



REPUBLIC OF KOSOVA
OFFICE OF THE AUDITOR GENERAL

Document No: 21.5.1-2014-08

AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF
CULTURE, YOUTH AND SPORTS FOR
THE YEAR ENDED 31 DECEMBER 2014

Prishtina, june 2015

The Office of the Auditor General undertakes both Regularity and Performance Audits. The Acting Auditor General is the head of the Office of the Auditor General which employs around 145 staff. The Auditor General and the Office of the Auditor General shall be independent and certifies around 90 Annual Financial Statements each year, while undertaking other forms of audits.

Our Mission is to “Contribute to sound financial management in public administration”. We shall perform quality audits in line with internationally recognized public sector auditing standards and good European practices. We shall build confidence in the spending of public funds. We shall play an active role in securing taxpayers’ and other stakeholders’ interests in enhancing public accountability’

The reports produced by the Office of the Auditor General directly promote accountability as they provide a base for holding managers’ of individual budget organisations to account.

The Acting Auditor General has decided on the audit opinion and report on the Annual Financial Statements of **Ministry of Culture, Youth and Sports** in consultation with the Assistant Auditor General Ibrahim Gjyderen who supervised the audit.

The opinion and report issued are a result of the audit carried out under the management of the Audit Director, Bujar Bajraktari, supported by Nora Rashiti (Team Leader), Donjetë Dreshaj and Ylber Sadiku.

TABLE OF CONTENTS

Executive Summary.....	4
1 Audit Scope and Methodology	8
2 Annual Financial Statements and other External Reporting Obligations	9
3 Prior Year Recommendations	14
4 Governance.....	15
Annex I: Explanation of the different types of opinion applied by the OAG.....	38
Annex II: Prior Year Recommendations.....	40

Executive Summary

Introduction

This report summarises the key findings from our audit of the 2014 Annual Financial Statements of Ministry of Culture, Youth and Sports which determine the Opinion given by the Auditor General. I would like to thank the Minister and his team for their assistance during the audit process.

The examination of the 2014 financial statements was undertaken in accordance with the internationally recognised Public Sector auditing standards (ISSAIs). Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The approach taken is set out in our Audit Planning Memorandum dated 17/11/2014.

Our audit focus has been on:



The level of work undertaken by the Office of the Auditor General to complete the 2014 audit is a direct reflection of the quality of the internal controls implemented by management.

Opinion

Annex I explains the different types of Opinions applied by the Office of the Auditor General.

The Auditor General's opinion is:

In our opinion the financial statements *present a true and fair view* in all material aspects, except the following cases:

The Ministry made misclassification of expenditures between economic categories in total €225,141, (from subsidies and transfers were paid €183,176 for goods and services; from goods and services were paid €22,571 for capital investments; and from capital investments were paid 19,394€ for goods and services). Besides this, in the Statement of Budget execution, final budget for donations was overstated by €70,103.

Emphasis of Matter

Furthermore, we would like to draw your attention to the fact that:

Information regarding to fixed assets are materially underestimated and innacurate, because the on-going investments were misclassified as assets in use causing the depreciation of €589,437 and in the register are not included all the assets of the Ministry;

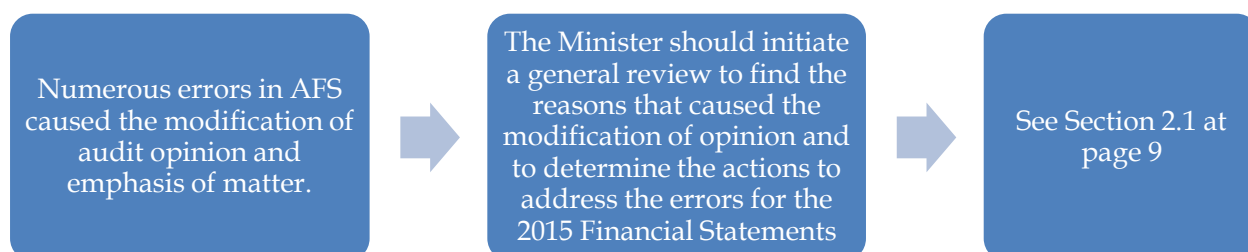
The Ministry had transferred funds to the bank accounts of Subordinate Institutions of €195,503 to support the projects, althrough the projects have not began;

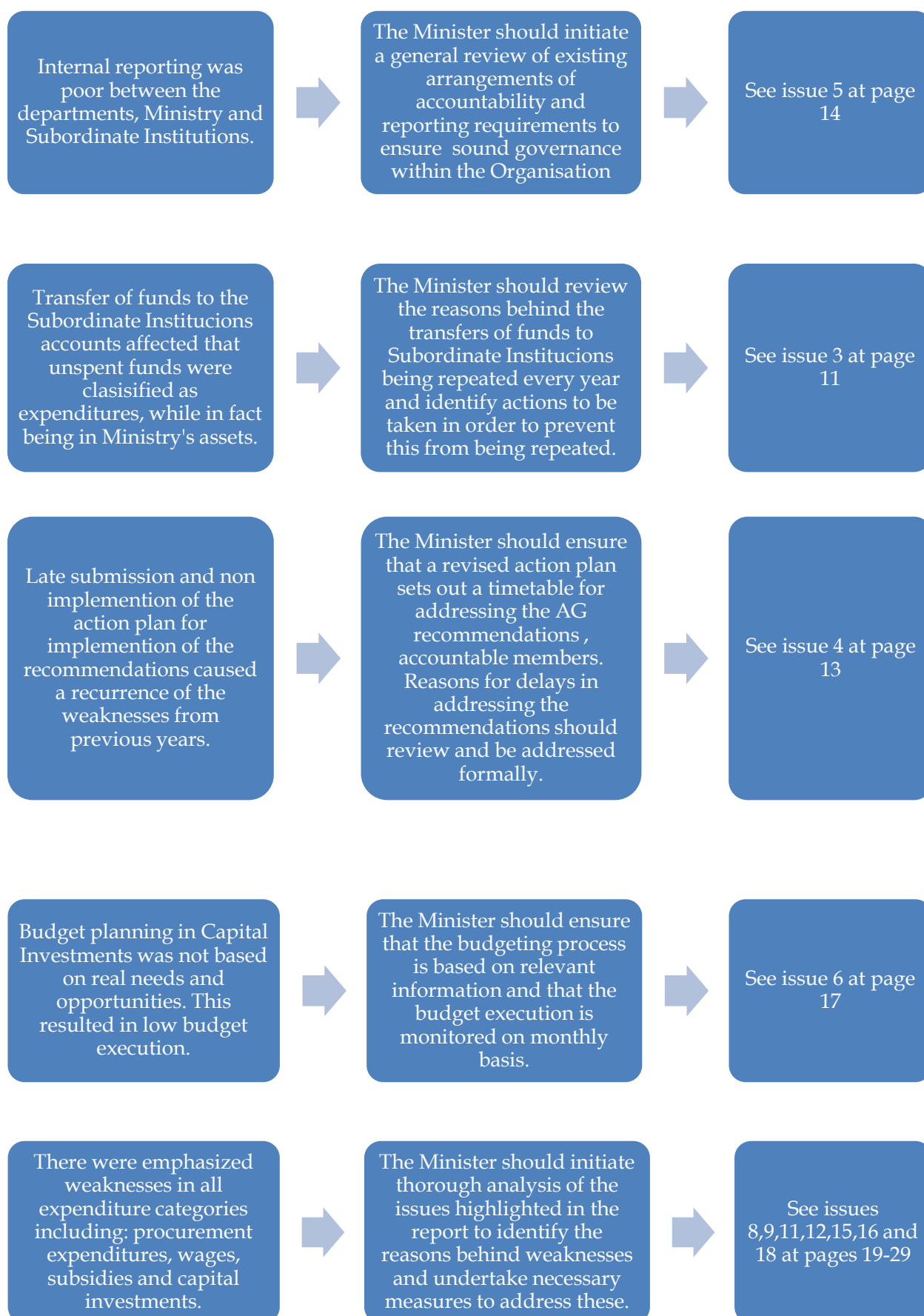
The Ministry did not disclosed in AFS subsidizing/supported projects with an total amount €422,313 which are in the proces of closing/justification.

