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The Auditor General of the Republic of Kosovo is the highest institution of economic and financial control, which by the Constitution and the Law¹ is provided with functional, financial and operational independence.

The National Audit Office, chaired by the Auditor General, shall assist the latter in discharging his/her duties. Together, they contribute to the effective accountability in the public sector by promoting public transparency and goods governance as well as fostering the economy, effectiveness and efficiency of government programs to the benefit of all.

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This audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI 3000²).

Performance audits undertaken by the National Audit Office are objective and reliable examinations that assess whether government actions, systems, operations, programs, activities or organizations operate in accordance with the principles of economy³, efficiency⁴ and effectiveness⁵ and whether there is room for improvement.

The Auditor General has decided regarding the content of this audit report "*Effectiveness of funds for the sponsoring of sports*", in consultation with Assistant Auditor General, Myrvete Gashi, who supervised the audit.

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¹ Law no.05_L_055 on the Auditor General and the National Audit Office of the Republic of Kosovo

² Standards and guidelines for performance auditing based on INTOSAI Audit Standards and practical experience

³ Economy - The principle of economy implies minimising the cost of inputs. Inputs should be available at the right time, quantity and quality and at the best price possible

⁴ The principle of efficiency implies achieving the maximum from the available inputs. It relates to the relationship between input and output in terms of quantity, quality and time

⁵ Effectiveness - The principle of effectiveness implies the achievement of set objectives and the achievement of expected outputs.

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List of acronyms

| | |
|------|---------------------------------------|
| KOC | Kosovo Olympic Committee |
| LLC | Limited Liability Company |
| MCYS | Ministry of Culture, Youth and Sports |
| NAO | National Audit Office |
| NGO | Non-governmental organisation |
| SD | Sports Department |
| TAK | Tax Administration of Kosovo |

Executive Summary

The National Audit Office has carried out the performance audit on *Effectiveness of funds for the sponsoring of sports*. The Ministry of Culture, Youth and Sports (MCYS) determines the general policy for the development of sports, in accordance with the priorities of massification and raising their quality. It shall establish the infrastructure, financial and staffing conditions for meeting the set objectives.⁶

The objective of this audit was to examine the sponsoring of sports by the Ministry of Culture Youth and Sports and private businesses throughout the years 2020-2022, with the aim to identify the shortcomings and areas for improvement in order to ensure transparency, accountability and proper use of funds.

The Ministry of Culture Youth and Sports and the Tax Administration of Kosovo have been subject to this audit. The audit scope covered the 2020-2022 period.

Our audit results show that the Ministry of Culture, Youth and Sports has failed to hold the organisations it sponsors and those that obtain the certificate of sponsorship by private businesses to account. The majority of sports organisations have not reported on how they have spent the subsidy funds and have benefited continuously. Meanwhile, the Tax Administration of Kosovo has failed to identify and undertake legal measures against the companies that have been exempted from the sponsorship tax and have not provided the funds for sponsorship.

The activities subsidised and sponsored by private companies do not achieve their goals and are not properly implemented. Ministry of Culture Youth and Sports has not managed to prepare a sports development strategy, thus resulting in lack of sports development in Kosovo. The practices applied by the Ministry of Culture Youth and Sports to subsidise the sports organisations and allow private companies to sponsor them do not provide any clear purposes for the use of funds. In addition, there was a considerable lack of evidence to prove that these financial contributions have effectively improved the quality of sports in Kosovo. Neither was there any evidence to ensure that the funds have been actually spent, i.e. there was no system in place that validates that the activities have been implemented as planned. The Ministry of Culture Youth and Sports has not established any structure for monitoring the implementation of activities sponsored by private companies either. As a result, no monitoring activity was carried out throughout the 2020-2022 period. The lack of monitoring has made room for doubts regarding the effective use of public funds and achievement of goals of public interest.

The sponsorship funds have not achieved the goals for increasing the quality of sports in the country. In analysing the sponsorship samples, we found that a portion of these funds have often been used for advertising the sponsored companies, thus leading to the risk of not using these funds for the public interest. While analysing the applications for the certificate of sponsorship, we found that the reasoning on sponsoring the sports organisations were unclear, and in some cases even quoted that these funds would be used for advertising the sponsoring companies.

⁶ Law no.2003/24 on Sports, article 8

During the 2020-2022 period, the sports organisations have not reported on the spending of the subsidies to the tune of €3.5 million funded by the Ministry of Culture Youth and Sports. In addition to regular funding received through basic memorandums for subsidies, the sports organisations also receive funds through annex memoranda for which we found no internal administrative acts regulating this form of funding. In some cases, the amount of the annex memorandum exceeds that of the basic memorandum. This form of funding indicates the lack of transparency and accountability of the sports organisations in reporting the expenditures. In addition to funding through memorandums and calls, the Ministry of Culture Youth and Sports has sponsored sports organisations without publishing the public calls, which is not stipulated anywhere in the laws or regulations. Although the sports organisations have received subsidy funds by the Ministry of Culture, Youth and Sports, they have not reported as to how they have spent €3.5 million. Moreover, one of the non-governmental organisations, winner of the Kosovo Sports Database project, has not submitted the final product/report on time, for which the Ministry paid €121,430. Moreover, even after the product was submitted, the Ministry has neither examined nor accepted the same through the commission in order to estimate or optimise the benefit therefrom. As a result, the value for money spent has not materialised.

Sponsorship and tax exempt for private companies has resulted in tax evasion. Out of the 45 tested samples, we found that private companies have not transferred over €490 thousand to sports clubs although in the Tax Administration of Kosovo they have reported to have paid the money for sponsorship. Moreover, these sponsoring companies were tax exempted and have therefore not paid the taxes to the state. In addition, sports clubs have been sponsored with over one million euros by the private companies, for which they were not provided with a certificate of sponsorship by the Ministry of Culture, Youth and Sports. Lack of coordination between the Ministry of Culture, Youth and Sports and the Tax Administration has resulted in poor controls over the exact amounts to be taxed and tax exempted.

The audit findings show that the matters concerning the sponsoring of sports by the Ministry of Culture, Youth and Sports and the private businesses require immediate actions. We have therefor given 10 recommendations. The list of recommendations is presented under Chapter 5 of this report.

1 Introduction

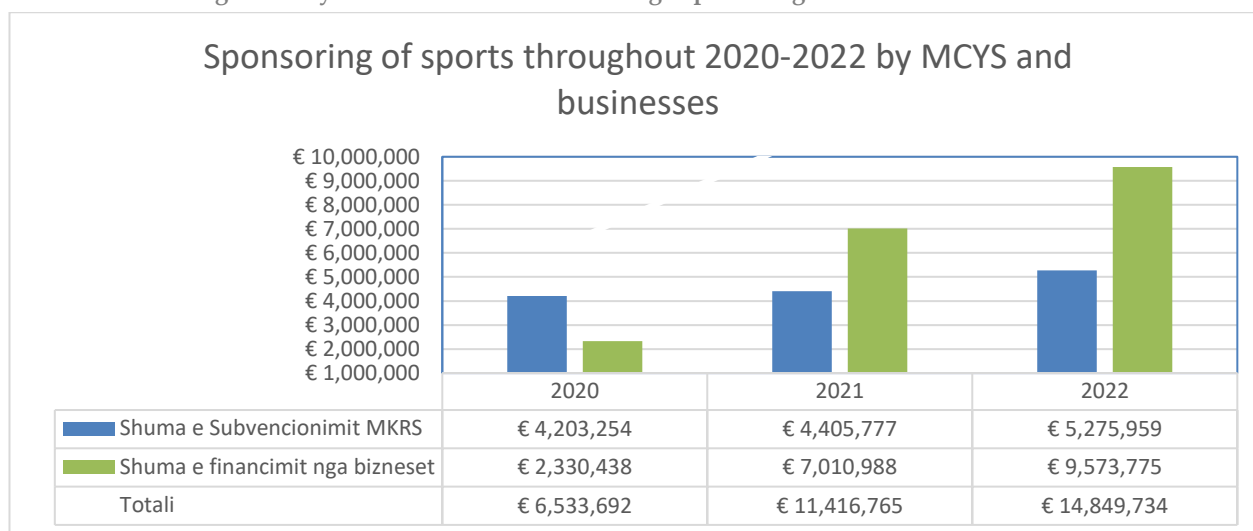
Sport in Kosovo has a long tradition and plays an important role in the society. Sports is the window for how other countries see Kosovo. Through sports, we can not only have a healthy society but also have a high reputation in the world.

With regard to sports, our country has achieved great successes in the representations of both individual sportspersons and teams in international competitions and in the membership of respective federations into European and world sports organisations.

The Department of Sports (hereinafter DS) operates within the Ministry of Culture, Youth, and Sports (hereinafter MCYS), which, ever since established, is in charge of the preparation, assessment and approval of policies for sports programs regarding the sports massification and raising their quality.

Every year, MCYS supports the development of sports activities, through which, it aims to contribute to the substantive organisation, development of staff, membership and licencing of sports in Kosovo and international arena. During 2022, the Ministry ha allocated funds for sponsoring the sports in general and specific areas. The general areas of investments included the licenced sports federations and the Kosovo Olympic Committee, whilst the specific areas of investments included the annex memorandums of the federations, memorandums for special activities, public calls, categorisation of sportspersons, trainers and Olympic pretenders, remunerations, ad-hoc financial support and permanent financial support.

Another form of sponsoring the sports is through the private businesses, which are granted a deduction of 30% in profit tax in order to be able to use these funds for sponsoring the sports organisations.

Chart 1: Subsidies granted by MCYS and businesses through sponsoring⁷.

Source: TAK and MCYS

The chart above shows an increasing trend of sponsoring from businesses, from €2 million that it was in 2020 to €9.5 million in 2022. The funding from MCYS to support the sports seems to have also had an increasing trend⁸.

⁷ Sponsorship – the financial and material support based on free will that is given by the natural or legal persons of the domestic or foreign country with the aim to support activities in the field of culture, youth and sports. Sponsorship enables sponsors to promote the names, firms, their logos and products with the aim to exploit allowed deductions for sponsorship and additional administrative and tax reliefs (Law no. 05/L-090).

⁸ Reports on subsidies and certificates issued by the MCYS.

2 Audit Objective and Audit Questions

The objective of this audit was to examine the sponsoring of sports by the Ministry of Culture Youth and Sports and private businesses throughout the years 2020-2022, with the aim to identify the shortcomings and areas for improvement in order to ensure transparency, accountability and proper use of funds in sports.

Audit questions

In order to be responsive to the audit objective, we have posed the following questions:

1. *Has the Ministry of Culture, Youth and Sports managed to support sports organizations properly and ensure that they meet the funding criteria?*
2. *Have the Ministry of Culture, Youth and Sports and the Tax Administration of Kosovo managed to ensure that the sponsored and subsidised activities have been implemented?*

The audit scope covered the MCYS and the Tax Administration of Kosovo (hereinafter TAK). Under the Ministry, we audited the Department of Sports and the commission for the evaluation of applications for the Certificate of Sponsorship in the areas of culture, youth and sports. From TAK, we used the data related to the tax exemption for businesses that sponsor the sports. The scope was focused throughout the years 2020-2022.

3 Audit Findings

With the purpose of conducting works of public and state interest⁹, for physical education and sports, MCYS shall, in cooperation with the Kosovo Olympic Committee, Sports Federations and other competent institutions, draft the Strategy on sport development and action plan and proposes to the Government its approval.

MKRS should develop the strategy on sport development and action plan to determine the duties and responsibilities of the central and local bodies of the KOC, the Paralympic Committee of Kosovo, of the Deaf Sports Federation, the sports federations of Kosovo and sports associations.

The law on sports sponsorship defines the general public interest as the support to various activities promoting the culture, youth and sports and the national and international level¹⁰.

For a sports organisation to be able to benefit funds from private companies for conducting sports activities, it should apply to MCYS for the certificate. This certificate contains the criteria and terms of the sponsorship such as:

- Description of the purpose of the sponsorship and the reasoning as to why it is of public interest; and
- Description of activities to be conducted with the sponsorship funds.

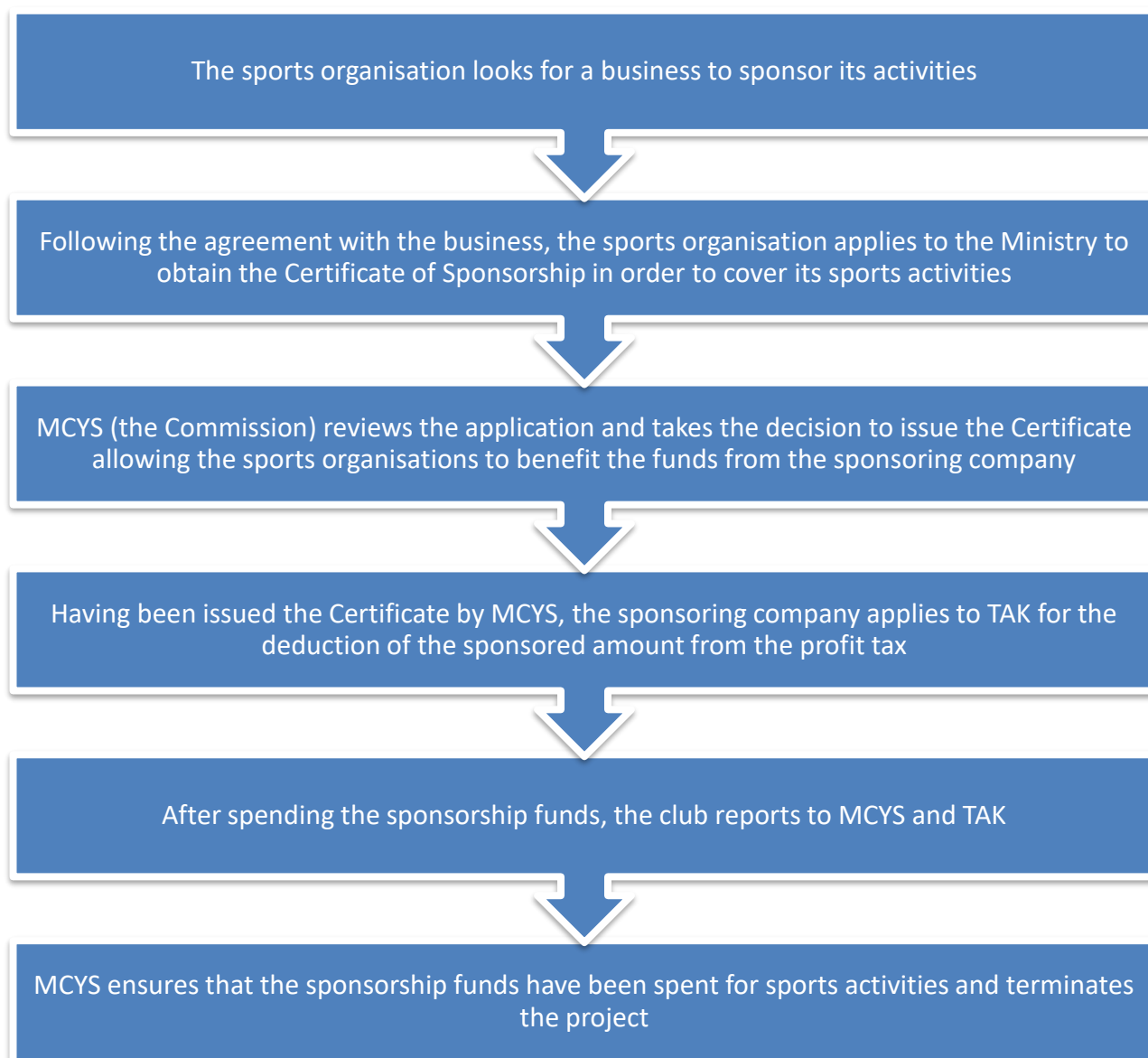
In addition, some other criteria such as, the club's membership in the federation and sports activities conducted for a longer period than 1 year, should also be met.

