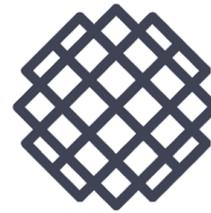




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

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AUDIT REPORT

**ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY
OF EDUCATION, SCIENCE AND TECHNOLOGY**

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 organizations 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, Emine Fazliu, who supervised the audit.

The report is a result of the audit carried out by Mehmet Muçaj (team leader), Natyra Kasumaj and Muharrem Qyqalla (team members), under the management of the Head of Audit Department Florim Beqiri.

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Executive Summary

Introduction

This report summarizes the key issues arising from our audit of the 2017 Annual Financial Statements of the Ministry of Education, Science and Technology, 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 10.10.2017.

Our audit focus has been on:



The level of work undertaken by the National Audit Office to complete the 2017 audit is determined depending of the quality of internal controls implemented by the Management of the Ministry of Education, Science and Technology.

The National Audit Office acknowledges the Senior Management and Staff of the Ministry, for cooperation during the audit process.

Opinion of the Auditor General

Unmodified Opinion with Emphasis of Matter

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

Emphasis of Matter

We draw your attention that the value of fixed assets, disclosed in AFS was overstated. This was due to the failure to transfer the ownership of schools to municipalities and registration of books in the capital assets register. Further on, the purchase of books was wrongly budgeted and executed from the category of capital investments. Further on, balances of contingent liabilities were understated.

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

Unmodified Opinion with Emphasis of Matter reflect weaknesses in controls to confirm proper classification of assets, proper classification of expenditures and remaining balances of contingent liabilities.



The Minister should analyse the reasons for the 2017 Emphasis of Matter and to identify actions required to enable a true and fair representation of values in 2018. (see chapter 2.1)

The AFS production process was poorly managed, with a number of financial errors, misclassification and not full disclosure of assets.



The Minister should ensure that the 2018 AFS production process incorporates a formal and effective management review with the AFS declaration only signed after all necessary actions have been applied (see chapter 2.1 and 2.2)

Budget planning for the categories wages and salaries, goods and services and capital investments is a challenge with which ministry is facing.



The Minister should apply a detailed assessment of areas of concern highlighted in this report to identify reasons for the weaknesses appearance and to determine the action needed to address them (see issues 2).

Although internal controls operated effectively in some areas, evident weaknesses were noticed in a number of important financial systems including revenues, wages, goods and services and capital investments.



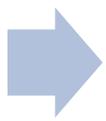
The Minister should apply a detailed assessment of management of investments, goods and wages as well as other areas of concern highlighted in this reports, to identify reasons for the weaknesses appearance and the action needed to address them (See issues 3-16).

The response to prior year audit recommendations are not being addressed as required for the organisation's development and improvement.



The Minister should apply a rigorous process to ensure that the process of prior years recommendations are proactively addressed and monitored (see issues 17)

Governance arrangements related to accountability and mangement reporting are poor. Internal Audit Activity does not support developments in this area.



The Minister should ensure that Governance arrangements are critically reviwed to ensure appropriate changes are made to improve accountability arrangements and management reporting to increase operational effectiveness supported by a more effective IAU (see issues 17 and 18).

The Minister's Response - 2017 audit

The Minister has considered and agreed with most of the detailed findings and audit conclusions. Comments that have been partially agreed or not agreed can be found 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 the Ministry. We have analysed the Ministry's business to the extent to which management controls can be relied upon when determining the detailed testing required, that are necessary to ensure the evidences to support the AG's opinion.

The following sections provide a more detailed summary of our audit findings, with emphasis on observations and recommendations in each area of review. Minister'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.

2.1 Audit Opinion

Unmodified Opinion with Emphasis of Matter

We have audited the AFS of the Ministry of Education, Science and Technology for the year ended on 31st of December 2017, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, disclosures and other following 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 (cash based Accounting), Law no.03/L-048 on Public Finance Management and Accountability (as amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations issued by the Ministry of Finance.

Basis for the opinion

Our audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” 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 €3,058,150. This happened due to schools constructed by MEST, after the finalization were not transferred to municipalities that are the owners of those schools;

- Law no. 04/L-032 for Pre-University Education in the Republic of Kosovo obliges MEST to offer free textbooks for students of level I and II of pre-university education. Based on this, MEST in 2017 had budgeted and spent €3,218,249. The funds for these textbooks were wrongly handled as capital investments instead of being handled as subsidies and transfers, despite the MEST requests to MoF, that these funds are not handled as capital investments. These expenditures were recorded in the assets register by overstating the assets value disclosed in the AFS. Except this, planned and executed misclassifications were done from the category of capital investments (€190,992), for goods and services; and
- Final balances of contingent liabilities in 2016 were understated for €239,353, because the MEST had not included these liabilities in 2016 AFS.

Responsibility of Management and Persons Charged with Governance for AFS

The Secretary General of the Ministry is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting based on 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 the conducted audit. The audit was conducted 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 does not guarantee that an audit conducted in accordance with ISSAIs will detect any material misstatement that might exist. 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 information 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. During the risk assessment, 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.

2.2 Compliance with AFS and other reporting requirements

From 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);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on addressing the recommendations;
- Requirements of Financial Management and Control (FMC) procedures;
- Quarterly reports including also the nine-month financial statements;
- Reporting's for outstanding liabilities; and
- The procurement planning and the report of signed contracts.

Although the AFS were adjusted (10.04.2018) they still contain some errors. Besides errors which have impacted in the emphasis of the audit opinion, donations were not presented correctly in AFS:

- In article 14 - Budget Execution Report of cash inflows into the final budget column, the designated donor grants were overstated for €132,442 (the presented value was €365,436, while the fair value was €232,994).