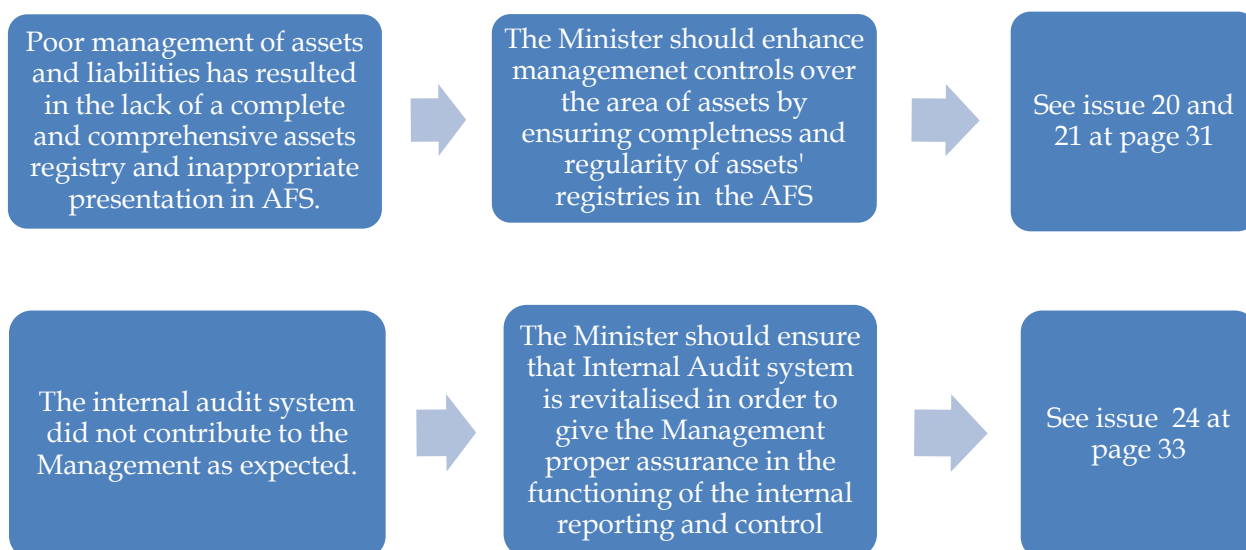
(ISSAI 200/1705/1706: Qualified Opionion with Emphasis of Matter).

Overall Conclusion

Our key conclusions and recommendations are:







Management Response – Audit 2014

The Management has agreed with all audit findings and conclusions and have committed to address our recommendations

1 Audit Scope and Methodology

It is the responsibility of the Ministry of Culture, Youth and Sports (MCYS) to prepare Annual Financial Statements (AFS) under the International Public Sector Accounting Standards (IPSAS) for ‘Financial Reporting under the Cash Basis for Accounting’ and other specific requirements. The Office of the Auditor General (OAG) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of the AFS and other financial records and expression of:

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

We have considered the extent to which management controls can be relied upon when determining the overall testing required to provide the necessary level of evidence to support the Auditor General’s (AG) opinion. Management activity also determines the focus of our compliance audit and good governance audit which do not directly impact on the opinion.

Our audit approach to governance is focused on evaluating the actions taken by management to secure effective financial management and control and the results of this action in efficiently delivering high quality operational outputs. For individual financial systems we seek to identify the level at which actual controls operate. This may, for example, be monitoring activity undertaken by senior management or lower level operational controls. We consider whether controls are well designed, have been implemented as planned and operate effectively. This requires an assessment of structures, processes and accountability lines introduced by management including the role undertaken by Internal Audit and Audit Committees as well as inbuilt system controls.

The following sections provide a more detailed summary of our audit finding with emphasis on observations and recommendations in each area of review. An assessment of how the Management have addressed recommendations made in the report on 2013 may be found in Annex II.

For completeness we have included issues identified at the interim audit where they remain relevant. At the interim audit stage we provide advice to enable relevant action to be taken in advance of the AFS production and final audit.

Our findings are defined as:

High Priority - issues which may result in a material weakness in internal control and where action will offer the potential for improvements to the efficiency and effectiveness of internal controls; and

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

Findings considered low priority will be reported separately to finance staff.

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

2 Annual Financial Statements and other External Reporting Obligations

Introduction

Our review of the AFS considers both compliance with the reporting framework and the accuracy of the information recorded in the financial statements. We also consider the Declaration made by the Chief Administrative Officer (CAO) and Chief Financial Officer (CFO) when the draft AFS are submitted to the Government.

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

Overall Conclusion

The quality of AFS was poor with a number of material errors and other shortcomings identified. A lot of arithmetic mistakes were made in the disclosures of financial notes. All other external reporting obligations not related to the AFS were fully met, except for the annual performance report.