The sponsorship process takes place following several steps, which we have presented in the diagram below.

⁹ Law no.04/1-075 on Amending and Supplementing the Law no. 2003/24 on Sport

¹⁰ Law no.05/1 -090 on Sponsorship in the Field of Culture, Youth and Sports

Chart 1. The steps of sports activities' sponsorship by MCYS-TAK



The audit finding regarding the funding through sponsorship and subsidising are presented in the following. These findings have been identified by analysing and assessing the documentation, auditing the processes, testing, and interviewing the responsible persons. The audit evidence has served as a basis for giving the audit conclusions, presented under Chapter 4, and the recommendations for improving the process, presented under Chapter 5.

3.1 Funding through sponsorship throughout the years 2020-2022

In 2017, the Assembly of Kosovo approved the law on sponsorships in the areas of culture, youth and sports. With this law, the Government aimed to sponsor, carry out, support, promote and support the activities in the area of culture, youth and sports. Therewith, the general public interest that is the support to various activities promoting the culture, youth and sports and the national and international level would be achieved. According to this law, businesses within the country may sponsor sports activities up to 30% of the profit tax and benefit the discount for that amount which should be tax to TAK.

3.1.1 Sports development strategy not approved yet

With the purpose of conducting works of public and state interest¹¹, for physical education and sports, MCYS shall, in cooperation with the Kosovo Olympic Committee, Sports Federations and other competent institutions, draft the Strategy on sport development and action plan and proposes it to the Government for approval.

MCYS had tried to develop the sports strategy four times since 2015, but it failed every time. This occurred due to lack of the institutional willingness and neglect of the MCYS. As a result, all the sponsored activities are carried out without any strategy or program in place as to what direction sports will be developed in the country. The lack of strategy has led MCYS to uncertainties in term of addressing the needs for physical education, determining the development priorities and creating the professional qualifications. It has also hampered the effective encouragement of and support to new talents in the area of sports.

With regard to sports, MCYS was however based on the: 2021-2025 strategic and operational plans of the Government of Kosovo; the National Development Strategy and Plan, and the 2021 Medium-Term Expenditure Framework.

MCYS established the working group which finalised the 2023-2030 draft strategy. The draft strategy was presented to the sports community at the Third Sports Round Table, held on 13.06.2023, which serves as a consultative and coordinating platform for the priorities of sports policies for the relevant year. The draft strategy was ready for public consultation. As Kosovo was declared the hosting country for the 2030 Mediterranean Games, the working group is currently reflecting on the draft strategy - action plan for the organisation of the 2030 Mediterranean Games.

The lack of a program and strategy guiding how the public interest will be achieved leads to the risks that approved sponsorships will not serve the state interests or the common goals of sport. Failure to update a four-year plan for the development of sports creates barriers to the modernisation and current needs of sport in Kosovo. Moreover, it diminishes the reliability of public institutions that public funds designated to the development of sports are used in a transparent, accountable fashion and for the purpose they have been granted.

¹¹ Law no.04/1-075 on Amending and Supplementing the Law no. 2003/24 on Sport

3.1.2 Sponsorship used for the marketing campaign of private companies

The Law on Sponsorship in the Field of Culture, Youth and Sports stipulates that Sponsorship enables sponsors to promote the names, firms, their logos and products with the aim to exploit allowed deductions for sponsorship.

The purpose of sponsorship is the implementation, promotion and support of operations and activities in the areas of culture, youth and sports¹².

While analysing the samples we found that all the agreements concluded between the sports organisations and the sponsors contained at least one form of mandatory advertising to be implemented by the beneficiary of funds (the sport club).

We found cases where some sponsorships were made for the exclusive purpose of advertising the sponsors, which proves that some of these funds are spent to the benefit of the sponsoring companies rather than on sports activities. In one of the samples, a sports club received €10,000 in sponsorship for the purpose of advertising and sports (as stated in the application), but it did not submit a narrative report to show how much of those funds were used for advertising the sponsoring company. In another sample, a sports organisation provided sponsorship of €350 thousand. During the reporting phase, this organisation has documented an expenditure of over €50,000 for advertising equipment for the display of sponsor advertisements. It is worth noting that this purchase, although qualified as an expense, does not fall into the category of sports activities. Despite the legal provision allowing promotion through the brand names, logos of businesses and their products, the law explicitly prohibits the use of sponsorship funds for activities not related to sports.

The commission appointed by the MCYS for issuing the Certificate of Sponsorship has informed that the regulation¹³ does not explicitly prohibits the promotion and that they have been careful during the closing process to ensure that the expenditures have incurred for material that convey positive messages in sports¹⁴. Meanwhile, although it enables the sponsor to promote its brand name, business logo and products that does not mean that the funds allocated for sports activities to be used to the interest of the sponsoring company.

The Law on Sponsorship allows private companies to benefit from tax exemptions by supporting the sports activities that serve to the public interest.

3.1.3 Beneficiaries of sponsorship have unclear objectives on spending the funds

The summary report shall describe all the results achieved under the relevant sponsorship agreement, describing the calendar terms when the relevant activities have been carried out, the financial amounts that

¹² Law no.05/1-090 on Sponsorship in the Field of Culture, Youth and Sports

¹³ Regulation (MCYS) no. 01/2018 on Defining the Criteria, Procedures and the Certificate of Sponsorship Form in the Field of Culture, Youth and Sports.

¹⁴ Questions on the sponsorship - Commission's response

have been spent on those activities, the number of beneficiaries from the activities carried out. Reports submitted by the sponsorship beneficiary shall be evaluated by the relevant Committee within the MCYS, who has issued the relevant certificate of sponsorship¹⁵.

In analysing 119 sponsorship samples, we found that purposes which the sports organisations benefited the sponsorship for were not presented clearly. In 55 of these samples the results achieved from using the sponsorship funds had not been presented at all.

While examining the reported results, we found in one case that the club had stated in its application to use the funds on many activities in order to be able to participate on national and international competitions. Yet, out of the total of €30,000, the club spent €20,000 on soil excavation for the rehabilitation of the sports pitch. The application and the reported results do not match and departs from the sports activities focus presented in the application for sponsorship.

According to MCYS, the club in question lacked basic things such as a sports pitch for the development of children sports activities and in order to enable the development of sports activities, it was allowed to excavate the soil to fix the sports pitch.

Thus, spending the highest amount on one activity shows the clubs' poor planning, without consultations with MCYS.

Spending the highest amount on one activity rather than participating in national and international competitions leads to the failure of achieving the goal which the club applied at the beginning for and undermines the club's credibility for benefiting other funding in the future.

3.1.4 Sponsorship funds spent on non-sports activities

The general interest is realized through the sponsorship of different activities in the field of culture, youth and sports that brings improvement to individual and social life of citizens, business organisations, foundations, natural and legal persons in the Republic of Kosovo. The purpose of sponsorship is the implementation, promotion and support of operations and activities in the areas of culture, youth and sports.¹⁶

The samples analysis has revealed sponsorship practices reaching different areas, other than promotion. In two cases we analysed, the sponsoring companies have asked in the contract concluded with the sponsorship beneficiary for remunerations which did not serve to the public interest, such as travel tickets, VIP tickets for the staff of the sponsoring company etc.

An actual case is the agreement worth €350 thousand, which was planned to be divided over a three-year period. The sports organisation was therewith obliged to meet some special conditions as follows:

- Provision of VIP tickets for each of the matches in the National Super League as well as 50 tickets for Category 1 matches;

¹⁵ Regulation (MCYS) no. 01/2018 on Defining the Criteria, Procedures and the Certificate of Sponsorship Form in the Field of Culture, Youth and Sports, article 12

¹⁶ Law no.05/1 -090 on Sponsorship in the Field of Culture, Youth and Sports, article 1

- Provision of tickets for each of the matches in the Nations League and for the European Championship qualifiers played in Kosovo, namely 5 VIP tickets and 20 tickets for Category 1 matches;
- Provision of tickets and travel for each of the matches in the Nations League and for the European Championship qualifiers played abroad, 4 VIP tickets minimum.

In 2020, the sport federation spent €12,500 only on national matches tickets for the sponsoring company.

In another case, the sponsoring company established in the contract concluded with the sponsored sports club to have one of their staff appointed as a member of the board in the sports organisation. This aspect of the agreement indicates that the sponsors require not only the promotion of their companies but also a certain level of control or impact on the decision-making process of the sports organisation.

In two cases, we found that the clubs' owners were also owners of the businesses that sponsored their own respective clubs. Moreover, although the sports clubs have reported on the spending of the sponsorship funds to the MCYS, the lack of clarity about the transfer of funds from the sports club's bank account to the owner's business or personal bank account casts doubts about the way these funds were handled. This way of managing the funds obtained from donations or sponsorship may cast doubts on the financial practices of the organisation.

Considering the form of sponsoring the sports organizations, it is obvious that the funding of sports through sponsorship represents an unsafe form of applying for and benefiting these funds by the sports organizations. The sponsors requests to the club to arrange the marketing of the sponsoring organisation, for the tickets of matches for the staff of the sponsoring company and for the travel tickets and accommodation indicate that these sponsorship funds (or otherwise taxes to be transferred to the state budget) are used to the benefit of sponsors rather than the development of sports in our country. Moreover, the ambiguities on the transfer of funds from the sports club's bank account to the business' bank account, or the owner's personal one, indicate the uncertainty as to whether these transfers are legitimate remunerations or whether they constitute misuse of sponsorship funds for personal purposes.

3.1.5 Potential conflicts of interests in the sponsorship assessment process

Reports submitted by the sponsorship beneficiary shall be evaluated by the relevant Commission within the Ministry of Culture, Youth and Sports, who has issued the relevant certificate of sponsorship.¹⁷

MCYS has established the relevant commission which is responsible for the entire cycle; from the application over to the assessment of reports on the spending of sponsorship funds. While analysing the MCYS decisions, we found that the same commission accepted the applications for the

¹⁷ Regulation (MCYS) no. 01/2018 on Defining the Criteria, Procedures and the Certificate of Sponsorship Form in the Field of Culture, Youth and Sports

certificates of sponsorship and was in charge of reporting on expenditure of these funds by sports organisations.

The practice the MCYS is applying raises concerns on potential conflicts of interest within the commission responsible for issuing the certificates of sponsorship and the evaluation the funds expenditures. When a single committee is vested with both functions, there is an inherent risk that the evaluation process will lack the required impartiality and integrity. This potential conflict may undermine the reliability of the evaluation process and the integrity of the reported results.

To address this concern, some countries or organisations adopt practices that include separate commissions for these two essential functions. This serves to enhance the accountability, transparency and overall reliability of the sponsorship evaluation process.

Although the MCYS Regulation stipulates that the same committee will handle the issuance of the certificates of sponsorship and evaluations on funds expenditures, adopting an approach or best practice that includes the separation of these tasks can help mitigate potential conflicts of interest and strengthen the credibility of the evaluation process. The segregation of duties is in compliance with international standards and promotes transparency and accountability in the management of sponsorships.

3.1.6 Delayed reporting by the sports organisations

The sponsorship beneficiary shall be obliged to draft a written report on the sponsorship and send it to the Ministry of Culture, Youth and Sports within a period of three months. In cases where the sponsorship is long termed, the reporting shall be made on an annual basis.¹⁸

Over the years 2020-2022, there has been an increasing trend of sports organisations' failure to report as well as an increase in the amounts not reported by the sports organisations. This is shown in the table 1.

