Regional Monitoring and Analysis Officer at the Department for Monitoring and Analysis. It was indispensable to appoint someone from the staff to ensure that the flow of the communication with the media and other institutions is not interrupted and that the IMC official website is managed by internal staff to avoid any issues. Communication with the media is one of the most important elements in carrying out the IMC mission, followed by correctness to be provided in responding to the requests coming from public and others, and pending the approval of MPA for vacant positions, we were forced to cover these duties by assigning Acting based on Article 30 of Law no. 03/L-149 on Civil Service of the Republic of Kosovo.</p>	IMC has justified covering of the position with Acting. However, no evidence was provided to confirm the opposite, therefore, our opinion remains unmodified.
Issue 4: Compensation	No	This recommendation states that the payment for this training is not in compliance with the Article 14 of the Law on Budget no.	Article 14 of the Law on Budget (05/L-25) defines the cases that may be allowed for

on for Training Services	<p>05/L-25 of Article 14 and Article 26 of Regulation no. 01/2013. In order to clarify in Article 14, point 1 refers to payments made through procurement procedures for goods and services and capital projects and does not specify with particular emphasis the staff training. According to the Law on Procurement, trainings are excluded, specifically clarified in Article 3 exceptions, point 6 of the Law no. 04/L-042 ON PUBLIC PROCUREMENT OF THE REPUBLIC OF KOSOVO, as amended and supplemented by the Law no. 04/L-237, Law no. 05 / L-068 and the Law no. 05/L-092 states that: <i>This law shall not apply to an employment contract if such procurement activity is subject to other rules established by a different law or regulation. Further on, the current law is not applicable to contracts relating to the employee postgraduate training or vocational training, to develop specific skills of individual workers. For the most part, the law will not apply to 'exclusively procurement-oriented procurement in the form of food and beverage delivery.</i></p> <p>Further on, Article 26, respectively point 2 of the Regulation no. 01/2013 specifies cases to be fulfilled for a payment, and it sets that a copy of the contract signed by the procurement officer which still refers to the procurement procedures, and in our case as stated above was not made based on the Law on Procurement, as trainings were excluded in the article 3 of this law.</p> <p>Regarding the advance payment for the planned training, it is a practice of all institutions make the payment for booking the training in advance, booking for international conferences etc, especially in cases where these trainings are provided by international companies, or with those designated by them. Further on, provided that trainings are excluded from procurement and percentage advance payments as outlined above refer only to capital projects as well as contracts signed through procurement procedures, in this case Regulation no. 01/2013 specifically Article 21, paragraph 2, point 2.3 is the only</p>	<p>advance payment (“Budget Organizations may make advance payments to contractors for capital projects and for goods and services up to fifteen per cent (15%) of the value of the contract. Such advance payment may only be made in accordance with a legally binding contract, with a value higher than ten thousand (10,000) euros that is achieved in accordance with the Law on Public Procurement”).</p> <p>Therefore, Article 3 point 6 of the Law on Public Procurement excludes training expenditures by this law, then advance payments for these services are not allowed under the Law on Budget (article 14).</p> <p>Article 26 point 1 of the Rule on Public Expenditure 01/2013 (also explained in the report with a footnote for issue 4) states: " No liability which is a result of a document, agreement or an arrangement shall apply if the document, agreement or such arrangement which has been established or results in the arising of such a liability has been compiled, accepted or entered in a manner which does not meet conditions set forth in the provisions of LPFMA. Furthermore, there was no agreement/contract in relation to the training services.</p> <p>However, no evidence has been provided on this matter to prove the opposite, so our</p>
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		regulation that regulates advance payments and allowances without procurement procedures, such as in our case. <i>2.3. Advance payments for traveling.</i>	recommendation remains unmodified.
Issue 5: Asset Management	No	<p>The IMC has managed assets as set in: Article 6 of the Regulation no. 02/2013 on Asset Management and by Treasury Rules.</p> <p>IMC has established the inventory of assets and stocks committee, where the committee drafted a report on asset and inventory as set forth in the Article 19 paragraphs 1,2,3,4,5, 6 of the Regulation no 02/2013 On Asset Management, and this report was also presented in the 2017 Annual Financial Statements.</p> <p>Regarding the establishment of the Asset Evaluation Committee, the IMC has no assets that are out of use, awaiting the alienation (alienation request) as well as damaged assets that should have been evaluated, etc.</p> <p>As provided in Article 21 point 4 of the Regulation No.02 / 2013 on Asset Management, the responsibilities of the Committee for Evaluation of Non-Financial Assets are:</p> <p>4.1. Evaluation of damaged assets;</p> <p>4.2. Evaluation of requests for asset alienation;</p> <p>4.3. Presentation of evidence on asset evaluation;</p> <p>4.4. The preparation of a report on non- financial assets that must be decommissioned.</p> <p>Due to the lack of staff, and due to the small number of staff, IMC have not applied the E-asset system or registration of stocks. The value of 409 Euros for the stocks presented in the statements is</p>	<p>The Inventory Committee had finished its work on 29.01.2018. In this report, 3⁸ cases of assets that were out of order/broken down were identified and no committee for evaluation of those assets had been established. Also, no evidence has been provided to prove to have been presented in the Statements.</p> <p>The rest of the IMC comment is not denying the finding but only provided explanations familiar to us, as we have presented them in the report. However, no evidence has been provided on this matter to prove the opposite, so our recommendation remains unchanged.</p>