2.1 Audit Opinion

In our opinion the financial statements *present a true and fair view* in all material aspects, except the following cases:

The Ministry made misclassification of expenditures between economic categories in total €225,141, (from subsidies and transfers were paid €183,176 for goods and services; from goods and services were paid €22,571 for capital investments; and from capital investments were paid 19,394€ for goods and services). Besides this, in the Statement of Budget execution, final budget for donations was overstated by €70,103.

Emphasis of Matter

Furthermore, we would like to draw your attention to the fact that:

Information regarding to fixed assets are materially underestimated and innacurate, because the on-going investments were misclassified as assets in use causing the depreciation of €589,437 and in the register are not included all the assets of the Ministry;

The Ministry had transferred funds to the bank accounts of Subordinate Institutions of €195,503 to support the projects, althrough the projects have not began;

The Ministry did not disclosed in AFS subsidizing/supported projects with an total amount €422,313 which are in the proces of closing/justification.

(ISSAI 200/1705/1706: Qualified Opionion with Emphasis of Matter).

2.2 Significant Risks to the Annual Financial Statements

Description

Our Audit Planning Memorandum dated 17.11.2014 identified three significant risks to the AFS:

- Absence from work of the key financial staff and its impact on the production of AFS;
- Failure to include all properties of the Ministry in the assets' registry; and
- Funds transferred to commercial accounts of subordinate institutions for financing the capital projects.

These are risks of material misstatement that may result in a modification of the opinion.

Identified Risks

Issue 1 – The impact of financial staff's absence on the quality of AFS - High Priority

Audit response and Findings

During the audit we have considered controls applied by the Ministry over the production of AFS. We concluded that they contained a considerable number of errors some of which were material. This mainly occurred due to the absence of the key financial staff but also because the preparation process was not properly reviewed by the Management. Errors with high impact are as follows:

- In Note 17, the final budget of Donations was overstated by €70,103; whilst in Note 24, the final budget for Goods & Services was understated by €11,911;
- In the disclosures of the Statement of Cash Receipts and Payments - Note 9 on Goods and Services - the total of expenditures was missing and economic codes contained inaccurate values;
- Disclosure of assets and liabilities were incorrect (see subchapter 4.4.6 *Handling of Debts* and subchapter 4.4.5 *Capital and Non-Capital Assets*);
- Information on unjustified projects during 2014, and from previous years, was not appropriately disclosed; and
- In Note 36, no explanations regarding the budget movements during the year were given. The information on number of employees was not presented either.
- The annual financial report of the National Library of Kosovo (NLK), even though with material errors, was not taken into consideration during the preparation of the Ministry's AFS. As a consequence, the information on assets and outstanding liabilities of NLK remained undisclosed.

Recommendation 1 The Minister should ensure that AFS production process includes a detailed management review of draft AFS before submission to the Treasury. The main focus should be on the high-risk areas where errors were identified. The Declaration made by CAO and CFO should not be submitted unless all necessary checks have been applied.

Issue 2 –Failure to register all properties of Ministry - High Priority

Audit Response and Findings

We have assessed controls applied by management to prove the completeness of assets data in the context of identification and registration of lands, facilities and buildings owned by the Ministry. In our interim memorandum we provided advice to the Management on the actions required to ensure that the assets figure in the AFS was complete and correct. However the risk identified has materialised because the Management could not prove the completeness of assets due to the lack of their year-end inventorying before the AFS were prepared.

Recommendation 2 The Minister should ensure that a comprehensive assets' register is drafted which would give a complete and accurate view on the Ministry's assets and be reflected in 2015 AFS.

Issue 3 - Transfer of financial funds to the Subordinate Institutions' accounts - High Priority

Audit Response and Findings

During our interim audit, we reviewed management controls and accompanying processes which have been implemented for transferring of funds into commercial accounts of subordinate institutions as well as we advised regarding their improvement. We have audited a sample of transactions for whole financial year regarding the payments' regularity. The amount of €195,503 was transferred in the bank account of National Museum and Kosova Archaeology Institute for projects which have not started yet. This resulted in a materialised risk because the unspent funds were classified as expenditures, while in fact being Ministry's assets.

Recommendation 3 The Minister should review the reasons behind the transfer of funds to subordinate institutions being repeated every year and identify the actions to be undertaken in order to prevent this from being repeated.

2.3 Compliance with AFS and other reporting requirements

Description

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

- Compliance with FR no. 03/2013;
- Requirements of LPFMA no. 03/ L-048;
- Budget requests;
- Quarterly reports including nine month financial statements; and
- Requests regarding the procurement planning.

Issues raised in our interim audit memo dated 17.12.2014 regarding the reporting framework have not been fully addressed by the Management given that a number of errors have occurred in AFS. Issues raised regarding the compliance of AFS are elaborated in subchapter 2.2 *Significant Risks to the Annual Financial Statements*.

3 Prior Year Recommendations

Overall Conclusion

The Ministry did not submit the action plan for implementation of our recommendations in time. Given the low level of implementation of recommendations, it is important for the Ministry to undertake more pro-active actions with a more detailed approach on the improvement of Financial Management and Control.

Description

Our Audit Report on the 2013 AFS of MCYS resulted in 19 key recommendations. By the end of our 2014 audit, one has been fully addressed; four are partially addressed; and 14 have not been addressed yet. For a more thorough description of the recommendations and how they are addressed, see Annex II.

Issue 4 - Addressing Prior Year Audit Recommendations - High Priority

Finding Delayed submission of action plan (October 2014) and lack of management's actions have resulted in the implementation of only one recommendation from prior year. The Ministry did not implement a formal process to manage and monitor the action plan for implementation of AG's recommendations.

Risk The continued weaknesses of management controls and other controls in key financial systems have resulted in:

- Continued organisational inefficiency and lack of good governance;
- Ineffective procurement procedures and poor management of capital projects;
- Poor management of the subsidies granting and justifying process;
- Continued engagement of employees on special service contracts without recruitment procedures; and
- Poor management and inadequate disclosure of assets in AFS

Recommendation 4 The Minister should ensure that a revised action plan clearly sets out a timetable for addressing the AG recommendations with accountable staff members identified and with initial focus on those of greatest significance. Recommendations not implemented within the deadlines should be formally reviewed by the Minister and pro-active measures should be taken to addresses the reported reasons for implementation delays.