Table 1: Organisations have reported and not reported on the sponsorship funds 2020-2022.

| Year | Not reported | Amount per year | Reported | Amount |
|------|--------------|-----------------|----------|--------------|
| 2020 | 38 | 550,145.00 | 189 | 3,084,761.00 |
| 2021 | 113 | 1,613,650.65 | 575 | 8,305,782.65 |
| 2022 | 567 | 8,447,328.60 | 230 | 2,528,596.92 |

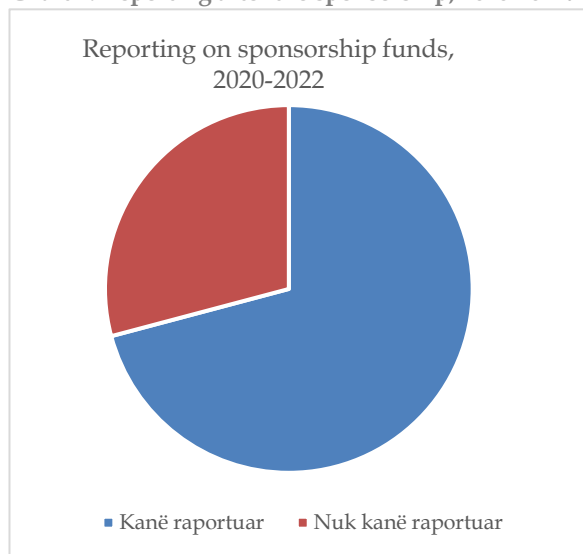
The data presented above present the situation of the sports organisations' reporting as of the year 2023.

We received notes from MCYS, later after having terminated the audit, showing that there were unclosed advance payments of over €936 which had a closure deadline throughout the year 2023. It is important to explain that the examination process has ended as soon as the audit ended, therefore

¹⁸ Regulation (MCYS) no. 01/2018 on Defining the Criteria, Procedures and the Certificate of Sponsorship Form in the Field of Culture, Youth and Sports

any information obtained or activities occurred afterwards have not been subject to our examinations or testing.

Chart 2: Reporting after the sponsorship, 2020-2022.



In analysing the samples of sponsorship implemented throughout the years 2020-2022, we found that 64% of the sponsorship beneficiaries have reported after having received the sponsorship. Meanwhile, 36% of the sponsorship beneficiaries have not reported on the way they spent the sponsorship funds.

In addition to the lack of reporting, 30% of the sponsorship beneficiaries from the analysed samples have reported in delay. In some cases, there are sports organisations that have reported up to two years with delays on the benefited sponsorship.

The reason behind the delayed reporting by sports organisations is the failure to punish them and the lack of controls by MCYS. Failure to report to MCYS regarding the benefited sponsorship had led to lack of information for MCYS as to how and on what activities the public funds have been spent.

The MCYS commission responsible for issuing the certificates of sponsorship are aware of these delays, but according to them, no new applications for the certificate of sponsorship is considered for clubs that have not reported on the benefited sponsorships have not used any mechanism that penalises the late reporting. Failure to report on time or failure to report on sponsorships at all leads to the risk of clubs spending their funds for purposes other than those of general public interest.

Moreover, in analysing the sponsorship applications filled out by sports organisations, we found, in all the samples, that one of the criteria was to give a description of the purpose of the sponsorship and a description of the organisation's activities. Our analysis shows that these applications were filled out with generalised descriptions e.g. *"sponsorship in general"*, *"for advertising purposes"*, *"all activities [of the sports organisation]"*. Thus, there was no actual description of the purpose to benefit the sponsorship funds and of the activities to be implemented by the club after having benefited the sponsorship.

3.1.7 Sponsorship beneficiaries did not meet the reporting criteria

All sponsorship beneficiaries exceeding the amount of €10,000 are obliged to submit an audit report for the previous year to the MCYS.

In case a sponsorship beneficiary does not fulfil his/her duty concerning annual reporting on the sponsorship, he/she shall not be able to handle other matters and will be sanctioned.

Our analyses have identified shortcomings in the sports organisations' reporting on some of the required criteria, as disclosed below.

In four cases, we found that the audit reports were prepared by auditors who did not have the licence to perform such audits.

In nine cases, we found that the submitted audit reports did cover the year for which the organisation had benefited the funds.

Although the MCYS officers justified themselves of having not been aware of the auditors' licencing process, MCYS should have provided for controls over the financial reports submitted by the beneficiary.

Receipt of reports from unlicensed auditors increases the risk that the reports will not present the actual and true situation and that the sponsorship funds will not be reported as required.

Moreover, the following are two cases where the beneficiaries have not properly reported regarding the sponsorship.

In the first case, we found that there was a payment of over €11,000 for tennis balls, for which we found no receipt that proves such a purchase.

In the second case, we found that the sports club's owner had benefited a certificate of sponsorship to the tune of €60,000 with the purpose of using these funds for the operations of his club. Having benefited the sponsorship funds, this sports club transferred the amount of €40,000 to the owner's bank account on behalf of returning the loan for the sports equipment and overheads. But, in the report submitted by the club to MCYS we didn't find any evidence showing that the borrowed funds have been actually spent on sports activities. Thus, the file shows that the club has properly reported only on the amount of €20,000, whilst for the amount of €40,000, which was returned as a paid debt to the owner, should have not been recognised by MCYS as an expense on sports activities because these sponsorships should be granted for future activities that should be covered with reliable evidence.

Such practice of covering the investments from past years with the sponsorship funds granted for activities to happen in the future indicates that the sponsorship funds might be easily misused on behalf of past activities. In addition, lack of evidence on the spending of the sponsorship funds does not ensure that these activities have actually occurred.

3.1.8 Tax evasion on behalf of the deductions applied for sports sponsorship

The agreement for sponsorship and advertising with the financial report are necessarily submitted to the TAK, at the latest thirty (30) days from the day of fulfilment-completion of the agreement. The certificate for the determination of the public interest for the purpose of realizing the rights of the parties for sponsorship and

which will be processed in TAK ¹⁹ by the sponsorship beneficiary parties, shall contain: name and title of the issuing institution and the receivers', name and title of the end user, description of the matter and the purpose of the sponsorship, which enable their identification with accurate data on the quantity, amount, and other features, and the final use of the sponsorship matter.

TAK and MCYS shall oversee the granting, receiving and the usage of sponsorship and advertisement for allowed deductions. TAK and other competent authorities, if during the inspection prove irregularities and misuses during the usage of sponsorship may file criminal or misdemeanour charges under the legislation in force.²⁰

In analysing and comparing the certificates of sponsorship, we found that there was a huge discrepancy between the list of certificates issued by MCYS for years 2020-2022 and the list tax deductions in TAK for the same years.

According to these lists, the companies have paid smaller amounts of taxes than what they had to. In order to look into this problem, we selected samples from TAK for businesses that were exempted from the property tax as a result of sponsoring the sports. We then compared each company that owned the certificate of sponsorship to sponsor the sports clubs issued by MCYS with each company that had declared the tax deduction to TAK. These lists were for years 2020-2022 as remuneration of the declared sponsorship. The results of the comparison are presented in table 2.

Table 2: Overstatements of private companies in TAK

| | 2020 | 2021 | 2022 | Total overstatement |
|---------------------------------|------------------|--------------------|--------------------|---------------------|
| Overstatement with certificate | 155,873 € | 762,643 € | 1,031,600 € | 1,950,116 € |
| Declaration with no certificate | 753,751 € | 1,151,000 € | 1,714,828 € | 3,619,579 € |
| Total overstatement | 909,624 € | 1,913,643 € | 2,746,428 € | |

In analysing table 2, it can be seen that the companies have paid less taxes on the grounds that they were giving those funds for sponsoring sports activities, which they actually did not. The table above shows two forms of declarations which we have explained as the following:

- Overstatement with certificate: in this case, the companies owned the certificates for a smaller part of the funds they gave for sponsoring the sport, but they did not own the certificates for the amounts shown in the tables, such as over €155,000 for 2020, over €762,000 for 2021 and over €1 million for 2022.
- Declaration with no certificate: in this case, the companies did not have certificates issued by MCYS for the funds presented above, which they gave for sponsoring the sport however they declared for a discount in TAK.

¹⁹ Regulation (MCYS) no. 01/2 018 on Defining the Criteria, Procedures and the Certificate of Sponsorship Form in the Field of Culture, Youth and Sports (article 12).

²⁰ Law no.05/1 -090 on Sponsorship in the Field of Culture, Youth and Sports, (article 15).

Taking this fact into consideration, we have come to the conclusion that, for three years, the difference between the lists of certificates from MCYS and the tax deductions in TAK is around €3.6 million. This discrepancy occurred for three reasons, such as: companies have transferred funds to clubs without obtaining the certificate from MCYS; companies have been exempted from taxation without owning the certificate and without transferring the funds to sports clubs; and the errors in the MCYS database regarding the registration of sponsors.

In comparing the lists of certificates of sponsorship from MCYS and the tax deductions applied by companies as a result of sponsorship, we found that there were about 352 businesses with differences between the sponsorship amount in the certificate from MCYS and the tax deductions in TAK.

We have asked TAK to provide us with the actual situation of how these companies stand. TAK managed to provide information for 45 businesses, and their situation is presented below.

Table 3: The situation of businesses after TAK inspections

| Year | Nr. of the clubs benefiting the sponsorship from 45 businesses | With no certificate | With certificate | Have transferred the funds to the sports organizations | Have not transferred the funds to the sports organizations | Have submitted the data to TAK according to the law | Have not submitted the data to TAK |
|------|--|---------------------|------------------|--|--|---|---|
| 2020 | 26 | 8 | 18 | 25 | 1 | 14 | 12 |
| 2021 | 62 | 7 | 55 | 58 | 4 (two cases-wrong donation) ²¹ | 28 | 34 (two cases of donation misstatement) |
| 2022 | 114 | 30 | 84 | 107 | 7 (one of them has transferred them partly) | 31 | 83 |

Based on the notes we received from TAK for these 45 businesses, about €490,347 have not been transferred to the sports organizations' accounts, nor have they been paid to the state as a mandatory tax. This analysis also shows that from the selected samples, 45 clubs have benefited the sponsorship to the tune of €1,083,246 without having the certificate of sponsorship issued by MCYS.

Meanwhile, from the selected samples, 129 clubs benefiting the sponsorship have not submitted the information to TAK according to the law on sponsorship.

²¹ In these two cases, companies made donations (up to 10%) and have incorrectly declared the tax deduction

For the other two cases where the companies have made misdeclaration²² to TAK during 2021, neither TAK nor MCYS were informed about these errors although 30 days after the conclusion/implementation of the agreement reporting to TAK should take place, according to the law.

Based on the analysed data above, we may conclude that neither TAK nor MCYS have information on the situation of the sports sponsorships by private companies. According to TAK, the reason behind failure to control these businesses was because the TAK system is mainly risk-based, wherewith businesses to be inspected are categories high-risk, medium-risk and low-risk. In addition, taking into consideration the limited number of the operative staff, TAK was inclined to focus on the businesses with high risk of tax evasion when deciding on the tax inspections.

This analysis shows that the companies have not paid the mandatory taxes, evading them with the reasoning that have sponsored the sports organisations. Businesses have given funds to sports organisations without any program assessed by MCYS or any assessment as to whether spending these funds would constitute public interest. Sports organisations that have received funds without the certificate have not reported to MCYS and TAK on the purpose they have spent these funds for.

TAK did not provide us with any information on whether they had punished any of these companies for such violations. But, following our discussions with TAK officers during the audit regarding the identified shortcomings, TAK only punished two companies on the grounds of false declaration of taxes. The audit referred to the companies that have declared the tax deduction without obtaining the certificate by the MCYS. Tax exemption of the companies with no certificate from MCYS for sponsoring sports activities in the amount of €1,083,246 as well as failure to transfer the funds of €490,347 to sponsor the clubs has caused a damage of €1,573,593 to the budget for the years 2020-2022.

²² Companies have incorrectly filled out their annual reporting forms to TAK

3.2 Funding through subsidies over the years 2020-2022

The Ministry of Culture, Youth and Sports in Kosovo subsidises the federations, clubs and individual sportsmen with funds, with the aim of promoting and developing the sports in Kosovo. Subsidies are given to help the sports federations organise the activities, trainings, championships, and improve the sports infrastructure. The subsidies criteria and amounts may vary depending on the policies of the Ministry of Culture, Youth and Sports in Kosovo and on the specific projects presented by the sports federations.

3.2.1 Delays in setting the multiplier for the federations

MCYS makes use of the regulation on the categorization of sports²³ for funding the sports federation, wherewith the sports are categorised into four groups: Group A includes national federations, which have accumulated 65 points; Group B includes national federations, which have accumulated 45 - 64.99 points; Group C includes national federations, which have accumulated 25 - 44.99 points; and Group D includes national federations, which have accumulated up to 24.99 points. Meanwhile, the financial value of points is determined annually by decision of the Minister.

Each year, the minister sets the financial value to the multiplier for funding the sports federations. This multiplier is multiplied with points accumulated by the federation during the categorisation. In analysing the documentation for how the multiplier's value was set, we found that the financial value for year 2020 was set in March, for year 2021 in May, and for year 2022 in March.

According to MCYS, this occurred because, the sports federations have a period of 8 days to file their complaints once the preliminary list is published, according to the regulation. Afterwards, KOC has another 8 working days to announce the final categorisation list. Thus, from the moment the application deadline is closed until the publication of the final list the process takes 47 working days, according to the old regulation. Our assessment is that these were not set in due time because some of the federations conduct their activities during winter. In addition, the sports federations are financed on quarterly basis and the first quarter (Q1) should end in March and reporting should take place in April. During the 2020-2022 period, the categorisation and funding of federations started after the month of April, this leads to the situation that, for the first quarter (Q1), the sports federations receive the subsidy in May or later instead of receiving it in March. This has made the reporting and closing of the three months difficult. In addition, we have found delays in the sports categorisation points.

It is worth noting that, in 2023, the same evaluation method has led to improvements in the process of setting the multiplier and evaluating sports federations.

Considering that the funding of sports federations is divided into four quarters, where the first quarter (Q1) ends in March while the funding started after April, this results in discrepancy with the reporting period, making it difficult for federations to report and close of all three months.