The above findings indicate that the AFS production process was poorly managed.

DECLARATION MADE BY MANAGEMENT

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 correct, except the above mentioned issues.

In the context of other external reporting requirements, we have no issues to raise.

2.3 Recommendations related to Annual Financial Statements

- Recommendation 1** The Minister should ensure that an analysis is undertaken to determine the causes for the Emphasis of Matter. Concrete actions should be taken on transferring of ownership for the constructed schools by MEST to the respective municipalities and that these assets should be removed from the ministry's assets register.
- Recommendation 2** The Minister should initiate the review of Law on Pre-University Education in the Republic of Kosovo no. 04/L-032 and Administrative Instruction no. 13/2016, in order to avoid uncertainties for the supply with textbooks. As well as to keep in consideration, those projects by nature belong to the goods and services and should not be planned in the capital investments category.
- Recommendation 3** The Minister should ensure that full and correct presentation of contingent liabilities is made. And that the Declaration made by the Chief Administrative Officer and Chief Financial Officer, should not be signed unless all necessary checks have been applied to the draft AFS.

3 Financial Management and Control

Introduction

Our work related to Financial Management and Control (FMC), reflects the detailed audit activities for the Revenues and Expenditure Systems in MEST. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

Financial Management and Control Conclusion

In the context of financial systems, controls over revenues are generally appropriate and are being implemented, but controls over a range of expenditures areas require further enhancement to prevent the non-rational expenditures. The main areas where most improvements are required are budget planning, the record of capital assets, adequate classification of expenditures, and full disclosure of contingent liabilities, correct reporting of outstanding liabilities and staff management.

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	47,287,848	45,379,772	41,528,363	47,892,635	42,800,007
Government Grant -Budget	42,771,500	40,616,924	39,295,443	44,228,978	38,954,016
Financing from borrowing	2,647,400	1,697,400	384,861	1,543,000	958,600
Carried forward from previous year ² -	-	831,063	681,354	507,121	397,468
Own Source Revenues ³	1,868,948	1,868,948	1,032,422	946,897	1,282,535
External Donations	-	365,437	134,283	666,639	1,207,388

The final budget in relation to the initial budget was reduced for €1,908,076. The reduction of budget related to €950,000 from borrowing while the other reduction was made with budget adjustments. This reduce in the borrowing budget was made because of some capital investments that were planned to be executed from borrowing but were not executed.

MEST has spent 91.5% of the final budget or €41,528,363 in 2017, with a decrease by 4.5% compared to 2016.

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	47,287,848	45,379,772	41,528,363	47,892,635	42,800,007
Wages and Salaries	15,931,068	17,123,188	16,958,240	15,925,257	13,314,071
Goods and Services	9,302,672	10,405,674	8,421,900	8,294,192	8,851,988
Utilities	1,245,259	1,420,400	1,022,455	935,411	991,042
Subsidies and Transfers	3,821,929	4,364,049	4,079,161	3,374,488	3,918,128
Capital Investments	16,986,920	12,066,461	11,046,607	19,363,287	15,724,778

¹ Final budget - the budget approved by the Assembly, subsequently adjusted by the Ministry of Finance.

² Own Source Revenues unspent in previous year carried forward into the current year.

³ Own Source Revenues budgeted for spending.

Explanations for changes in budget categories are given below:

- The final budget compared with the initial budget for wages and salaries was increased for €1,192,120. The increase was made with budget review, as well as with Government decisions for the budget adjustment of MEST. This was a result of poor planning of the budget for this category;
- The final budget for goods and services was increased for €1,103,002; out of this value €498,800 was from the budget review, while the other part with the Government decisions. Despite the increase, the budget spent of this category was not in unsatisfactory level (81%);
- The final budget compared with the initial budget for utilities was increased for €175,141, while it was spend in a level of 72%. In this increase has affected the allocations of funds in the amount of €51,200 with budget review, €156,892 from the own source revenues carried forward, as well as with Government decision no. 13/16 dated 15.12.2017, was a reduce of budget for €32,951;
- The final budget compared with the initial budget for subsidies was increase for €542,120. This as a result of budget review, as well as with Government decisions for the budget adjustment of MEST; and
- The final budget for capital investments was reduced for €4,920,459. This as a result of budget review, as well as with Government decisions for the budget adjustment of MEST.

Issue 4 - Budget Planning and Execution

Finding	MEST failed to make proper planning of budget, since during the year many re-adjustments were made in economic categories. Further on, it did not make proper planning of budget especially in the category of capital investments by placing projects which by the nature belonged to the category of goods and services.
Risk	The multiple needs for adjustments are indicator that the budget preparation was not based in real needs of MEST for its execution. Poor budget planning for the respective categories threatens the ministry in the achievement of the certain objectives.
Recommendation 4	The Minister should ensure that proper analyses of budget requirements for the economic categories are done, so that budget adjustments are as small as possible, without threatening the achievement of the planned objectives.

3.2 Revenues

MEST according the internal registers for 2017 had planned to collect revenues in the amount of €3,321,961, while it had executed €3,125,718. In 2017 the MEST was allowed for expense €1,868,948, while from the revenues had spent €1,713,776. Revenues are collected from the student fee, the accreditation of academic programs, rent etc. The table below shows the execution of revenues over the years:

Table 3. Own Source Revenues (in €)

Description	Initial Budget ⁴	Final Budget	2017 Receipts	2016 Receipts	2015 Receipts
Own source revenues	1,868,948	1,868,948	3,125,718	3,222,790	3,187,905

From the table we see that throughout the years, we have almost the same trend in the collection of revenues.