4 Governance

Overall Conclusion

The key aspects of the Governance framework have been addressed by the Ministry are as follows:

- **Self-assessment** – although already conducted by the MCYS, it could have been more self-critical serving as a starting point to improve its performance where necessary;
- **Risk Management** – MCYS has not applied yet any formal procedure to identify, assess and manage operating risks at organisational level which would mitigate the exposure to risks related to the achievement of objectives;
- **Internal Reporting and Management Control** - raise the perspective of poor reporting within the Ministry and Subordinate Institutions.
- **Internal Audit System** – a risk-based audit plan was fully implemented, thus providing effective support to the Audit Committee.

As such, overall governance arrangements require strengthening. Controls over a range of areas of expenditure require further improvement in order to prevent the Ministry from suffering financial loss, poor value for money and ineffective management. The main areas where most improvements are required are: budget execution in the capital investments, management of subsidies for supporting the activities of subordinate institutions, financial support to beneficiaries and assets management.

4.1 Good Governance

Description

Governance related to a system by which the organizations are led and controlled. Good and effective governance requires sound planning, monitoring and reporting agreements which are clearly address operational and strategic risks faced by the Organisation.

MCYS finances the basic business of its 17 subordinate institutions and provides support for different cultural projects, whilst from 2013 it also manages the National Library of Kosovo (NLK). Funds are allocated for each institution to finance/support different cultural and cultural heritage projects which are given as advance payments. The same ones appear as open advance payments until their closure and reporting. This leads to their incorrect reporting in the financial statements.

Issue 5- General governance arrangements - High Priority

Finding	The Secretary General and Senior Management have not formally reviewed the Directors' regular reports. Due to this, we were not able to rely on high levels management controls during the audit; Subordinate institutions should quarterly report to the Ministry regarding their financial flow of activities. Deadlines were not always adhered to. During 2014, five¹ institutions reported after the deadline was due and the Ministry did not undertake any concrete measures in this regard; In the annual financial reports of five subordinate institutions, the reconciliation of notes with bank accounts² was not carried out; and Subordinate institutions should keep records on the projects financed by the Ministry and justify the expenditures thereof. This was not done by the Museum of Kosovo because projects progress and the registry of expenditures incurred were not maintained; The issues handled above reflect the lack of knowledge on the importance of effective reporting mechanisms.
Risk	Poor accountability requirements and poor financial reporting reduce the Management's efficiency and have negative impact on budgetary control and lead to possible financial loss. This results in weaknesses in the budget process and reduces the management ability to respond to budget challenges on time.
Recommendation 5	The Minister, in cooperation with Heads of subordinate institutions, should consider the identified issues and find the reasons behind the occurrence as well as determine the necessary measures to introduce a regular and qualitative financial reporting. The roles and responsibility of the Ministry and institutions in this process should be clarified.

¹ Ballet of Kosovo, Cinematography Centre of Kosovo, Institution for Monument Protection (IMP) in Gjakova, Regional Cultural Heritage Centre (RCHC) in Prizren and RCHC Mitrovica

² Financial records regarding cash inflow and outflow should be provided in the existing format of financial reports of subordinate institutions, which should be reconciled with the bank balance.

4.2 Budget Planning and Execution

Description

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

Table 1. Sources of budgetary Funds - outturn against the budget (in €)

Description	Initial Budget	Final Budget ³	2014 Outturn	2013 Outturn	2012 Outturn
Sources of Funds	20,115,174	19,655,836	16,780,838	15,515,293	16,886,430
Government Grant -Budget	20,072,274	19,126,663	16,378,177	14,356,009	16,297,680
Carried forward from previous year ⁴ –	-	18,665	9,16	1,856	3,279
Own Source Revenues ⁵	42,900	42,900	4,869	12,179	18,706
External Donations	-	467,607	388,375	1,145,248	566,765

The initial final was adopted during the year. The amount of €214,099 was cut on behalf of budget savings, and €1,086,970 was withdrawn from the MoF since they remained unspent. On the other hand, Donations increased by €467,607 and Revenues by €18,665. As a result, the final budget was by €459,338 lower than the initial budget.

In 2014, MCYS used 85% of the final budget or €16,780,883, an improvement compared to 2013 (78%). Explanations for the current position are detailed below.

Table 2. Spending of funds by economic categories - outturn against the budget (in €)

Description	Initial Budget	Final Budget	2014 Outturn	2013 Outturn	2012 Outturn
Spending of funds broken down by economic categories	20,115,174	19,655,836	16,780,838	15,515,293	16,886,430
Wages and Salaries	2,800,112	3,186,734	3,156,936	2,456,053	2,421,071
Goods and Services	1,074,272	1,349,601	1,235,932	1,236,386	1,102,369
Utilities	381,557	299,199	275,099	178,029	187,339
Subsidies and Transfers	5,356,550	5,854,668	5,803,017	5,869,321	4,760,692
Capital Investments	10,502,683	8,965,713	6,309,852	5,775,501	8,414,957

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

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

⁵ Revenues planned and collected for the current year used by entity for financing of its own budget.

Explanations for changes in budget categories are given below:

- The budget execution for Capital Investments was low. This was the reason why the budget was cut by €1,086,970. Despite this, the Minister executed only 70% of the final budget. Out of which, €1,081,294 or 12% were used to pay the bills of 2013. Failure to implement some planned projects and delayed procurement procedures were among the main reasons for this underspending.
- Budget execution for Goods and Services was 91%. It was initially decreased by 15% based on the Government's decision, whilst additional funds were added to this category from donations. However this category was not properly managed given the underspending of €113,669 at the end of the year, while the outstanding liabilities were €106,991;
- The increase in budget for Wages and Salaries was a result of Government's decision to increase salaries by 25% from April 2014, allocation for the Brain Gain Fund and allocation of donator's funds. The budget execution was over 99%; and
- The budget execution for Subsidies and Transfers was 99%. A considerable part of expenditures from this economic category was misclassified because of the inaccurate budget planning and lack of funds in other categories.

Issue 6 – Budget Planning and Execution – High Priority

Finding	The budget planning for capital investments was not made based on a real assessments or prior years' trend. This has resulted in the low level of execution (70%). This is proved by the underspending of €3,700,000. The highest trend of expenditures is noticed in the last two months of the year, when €1,081,294 was paid for the outstanding invoices of 2013. This occurred due to lack of a proper policy for payments execution, delays and suspension of works by economic operators.
Risk	Poor planning and low execution of the capital investments budget may result in the organisation's failure to achieve objectives and in current year liabilities being financed from the upcoming years' budgets.
Recommendation 6	The Minister should ensure that the budget preparation is preceded by an assessment process which reflects all relevant information including prior year execution and expected changes in the future year. In addition, the Minister should monitor the budget performance on a monthly basis in order to identify and address barriers causing difficulties in the budget execution.