²³ Regulation (MCYS) no.04/2018 on Categorisation of Sports

3.2.2 Shortcomings in the sponsoring of the representations of sports federations

MCYS, namely the Sports Department, maintains the register of the licensed sports federations in Kosovo. The federations established for the certain sports branches shall obtain the right to conduct their activity following the licensing by the sports department in MCYS²⁴

Sports federation in Kosovo have not been licensed from 2020 until October 25th, 2022. They began to obtain the licence alternately from October 25th, 2022. Although the federations were not licensed and did not have the right to conduct sports activities and be funded by MCYS or by sponsorship, MCYS still funded these federations during this period of time. The minister's decision dated 30.04.2021 to extend the validity of the sports federations' licenses, based on the recommendation of the commission for the licensing of federations, served as basis for the funding. This commission had requested that, due to the COVID-19 circumstances which has had an impact on the federations not being able to fulfil the licensing criteria and also not to lose the opportunity to participate in the Tokyo 2020 Olympic Games (postponed to 2021) and in the Balkan, European and world championships, MCYS based on its authority decided to extend the validity of the licenses until December 31st, 2021. Also, by the minister's decision dated 19.05.2022, the license of sports federations has been extended until 31.07.2022. Although this decision had a deadline as of 31.07.2022, the sports federations were funded even after this date and without owning the operating licenses. The current regulation does not provide for the licenses of sports organizations to be extended. Re-licensing is only allowed by meeting the statutory criteria. Licensing according to the standards would enable the funding of only the federations that meet the criteria and conduct sports activities.

In analysing the funding of federations with cooperation memoranda or for participating in competitions, we found that €2.4 million euros were given to unlicensed federations. The first licensed federation obtained the licence from MCYS on October 25th, 2022, whilst MCYS has been funding these federations for their sports activities since February 2022.

MCYS officers point out that in order to overcome the standstill in the support of unlicensed sports organisations from participating in international competitions, funding has been provided under the KOC umbrella. This was done for the purpose of not wanting to lose participation in international qualifying competitions, which were mandatory to reach Olympic norms and qualify for World and European championships. This does not justify the funding because MCYS and KOC should have been preprepared regarding the licensing of the federations in order to be able to obtain funding based on the points earned.

²⁴ AI no.02/2015 on the Establishment and Licencing of sports Federations Associations, Article 12

3.2.3 Funding of sports organisations is not clearly regulated

Each year, the KOC categorises the sports federations by points and this categorisation should be based on quality, massiveness, activities, and building of capacities. Afterwards, the MCYS sets the financial value to the multiplier for funding the sports federations.²⁵

In analysing the samples for years 2020-2022, we found that the sports organisations obtain funds in much higher amounts than earned based on the points set forth in the regulation on the categorisation of sports federations.

While comparing the amount that sports organisations have deserved based on the points earned with the actual funding over the year 2020, we found the difference of more than €805,498 than the budget organisations deserved based on the criteria. Thus, for 2020, MCYS funded 15 more sports organisations than deserved based on the scoring system (annex table 8).

For year 2021 (annex table 10) sports organisations were funded around €1.4 million more than they deserved based on points. During the same year, there were also cases when the federation has, with an annex memorandum, benefited a subsidy 6 times more than it deserved.

During 2022 (annex table 11) sports organisation were funded around €582,370 more than they deserved based on the points.

We have analysed the basis of these annex memoranda we have not found that this form of funding is regulated by by-laws as the form of funding of federations through points is regulated. This form of funding the sports organisations - not regulated by by-laws - represents unequal funding compared to other sports organisations that have received more points based on the results achieved in the previous year.

We interviewed the MCYS about the funding outside the basic memoranda and they answered that the MCYS has, through special memoranda, funded sports organisations for different activities such as the organisation of international events etc. This way of funding, by overlooking the points criteria and the MCYS multiplier, constitutes an unfair system of evaluation compared to the other federations which have been evaluated based on points.

3.2.4 Unclosed advance payments of the sports federations and clubs that have benefited in 2020-2022

The Memorandum of Agreement between MCYS and the sports federations²⁶ states that sports organisations are obliged to submit to MKRS a quarterly narrative report on the spending of funds according to the sports activities conducted and to allocate the funds for the next three months.

In analysing the MCYS subsidies, we found that there were large amounts of unreported subsidies allocated by MCYS. Thus, sports organisations do not stand well when it comes to financial

²⁵ Regulation (MKRS) no. 04/2018 on categorisation of sports

²⁶ Memorandum of Cooperation between MCYS and Sports Federations, article 5.7

reporting. This occurred as a result of MCYS failure to hold the sports organisations to account on reporting and closure of advance payments.

Table 4: the reported and unreported amounts

| Year | Amount of funding | Reported | Unreported |
|------|-------------------|------------|------------|
| 2020 | €4,150,273 | €2,919,248 | €1,231,025 |
| 2021 | €4,405,777 | €4,210,459 | €195,318 |
| 2022 | €5,275,959 | €3,179,733 | €2,096,226 |

The table above shows the financial amounts of all the sports federations and clubs and their reporting.

Year 2020

Of the total amount of €4.1 million of funding to sports organisations, 39 sports organisations (annex table 7) did not report around €1.2 million to MCYS on how and for what purposes they spent these public funds. Neither did they report on the results achieved, although they had the statutory obligation to report by the end of 2020 the least.

In analysing the 17 samples of 2020, we found that 10 sports organisations that have benefited in 2020 and did not report to MCYS have still benefited in 2021 and 2022. Moreover, the benefited advance payments of these 10 sports organisations appeared to still open in 2022.

In analysing the lists of subsidised sports organizations, two sports federations were subsidised with a basic memorandum even though they had not closed the advance payments for 2020.

Table 5: Funding of sports organisations without closing the advance payments

| Year | Federation | Amount | Reporting |
|------|---------------------|---------|------------------|
| 2020 | Sports Federation 1 | €13,707 | Advance payments |
| 2021 | Sports Federation 2 | €18,276 | Closed |
| 2020 | Sports Federation 3 | €4,530 | Advance payments |
| 2021 | Sports Federation 4 | €5,663 | Advance payments |
| 2022 | Sports Federation 5 | €8,900 | Advance payments |

One federation received a funding of €5,663 in 2021 based on with a memorandum of cooperation, for which it had never reported on. Also, the same federation has also benefited a subsidy of €4,530 in 2020, for which it has not reported yet to MKRS on how these funds have been spent.

Although the federations do not report on the spending of funds of the basic memoranda, they continuously benefit funding from MCYS through annex memoranda. Likewise, sports federations and clubs do not report on the other types of funding as to what have they been spent on, and whether they have carried out the planned activities which they benefited the funds for.

One sports club received a subsidy of €9,315 in 2020 for the activity "Financial Support - 2020 European Sports Week", meanwhile the founders of this club are MCYS officers, from the sports

department specifically. Also, the same officer had obtained a certificate of sponsorship from MCYS in 2020 for the amount of €7,000, whilst in 2022 obtained 3 certificates for the amount of €17,000.

Year 2021

From the 39 analysed samples for 2021, we found that 10 sports organisations have benefited in 2022 although they had not closed the subsidies benefited in 2021. Moreover, 22 out of the 39 beneficiaries of this year have advance payments not closed since 2020.

In addition to funding the federations through memoranda, MCYS has funded sports clubs through public calls. We analysed six samples and found that they were all unclosed advance payments amounting to €217,809.

Amongst the beneficiaries of subsidy from MCYS, we found that MCYS has carried on with the same trend of funding those sports organisations that benefit public funds and do not report on how they spent them. From the 2021 funding amount of €4.4 million, MCYS has subsidised sports organisations with annex memoranda in the amount of €872,648.

In total, MCYS funded the sports organisations or sportsmen with the amount of €4.4 million. Of these, €195,318 were not reported to MCYS by different sports organisations as to how they were spent, although being a legal obligation.

Year 2022

The total amount of MCYS funding for sports organisations in 2022 was €5.2 million. Of this, €2 million are unclosed advance payments and are not reported to MCYS

We selected 19 samples of sports organisations sponsored in 2022, which received €1.6 million in subsidy. Of this amount, €641,323 were unclosed advance payments of 11 sports organisations, whilst €940,384 were reported by 8 sports organisations as to how they were spent.

In analysing the samples for beneficiaries of 2022, we found that these sports organisations have unclosed advance payments in 2020 and 2021, as presented in the table below.

Table 6: Sports organisations that benefited in 2022, but with unclosed advance payments form 2020 and 2021.

| Sports federation/club | Amount benefited in 2022 | Reporting for 2022 | Unclosed advance payments since 2020 | Unclosed advance payments since 2021 |
|------------------------|--------------------------|--------------------|--------------------------------------|--------------------------------------|
| 1. Sports Federation 1 | 358,945 € | Closed | 2 | 1 |
| 2. Sports Federation 2 | 178,000 € | Advance payment | 2 | 0 |
| 3. Sports Federation 3 | 169,460 € | Advance payment | 2 | 1 |
| 4. Sports Federation 4 | 142,072 € | Advance payment | 1 | 0 |
| 5. Sports Federation 5 | 43,758 € | Closed | 2 | 0 |
| 6. Sports Federation 6 | 43,176 € | Closed | 2 | 0 |
| 7. Sports Federation 7 | 39,640 € | Advance payment | 2 | 1 |
| 8. Sports Club 8 | 10,000 € | Advance payment | 0 | 0 |
| 9. Sports Club 9 | 10,000 € | Advance payment | 0 | 0 |
| 10. Sports Club 10 | 10,000 € | Advance payment | 0 | 0 |

| | | | | |
|--------------------------|-----------|-----------------|---|---|
| 11. Sports Club 11 | 10,000 € | Advance payment | 0 | 0 |
| 12. Sports Federation 12 | 43,176 € | Closed | 2 | 0 |
| 13. Sports Federation 13 | 42,951 € | Closed | 2 | 1 |
| 14. Sports Federation 14 | 42,951 € | Advance payment | 2 | 1 |
| 15. Sports Federation 15 | 24,435 € | Closed | 0 | 0 |
| 16. Sports Club 16 | 10,000 € | Advance payment | 0 | 0 |
| 17. Sports Federation 17 | 358,945 € | Closed | 2 | 1 |
| 18. Sports Federation 18 | 25,000 € | Closed | 0 | 0 |
| 19. Sports Club 19 | 19,200 € | Advance payment | 0 | 0 |

Table 6 shows the sports federations which have unclosed advance payments since 2020 and 2021. For example, when analysing the sports federation 1, we may see that this federation has reported on the funds benefited for year 2022, but has two unclosed advance payments for year 2020 and one advance payment for year 2021. In addition, when analysing the samples, we found that other 6 sports organisation have benefited through the public calls, but have not reported on how those funds have been spent.

This form of sponsoring the sports organisations and their irresponsibility when it comes to spending of funds for the years 2020-2022 has led to lack of information for MCYS as to how the public funds of about €3.5 million have been spent. According to MCYS officers, funds are not allocated to sports organisations that have not closed the previous projects beforehand. However, the audit evidence shows that even though they were not funded through basic memoranda, those organisations with unclosed advance payments were funded through annex agreements, or other forms, to the tune of €1.3 million for the years 2021 and 2022. Moreover, we have not found any legal basis that allows this form of funding through annex agreements.

Failure of the sports federations and clubs to report on the public funds does not ensure that these funds have been used for the purposes they have benefited them for. Neither does it provide the MCYS with information on the results of sports in the country.

3.2.5 Funding of sports organisations for year 2020 without a public call

Any financial support to NGOs should be announced with a public call which should be published on the website of the financial support provider. Providers of the financial support are encouraged to also use other forms for notifying the NGOs in order to increase competitiveness²⁷

By analysing the 2020 samples we have identified that sports organisation are funded even without a public call. Of the selected samples, there are two cases wherein sports organisations have been funded only with a request to MCYS.

These two sports organisations have benefited €21,100 without a public call and by not meeting the criteria according to the law and regulation of MCYS. According to MCYS, the latter have performed activities of interest for the national sports. One of them managed to qualify for the first time in the international Champions League competition within UEFA, whilst the other is a member of the

²⁷ MoF Regulation no.04/2017 on the Criteria, Standards and Procedures of Public Funding of NGOs

Basketball Federation of Kosovo and the International Basketball Federation (FIBA) which were assigned to organise competitions for the international qualifications. Although MCYS has supported such activities, this form of funding the sports organisations or their activities should be regulated, and clear criteria should be set for fund beneficiaries regarding different national or international activities. Hence, this form of funding should be transparent and enable each sport organisation or individual that qualify for international competition to be sponsored for the arrangements of these activities.

Aside from not being transparent, funding organisations without a public call, also leads to the beneficiary not being treated equally to other sport organisations and no competitiveness between sports organisations.

3.2.6 Mismanagement of the Kosovo Sports Database project

Following the public announcement of MCYS in December 2021, one NGO had received a subsidy of €121,430 euros for the development of the Kosovo Sports Database project. The beneficiary had to implement this project within six months, namely until 30.06.2022. The project objectives were:

- Possession of data to create a database on any more upgraded platform;
- Long-term monitoring of the trends of participation in sports and availability of support staff in sports clubs;
- Training of staff on data collection and systematisation, who will be able to engage in the future for kind of purposes;
- Publication of the results at the national level (final report, final conference, media)

The auditor was provided with the NGO's final product/report only after the draft audit report had been sent to the Ministry. Based on the evidence, it turns out that this product was sent to the Ministry on 16.06.2023, about a year late. The Ministry did not accept the said product through the commission to assess whether the product met the intended objectives and therefore the advance payment for this subsidy is still open. In the file, there was evidence that MCYS had refused to close the advance payment for this project due to uncertainties about the quality of the project. Moreover, the assessment of the application for subsidy was signed by only one member of the commission. However, the final list of all beneficiaries, including the beneficiary for this project, was signed by all the members of the commission.

The fact that the Ministry has neither used nor examined the final report of the beneficiary, even after nearly 9 months and having paid €121,430 for it, indicates the mismanagement of the entire process related to this subsidy and consequently shows the failure to achieve value for the money spent.

3.2.7 Lack of monitoring of sponsored and subsidized funds

According to the regulation²⁸, in addition to regular monitoring²⁹ through submitted reports, providers of public financial support carry out on-site monitoring. For projects that are longer than one year, at least one on-site visit must be carried out within a year; and for projects of a period shorter than one year, at least one on-site visit must be carried out during project implementation.