Issue 5 – Recording of revenues in inadequate codes

Finding Revenues collected from the Kosovo Accreditation Agency were not recorded as foreseen in the accounting plan issued from the Treasury. They were recorded in the economic code 50401 as sale of services, while it should have been recorded in the code 50415 tariff for accreditation. Further on, the revenue return from the students’ fees was not recorded in the adequate code 50410 as return from participations but in the economic code 50409 as participations.

Risk The recording of revenues into inadequate codes does not provide a clear statement of the type of revenues, and that this affects the comparison of execution planned of the revenues through relevant codes.

Recommendation 5 The Minister should ensure additional controls in order that the recording of own source revenues is made in adequate codes as foreseen with the accounting plan.

3.3 Wages and Salaries

Wages and Salaries are paid through a centralized payment system managed by MPA and MoF. The final budget for wages and salaries was €17,123,188, while the expenditure €16,958,240. We tested the compliance of payroll lists with the payroll system (current employees, recruitments,

⁴ In this table, the initial and final budget presents budgeting for expenditure not for collection.

dismissals, and maternity leaves, retirements). Further on, we have reviewed if employees were paid according to contract.

Recommendations

We have no recommendations in this area.

3.4 Personnel Management

Personnel management includes all actions related with recruitment, the covering of positions with Acting, contracts, trainings, promotions, leaves etc. We tested a number of samples to ensure that actions undertaken in this area are in reconciliation with the applicable regulations. From the testings' made, the following issue has resulted:

Issue 6 – Positions covered with Acting

Finding Law on Civil Service no. 03/L-149 determines that a position cannot be held from acting for more than three (3) months.

The position of Secretary General, Expenditure Officer, Certifying Officer and the position of Director in the Department for Politics of the Pre-university Education are covered with acting since 2015. Further on, also the position of the Head of Procurement Division is held with acting since 2016. It is worth mentioning that the Secretary General has been selected in February 2018.

Risk Covering of important positions with acting for a long time, increase the risk for not achieving the objectives and performance/responsibility implemented in these positions not be at the appropriate level.

Recommendation 6 The Minister should take immediate measures that for positions that are covered with acting that a suitable solution is found with regular positions in compliance with legal requirements.

3.5 Goods and Services and Utilities

The final budget of Goods and Services in 2017 was €11,826,074. Out of which €9,444,355 were spent. Those relate to expenditures for supplies with official material, supplies with foods, contractual services, utilities, official travels, maintenance services etc. From the testing's made the following issues have resulted:

Issue 7 - Failure to develop procurement procedures

Finding The University of Prizren (UPz), had the contract for "Maintenance of Electronic System of Student Management (ESSM) expired on 04.10.2017. Although this project was foreseen with procurement plan, the procurement office had not taken any action to initiate proper procurement procedures in order to select an operator which would maintain ESSM. Almost same situation was in the University of Gjakova, which had used the UPz contract for the maintenance of ESSM.

Risk The negligence of procurement officials to initiate the selection of an operator for the oversight of ESSM, increase the risk of failure to put this system into operation, by disorienting information in relation to the students card (situation).

Recommendation 7 The Minister should ensure that the procurement procedures are timely developed when it comes to selecting the operator for the maintenance in order to avoid the risk from the non-functioning of ESSM.

Issue 8 - Failure to sign the statement for availability of fund by CAO and CFO

Finding In the project "Supply with toners" for needs of UPz in the amount of €4,717, we noticed that the declaration for availability of funds was not signed by Chief Administrative Officer and Chief Financial Officer. The procurement office had continued with procurement activities and had signed the contract.

Risk Failure to sign the declaration for availability of funds increases the risk of entering in contractual liabilities without sufficient funds.

Recommendation 8 The Minister should ensure that before procurement procedures are developed to gain approvals from key officials for availability of funds.

Issue 9 – Deficiencies in payments processing

Finding According the rule no. 01/2013 on Spending of Public Money, initially the request for purchase should be made, commitment of funds, the processing of purchase order, then is received the good or service and after the receipt of invoice, the payment to be executed.

In goods and services, we identified that in 19 payments, commitment and purchase orders were made after the invoice and the commodity are received.

Risk Failure to follow the proper controls procedures during the receipt of goods and execution of payments, could affect in receiving goods that are not in accordance with the terms contracted and potentially in irregular payments.

Recommendation 9 The Minister should initiate an internal review and undertake proper measures to ensure that similar failures will not happen in the future.

Issue 10 – Project History of Kosovo

Finding The project “History of Kosovo” was planned in the category of capital investments, but with review was removed from this category. According to MEST, the reason of removal from the category of capital investments was the impossibility of having engagements under agreements and payments of research experts of this field from this category, therefore the project had started to be implemented from the category of goods and services. The Institute of History (IH) had concluded a Cooperation Agreement for the matter of research of Kosovo History with different researchers from the country, including those from Albania and Macedonia, where the amounts to be covered in the engagements of researchers’ were also determined. In testing of payment in the amount of €22,500, we identified that expenditures for some researchers engaged with agreement were exceeded. In three cases, the approved amounts based on the Agreements were €9,000, while expenditures for three cases were €11,471.

Risk The exceeding of foreseen expenditures according the agreement is a result of the absence of internal controls compared with approved expenditures and increases the risk of the budget damage.

Recommendation 10 The Minister should ensure that signed agreements between the Institute of History and researchers for the research of Kosovo History are strictly adhered, by not exceeding their values.

Issue 11 - Engagement of the supervisory body without considering the rules and operational procurement guideline

Finding Rules and operational guideline for the public procurement of 2016 (article 61.18) regulate that procurement procedures should be developed when engaging the supervisory body. The University of Prizren engaged with contract for special services one supervisory body for the project "Renovation of UPz Dormitory" in the amount of €370,370, without developing procurement procedures. For the six months period according to the agreement, the supervisory body will be compensated with 1% of the contract amount (€3,703).