4.3 Revenues

Description

MCYS collected revenues from participation in cultural activities, Department of Culture and Cultural Heritage and the National Library. According to Treasury records for 2014, the Ministry collected €34,513, while €537,770 was received from the international donations.

Issue 7 - Lack of reporting of collected revenues - Medium Priority

Finding The "Shota" Ensemble and IMP in Prizren did not report their revenues, respectively €9,368 and €10,368, in time. The Ensemble spent revenues out of Treasury account; and

The National Theatre continued to rent the buffet area with no contract in place.

These issues occurred because the relevant regulations were not adhered to and lack of proper cooperation between the Ministry and subordinate institutions.

Risk Acting in contraction with governmental rules on revenues and expenditures leads to ineffective management of revenues and may result in poor management of activities within the Ministry leading to inadequate use of financial sources.

Recommendation 7 The Minister should ensure that an appropriate system of revenues collection, recording, reconciliation and reporting is put in place. Subordinate institutions should lease their premises through a transparent tendering process.

4.4 Expenditures

4.4.1 Procurement

Description

Procurement rules are intended to ensure that public funds achieve value for money through the application of a transparent and efficient system. The legal framework clearly defines the rights, duties and responsibilities of all parties involved in public procurement. This includes the requirements to reduce risks in terms of delays in completion of works, avoiding conflicts of interest and incomplete bids and achieving value for money.

Based on the annual procurement plan, MCYS developed procurement procedures and signed contracts of about €2,374,026 and €40.295 through minimum value.

We have analysed the relation of capital projects with Capital Investment Programme (PIP) and the Medium Term Expenditure Framework. We have also tested the regularity of procurement procedures. A considerable number of capital projects foreseen in the Medium Term Expenditure Framework to be implemented during 2014 were not implemented at all, while the contracted projects in previous years had a slow progress due to delays in the execution of works and inaccurate planning of stages in the bill-of quantities.

Issue 8 – Systematic Weaknesses in Procurement – High Priority

Finding

Our review of 16 contracts identified the following issues:

Payments were made for works not executed for the following projects:

- For construction of “Sports Hall in Istog” the amount paid in total was €823,507. About 70% of the contract was paid while less than 50% of the contracted works were executed. (After our remarks, dynamics of works began to improve);
- For the contract “Sports Hall in Rahovec”, €143,402 was paid for unexecuted works; and
- For the contract “Sports Hall in Skenderaj”, €33,420 was paid for unexecuted works.

Contracts were signed in 2009 and according to the reviewed dynamic plan works should have been completed by 2014. Until June 2015 they were not finished yet. Projects were not accurate because during the work it has came up the need for larger quantity of materials than they were provided with the bill of quantities and contracted.

The above mentioned cases may result in irregular payments, create opportunities for poor management of finances and eventually lead to failure to properly deliver the projects.

Payments made in lack of the works acceptance report - €3,377 was paid for “Restoration of the home of Dukagjini Family in Prizren” without a report of technical acceptance Committee. The same report was missing in two other cases “Supply with electronic air conditioners” and “Painting of Qafa Gallery hall”. Payments made in lack of a report on works/services delivered do not provide assurance that money are paid for the right quality and quantity.

Inadequate planning of purchase needs - Ineffective planning made the supply needs to be repeated during the year. Supplies related to small value items purchased through price quotation. But, had the items of similar nature been purchased all together it would have provided the opportunity for competitive procedures being developed and eventually better value for money spent being achieved.

Unclear requests by the requesting units - In 11 tested samples in NLK in amount of €56,353 the requests for purchase were not clear and did not contain information regarding the specifications of the works/services required. In two contracts⁶, the procurement procedures initiation request included the exact contracts price. In two other cases, requests were approved after goods were received;

The Professional Jury for evaluation of the Olympic Palace Project was not properly selected - according to procurement rules the jury should be independent, whilst we found that most of the 11 selected members of the jury were employees of MCYS. Furthermore they got paid with €5,750 from the budget for capital investments.

⁶ Contract’ Supply and mounting of PVC Windows in NLK’ and ‘Supply and mounting of automatic doors at the official entrance of NLK’

Misclassification of expenditures and projects paid from inadequate codes -

In a lot of cases, capital purchases were classified and paid from the budget for Goods and Services and vice versa. The amount of €22,571 was paid from goods and services for capital investments, and €19,394 was paid from capital investments for goods and services. This was due to the lack of budget for respective projects. For the same reason, the “Renovation of football stadiums” project of €28,914 was financed by the budget allocated for “Renovation of halls”. These cases affect the quality of financial recording and reporting and may result in failure to implement projects for which the budget was initially allocated.

Requests and services supplied were not consistent - In four⁷ contracts of €22,168, the technical specifications did not reflect the supplies delivered because items not included in the contract were supplied. Items of €6,769 more than foreseen in the contract were supplied.

Tender Performance Security expired- the validity of performance security for two contracts of €1,922,626 had expired.

Risk

The above mentioned findings increase the risk for irrational expenditures, uncompetitive and non-transparent procedures and loss of value for money spent.

Recommendation 8

The Minister should immediately initiate an analysis of the reasons behind the identified systematic weaknesses. The analysis should identify necessary measures to be taken and should be finalized in the October 2015.

⁷ Contract ‘ Renovation of halls of the house of sports and placement of doors at the main entrance’, ‘ Supply with helmets and files’ , ‘ Supply with sport equipment’ and ‘ Contract from the National Library ‘ Supply and mounting of NLK windows’.

Issue 9- Non-systematic procurement weaknesses – High Priority

Finding Our review of 16 contracts identified that some controls were not consistently applied, thus resulting in:

Contracts signed without procurement procedures – in order to outsource the services for “Emergency intervention (restoration) in cultural heritage facilities” the Ministry did not announce a tender. Instead, they got this service delivered based on a Memorandum of Understanding (MoU) signed with Culture Heritage without Borders (CHWB). The amount paid during the year for these services was €150,000;

Works executed before the procurement procedures were conducted - In one contract⁸ of €3,600, works had started before the procurement procedures were conducted.

All these have happened due to lack of proper monitoring and failure to implement procurement rules.