Monitoring should provide information on the regularity of funds expenditure, the implementation of activities from the funds, the results achieved through funds implementation and the impact that these funds have had³⁰

MCYS should carry out regular monitoring of public financial support for sports sponsorship, for them to be in line with the requirements of the agreement and achieve the purpose for which the financial support was provided or certification for benefit from businesses.

MCYS does not have a system which verifies that the goals are achieved and implemented through the subsidised activities. From the analysed samples, in addition to the fact that most of the sports organisations do not report, the ones that do, they prepare a plain narrative report which do not have additional evidence. Whilst at the end of each quarter, they prepare a report which comprises all the evidence on the implementation of the sports activities. In addition, MCYS has not provided evidence that ensure that the funded sports activities achieve the intended goal and are used for sports activities. Therefore, there is no monitoring of sports organisations in order to ensure that those activities are carried out on-site.

According to MCYS officials, due to the ministry being short-staffed they could not manage to monitor the inland and abroad activities.

During the period 2020-2022, the Ministry has not monitored any of the sponsored activities.

MCYS has not appointed anyone to monitor the implementation of sponsored activities. The lack of a defined structure for this task in MCYS has led to shortcomings in monitoring and evaluating the achievement of the objectives of these sponsored projects.

From the sponsorship reports submitted by the sports organizations and from the communication with MCYS officials, we found that no one of the officials is hold accountable for monitoring the sponsored activities. This situation indicates shortcomings in the monitoring system thus leading to MCYS lacking the necessary information to make an accurate assessment of the achievement of the objectives of these sponsorships.

Lack of monitoring of the implementation of sports activities does not provide assurance that those activities funded by MCYS and sponsored by private companies are implemented and achieve the planned results and there is no assurance that those funds are used for the planned activities.

²⁸ Regulation MF-No. 04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs

²⁹ Ibid Article 24

³⁰ Regulation MF-No. 04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs

Conclusions

The audit highlights shortcomings in the funding of sports organizations by the Ministry of Culture, Youth and Sports. MCYS has failed to hold accountable the organizations it funds and those that benefit from certification from sponsorship by private companies. The lack of coordination between MCYS and the Tax Administration of Kosovo has allowed significant financial irregularities, endangering the transparency, integrity, and effectiveness of sports funding and as a result the state budget has been damaged.

MCYS has subsidized over €3.5 million to sports organizations for the years 2020-2022 and for which the latter has no information on how they were spent and what results were achieved. Likewise, most of the sports organizations have not reported on how they have spent public funds and have benefited continuously. The Tax Administration of Kosovo (TAK) has not managed to identify and fine the companies that have been exempted from sponsorship tax and that in fact have not provided the funds for sponsorship. From the samples analysed in TAK, we found that the state budget was damaged by around €1,573,246. This amount included €490,347 from businesses that were exempted from tax and these funds were not transferred to clubs, businesses sponsored clubs with around €1,083,246 without obtaining a certificate from MCYS.

One NGO, winner of the Kosovo Sports Database project, has not submitted the final product/report on time, for which the Ministry paid €121,430. Moreover, even after the product was submitted, the Ministry has neither examined nor accepted the same through the commission in order to estimate or optimise the benefit therefrom. As a result, the value for money spent has not materialised. MCYS does not have a strategy for the development of sport, and this has led to failure to define the priorities and goals wherein the Ministry should focus in order to progress in the sports area.

Sports funding by the MCYS funds was characterized by a lack of accountability and transparency. About 54 sports organizations did not report their expenses during 2020-2022. The violations of project deadlines and additional funding received as annex memorandums, for which we have not found no by-laws regulating such funding, highlight the lack of transparency and non-accountability of sports organizations.

In regard to sponsorship funding during the years 2020-2022, only 64% of sponsorship beneficiaries reported their expenses, whilst 36% have not reported at all. In cases when they have reported, we have found that some of the sponsorship funds are used in favour of the sponsoring companies, such as advertising the companies, buying match tickets for the sponsoring companies' staff, plane tickets and accommodation for the private companies' staff. This practice has led to public funds not being used for sports purposes.

The findings indicate that MCYS has not managed nor monitored the funding of sports organizations, leading to a lack of accountability and transparency. Subsidized and sponsored activities by private companies have not achieved their goals and have not been implemented as foreseen during the benefiting phase. Moreover, there is a lack of evidence proving that these financial contributions have effectively improved the quality of sport in Kosovo.

MCYS does not have a defined structure to monitor the implementation of sponsored and subsidized activities and as a result during the period 2020-2022 it has not carried out any monitoring. Likewise, shortcomings in monitoring by MCYS and TAK have resulted in significant financial losses for the state, including higher tax exemptions and tax evasion by some companies. The lack of coordination between MCYS and TAK regarding equipping clubs with certificates and monitoring them in time has left room for violations and non-adherence with the law.

Recommendations

In order to establish a system that would help the funds given for sponsorship and subsidy be used for sports activities and that the national sports are represented as good as possible at the national and international level, MCYS and TAK should implement the following recommendations:

For the Ministry of Culture, Youth and Sports:

1. All sponsored and subsidized activities should be based on the sports strategy that guarantees the quality improvement of sport in our country.
2. When sports organizations apply for a certification of sponsorship, the activities in the application form between the sponsor and the sports organization should be detailed and only activities which represent public interest for the development of sports in the country should be accepted by MCYS.
3. To have a standardized form of reporting sponsorship by sports organizations and to accept only the funds which have been spent on sports activities and will be carried out in the future.
4. MCYS should ensure impartiality and should also ensure that the committee for assessing applications for certificate of sponsorship and the committee for accepting sponsorship reports do not have a conflict of interest.
5. Request all sports organizations, which do not manage to report the subsidized and sponsored expenses, to return the funds.
6. Request from all sports organizations, which do not manage to report the subsidized and sponsored expenses, to return the funds.
7. To develop an efficient system of monitoring and evaluating sponsored and subsidized activities in the sports area in order to ensure that the goals for which the funds were received are achieved.

For the Tax Administration of Kosovo:

8. In the declaration of the tax deduction in TAK, in addition to the declaration of the amount reported, the certificate of sponsorship and bank transfer to the sports organization should also be requested.
9. To monitor the companies that have given funds in order to ensure that there is no return of funds towards sponsoring companies from sports organizations.

For the Ministry of Culture, Youth and Sports and the Tax Administration of Kosovo:

10. To coordinate for the implementation of the sports law and to address the problems encountered during this process.

11. MCYS should follow up the certificates issued in relation to the expenses that were not received for the purposes given to the sports organization and to inform TAK so that these organizations return the unreceived funds.

Annex I Audit criteria, scope, and methodology

Audit Motive

The Ministry provides financial support to the country's sports federations to attain their objectives and goals as part of efforts to promote economic development and sports. This support is given every year through subsidies and memorandums of cooperation, in accordance with the program policies of the Ministry and the Law on Sports.

In 2020, the Ministry supported 39 sports federations and the OCK. However, the report from the National Audit Office identified several issues. In 10 cases, subsidies in the amount of €287,658 were given after the completion of the activities, while the advances had not yet been closed or the expenses had not yet been justified. In six cases, subsidies in the amount of €199,075 were given, even though the advance instalments were not fully justified. This indicates a shortcoming during the process of monitoring and verifying the use of funds.

We have identified four cases of shortcomings in the reasoning of spending about 80 thousand euros from MCYS funds. In two cases, expenses have been reasoned using previous year invoices, even though in the current year there were no activities due to Covid 19. For the closing of the fourth quarter of 2019 of the Basketball Federation and the closing of the second quarter of the year 2020 of the Karate Federation, shortcomings were identified in the reasoning of expenses for hotel accommodation, transport, and clothing supplies for the athletes as there were no participants' lists.

The granting of subsidies without meeting the criteria defined in the memorandum of cooperation, delays and shortcomings in the closure and reasoning of subsidies by the federations may increase the risk for the funds to be used for purposes other than those intended and hinder the objectives of the Ministry.

The other form of funding sports is from business taxes which are permitted by law to give up to 30% of the profit tax for sports activities, and that amount is deducted from the tax when reporting to TAK. As for this process, civil society has raised their concerns that this form lacks transparency from businesses and sports organizations. Likewise, as a result of the meetings with the competent officials in the Ministry, doubts were raised regarding the process of funding sports organizations and their refusal to report to the Ministry regarding the achievement of objectives and funds expenditure.

Moreover, during the pre-study phase, we found data inaccuracies in the certifications of sponsorship from the Ministry. These data, which we have compared with the TAK data, indicate a difference in the expenses allowed by the Ministry and the amount deducted by businesses in TAK.

The indicators examination of the problems identified above lead us to the formulation of the audit problem as follows:

Based on research, we have identified that the processes of funding, reporting, and monitoring of sports organizations are characterized by significant shortcomings.

Audit Criteria

At the request of the beneficiary of the sponsorship, the Ministry issues a certificate within fifteen days from the day of submission of the request certifying that the sponsorship in the area of culture, youth and sports is of general public interest. The Ministry, within the stipulated period, requests clarification for each submitted request, based on its competences, from the relevant supervisory bodies.³¹

The beneficiary of the sponsorship can be a local natural or legal person who, in the name of accepting the sponsorship, should fulfil the obligations arising from the signed sponsorship agreement³². Sponsors for sports activities are entitled to a 30% profit tax deduction according to this law.³³

For the performance of works of public interest, for physical education and sports, the Ministry issued the Program for the Development of Physical Education and Sports for the period of four years.³⁴

The Ministry determines the general policies of the development of sports, in accordance with the priorities of massification and increasing their quality. It creates the infrastructural, financial and personnel conditions for the fulfilment of certain objectives.

The Ministry, in order to implement their strategic policies in various areas of sports, should implement the criteria of the regulations for the types of funding in sports such as: categorization of athletes and coaches, funding of sports organizations based on categorization.³⁵

The beneficiary of the sponsorship is obliged to draft a written report on the sponsorship carried out and send it to the Ministry within a period of three months. In cases where the sponsorship is long-term, reporting is done on an annual basis.³⁶

The beneficiary of the sponsorship is obliged to draft a written report on the sponsorship carried out, and send it to the Ministry of Culture, Youth and Sports within a period of three months. In cases where the sponsorship is long-term, reporting is done on an annual basis. The summary report should describe all the results achieved according to the relevant sponsorship agreement, describing the calendar dates when the respective activities were carried out, the financial sums that have been spent on those activities, the number of beneficiaries from the activities carried out. The reports sent by the beneficiary of the sponsorship will be assessed by the relevant Commission within the Ministry of Culture, Youth and Sports, which has issued the corresponding certification for sponsorship. All beneficiaries of a €10,000 sponsorship and over are obliged to submit the audit report for the previous year to the Ministry of Culture, Youth and Sports. If a beneficiary of the

³¹ Law No. 05/L-090 on Sponsorship in the field of Culture, Youth and Sports (Article 16).

³² Law No. 05/L-090 on Sponsorship in the field of Culture, Youth and Sports (Article 16). (Article 10, point 1).

³³ Ibid., Article 12.

³⁴ Law No 2003/24 on Sport (article 19).

³⁵ Law No 2003/24 on Sport (article 8).

³⁶ Regulation (MCYS) No 01/2018 on defining criteria, procedures and form concerning the certificate of sponsorship in the field of culture, youth and sports (article 12)

sponsorship does not report annually relating to the sponsorship carried out, its other subjects will no longer be handled, and it will be sanctioned³⁷.

MCYS should carry out the regular monitoring of public financial support for sports sponsorship, in order that they are in line with the requirements of the agreement and achieve the purpose for which the financial support was provided or certification for benefit from businesses. Monitoring should provide information on the regularity of funds expenditure, the implementation of activities from the funds, the results achieved through the implementation of the funds, and the impacts of these funds. The provider of financial support or certification for funding by businesses, based on the data collected during the monitoring of the projects' implementation carry out the assessment of the provided financial support.³⁸

The sponsorship and advertising agreement with the financial report should be submitted to TAK no later than thirty days from the day of fulfilment-completion of the agreement. The certification for defining the public interest for the purpose of applying the rights of the parties for sponsorship, and which will be processed in TAK³⁹ from the parties benefiting from the sponsorship, it should contain the following data: the name and title of the provider and recipient, the name and title of the end user, the description of the subject and purpose of the sponsorship which enables their identification with accurate data on the amount, its value and other properties, the final use of the subject of sponsorship. TAK and the competent bodies (MCYS) supervise the granting, acceptance and use of sponsorship and advertising for the allowed deductions. If TAK and other competent bodies find irregularities and misuses in the use of sponsorship in the control process, they can file criminal or misdemeanour charges according to the legislation in force.⁴⁰

Audit Scope

The audit cope has covered the Ministry of Culture Youth and Sports and the Tax Administration of Kosovo. With regard to support with information, we will use the TAK data on the tax exemption of businesses that have sponsored the sports. Under the Ministry, it will be the Department of Sports and the Commission for the evaluation of applications for the Certificate of Sponsorship in the areas of culture, youth and sports. The scope will focus throughout the years 2020-2022.

Audit Methodology

In order to be responsive to the audit questions, the audit team will conduct some activities in the responsible institutions and use a number of audit techniques:

Analyse the legal and regulative framework of MCYS;

Analyse the legal and regulative framework of TAK;

Interview the persons in charge and the management structures of responsible institutions;

Plans of MCYS regarding the sponsoring of sports in Kosovo;

³⁷ Regulation (MCYS) No 01/2018 on defining criteria, procedures and form concerning the certificate of sponsorship in the field of culture, youth, and sports (article 12)

³⁸ Regulation MF No-04/2017 on criteria, standards, and procedures on public funding of NGOs

³⁹ Regulation (MCYS) No 01/2018 on defining criteria, procedures and form concerning the certificate of sponsorship in the field of culture, youth, and sports (article 12)

⁴⁰ Law No. 05/L-090 on Sponsorship in the field of Culture, Youth and Sports (Article 15).