Risk Engagement of the supervisory body without considering the procurement procedures, impacts in the limitation of competition as well as in not equal treatment between competitors.

Recommendation 11 The Minister should ensure that the procurement procedures are applied in such cases according the foreseen requirements by rules and operational procurement guideline.

3.6 Subsidies and Transfers

The final budget of Subsidies and Transfers was €4,364,049. Out of which €4,079,161 were spent. Those mainly relate to payments done from MEST according the agreements of cooperation with different institutions, such as: Sheffield, USAID, Fulbright, and Loyola project.

Recommendations

We have no recommendations in this area.

3.7 Capital Investments

The final budget of Capital Investments was €12,066,461, out of which €11,046,607 were spent. These expenditures are related to the construction of some schools, purchase of textbooks, supply with school inventory and other equipment. During 2017, the procurement area was followed with some deficiencies, which we are describing below.

Issue 12 – Performance security not in line with legal requirements

Finding Based on Rules and Operational Guideline for the public procurement, point 30, the Performance Security is foreseen to support the contract fulfilment, and will remain valid for a 30 days period after the completion of the contract. During testing of the procurement activities in three (3) cases we identified that the performance security did not cover the contract timeframe. The performance security was deficient in these cases:

- In the contract “Construction of primary school Leshan-Suhareka – phase I” in the amount €329,639, the performance security at the moment of contract signing was for 2 months, while the contract is for three years;
- In the contract “Construction of school in Busavat-Kamenica, Lot 1” in the amount €241,645, the performance security was for 12 months, while the contract is for three years;
- In the contract “Construction of the high school Adem Gllavica in Lipjan” in the amount €450,087, the performance security was for 24 months, while the contract is for three years.

Risk The provision of contract performance security for a shorter period than foreseen with rules prevents the eventual penalties against operators in cases when the contract is not fulfilled.

Recommendation 12 The Minister should ensure that when signing of the contracts, the procurement office should ensure that the contract performance security covers the required period of the contract.

Issue 13 – Entering into contractual liabilities more than budget allocations

Finding MEST had signed the contract for the project “Construction of primary school in Braboniq-Mitrovica” in amount larger than budget allocations. The contract was in the amount €1,179,812, while the budget allocation foreseen for three years in the table of capital projects was €800,000.

Risk Entering into contractual liabilities in amounts larger than the budget allocations, increases the risk to created uncovered liabilities as well as increase of direct payments from Treasury. This could then also reflect in the distortion of budget balances in other capital projects.

Recommendation 13 The Minister should ensure that it will not enter into contractual liabilities more than the budget allocations.

Issue 14 – Wrong Contract Calculation

Finding In the contract “Construction of children kindergartens, sports halls and schools renovation” lot seven, the Ministry had signed the contract in a larger amount than the bid value. The value of contract was €75,656, while the EO bid was €74,995 (contract is signed for €661 more than the financial bid of EO).

Risk The signing of contracts in amount higher than the EO bid results in the ministry’s budget being damaged.

Recommendation 14 The Minister should enhance controls to ensure that the contract values are in line with the financial bid offered from the economic operator. Further on, the opportunity of contract corrections is reviewed by reconciling with the real value of financial bid.

Issue 15 – Exceeding the contracted quantities

Finding Based on Rules and Operational Guidelines for the public procurement article 61.22 states that “There where the contract is changed with the purpose of changing initial terms and conditions, the contract change should be prepared from the procurement department”. We identified the following cases:

- In the payment in the amount €71,933, that is related with the first Stage, for the contract “Construction of primary school Gllloboqica-Kaçanik” - €266,712 (signed on 19.04.2017), we identified that in 410 position of concrete laying, the contracted quantity in the Technical Specification was 68.4m³ while invoiced and paid quantity was 142m³ even in the 422 position for plastering and concreting of the solette, the contracted quantities were 361.55m³, while the invoiced and paid quantities were 486.6m³. So in these two positions we have exceeded the quantities for 198.65m³ and multiplied by the respective prices (€70 and €95), it results that we have exceeded in the amount by €17,031; and
- In payments €11,482 and €19,169 that are related with the ninth Stage of contract “Construction of physical education hall in the primary school Rexhep Elmazi” in Gjilan in the amount €210,823 (signed on 16.05.2017), the reinforcement work at part C, position 1, the contracted quantity was 25,000kg, with price €1,45, while the quantities exceeded and invoiced (paid) were 9,308.18kg. The converted exceed into financial value is €13,496 (9,308.18kg*€1,45).

Although it had changes of quantities from the initial contracts which reflects in the total price of contract, the procurement office had not changed contracts (had no annex contract attached for the additional quantities).

Risk Exceeding of quantities in certain positions increases the risk of not being implemented other contracted positions and projects to remain unfinished.

Recommendation 15 The Minister should ensure that in cases of exceeding of quantities which affect in the total price of the contract, the procurement office to make the contract change as foreseen with rules and operational guideline of the public procurement.

3.8 Capital and Non-Capital Assets

MEST had addressed our recommendation given in the previous year, which was related with the carrion of ownership of invested assets by ministry to relevant institutions and their removal from the ministry's assets register. The situation of assets over €1,000 in 2016 was €259,777,726, while in the end of 2017 was €136,894,093. Despite this, the assets register still contains some deficiencies which we present as in following:

Issue 16 - Poor management of assets registers

Finding Regulation no. 02/2013 - for the management of non-financial assets in budget organizations requires that capital assets should be recorded in KFMIS, while non-capital assets should be recorded in the "e-Asset" system.

We identified that nine MEST programs does not use the e-Asset system. Further on, University of Peja "Haxhi Zeka" and University of Gjakova "Fehmi Agani" had not recorded some assets over €1,000, in the e-Asset system, instead of recording in KFMIS.