Risk Contracts signed without and works executed before conducting procurement procedures undermines the quality of work.

Recommendation 9 The Minister should consider why procurement requirements have been inconsistently applied in the above cases and implement enhanced controls to ensure that a similar situation will not be repeated.

4.4.2 Non Procurement Expenditure

Description

Expenditures not subject to procurement procedures relate to expenditures for utilities, travelling and representation etc.

Issue 10- Inappropriate approval of remunerations for additional work- Medium Priority

Finding MCYS remunerates its staff for supervision of capital projects. Ministry's officials were remunerated with €2,987 for additional work for supervision/management of capital projects based on a decision of the Secretary General. Supporting reports were not attached to the file, whilst remuneration amount was calculated based on the regulation for overtime work.

⁸ Contract “Placing of static pillars at the eastern tribunes of Olympic Stadium Adem Jashari”.

Risk Payments not supported with the required documents/reports on work done undermine the transparency and efficient use of public money.

Recommendation 10 The Minister should ensure that payments for additional work are made only after the request for payment and necessary documents are completed.

4.4.3 Remunerations (Wages and Salaries)

Description

Wages and Salaries are paid through a centralised system. The key controls that operate within Ministry's level relate to: authorisation of payroll, verification of possible changes, budget review for this category, reconciliation with Treasury etc.

We have tested samples of payments from the Central Administration Department, Subordinate Institutions and National Library to verify the compliance between the payroll lists and the Payroll, recruitment procedures and regularity of personnel files.

Issue 11 – Special Service Contracts – High Priority

Finding The Ministry and its subordinate institutions have engaged 70 people on special services contracts. Despite our warnings from previous audits, eight others were engaged during 2014. For those, 35 get paid from the budget of Subsidies and Transfers and their contract is extended every three months. The amount paid for the engaged employees during 2014 was €91,771.

Risk Engagement of people through special service contracts is in contradiction with the legal regulation and may result in irregular payments and poor performance.

Recommendation 11 The Minister should initiate a comprehensive review of the regular staff and those engaged with contracts to determine the real needs for staff in the Ministry and subordinate institutions and ensure that all necessary positions are manned with regular staff, through open recruitment process.

Issue 12 – Irregular remunerations of Ministry’s employees – High Priority

Finding

Employee paid regardless absence to work - an officer was suspended from his duty to discharge another public function, as agreed upon with the Management. This officer returned to the Ministry and was retroactively compensated with €916 for the previous months despite the absence;

Remunerations of overtime work - in 15 cases for remuneration of 1, €727 of MCYS officers, there was no request/approval for the work done. In two cases, work during the weekend was not recorded at all. In three cases (406€), requests and approvals were directly made by the CEO;

Higher salaries than foreseen in the contract - five officials engaged on special service contract were paid €375, whilst their monthly salaries in the contract were €337.5. This led to overpayments of €531;

The findings disclosed were due to lack of proper monitoring of human resources and external regulations not being applied with consistency.

Risk

Payments made employees despite their absence at work and not according to the contracts may result in irregular payments and reduce the organisation’s efficiency. Lack of adequate controls over remunerations for additional work may result in double payments and for works that could have been done within the working hours or not done at all.

Recommendation 12 The Minister should initiate a detailed review of the management of salaries and remunerations in order to find the reasons behind these overpayments and ensure that controls over this area are strengthened in order to secure that payroll lists are updated on a regular basis and reflect work attendance. Overtime work should be planned and remunerated after being initially approved by the Supervisor and of the CEO afterwards.

Issue 13- Promotion/ Transfer of staff in contradiction with regulations- Medium Priority

Finding

Two officials were promoted by not meeting the minimal time in the existing grade. In the other case, the promotion was done for two grades higher than allowed by legal criteria;

Based on the Secretary General decision, two officials were transferred to positions with grades and categories higher than the current ones, whilst two others to positions with lower grades than prior ones. According to the existing regulation for transfer of civil servants, employees can be transferred to exercise same or different functions within the organisations under the same function category and grade; and

The Law of Civil Servants stipulates that acting officers cannot be appointed for longer than three months. During 2014, there were two cases in the Ministry that the legal deadline exceeded. The Office of the Personnel did not initiate the procedures for manning these two vacant positions.

Identified issues occurred because the existing regulations were not applied.

Risk

Failure to apply regulation for staff promotion and management positions covered by acting officers may result in poor operational performance. Non-compliance with the legal requirements may result in ineffective work practices.

Recommendation 13 The Minister should ensure that the required promotion and recruitment procedures are applied in line with regulations and that internal controls are enhanced to ensure that relevant regulations are consistently adhered to in all cases.

Issue 14- Shortcomings in recruitment procedures - Medium Priority

Finding	For the position of Director of the Kosovo Institution for Monument Protection, the required criteria were not met. Four years of management experience were required, while the experience document of the selected candidate was missing; and For the position of Head of the Division for Legislation Drafting and Approximation, the assessment commission report did not contain information on the successful candidate and candidates who passed the assessment process. In addition, the assessment commission was composed of five members, whilst all documentations were signed by four members.
Risk	Selection of candidates that do not meet the employment criteria may lead to the Ministry to the risk of engaging inadequate people in work.
Recommendation 14	The Minister should ensure that recruitment procedures provide for persons being hired based on their merits, thus accurately reflecting the Organisation's set objectives.

4.4.4 Subsidies and Transfers

Description

Subsidies of MCYS are granted to support of projects from the Department of Sports, Culture, Youth and Cultural Heritage. The funds from this category are also granted to subsidise activities of subordinate institutions, Sport Federations etc. The regulation for management of subsidies was approved in February 2015, the lack of which has caused shortcomings in the management of financed projects.

Issue 15 – Subsidies granted for other type of expenditures- High Priority

Finding *For pressing, printing and supply with expendable materials*, the Ministry and subordinate institutions paid €62,609 from the category of subsidies. There was no coordination between the Ministry and institutions for these supplies, because some institutions were supplied with items not included in the contract;

Security of Facilities – in 2014, the Ministry signed a contract for the security of facilities of the Ministry and subordinate institutions each month without any procurement procedures, thus spending €27,110. In addition these services were paid from Subsidies and Transfers. The amount of €36,805 was paid from the category of subsidies to five⁹ members of the Governing Councils of subordinate institutions;

Various payments – the Ministry paid €51,552 from subsidies for property tax, webpage designing, health expenditures, lecturing of materials and printing of catalogues. The amount of €5,100 was paid for overtime work (during the weekends for 3 months) to the employees of Philharmonic.