Annual plans of the Department of Sports;
 Public calls for support to sports;
 Reports on the situation of sports in Kosovo;
 Lists of beneficiaries of support from MCYS;
 Lists of recipients of the tax certificate from MCYS, which represents the private businesses benefiting the 30% deduction in taxes;
 Reports of the federations submitted to MCYS on the spending of funds for supporting sports;
 Reports on the use of funds by the sports clubs funded by MCYS, or indirectly by the federations with public funds, or the businesses that are tax exempted.
 Relevant data from TAK for businesses that have been exempted from profit tax as a result of sponsorship of sports and their comparison with the Ministry's data to prove the accuracy of the deduction.

Annex II

Table 7: Sponsoring of sports organisation and not reported to MCYS

| Date | Description | Amount of subsidy | Reporting |
|------------|--|-------------------|-----------------|
| 02.09.2020 | Cleaning and Monitoring of the Batllava Lake | 2,800 € | Advance payment |
| 03.09.2020 | Financial Support | 2,150 € | Advance payment |
| 26.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 499,000 € | Advance payment |
| 26.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 167,000 € | Advance payment |
| 30.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 140,000 € | Advance payment |
| 20.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 57,600 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 36,000 € | Advance payment |
| 26.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 27,600 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 24,000 € | Advance payment |
| 04.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 24,000 € | Advance payment |
| 30.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 19,200 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 15,600 € | Advance payment |
| 13.05.2020 | Organisation the World Handball Championship -2022 | 15,000 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 14,400 € | Advance payment |
| 26.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 14,400 € | Advance payment |
| 16.09.2020 | Memorandum of Cooperation Q1-2020 | 13,707 € | Advance payment |

| | | | |
|------------|--|-------------|-----------------|
| 22.05.2020 | Memorandum of Cooperation Q2-2019 | 13,278 € | Advance payment |
| 30.11.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 12,000 € | Advance payment |
| 18.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 11,000 € | Advance payment |
| 04.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 10,800 € | Advance payment |
| 18.09.2020 | Kosovo Football Monograph | € 9,746 | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 9,600 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 9,600 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 8,400 € | Advance payment |
| 29.10.2020 | Financial Support -2020 | 8,125 € | Advance payment |
| 25.03.2020 | Prishtina Ski Club in Bulgaria | 7,600 € | Advance payment |
| 15.04.2020 | Coverage of expenses for the staff of the sports house | 6,995 € | Advance payment |
| 10.07.2020 | Subsidy | 6,695 € | Advance payment |
| 20.03.2020 | International competition – Cup of Gjervica | 6,250 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 6,000 € | Advance payment |
| 02.07.2020 | Subvencion-2020 | 6,000 € | Advance payment |
| 27.04.2020 | Advancement of sports programs -2020 | 5,000 € | Advance payment |
| 19.08.2020 | Organisation of the America and Diaspora tour | 5,000 € | Advance payment |
| 14.07.2020 | Traditional tournament Burim Hatipi | 4,900 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation, Law on Economic Recovery/2020 | 4,800 € | Advance payment |
| 08.12.2020 | Memorandum of Cooperation Q2-2020 | 4,530 € | Advance payment |
| 29.10.2020 | Financial Support | 3,500 € | Advance payment |
| 19.07.2020 | Subsidies in the project | 2,150 € | Advance payment |
| 08.12.2020 | Financial Support - 2020 | 1,550 € | Advance payment |
| Total: | | 1,235,975 € | |

Table 8, under the “Categorisation of sports (points) column, shows the scoring of sports organisations based on the system of points earned from the activities of the previous year. Meanwhile, the “Sponsored amount 2020” column shows the actual funding of sports organisations. The “Amount earned based on points” shows the amount sports organisations should have been allocated to based on the points earned. The last column shows the difference between the benefited amount and the deserved amount.

Table 8: Categorisation of federations for year 2020.

| CATEGORY A 2020 | Categorisation of sports (points) | The amount allocated 2020 | The amount deserved based on points | Difference +,- |
|---------------------------------------|-----------------------------------|---------------------------|-------------------------------------|----------------|
| Judo Federation of Kosovo | 86.40 points | €144,000 | €172,800 | €-28,800 |
| Football Federation of Kosovo | 79.28 points | €645,281 | €269,552 | €375,729 |
| Karate Federation of Kosovo | 78.46 points | €141,060 | €156,920 | €-15,860 |
| Handball Federation of Kosovo | 76.05 points | €73,485 | €258,570 | €-185,085 |
| Volleyball Federation of Kosovo | 74.59 points | €336,680 | €253,470 | €83,210 |
| Basketball Federation of Kosovo | 74.55 points | €395,781 | €253,462 | €142,319 |
| CATEGORY B | | | | |
| Wrestling Federation of Kosovo | 66.01 points | €79,399 | €106,064 | €-26,665 |
| Boxing Federation of Kosovo | 66.54 points | €58,385 | €106,464 | €-48,079 |
| Athletics Federation of Kosovo | 64.28 points | €133,898 | €102,840 | €31,058 |
| Federation of School Sports of Kosovo | 58.55 points | €123,280 | €93,680 | €29,600 |
| Ping-Pong Federation of Kosovo | 58.10 points | €106,696 | €92,960 | €13,736 |
| Swimming Federation of Kosovo | 57.99 points | €68,830 | €92,784 | €-23,954 |
| Tennis Federation of Kosovo | 50.00 points | €70,333 | €80,000 | €-9,667 |
| CATEGORY C | | | | |
| Gymnastics Federation of Kosovo | 47.72 points | €39,423 | €57,264 | €-17,841 |
| Skiing Federation of Kosovo | 46.19 points | €112,890 | €54,428 | €58,462 |
| Taekwondo Federation of Kosovo | 45.69 points | €35,385 | €54,828 | €-19,443 |
| Chess Federation of Kosovo | 41.65 points | €73,485 | €49,980 | €23,505 |
| Badminton Federation of Kosovo | 41.63 points | €32,039 | €49,956 | €-17,917 |
| Triathlon Federation of Kosovo | 41.26 points | €31,956 | €49,512 | €-17,556 |
| Rugby Federation of Kosovo | 40.64 points | €16,992 | €48,768 | €-31,776 |
| Archery Federation of Kosovo | 40.41 points | €37,581 | €48,492 | €-10,911 |

| | | | | |
|------------------------------------|--------------|---------|---------|----------|
| Shooting Federation of Kosovo | 41.58 points | €35,748 | €49,896 | €-14,148 |
| Cycling Federation of Kosovo | 40.10 points | €68,530 | €48,120 | €20,410 |
| University Sports Federation | 39.04 points | €57,136 | €46,848 | €10,288 |
| Bodybuilding Federation of Kosovo | 38.91 points | €45,819 | €46,692 | €-873 € |
| Weightlifting Federation of Kosovo | 35.96 points | €21,699 | €43,152 | €-21,453 |
| Bowling Federation of Kosovo | 35.42 points | €42,938 | €42,504 | €434 |
| Federation of Autosport of Kosovo | 34.79 points | €54,927 | €41,748 | €13,179 |
| Aeronautical Federation of Kosovo | 31.27 points | €29,463 | €37,524 | €-8,061 |
| CATEGORY D | | | | |
| Kickboxing Federation of Kosovo | 28.23 points | €23,292 | €22,584 | €708 |
| Muaythai Federation of Kosovo | 25.28 points | €22,312 | €20,224 | €2,088 |
| Billiards Federation of Kosovo | 22.65 points | €15,530 | €20,000 | €- 4,470 |
| Sports Federation of Workers | 20.70 points | €14,316 | €16,560 | €- 2,244 |
| Minigolf Federation of Kosovo | 18.88 points | €15,876 | €15,104 | €772 |

Table 9: Unclosed advance payments of sports organisations that benefited in 2021.

| Date | Description | Amount of subsidy | Reporting |
|------------|---|-------------------|-----------------|
| 16.12.2021 | Annex Memorandum - 2021-2024 Strategy of Olympic Games Beijing 2022 | €56,815 | Advance payment |
| 11.12.2021 | Memorandum of Cooperation TM3, 2021 | €39,460 | Advance payment |
| 30.12.2021 | Annex Memorandum, December 2021 early 2022 | €38,025 | Advance payment |
| 27.12.2021 | Annex Memorandum, Preparation for the Olympics | €10,000 | Advance payment |
| 03.03.2021 | Be Active European Week - 2020 | €8,100 | Advance payment |
| 30.12.2021 | Annex Memorandum, December 2021 early 2022 | €6,958 | Advance payment |
| 30.12.2021 | Annex Memorandum, December 2021 early 2022 | €6,254 | Advance payment |

| | | | |
|------------|---|----------|-----------------|
| 04.06.2021 | Memorandum of Cooperation Q1-Q2-Q3 | €5,663 | Advance payment |
| 10.02.2021 | Financial Support - 2020 | €5,100 | Advance payment |
| 22.03.2021 | Financial Support-2020 | €5,000 | Advance payment |
| 21.05.2021 | Financial Support/2021 Zizi Olympic Tournament | €5,000 | Advance payment |
| 27.12.2021 | Recovery Fund, Mont Blanc Alpine Expedition France | €4,313 | Advance payment |
| 30.12.2021 | Recovery Fund, Ad hoc | €2,700 | Advance payment |
| 21.10.2021 | Financial support Participation in the Face of America activity | €1,930 | Advance payment |
| Total: | | €195,318 | |

Table 10 Categorisation of sports organisations for year 2021.

| CATEGORY A 2021 | Categorisation of sports (points) | Total amount allocated 2020 | The amount deserved based on points | Difference +,- |
|---------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|----------------|
| Judo Federation of Kosovo | 86.40 points | €179,600 | €103,680 | €75,920 |
| Football Federation of Kosovo | 79.28 points | €186,128 | €158,560 | €27,568 |
| Karate Federation of Kosovo | 78.46 points | €156,920 | €94,152 | €62,768 |
| Handball Federation of Kosovo | 76.05 points | €254,768 | €152,100 | €102,668 |
| Volleyball Federation of Kosovo | 74.59 points | €295,137 | €149,180 | €145,957 |
| Basketball Federation of Kosovo | 74.55 points | €249,741 | €149,100 | €100,641 |
| CATEGORY B | | | | |
| Wrestling Federation of Kosovo | 66.01 points | €110,777 | €59,409 | €51,368 |
| Boxing Federation of Kosovo | 66.54 points | €84,807 | €59,886 | €24,921 |
| Athletics Federation of Kosovo | 64.28 points | €72,315 | €57,852 | €14,463 |
| Federation of School Sports of Kosovo | 58.55 points | €470,096 | €52,695 | €417,401 |
| Ping-Pong Federation of Kosovo | 58.10 points | €88,601 | €52,290 | €36,311 |
| Swimming Federation of Kosovo | 57.99 points | €26,096 | €52,191 | €-26,095 |
| Tennis Federation of Kosovo | 50.00 points | €76,250 | €45,000 | €31,250 |
| CATEGORY C | | | | |
| Gymnastics Federation of Kosovo | 47.72 points | €33,404 | €38,176 | €-4,772 |
| Skiing Federation of Kosovo | 46.19 points | €69,797 | €36,952 | €32,845 |
| Taekwondo Federation of Kosovo | 45.69 points | €18,276 | €36,552 | €-18,276 |
| Chess Federation of Kosovo | 41.65 points | €54,145 | €33,320 | €20,825 |

| | | | | |
|------------------------------------|--------------|----------|---------|----------|
| Badminton Federation of Kosovo | 41.63 points | €63,049 | €33,304 | €29,745 |
| Triathlon Federation of Kosovo | 41.26 points | €41,260 | €33,008 | €8,252 |
| Rugby Federation of Kosovo | 40.64 points | €40,896 | €32,512 | €8,384 |
| Archery Federation of Kosovo | 40.41 points | €16,164 | €32,328 | €-16,164 |
| Shooting Federation of Kosovo | 41.58 points | €29,106 | €33,264 | €-4,158 |
| Cycling Federation of Kosovo | 40.10 points | €44,110 | €32,080 | €12,030 |
| University Sports Federation | 39.04 points | €139,040 | €31,232 | €107,808 |
| Bodybuilding Federation of Kosovo | 38.91 points | €50,583 | €31,128 | €19,455 |
| Weightlifting Federation of Kosovo | 35.96 points | €14,384 | €28,768 | €-14,384 |
| Bowling Federation of Kosovo | 35.42 points | €46,046 | €28,336 | €17,710 |
| Federation of Autosport of Kosovo | 34.79 points | €55,664 | €27,832 | €27,832 |
| Aeronautical Federation of Kosovo | 31.27 points | €40,651 | €25,016 | €15,635 |
| CATEGORY D | | | | |
| Kickboxing Federation of Kosovo | 28.23 points | €23,290 | €14,115 | €9,175 |
| Muaythai Federation of Kosovo | 25.28 points | €17,696 | €12,640 | €5,056 |
| Billiards Federation of Kosovo | 22.65 points | €5,663 | €11,325 | €-5,662 |
| Sports Federation of Workers | 20.70 points | €12,938 | €10,350 | €2,588 |
| Minigolf Federation of Kosovo | 18.88 points | €8,486 | €9,440 | €-954 |

Table 11: Categorisation of federations for year 2022.