Risk Failure to use the e-Asset system and wrong registers prevent the effective management and proper control over assets.

Recommendation 16 The Minister should ensure that appropriate controls are in place that enables asset management to be done through complete and accurate register of KFMIS and the e-Asset system.

3.9 Receivables

The accounts receivable (AR) in the end of 2017 were €185,310, and compared with the previous year they were decreased for €83,600 (2016 - €268,910). The sources of AR are from: rent, invoices for the accreditation from the Kosovo Accreditation Agency.

Recommendations

We have no recommendations in this area.

3.10 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2017 was €948,433, and that these liabilities are carried forward to be paid in 2018.

MEST during 2017 had spent €313,828, based on court decisions and €16,760 were executed from the Treasury (MoF) based on article 39.2 of LPFMA. Further on, in the 2017 AFS were disclosed €797,350 contingent liabilities.

Issue 17 – Increase of liabilities and incorrect reporting of outstanding liabilities

Finding Outstanding liabilities in 2017 compared with previous year were increased for €354,673 (2016 - €593,760). This increase had occurred because it were not managed and timely paid the liabilities.

Further on, the amount of liabilities reported by MEST in the 2017 AFS were not correct, because:

- Invoices in the amount of €7,860, were liabilities belonging to 2018; and
- In the AFS was reported €8,480 as liabilities of 2015, while the same were not disclosed in the 2016 AFS.

Risk Reported amounts of outstanding liabilities are significant amounts for the budget of ministry and as such, could affect in the budget balances.

Recommendation 17 The Minister should give priority to the paying of 2017 liabilities, because the ministry can be indicted by economic operators, as well as to ensure the accurate recording of the liabilities.

Issue 18 – Payment according to the court decision

Finding MEST had lost the court dispute with AAB College and as a result of the loss according to the court decision, it had paid €239,353. This loss of court dispute has occurred because article⁵ 23 of the Administrative Instruction on Accreditation, drafted by Ministry was in violation of Law on Higher Education no. 04/L-037.

Risk Execution of such payments may lead to disruption of the budget balance and increases the risk that planned projects with initial projections are not implemented at all.

Recommendation 18 To avoid similar situations, the Minister should ensure that secondary legislation is in line with laws and to strengthen the financial discipline that all liabilities are timely paid.

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS for MEST has resulted in 21 recommendations. MEST had prepared an Action Plan where it is presented the way how it will implement all recommendations given. Further on, our audit report on the 2016 AFS of MEST was discussed from the Committee for Oversight of Public Finance on 23.03.2018, in which case the committee has come with some recommendations for MEST, which is expected to address the Ministry.

Until the end of our 2017 audit, nine recommendations have been implemented, three were in process and nine have not been addressed yet. Further on, from 2015 were carried out 19 recommendations (unimplemented 4 and other 15 were under implementation). The situation of these recommendations in 2017 was: 10 implemented, 5 partially and 4 are not implemented. For a more thorough description of the recommendations and how they are handled, see Annex II.

⁵ Accredited private institutions will pay the Kosovo Accreditation Agency a fixed amount of €5 a year for student as a tax tariff for accreditation.

Issue 19 – Implementation of recommendations from prior and earlier year

Finding Due to the poor management of the process and the lack of a formal monitoring of how the AG’s recommendations have been implemented, only a portion of the prior year recommendations and those previously carried forward have been implemented. Although an action plan is drafted, MEST had not established any committee to monitor their implementation.

Risk Continuous weaknesses of management controls and other controls in key financial systems have resulted in misclassification of expenditures, weakness in procurement, and deficiency in the asset management.

Recommendation 19 The Minister should ensure that an action plan is implemented which clearly sets out a timetable for implementing the recommendations made by the AG, with accountable staff members identified and initially focusing on those of greatest significance.

5 Good Governance

Introduction

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

A key indicator supporting effective governance is the implementation of audit recommendations as this demonstrates to what extent the Management are undertaking actions to improve existing processes and controls. The level of compliance of 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 of the report.

Overall Governance Conclusion

In the interim stage of audit we have given some advices for improvement through the audit memorandum. We acknowledge the engagement of MEST, which had addressed some issues raised in our memorandum, such as – the implementation of the advice regarding the acceptance of goods by forming a committee and drafting written minutes. Further on, it was implemented also the advice given for the certification done by the Certifying Officer without technical specification, was addressed.

Despite this, exist still weaknesses in different areas of governance.

The lack of full implementation of recommendations has affected in governance and poor value for money. In the audit reports for the 2013 and 2014 AFS, the Office of the Auditor General two consecutive years had recommended reviewing the Memorandum of Understanding signed between MEST, Loyola-Gymnasium and the Municipality of Prizren. With that Memorandum, MEST had as obligation to pay for each year wages for the members of the Loyola Gymnasium staff, according the level of public schools. A review of this Memorandum had happened and as a result of this, the ministry in the end of 2017 with Government decision had paid €720,000 from the category of subsidies for years 2015/16/17 this gymnasium. It is worth to be mentioned that on 22.02.2018 the Minister had repealed article 2 of the Memorandum that foresaw financial liabilities of MEST.

The recommendation given by OAG in 2015 related to the Internal Auditor in UPz was not addressed. The Internal Auditor in UPz continues to be paid without having conducted any audit report.

Further on, MEST in the drafting of the secondary legislation had not given importance reconciliation with primary laws. As a result of this negligence MEST during 2017, was damaged in the financial aspect (for this issue refer the finding to contingent liabilities). Non-consistency of regulations and administrative instructions with laws was presented as finding in our reports of the previous year, as in annual audit report as well as in reports for the minister. Although it was recommended, MEST had not undertaken any concrete action to initiate the review of Law no. 04/L-032 for Pre-university Education in the Republic of Kosovo and the other secondary legislation.