⁸ The assets with the KPrKPM1-199 barcodes, the assets with the barcodes KPrKPM1-200, the assets with the barcodes KPrKPM1-799 established by the commission as decommissioned property is still appearing in the report Asset by Value.

		based on their physical examination by the Committee for Inventory of Assets and Stocks. Measures have been undertaken to apply the E-Asset Inventory System in the following years.	
Issue 6: Non-approval of Strategic Plan	Partially	<p>According to the Article 3, point 1.1 of the Law no. 04/L-44, IMC is responsible for drafting the Digital Transmission Strategy in the Republic of Kosovo as well as other strategic documents for audio-visual media services.</p> <p>The strategy for digitalisation defines comprehensively the process of switching analogue terrestrial television transmission to digital terrestrial transmission. This strategy clearly defines the strategic development orientations, obligations and time limits for the transition of analogue to digital terrestrial transmission, in full compliance with the standards of the International Telecommunication Union (ITU) and the European Commission.</p> <p>The Digital Transmission Strategy in the Republic of Kosovo has been prepared by the IMC and approved by The Government, as set forth in the Law on IMC.</p> <p>This Strategy institutes additional budgetary expenditures for its implementation period and this expenditure is not part of the budget allocation for fiscal year 2018, nor in budget projects for 2019-2022.</p> <p>The strategy has been submitted to the Government, but it is not approved because of its high cost.</p> <p>IMC welcomes the Government' support for approval of the Strategy for Digital Transmission in the Republic of Kosovo.</p>	<p>IMC has only justified the issue of not approving the strategy, which is already presented by us in the report.</p> <p>Therefore, our recommendation remains unchanged.</p>

Annex IV: Letter of confirmation



REPUBLIKA E KOSOVËS
REPUBLIKA KOSOVA - REPUBLIC OF KOSOVA
KOMISIONI I PAVARUR I MEDIAVE
NEZAVISNA KOMISIJA ZA MEDIJE
INDEPENDENT MEDIA COMMISSION



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për periudhën 01.01.2017 deri më 31.12.2017 dhe për implementimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Vendi dhe data: 24.04.2018

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për Auditimin e Raportit Financiar të Komisionit të Pavarur të Mediave për periudhën 01.01.2017 deri më 31.12.2017 (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet; kemi dhënë disa komente dhe sqarime shtesë për konsideratën tuaj 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.

Naile KRASNIQI

Kryeshefe Ekzekutive