| CATEGORY A 2022 | Categorisation of sports (points) | Amount allocated 2020 | The amount deserved based on points | Difference +,- |
|---------------------------------------|-----------------------------------|-----------------------|-------------------------------------|----------------|
| Judo Federation of Kosovo | 83.35 | €269,370 | €183,370 | €86,000 |
| Football Federation of Kosovo | 76.61 | €39,640 | 0 | €39,640 |
| Karate Federation of Kosovo | 78.501 | €167,542 | €172,702 | €-5,160 |
| Handball Federation of Kosovo | 78.093 | €341,264 | €171,804 | €169,460 |
| Volleyball Federation of Kosovo | 79.56 | €214,532 | €175,032 | €39,500 |
| Basketball Federation of Kosovo | 78.05 | €505,090 | €171,710 | €333,380 |
| CATEGORY B | | | | |
| Wrestling Federation of Kosovo | 65.14 | €104,890 | €97,710 | €7,180 |
| Boxing Federation of Kosovo | 65.16 | €62,352 | €97,720 | €-35,368 |
| Athletics Federation of Kosovo | 62.6117 | €50,573 | €93,917 | €-43,344 |
| Federation of School Sports of Kosovo | 64.5 | €23,551 | €96,750 | €-73,199 |
| Ping-Pong Federation of Kosovo | 60.33 | €90,495 | €90,495 | €0 |
| Swimming Federation of Kosovo | 54.68 | €13,047 | €52,191 | €-39,144 |

| | | | | |
|------------------------------------|---------|----------|----------|-----------|
| Tennis Federation of Kosovo | 51.42 | €38,565 | €154,260 | €-115,695 |
| Gymnastics Federation of Kosovo | 53.03 | €19,886 | €79,545 | €-59,659 |
| Skiing Federation of Kosovo | 60.75 | €50,171 | €91,125 | €-40,954 |
| Chess Federation of Kosovo | 51.16 | €48,270 | €76,740 | €-28,470 |
| CATEGORY C | | | | |
| Taekwondo Federation of Kosovo | 40.28 | 0 | 0 | 0 |
| Kayaking Federation of Kosovo | 38.76 | €35,056 | €47,200 | €-12,144 |
| Badminton Federation of Kosovo | 44.82 | €27,613 | €53,784 | €-26,171 |
| Triathlon Federation of Kosovo | 47.0443 | €55,494 | €56,453 | €-959 |
| Rugby Federation of Kosovo | 42.29 | €25,374 | €50,748 | €-25,374 |
| Archery Federation of Kosovo | 39.82 | €23,281 | €47,784 | €-24,503 |
| Shooting Federation of Kosovo | 46.88 | €30,203 | €56,256 | €-26,053 |
| Cycling Federation of Kosovo | 44.4 | €34,722 | €53,280 | €-18,558 |
| University Sports Federation | 49.64 | €156,964 | €59,568 | €97,396 |
| Bodybuilding Federation of Kosovo | 39.42 | €38,423 | €38,423 | 0 |
| Weightlifting Federation of Kosovo | 32.5 | €12,722 | €39,000 | €-26,278 |
| Bowling Federation of Kosovo | 32.54 | €17,413 | €39,048 | €-21,635 |
| Federation of Autosport of Kosovo | 45.55 | €30,215 | €54,660 | €-24,445 |
| Aeronautical Federation of Kosovo | 32.16 | €32,858 | €38,592 | €-5,734 |
| Golf Federation of Kosovo | 34.97 | €10,491 | €41,964 | €-31,473 |
| Kickboxing Federation of Kosovo | 30.27 | €35,821 | €36,324 | €-503 |
| CATEGORY D | | | | |
| Motorcycling Federation of Kosovo | 28.28 | 0 | 0 | 0 |
| Muaythai Federation of Kosovo | 27.23 | €13,615 | €27,230 | €-13,615 |
| Billiards Federation of Kosovo | 24.02 | €8,900 | €35,600 | €-26,700 |
| Sports Federation of Workers | 28.41 | €14,205 | €28,410 | €-14,205 |
| Minigolf Federation of Kosovo | 17.78 | 0 | 0 | 0 |

Annex III



| | | | | | |
|-------------------------------|-----|--|----------------|---------------|------------|
| REFERENCË: | | 21/ SHKURT 2024 | | | |
| PËR/ZA/TO: | | Ariana Gjonbalaj – Shala, Drejtor i Departamentit të Auditimit në Zyrën Kombëtare të Auditimit | | | |
| NGA/OD/FROM: | | Ilir Murtezaj, Drejtori Përgjithshëm në ATK-së | | | |
| TEMA/SUBJEKAT/SUBJECT: | | Letër konfirmim - Për pajtueshmërinë me të gjeturat e Auditorit nga ZKA, në Raportin e auditimit „Efektiviteti i fondeve për financimin e sportit” | | | |
| Nr. i zyrës: | | Lokacioni: | | Data: | |
| Br. kancelarije: | 405 | Kucni: | 038/ 200 25001 | Datum: | 21.02.2024 |
| Room No.: | | Extension: | | Date: | |

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- Kam pranuar draft raportin e Zyrës Kombëtare të Auditimit “Efektiviteti i fondeve për financimin e sportit” (në tekstin e mëtejshëm “Raporti”);
- Pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- Brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

z. Ilir Murtezaj



u.d. Drejtor i Përgjithshëm Administrata Tatimore e Kosovës

Data: 21.Shkurt 2024



Republika e Kosovës

Republika Kosova – Republic of Kosovo

Qeveria – Vlada – Government

Ministria e Kulturës, Rinisë dhe Sportit / Ministarstvo Kulture, Omladine i Sporta / Ministry of Culture, Youth and Sports

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës **“Efektiviteti i fondeve për financimin e sportit”**, dhe për zbatimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Vendi dhe data:08/03/2024

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit **“Efektiviteti i fondeve për financimin e sportit”** (në tekstin e mëtejshëm “Raporti”);
- pajtohem pjesërisht me të gjeturat dhe rekomandimet dhe kam dërguar komentet për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Ministër i Kulturës, Rinisë dhe Sportit
Hajrulla Çeku



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

Audit performed: Effectiveness of funds for the sponsoring of sports

Document: Comments of the auditee on the draft audit report

| Findings | Agree yes / no | Comments of the auditee when not agreed | View of the NAO |
|---|-------------------|---|--|
| 3.1.1 Sports development strategy not approved yet | Partly | <p>Notwithstanding the lack of a special strategic document on sports, MCYS has continuously applied a strategic approach on developing the national sports policies through four strategic state documents, approved by the Government of Kosovo, such as:</p> <ul style="list-style-type: none"> ● Strategic Operational Plan ● National Development Plan ● Mid-Term Expenditures Framework ● National Development Strategy and Plan <p>In addition, the Sports Strategy document, which envisages the development of sports policies until 2030, is now at the final stage as it is under proofreading process and public consultations are about to take place in March. In order to draft this document, MCYS established the first working group in 2022, whilst the draft strategy was presented in June 2023 during the third sports roundtable, as mentioned in the report. The process of approving the strategy was postponed because as well as in 2023 Kosova earned the right to organise the Mediterranean Games 2030" and it was considered</p> | <p>Despite the documents that have been provided, MCYS still does not have an approved strategy in place. As a result, all the activities were financed by MCYS without any strategy or program indicating the direction the sports will be developed in the country. Therefore, the finding stands and the comment of MCYS does not change the finding.</p> |

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| | | indispensable to include such a major event in the Sports Strategy document. | |
| 3.1.2 Sponsorship used for the marketing campaign of private companies | Partly | <p>3.1.2 Use of sponsorship for marketing campaign of private companies</p> <p>Having analysed the draft audit report, the commission considered and analysed the comment and will pay particular attention to ensure that during the reviewing of complaints and closing of reports the expenditures promoting businesses, logos and their products aimed at benefited the deduction allowed as a result of sponsorship are not recognised.</p> <p>With regard to the specific case that you have analysed, the expenditures for LED (as marketing) have been recognised due to the predispositions of the FBK competition regulations. We would like to inform you that advertising does not merely mean a sponsor marketing, but is a public interest campaign for: fight against child abuse, against breast cancer, against discrimination, etc. Evidence: The Handbook of the Basketball Federation of Kosovo on the use of LED advertising premises.</p> <p>However, we would like to inform you that due to the legal gaps and shortcomings in the current law on sponsorship which cause difficulties in implementing this sports funding policy in the country, the 2024 legislative plan envisages the amendment of the Law no. 05/1-090 on sponsorships in the field of culture, youth and sports and the MCYS's Regulation no.01/2018 on defining Criteria, Procedures and Form Concerning the Certificate of Sponsorship in the Field of Culture, Youth and Sports.</p> | <p>The finding stands.</p> <p>Law no. 05/1-090 on sponsorships in the field of culture, youth and sports, specifies very clearly: Sponsorship – the financial and material support based on free will that is given by the natural or legal persons of the domestic or foreign country with the aim to support activities in the field of culture, youth and sports.</p> <p>During the audit, we found cases where purchases were made that do not fall into the category of sports activities for which we have presented in the report. The finding stands and the comment of MCYS does not change the finding.</p> |

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| 3.1.5 Potential conflicts of interests in the sponsorship assessment process | Partly | <p>The commission for assessment of applications has been established based on the MCYS's Regulation no.01/2018 on defining Criteria, Procedures and Form Concerning the Certificate of Sponsorship in the Field of Culture, Youth and Sports. Thus, MCYS has so far implemented the current law on sponsorship.</p> <p>We agree that this issue should be resolved, hence the amendments of the legislation will also address the recommendation given by your institution.</p> | The finding stands and the MCYS has also agreed to take actions and resolve this issue. |
| 3.1.6 Delayed reporting by the sports organisations | Partly | <p>MCYS has implemented the article 12.6 of the Regulation no.01/2018 on defining Criteria, Procedures and Form Concerning the Certificate of Sponsorship in the Field of Culture, Youth and Sports. In case a sponsorship beneficiary does not fulfil his/her duty concerning annual reporting on the sponsorship, the handling of other subject matters will not be allowed.</p> <p>The Commission has not addressed the requests for sports organizations that have not reported for closure, as well as for sports organizations that have not been licensed by MKRS. We inform you that the reporting and closing trend has improved significantly. Reports cannot be made for the fiscal year as the contracts refer to the seasonal periods of the sport.</p> | <p>The finding stands.</p> <p>MCYS has not hold all the sponsorship beneficiaries to account in order to a give a timely and true reporting on how the sponsorship funds have been spent.</p> <p>Moreover, MCYS has not taken any measures for those cases where no reporting was made.</p> |
| 3.2.1 Delays in setting the multiplier for the federations | Partly | <p>The delays in setting the multiplier for the sports federations was due to the deadlines established in the MCYS's Regulation no.04/2018 on Categorisation of Sports, as mentioned in report. This problem was identified by MCYS earlier, which led to the approval of the new Regulation no. 13/2022 on Categorisation of Sports, which entered into force in December 2022. The criteria therefrom have been</p> | <p>The finding stands.</p> <p>The comment indicates that MCYS has accepted the finding, according to them, they have committed to take the measures to resolve this problem.</p> |

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| | | <p>applied for the first time in evaluating the points of categorisation in 2024.</p> <p>As a result, huge progress was achieved in setting the categorisation multiplier earlier in time, which resulted in timely signing of the memoranda with the federations. This progress has led to the signing of memoranda 3 months in advance, considering that in 2021 they were signed May whilst in 2024 they were signed in February by means of the new regulation.</p> <p>Moreover, the new regulation provides for the evaluation of points being made by the commission established by MCYS, unlike earlier when this was done by the Kosovo Olympic Committee, which consists of members of sports federations, thus preventing the conflict of interest.</p> <p>Another factor for the delayed funding of the sports federations is also the respective rules of the national and international sports federations, given that the sports federations organise their assemblies in accordance with the rules of the respective international federations, where in in most cases the assemblies take place in February and March. The decisions taken in these assemblies, are afterwards reflected in the annual operational plan of the federations and their budget projections. The federations are obliged to submit these documents to MCYS in accordance with the budget provided by the Memorandum signed through categorisation.</p> | |
| <p>3.2.2 Shortcomings in the sponsoring of the representations of sports federations</p> | <p>NO</p> | <p>With regard to section 3.2.2 of the report, the claim that “sports federations in Kosovo have not been licensed from 2020 until October 25th, 2021” does not stand because the Minister took the decision to extend the validity of the licences of sports federations based on the Olympic cycle extended by the International Olympic</p> | <p>The finding stands.</p> <p>With regard to funding of federations with expired licences, the MCYS has – out of neglect – not been on the lead of the processes ever since 2020 and start licensing the sports federations. As a result,</p> |