The Audit Committee although it was established and had held three meetings, was ineffective to handle to the management the internal audit reports.

5.1 Internal Audit System

The Internal Audit Unit (IAU) operates with two members of staff - the Head of IAU and one auditor. To conduct an effective audit it is required a comprehensive work program that reflects financial and other risks of the audited entity, and that provides sufficient assurance over the effectiveness of internal control. The impact of Internal Audit outputs should be judged by the importance that management places on addressing recommendations and the support provided by an effective Audit Committee.

In the 2017 annual audit plan, IAU had planned to conduct nine audits, and from this planning had managed to complete six as well as had conducted two audits upon management's request. The audit activities had covered mainly 2016 (in five completed reports) and that this has affected that management in at the right time, to do not have a clear statement on the level of assurance and the function of the internal control. The audit of the Department for budget and finances, the Students Centre and of the History Institute remains uncompleted.

We did not rely upon IAU work due to fact that our objectives was not same with those of IAU, and five audit reports had in focus the 2016.

Issue 20 – Poor functioning of IAU**Finding**

A number of weaknesses exist related with the work of IAU, such as:

- Internal audit reviews have not handled projects for capital investments in current year, also the audit planning of Students Centre it is the second year that is not being carried out;
- From eight completed reports, only in three of them were focused in 2017;
- Actions plans were not prepared from the units that were audited from the internal audit; and
- The Audit Committee had held three regular meetings but had not drafted a final report related to overall conclusions for the reports of internal audit.

These results reflect a lack of awareness by Management in recognizing and maximizing the benefit of Internal Audit or seeking assurances over the effective operation of internal controls. This also shows poor quality of the Internal Audit planning.

Risk

The internal Audit had not provided the necessary assurance over the effectiveness of internal controls. The lack of expected contribute by IAU increase the risk that the internal controls systems to not be improved.

Recommendation 20 To gain maximum benefit from Internal Audit activity, the Minister should ensure that the IAU plan is risk based and further helps the operational activities. The Audit Committee should review the results of internal audit and actions taken by Management in relation to Internal Audit recommendations.

5.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, to 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 of Management to control and respond to risks threatening the Organization.

The MEST Management has designed internal control systems and financial management, including the organizational structure and lines of accountability. The Secretary General holds weekly regular meetings with Department Directors. For these meetings are prepared minutes where are stated the different operational activities, but these minutes (reports) are not detailed and as a result of this, for audit purposes we have not been supported in controls.

Issue 21 – Weaknesses in Management Controls and Risk Management

Finding Poor planning of budget, delays in liabilities payments, failure to fully report the contingent liabilities properly by management, failure to implement some of capital projects during the year although with initial budget were planned, payment execution through court decisions and by the Treasury, are results of the lack of effective management controls. In 2017, University of Prizren⁶, University of Gjilan and University of Ferizaj had not drafted strategic plans.

Risk Poor accountability requirements and poor quality financial reporting reduce the effectiveness of financial management. This results in weaknesses in the budget process and reduces Management’s ability to respond to financial challenges in time. Further on, it reduces the effect of budget controls and increases the risk of improper expenditures. Consequently, this may also result in providing poor quality services.

Recommendation 21 The Minister should ensure that a review has been carried through to determine the form of financial and operational reporting to senior management. Budgetary performance, including revenues and expenditures, and procurement plan including all MEST programs that have procurement units should be subject to regular reporting and review by the MEST and respective Managements.

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

⁶ UPz 23.01.2018 had established the committee for the drafting of the three year strategic plan.

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 emphasized 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 emphasized.

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 judgment, 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 implementing recommendations of previous and earlier years

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
Recommendation 1	The Minister should analyse the reasons for the Emphasis of Matter and to identify actions required to enable the right classification of expenditures and fair presentation in the AFS.			Not implemented.
Recommendation 2	The Minister should ensure that a serious approach is implemented in handling the AG's recommendations by the level of management. It should ensure that a revised action plan is implemented, which clearly sets out measures undertaken, timetables for the implementation of recommendations, with accountable staff identified, focusing initially in the most important areas. 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.		MEST had drafted the action plan, but that plan was not monitored.	

Recommendation 4	The Minister should analyze the reasons why the key positions are not filled timely with regular staff. Further, the Minister should prioritize the recruitment of the regular staff in all positions exercised by acting. This increase accountability, responsibility and ensures effective development of Ministry's activities.			Not implemented.
Recommendation 8	To gain maximum benefit from the Internal Audit, the Minister should ensure the functioning of the Audit Committee and maximizing of audit work. The Committee should critically review Internal Audit plans (to confirm that they are risk based and to provide the required assurance to management) and Internal Audit outputs. It should also review actions undertaken by management regarding the recommendations of the Internal Audit.		The Audit Committee was functional, keeping three meetings during the year, but had not done the review the plans of IA if they are based on risk.	
Recommendation 10	The Minister should ensure that budget performance is systematically monitored on a monthly basis and that this review identifies and addresses barriers for the execution of budget in the planned level. Where initial budget assumptions are found to be incorrect this should be fully reflected in the process of budget review.		As a result of poor budget planning during the year there were many budget adjustments.	