Risk Signing of contracts without procurement procedures and payments from subsidies for expenditures which belong into other categories has led to the material misclassification of expenditures and irregular payments.

Recommendation 15 The Minister should ensure that the category of subsidies is solely used for its purposes. Correct classification of expenditures should be a priority for the Ministry given the importance of correct classification for AFS and their readers. The Minister should also ensure that the procurement process will not only be focused on meeting legal requirements but also on ensuring effective procurement activity. Accurate budget planning should be strengthened and the cooperation between the respective departments developed in order to secure planned activities under correct categories and codes.

⁹ "Shota Ensemble", "Philharmonic of Kosovo", "National Gallery of Kosovo", "Cinematography Centre of Kosovo" and "National Theatre of Kosovo".

Issue 16- Projects/advance payment not justified by beneficiaries- High Priority

Finding

Open projects and those in closing process - According to Treasury rule, the BO should reconcile the records kept on subsidies with the bank reports which are reconciled with KFMIS. During 2014, there was no adequate policy regarding the proper monitoring of projects subsidised by the Ministry. Unclosed advance payments/projects €6,087,815 dated from 2008 to 2014, out of which €422,313 were advance payments in the process of being closed and there was no regulatory mechanism that would put conditions to the beneficiaries with the closure of previous advances.

Inadequate justification of projects - In nine cases the complete financial justification for the financed project was missing, whilst in other nine cases the financial justification did not correspond with the project. The value of these projects was €83.649. Moreover, in eight cases of advance payments of €30,500 included in the MCYS register as closed, beneficiaries did not report on the financial and operational performance at all; and

Payments out side a Memorandum of Understanding - the Ministry signed a Memorandum of Understanding for financial support to sports federations, where the monetary values are set forth. In one case, the amount allowed in the memorandum was an exceeded by €6,000.

These issues were raised because of lack of an adequate mechanism for proper implementation of the management of subsidies.

Risk

The large number of unjustified projects makes it impossible to confirm whether the Ministry's objectives are achieved. Failure to justify and report on subsidised projects and exceeded amounts leads to poor budget management and may result in funds being used in contradiction to the planned targets. Big delays in closure/justification of subsidies may result in incorrect presentation of information in the AFS.

Recommendation 16 The Minister should ensure that subsidised projects are subject to regular monitoring by the Ministry's officers in order to secure adherence to requirements/timelines for reporting by benefiter on the way funds are used. Where requirements and timelines are not adhered to for the justification of expenditures, necessary measures should be taken.

Issue 17- Payments for engaged staff in National Theatre of Kosovo plays - Medium Priority

Finding

Engagement of external actors - In the contract of €72,822 signed between the NTK and directors for realisation on three¹⁰ performances, actors should be engaged from the regular staff of NTK (with specific exceptions). In these shows almost all actors were engaged from outside;

Actors in the plays were paid based on a regulation for artistic payment signed by the former director of NTK, which has no legal basis. In addition many positions and roles for the engaged ones were not presented in this regulation;

Payment for engaged staff in plays out of project's budget – €3,990 was paid for works and services delivered by the staff engaged in the plays. Such payments were not regular because funds were paid from the planned budget of other plays;

Almost none of the performances were not repeated according to the contract;

Double payments to NTK resident actors – Three resident actors of NTK troupe were paid twice (through payroll and budgets financed by the Ministry for the plays) the value of the overpayment was €5,040; and

Payment for work which is not documented - NTK paid an amount of €1,270 with the approval of NTK's Director for building platforms for marketing, public relations and promotion of stewardess for show. There was no report on the work carried out and the payment was made from the budget of a show. This is in contradiction to existing regulations of contracting the works.

Risk

Failure to implement contractual requirements and lack of clarity in regulations of payments has resulted in overpayments and irregular payments. This may decrease the efficiency of budget controls and has a negative impact in the future projects planned by NTK. Payment for undocumented work leads irregular payments.

Recommendation 17 The Minister should appoint a working group for drafting of a comprehensive regulation on actors' and other staffs' payment engaged in shows/plays in order to clearly determine the person and the basis for each payment made. Enhanced controls should be applied in order to ensure that only payments documented and supported by sufficient information are made.

¹⁰ These plays are: "Vorbulla"(Vortex) , Vdekja e nje Komisioneri (Death of a Commissioner) and "Shakespeare Globe".

Issue 18 - Expenditure of funds from National Museum (NMK) and Archaeological Institute of Kosovo (AIK) - High Priority

Finding Regarding the expenditures made by NMK and AIK we have identified the following weaknesses:

The Director of Museum withdrew €3,067 from the commercial account, whilst there was no documented evidence on what the funds have been spent on;

NMK and AIK developed three procurement procedures in the value of €3,190 for goods and services, while they do not have a certified procurement officer;

The Directors of subordinate institutions signed various contracts of €34,060 for different works without applying the procurement procedures. While procurement rules require the signing of contracts by the head of procurement, this undermines the transparency of procurement procedures.

Risk Unjustified and undocumented withdrawals from the bank account have resulted in regular payments and chances for misuse. Contracts not subject to formal tendering procedures may lead to failure to receive expected services and achieving poor value for money.

Recommendation 18 The Minister should review above mentioned cases to investigate reasons why payments were made without sufficient evidence and not based on the expected procurement procedures. Proper controls and supervision should be introduced and supported by the necessary regulations in order to ensure that proper procurement activities and payment procedures are applied in the future.

Issue 19 - Payments from inadequate department to private accounts - Medium Priority

- Finding** In three cases, the Ministry paid €27,835 from funds dedicated for other Departments without any prior approval; and
- In three cases¹¹ for support of certain projects in amount of €6,200, the Ministry transferred funds to the private accounts of respective officials, who then closed the projects. These payments are not in line with the rules for expenditure of public money.
- Risk** Paying subsidies from inadequate department leads to the lack of funds of the respective department and undermines the achievement of the set objectives. Supporting projects through transferring funds into private bank accounts increases the opportunity for misuse and financial loss.
- Recommendation 19** The Minister, in cooperation with the respective Departments and with the support of Finance Office, should review the accurate budget requirements which reflect real needs of Departments. Financial support of projects should be followed up through respective authorisation and monitoring procedures by ensuring that objectives in this area of expenditures are met.

¹¹Project “Rehabilitation and Management of Cultural Heritage”, “Drafting of a Strategy” and “Promotion of Cultural Diversity”.