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| | <p>Committee (IOC) from 2020 to 2021 as a result of the COVID 19 situation.</p> <p>As mentioned in your draft report in passing, because of the force majeure and the state of emergency created by COVID-19, the sports sector as well as all other areas of activities have been facing numerous challenges. All the more, the state of emergency created by COVID-19 worldwide has led to the postponement of the arrangements of the Olympic games from 2020 to 2021. This was the second time in the history of the Olympics to postpone the arrangements. The first take took place in 1940 due to the war going on at that time.</p> <p>Based on the Law no.2003/24 on Sports, Article 32.1. <i>“One licensed federation is established in regard with the respective sport branch activity in the whole territory of Kosovo”.</i> The sports federations are non-governmental organisations who have the mandate for developing the sports within the territory of the Republic of Kosovo and representing the state in the respective international sports structures.</p> <p>Referring to the time period this performance audit report is based on, as well as the claims in the report - section 3.2.2 on the funding of sports federations with expired licenses - at the beginning of 2021, the largest number of sports federations were with expired license.</p> <p>Considering the situation created in 2021 from:</p> <ul style="list-style-type: none"> ● COVID-19 state of emergency in 2021, ● Extension of the Olympic year from 2016-2020 to 2016-2021, ● The final categorisation list of the Kosovo Olympic Committee recommending to | <p>MCYS has illicitly funded the unlicensed sports federations.</p> |
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| | | <p><i>not make the assessment of sports activities for year 2020 due to the pandemic situation created by COVID-19 and instead the categorisation from the previous year (2019) to remain valid - archive number 354/2021, dated 30.04.2021,</i></p> <ul style="list-style-type: none"> ● Expired licenses of sports federations; and <p>the legal gap to address such a situation, a legal standstill has been created regarding the funding of sports federations. On the other hand, based on the Law no.2003/24, articles 10 and 11 and the Law no.04/L-075 on Amending and Supplementing the Law no.2003/24 on Sports, article 3, sports is an area of state public interest.</p> <p>Therefore, in order to prevent the general damage to the public interest on the development of sports and for a dignified representation of the state at the Olympic Games - Tokyo 2021; necessarily and with the rights and power the minister is vested to by the Regulation (GOK) No.02/2021 on the Areas of Administrative Responsibility of the Office of the Prime Minister and Ministries, namely article 8, section 1.4 quote "Issues decisions and bylaws and conclude memoranda of understanding /cooperation within the area of administrative responsibility of the ministry" and section 2.1. quote "Drafts and oversees the implementation of the policies of the Ministry"; the minister took the decision on 30/04/2021 to extend the validity of the licenses of sports federations, archive number 1334/2021.</p> <p>Considering the legal gap existing in the ADMINISTRATIV INSTRUCTION (MCYS) NO.02/2015 ON THE ESTABLISHMENT AND LICENSING OF SPORTS FEDERATIONS AND ASSOCIATIONS, and the fact that it did</p> | |
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| | | <p>not provide for opportunities of operation and clear conditions and criteria regarding the process for licensing of sports federation, MCYS has promptly initiated the procedures for amending/supplementing the AI on the licensing of sports.</p> <p>Pursuant to the minister's decision to extend the licences and as while the minister's decision was still valid, the ADMINISTRATIVE INSTRUCTION (MCYS) NO. 01/2022 ON THE TERMS, CRITERIA AND PROCEDURES FOR THE ESTABLISHMENT, LICENSING AND RE-EVALUATION OF SPORTS FEDERATIONS AND ORGANIZATIONS entered into force on 01/06/2022.</p> <p>In line with the AI no.01/2022, MCYS announces the process for the licensing of sports federation in Kosovo open. At present, there are 36 sports federations licensed by MCYS, find the list attached. The announcement quotes: <i>Licensing in accordance with the standards would enable the funding of only those federations that meet the criteria and conduct sports activities.</i> We would like to inform you that MCYS does not sponsor sports federations that are not licensed by MCYS. Hence, it is exactly the licensing process conducted within MCYS has created a new standard of governance and funding of national sports.</p> <p>Meanwhile, for the purpose of representing Kosovo in the international arena as well as based on the KOC request dated 02/09/2022 for funding the sports federations to participate in the international events, MCYS has supported the KOC for the participation of Kosovo representations in the international competitions abroad for the September-December 2022 period.</p> | |
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| | | <p>This memorandum was signed in accordance with the LAW NO.2003/24 ON SPORTS and the LAW NO.04/L-075 ON AMENDING AND SUPPLEMENTING THE LAW ON SPORTS:</p> <ul style="list-style-type: none"> - article 14, paragraph 40.4. <i>“Relevant Ministry for the Sports finances the training of national team athletes to participate in international sports competitions”</i> <p>The evaluation of KOC requests was carried out by a special commission within MCYS; and there is the list of benefiting sports federations for participation in international competitions.</p> <p>Attached evidence:</p> <ul style="list-style-type: none"> - Decision – archive number 1334/2021 - Decision – archive number 2118/2022 - AI 01/2022 on licencing of federations - Report on the licencing of sports federations - KOC request for support to federations - Decision on the appointment of the evaluation commission and the list of beneficiaries according to the evaluation - Memorandum with KOC and accompanying documents | |
| <p>3.2.3 Funding of sports organisations is not clearly regulated</p> | <p>NO</p> | <p>In regard to section 3.2.3 referring to the way sports organisations are funded, we would like to inform you that the sports organisations are funded in accordance with the LAW NO.2003/24 ON SPORTS and the LAW NO.04/L-075 ON AMENDING AND SUPPLEMENTING THE LAW ON SPORTS, the bylaws deriving therefrom and the sports policies established in the strategic documents of the Government of the Republic of Kosovo.</p> <p>With respect to the categorisation process, sports federations have, over</p> | <p>The finding stands.</p> <p>In regard to the funding of sports federations by points earned, it is regulated. Whilst as for the annex memoranda, MCYS has neither a legal basis for the method nor any criteria for such funding in place.</p> |

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| | | <p>the 2020-22 period, been supported through this process fully in compliance with the Regulation no.04/2018 on the Categorisation of Sports (no longer applicable). Meanwhile, since 2023 onwards, this process is taking place based on the new Regulation no.13/2022 on the Categorisation of Sports.</p> <p>According to the regulation applicable at that time, the support to sports federation from the categorisation process has been given fully in compliance with the KOC's recommendation on the evaluation of points earned by the sports federations under the criteria established in the regulation and the value of the multiplier set by the Ministry.</p> <p>In the audit report, it is stated "In analysing the samples for years 2020-2022, we found that the sports organisations obtain funds in much higher amounts than earned based on the points set forth in the regulation on the categorisation of sports federations". Such a conclusion of the auditor does not stand, because subsidising the sports federations does not necessarily mean funding only through the categorisation process, hence the differentiation exists as stated in the report because other forms of funding have not been considered.</p> <p>The amount of support from the categorisation means the amount that the federation makes use of for the regular annual operations, which include the organization of state championships in Kosovo, the representation of Kosovo in the international arena, expenditures on logistics and administration etc. This amount from categorisation is usually unmatched to the federations annual plan, which need more budget and that is insufficient for implementing other</p> | |
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| | | <p>programs of particular interest to the public.</p> <p>In addition to the categorisation, the support with additional funding is based on the LAW NO.04/L-075 ON AMENDING AND SUPPLEMENTING THE LAW NO.2003/24 ON SPORTS, namely:</p> <ul style="list-style-type: none"> - Article 10, paragraph 24.2: "Activities of the Kosovo Olympic Committee are supported financially by the relevant Ministry for Sport and by other resources provided by this Law" - Article 14, paragraph 40.4: "Relevant Ministry for the Sports finances the training of national team athletes to participate in international sports competitions"; - Article 16, paragraph 51.2: "Relevant Ministries for Sport and Education, with joint memorandum determine the manner of establishment, duties, scope and financing of the organization of school sport and are obliged for their implementation" - Article 24, paragraph 65.1: "The basis of sport funding and public and state needs shall be comprised by financial means that provided by the budget of Kosovo"; - Article 24, paragraph 65.3: "Action Plan for financing of sport activities with state public interest, based on the proposal of the relevant Ministry for Sport, shall be approved by the Government of Kosovo" - Article 24, paragraph 65.7: "Relevant Ministry for Sport | |
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| | | <p>based on the degree of fulfilment of public interest shall appropriate financial means for the Olympic Committee and sports federations”;</p> <p>- and based on the second pillar of the National Development Plan “Equitable Human Development”, voted in the Government of the Republic of Kosovo, Section 7 “Creative culture and active society”, Strategic Goal 7.3 “Active and healthy society through sports”, Strategic Goal 7.5 “Consolidation of the state image through art and sports” and the Strategic Goal 7.6 “Sports and cultural tourism” which includes 16 strategic measures and 51 actions for the implementation of strategic measures where the operations, annual planning and sports funding by MCYS is based on.</p> <p>According to this, MCYS, in addition to the support from categorisation, provides additional support to sports federations and organisations, depending on the project applications it receives from the sports federations, the public interest and the budget available.</p> <p>Therefore, the differentiation alluded to in the report between categorisation and subsidy does not stand, because the other form of funding, which provides support for projects/programs of particular interest to the public, has not been calculated.</p> <p>These programs/projects could have not been supported through memoranda from the categorisation also due to the fact that funding by categorisation is done through quarterly periods, whilst in cases of</p> | |
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| | | <p>particular interest to the public projects the budget had to be transferred with a one-off payment in order to enable the implementation of the project in full.</p> <p>This form of support cannot be considered as unequal funding compared to other sports organisations as claimed, since the funding is made directly to sports federations and organisations recognised by the Law on Sports and have full autonomy to develop respective sports in the Republic of Kosovo while being recognised by MCYS through licensing. Sports federations are non-governmental organisations, which according to the Law on sports, are only one each in the whole territory of the Republic of Kosovo. They have the mandate to conduct the respective sports within the state territory and represent the state in the international arena in the sports organisations they are members of.</p> <p>The sports organisations supported through annex memoranda such as: Judo, Basketball, Handball, Volleyball, Chess, Skiing, Tennis, Olympic Committee, Paralympic Committee, Special Olympics, School Sports Federation, Cycling, Motorcycling and Football are federations that have applied for the MCYS support to implement their annual plan.</p> <p>Moreover, article 24, paragraph 65.6 of the nr. 04/L-075 "Olympic Committee and sports Federations are obliged to deliver the plan of activities and annual financial plan based on request and deadline determined by the Ministry" is the legal basis whereon the Sports Department accepts the sports federations' applications for additional financial support – other than categorisation – in order to implement their operational plans prepared in accordance with the state policies on sports.</p> | |
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| | | <p>Evidence:</p> <ul style="list-style-type: none"> - Law 04/L-075 on Amending/supplementing the law on sports - Action Plan and Financial Planning of the Basketball Federation - 2022 - Action Plan and Financial Planning of the Handball Federation - 2022 - Memorandum with FVK, FTK, FBOXK, FASK - article 9 AMANDED | |
| <p>3.2.4 Unclosed advance payments of the sports federations and clubs that have benefited in 2020-2022</p> | Partly | <p>The unclosed advance payments of the sports federations and clubs have been mainly inherited from 2020 through budget funds allocated for the implementation of the Economic Recovery Program according to the Government decision no.10/33 dated 28.09.2020 and according to the Government decision no.12/38 dated 30.10.2020, approved for the MCYS Action Plan setting forth the criteria for the budget appropriation of 2.5 million euros, of which 1.5 million have been allocated to the area of sports through the Sports in General sub-program.</p> <p>This package aimed at reducing the negative impact of the pandemic on the economy and the possibility of reallocating resources and stimulating the economic growth. Because the memoranda signed with the sports federations from this package are based on the Law on the Public Finance Management and Accountability and the Treasury regulations (article 5.4.) rather than the provisions of the Government's decision on subsidizing the salary line, it was created this void that has made the closing process difficult. As a result, most beneficiaries have not reported on it.</p> <p>In addition to this, this section also relates to the section 3.2.3 on the way sports organisations are funded. We our comments we have explained that the support to sports organisations is</p> | <p>The finding stands. We analysed the whole process of advance payments in MCYS and conclude that the latter is not entitled to grant other funding unless previous advance payments are closed. In analysing the list of subsidies, we found that the federations have unclosed advance payments dating back from 2020, 2021 and 2022. Hence, MCYS should hold the beneficiaries of public funds to account and have them report on time as to how the public money has been spent.</p> |

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| | | <p>provided in two different forms of funding:</p> <ol style="list-style-type: none"> 1. Funding through the categorisation process based on the Regulation on Sports Categorisation 2. Funding for support to projects/programs of particular interest to the public, based on the Law on Sports <p>In the first case, the beneficiaries are obliged to make the closure through quarterly reports, whilst in the second case, depending on the program duration, the reporting and closure is done only once the project is completed.</p> <p>Even in this case, the auditor's report has made a wrong classification because all the funding, both from the categorisation and the one through projects of particular interest to the public, has been considered as a whole.</p> <p>An example is the case of the unclosed advance payments of Sports Federation 3, dated 2022 (table 6), which signed a Memorandum on a project of particular interest on 30.11.2022 and according to this Memorandum, the Federation was obliged to close the advance payments in the first quarter of 2023. As a result, according to the 2022 report, the advance payment appears open, although foreseen to be closed in 2023.</p> <p>Considering the fact that these two forms of funding are not related to each other and that one sports organisation of federation recognised by the Law on Sports as such can benefit from the two forms of funding simultaneously, the closing and reporting can also be carried out independently.</p> <p>It is worth noting that there has been considerable progress since 2021 when it comes to closing the advance payments on quarterly basis by MCYS.</p> | |
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| | | <p>Evidence:</p> <ul style="list-style-type: none"> - Government Decision no. 10/33 dated 28.09.2020 - Government Decision no. 12/38 dated 30.10.2020 - Progress in advance payments of sports federations - MOU and accompanying documents for Recovery FHK and FNK 2020 - MOU and accompanying documents for FHK, FXHK, FBK and FSSHK from the memorandum of categorisation and memorandum for project/program of particular interest to the public. | |
| <p>3.2.6 Mismanagement of the Kosovo Sports Database project</p> | Partly | <p>As for the said project benefiting from the public call in 2021, the project's application for subsidy was scored with sufficient points to gain support and then the process continued in an orderly manner by the evaluation commission and the necessary public call procedures.</p> <p>For the implementation of this project, the benefiting organisation requested the postponement of the implementation period, as a result the final report was submitted late.</p> <p>During the NAO audit process, it has been learned that this case was not handled at all by the responsible officers of MCYS for its closure since the date of submission of the report, although they are obliged to handle the cases and notify the beneficiary to improve the documentation in case when criteria for closure are not met. This finding is addressed for further consideration and evaluation of the final report.</p> | <p>The finding stands.</p> <p>The file contained evidence that MCYS had refused to close the advance payment for this project due to uncertainties about the project's quality. Moreover, the evaluation of subsidy application was signed by one member of the commission only.</p> <p>The fact that the Ministry has neither used nor examined the final report of the beneficiary, even after nearly 9 months and having paid €121,430 for it, indicates the mismanagement of the entire process related to this subsidy and consequently shows the failure to achieve value for the money spent. The organisation has not requested an extension of the deadline for reporting, as justified by MCYS. The MCYS comment that during the NAO audit process it was learned that this matter was not addressed, clearly shows that the MCYS does not have a system</p> |

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| | | | in which the funds spent on sports activities reach the intended goals. |
| 3.2.7 Lack of monitoring of sponsored and subsidized funds | Partly | <p>In relation to section 3.2.7 of your report, the monitoring of sports activities continues to remain a long-term challenge of MCYS, considering the large number of activities that take place both within the country and abroad.</p> <p>In addition to the monitoring that is done by following the activities closely as well as the monitoring through media and electronic platforms, the Sports Department has drawn up special standardised forms for reporting the termination of projects by sports organisations.</p> | <p>The finding stands.</p> <p>MCYS does not have a system to verify or certify that the subsidised activities are implemented and reach their goals. From the analysed samples, in addition to the fact that most of the sports organisations do not report, the ones that do, they prepare a plain narrative report which do not contain additional evidence.</p> |