Recommendation 16	The Minister should initiate a review of the debts status, to determine the causes of delays and the necessary measures for their addressing. The assessment of liabilities should continue to be made on regular monthly basis and payments should be made within the deadlines set out by Financial Rules.			Not implemented.
Recommendation 19	The Rector of the University of Prizren along with the General Secretary should make an immediate solution for the internal audit staff and the staff of the asset officer. The Rector, before any recruitment should ensure an additional dialogue with the Ministry to clarify the rights and responsibilities in order to avoid misunderstanding of the legislation.			Not implemented.
Audit Component	Recommendations given in 2016	Implemented	In process of implementation	Not implemented
Recommendation 1	The Minister should conduct a comprehensive review to analyze the reasons for the Emphasis of Matter, and the book records, schools records and misclassification.		Has made efforts to avoid expenditures misstatements by contacting the Ministry of Finance but had failed to resolve this issue. Even this year there are problems with assets recordings and misclassification.	
Recommendation 2	The action plan should be reviewed and the oversight of implementation to be done continuously.			Not implemented.

Recommendation 3	The self-assessment questionnaire to be completed and Public Universities to draft their strategies.		Some universities have drafted strategies, some still not.	
Recommendation 4	The position with acting within a reasonable period, to be filled with regular staff.			Not implemented.
Recommendation 5	The Audit Committee to be more active in monitoring the IAU.			Not implemented.
Recommendation 6	The expenditure classification to be done in accordance with accounting plan.			Not implemented.
Recommendation 7	Giving advances in legal compliance.	Implemented.		
Recommendation 8	Wages and remunerations to be done in compliance with regulations with the personal incomes and the continuity controls to be strengthen.	Implemented.		
Recommendation 9	Unifying regulations for the personal incomes for compensation of teachers for exams.			Not implemented.
Recommendation 10	Extension of public framework contracts.	Implemented.		
Recommendation 11	The oversight of capital projects.	Implemented.		
Recommendation 12	Delays in implementation of projects.			Not implemented.
Recommendation 13	Contract management.	Implemented.		
Recommendation 14	Procurement planning to include the approximate time of the procurements executions.	Implemented.		

Recommendation 15	Payment processing to be done based on regulated process by financial rules for payment execution.			Not implemented.
Recommendation 16	Closure of advances in time.	Implemented.		
Recommendation 17	To establish the Receiving Committee of goods.	Implemented.		
Recommendation 18	Reconciliation of legal base - AI for textbooks.			Not implemented.
Recommendation 19	Distribution of textbooks.	Implemented.		
Recommendation 20	Poor management of assets registers.		A considerable part of assets it had transferred to the respective municipalities, but during 2017 still has assets that need to be transferred to municipalities.	
Recommendation 21	Management of liabilities.			Not implemented.

Annex III: The Minister's comments on the findings of the audit report

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement ⁷	NAO view
Finding 1: Issue 4 Budget Planning and Execution	Yes/No	<p>MEST has well planned the budget, but during budget use, requests for budget movements in five digit economic codes and in different economic categories have appeared. These changes are made based on the 2017 Budget Law of Article 16 Transfer of appropriated budget appropriations allowing MEST to transfer the budget in percentage of 15% with the approval of the Ministry of Finance whereby all such transfers above it has done according to the law in force.</p> <p>The Ministry of Education, Science and Technology has considered the Auditor's recommendations with high responsibility and priorities to be executed. MEST for the purpose of implementing auditor's recommendations during budget planning processes has requested that expenditure on purchasing books and purchasing inventory is transferred from capital expenditures to economic goods and services categories. Requests are submitted to the Ministry of Finance during budget planning 2017, on Budget Circulars 2018/01 and Budget Review 2017 and Budget Planning for 2018. Despite the ongoing requests of MEST that budget issues for purchases of books and purchase of inventory is adjusted, they are not approved, approved by the Ministry of Finance, so the costs for purchasing books and inventory purchases continued to be from the category of capital expenditures. In the budget planning of 2019, the Ministry of Finance implemented the MEST request under MTEF 2019-2021 where the budget for the purchase of books has been transferred to the economic goods category and services.</p>	<p>If a proper planning was made, perhaps there would not be a need for so many adjustments in economic categories throughout the year. While there were many budget adjustments in 2017 you only managed to execute 81% of the budget for goods and services and just 72% of the budget for utilities was spent. Also, putting some projects that by nature are goods and services and subsidies on capital investment tables indicate a poor planning. Inadequate budget planning caused MEST to make a misclassification of expenditures, in which case the audit opinion is also emphasised on this issue. Therefore our finding remains unchanged in the report.</p>

⁷ For information purposes in cases where the Minister did not agree, we have put the comments as we have received without correction in spelling.

Issue 8 Failure to sign a statement of funds availability by CAO and CFO:	No	<p>The request for commitment was on 25.01.2017, while signatures for the availability of funds were signed on 20.03.2017 (5,000 Euros). The contract award notice has incorrectly been published with 9,900 Euros. The contract is 4,717 Euros. No tender can be announced and then the winner selected without the signature of the form on the availability of the funds.</p>	<p>We have relied our finding on the document dated 13.11.2017 a statement on the availability of funds, which in that document shows that the Chief Financial Officer and the Chief Administrative Officer have not signed. Even though you commented, you have not provided any evidence on the matter raised in the report. Therefore the finding remains unchanged.</p>
Issue 15 Exceeding contracted quantities		<p>Concerning the "Building Primary School Gllloboqicë-Kaçanik"</p> <p>The Ministry of Education, Science and Technology on 22.05.2017 has received a request under protocol no. 610 / 01-16686 from Kaçanik MED for the support of the project for construction of the elementary school facility in Gllloboqica.</p> <p>Upon receiving the request, the MEST officials have visited the site where the new premise was being constructed and in consultation with the school director and the MEST engineers agreed with your request and we have assessed it as rightful.</p> <p>MEST has looked at additional funding opportunities to complete project modifications that require a 100m² surface area increase.</p> <p>For example, increasing quantities of: Extraction, reinforcement, concrete, masonry, plastering, electrical and other positions for the functionalization of the facility of the school in question.</p>	<p>The evidences provided by you have been under consideration while we were in the field, which we have analysed. You have increased the quantities during the execution by exceeding the contracted quantities and have not changed the contract as foreseen in Section 61.22 of the Rules and the Operational Guidelines for Public Procurement. Therefore our finding remains unchanged.</p>

		<p>-Therefore, based on Articles 61.20 of the PPOG of Law no. 04/ 1-042 on Public Procurement of the Republic of Kosovo, amended and supplemented by Law no. 04 / 1-237, Law no. 05 / 1-068 and Law no. 05 / 1-092 change of any contractual position in implementation can be done, but without changing the total contract price.</p> <p>-Article 61.24 As far as the additional quantities of the same articles the lowest prices are used, As an Office under section 61.24 of the regulation we have adhered to the applicable law and regulations, we have received additional approval from the Chief Administrative Officer.</p>	
Issue 17 Increase of liabilities and unfair reporting of outstanding liabilities	No	<p>The increase of outstanding liabilities was affected by the Government's decision to reduce the funds allocated on the basis of the decision number 08/151 dated 02.08.2017 where MEST was damaged in budget cuts in the amount of 2.923433.23 and with revision of the budget we had budget cuts from the economic category of capital expenditures where the comparison between approved budget is € 16,986,920.00 and the final one is €12,066,460.75. Budget cuts in capital expenditures are in the amount of 4,920,459.25 and here it is noticed that the cuts have affected the increase of outstanding liabilities from liabilities in the amount of 948,433.77. Of these liabilities, most of the capital expenditures are in the amount of 409,685.20 where it appears that the increase of liabilities has affected the budget cuts in 2017, and not as mentioned above from the poor management of the liabilities. During 2017, MEST programs and departments were continuously requested to report outstanding liabilities. The reporting of invoices (liabilities) to the Treasury Department is done based on Treasury Financial Rule no. 04/2011 and reports were submitted to the Treasury Department.</p>	<p>It is pointless to reason your lack of funds when at the end of 2017 you spent only 81% and 72% respectively of the budget for goods and services and utilities while the outstanding liabilities for these categories have reported €521,640. Due to the failure to provide evidences, the finding remains unchanged due to the fact that the liabilities were not properly managed. The fact that you reported the obligations even some 2018 invoices in the obligations of 2017 best indicate that you do not have the proper control in the process of management. Further o, poor management is considered when you have not reported €8,480 liabilities in the AFS of 2016 while you reported them in AFS of 2017.</p>

<p>Issue 20 Poor functioning of IAU</p>		<p>The student centre in the annual audit plan was in October-November planned but on 21.09.2017 we had a request for extraordinary audits by the Minister of MEST in the Administration and therefore the Student Centre was audited in January 2018. Attached you have the official letter from the Cabinet of the Minister.</p> <p>We as Audit Unit start audits from January of the current year and in those first audits we cannot audit the current period since it is the beginning of the year and we cannot audit the first week of January or even one month or two months audits. Our practice is to audit the three-month, six-month, nine-month or even full-year January-December audits for year-end audits. So if you have a recommendation on how to audit the current period for the first few months of the year, please provide us with additional suggestions and we will consider your recommendations.</p> <p>All action plans are attached to each audited entity. We will also attach you as a physical copy as an evidence.</p> <p>The Audit Committee drafted a final report on the overall conclusions on internal audit reports see report dated 20.01.2012 report submitted to you during the audit phase at MEST. We will attach this one once again.</p>	<p>It's just a reasoning without offering any evidence. High risk areas should be a priority of internal audit. The Student Centre neither in 2016 nor 2017 has been audited by your unit. The finding remains unchanged.</p> <p>The work of this unit was mainly focused on audit activities for 2016, while the focus should have been 2017 as described in the findings. We have given you the required recommendations on how to act, and if it is not clear and you need training then contact the Central Harmonization Unit.</p> <p>The reports you provided at the time we were in the audit were not accompanied by the action plans filled out by the audited entities, although even though you now bring some plans for us, they are not relevant because all action plans now provided by you cover January 2018 for reports that were completed in the middle of 2017.</p>
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			Regarding the Audit Committee you have provided an annual audit committee report with delay on 23.03.2018 after completing the fieldwork and without signing it. Moreover, this report mentions audit reports for 2016, not all reports of 2017. So our findings remain unchanged.
Issue 21 Shortcomings in Managerial Controls and Risk Management		The key problem during the spending of the budget in 2017 was the obligation introduced by MEF for the first time to plan and execute the budget for economic sub-codes. Lack of just one euro in plan made it impossible to pay the debts because a long procedure for filing claims to transfer funds from one sub-code to another has to be done. This, especially at the end of the budget year caused many unpaid obligations to remain on one side and on the other hand there is budget surplus. strict budget planning for 12 months and over 50 sub-codes is impossible to take on board. This, fortunately, was removed in 2018.	It is just a reasoning made without providing evidence where we have given you a response to issue 4 and 17. The finding remains unchanged.

Annex IV: Letter of confirmation



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government

*Ministria e Arsimit, Shkencës dhe Teknologjisë - Ministarstva za Obrazovanje
Nauku i Tehnologiju - Ministry of Education, Science and Technology*

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2017 dhe për zbatimin 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 Raportit/Pasqyrave Financiare të Ministrisë së Arsimit Shkencës dhe Teknologjisë, për vitin e përfunduar më 31 dhjetor 2017.
- Komente lidhur me të gjeturat e adresuara i gjeni në shkresën zyrtare me nr.referencës 2125 i dt. 15.05.2018
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.


z. Shyqiri Bytyqi

Ministër - Ministria e Arsimit Shkencës dhe Teknologjisë,

Data: 15.05.2018, Prishtinë