4.5 Assets and Liabilities

4.5.1 Capital and Non Capital Assets

Description

The Ministry did not make progress in assets registration. The Ministry's assets registry does not present its total assets, thus being unreliable. This shows that the Ministry has failed to put in place proper management controls over assets.

Last year, the balance of capital assets was €52,895, whilst the value of assets in the end of 2014 increased to €10,978,133. This was as a result of on-going investments being included as asset in use.

Issue 20 – The Ministry did not carry out the assets inventory in time - High Priority

Finding The Ministry did not made the stock inventory in the end of the year as required by AI on Assets Management. The assets stocktaking was carried out in the beginning of 2014, but the notes from the inventory report and the assets officer did not reconcile. As such, the notes presented in the AFS regarding the assets are materially incorrect; and

KFMIS and E-assets systems were not used by NLK for registration of assets as requested by the Regulation 02/2013 for management of non-financial assets.

Risk Lack of controls in assets management and failure to register them according to the regulations may lead to their loss, misuse and unauthorised use. Failure to register all assets affects the quality of notes disclosed in AFS.

Recommendation 20 The Minister should ensure that Assets Stocktaking Commission and Assets Evaluation Commission carry out their work and report in time. The Assets Management Officer should register and maintain assets' registries according to the Regulation 02/2013 on management of non-financial assets.

Issue 21 - Registration of on-going investments as assets in use - High Priority

Finding The Ministry recorded on-going investments of €11,522,269 as assets in use. This led to the accumulated depreciation of €589,437 for on-going projects which is in contradiction to legal requirements, because the assets not being used cannot be depreciated.

Risk Misclassification of on-going investments records may result in misunderstanding and overstatement of total assets. This may also result in the lack accountability for maintenance of these assets.

Recommendation 21 The Minister should ensure that all capital projects funded by the Ministry are recorded as on-going investments with an associated schedule detailing transfer dates, beneficiaries, cost etc. In cooperation with the Ministry of Finances, he should consider the possibility of correcting these notes in KFMIS in order to have a more real view on assets. They should be disclosed in the AFS in accordance with the accounting standards and rules on assets management.

Issue 22 - Expenditures on fuel for official and private vehicles - Medium Priority

Finding The Ministry does not keep registries for use of official vehicles;

Without any preliminary decision, the amount of €67,000 was paid for 54,321 liters of fuel for use of the private vehicles of Ministry's staff. Such payments are in contradiction with the applicable regulations.

The above mentioned weaknesses indicate the failure to establish proper managerial controls over the use of official vehicles.

Risk Approval of fuel expenditures for private vehicles and failure to follow the respective instructions have resulted in unreasonable and irregular expenditure of budget.

Recommendation 22 The Minister should conduct an internal review to determine why the requirements from the rules for official vehicles management are not applied, and determine the necessary measures in order to prevent this situation from being repeated.

4.5.2 Handling of Debts

Description

The statement of liabilities not paid to suppliers at the end of 2014 was €1,353,292, a ten-time increase compared to 2013 when the amount of liabilities was €132,913. However, this reflects only a part of MCYS's budgetary challenge since the registry of outstanding liabilities in AFS did not incorporate the outstanding liabilities from the National Library. CFO's arrangements should be more pro-active to ensure the completeness of liabilities by providing efficient reporting of liabilities.

Issue 23 – Ineffective management of outstanding liabilities - High Priority

Finding The amount of €911,055 for unpaid invoices for capital projects were not presented in AFS 2013, whilst they were paid in 2014. This made the new liabilities and existing ones not being executed at a satisfactory level;

NLK's outstanding liabilities of €25,715 were not presented in the Ministry's AFS of 2014;

Seven invoices of €1,658 were not presented as outstanding liabilities in 2014, whilst they were paid in the first quarter of 2015; and

Four invoices in amount of €423 are from 2015, whilst they were presented as liabilities of 2014.

Risk Failure to include all invoices in the statement of outstanding liabilities may result in liabilities' balance being incorrectly presented and in understatement of budget requests for the following year. Weak budget management has led to a large amount of liabilities be paid in 2015. This may lead to the risk of future expenditure plans not being implemented due to the needs to pay the prior years' liabilities.

Recommendation 23 The Minister should review the liabilities' reporting lines and carry out an immediate assessment of debts, in order to determine the adequate measures for improving the current situation. Payments should be made according to aging of liabilities in order to prevent the Ministry from any lawsuit by economic operators.

4.6 Internal Audit System

Description

The Internal Audit system is a key part of internal control and due to its importance we present it here separately. We consider the scope of internal audit work and the activity of the Audit Committee (AC). In addition we review actions taken by senior management as a result of the work carried out by internal audit and the audit committee.

The IAU consists of the Director and one officer. IAU has an annual plan which is based on the strategic plan of audit 2014-2016. Six reports were finished in 2014 by covering some key areas of accounting.

The Audit Committee held six meetings with the internal auditor during the year where all IAU reports were reviewed.

Issue 24 -Internal Audit System - High Priority

Finding	The audit scope of IAU mainly included activities of 2013 rather than the current year's. The management did not prepare action plans to address the recommendations given by IAU. From September 2014, the mandate of AC members had expired, whilst the Ministry did not take any actions to appoint the new members; and The AC's impact was not sufficient to improve the internal control system because the AG's recommendations were not handled to insure their complete addressing.
Risk	Focusing the IAU activity on prior year activities hinders the identification and prevention of errors and reduces the assurance provided to the management regarding the efficiency of key financial controls. Failure to address IAU recommendations will result in continued weaknesses in internal controls of the Ministry. Lack of sufficient contribution by AC undermines its functioning and role in improving internal controls systems.
Recommendation 24	The Minister should ensure that the IAU gets more functionalized. In the future it is necessary to monitor the fulfillment of the IAU audit plan on a quarterly basis and to undertake proactive actions so that the issues raised by the internal audit to be addressed at the right time. Besides this, AC ust be ri-activated giving support IAU and Management in proper implementation of recommendations.

Annex I: Explanation of the different types of opinion applied by the OAG

(extract from ISSAI 200)

Form of opinion

147. The auditor should express **an unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

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

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

Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

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

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

153. The auditor should express a **qualified opinion** if: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are

material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

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

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

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

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

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

Annex II: Prior Year Recommendations

Audit Component	Recommendation given	Recommendation fully addressed	Partly addressed	Not addressed
Significant risks	The Minister should analyse the reasons for these yearend transactions and identify action required in order not to repeat the same practice in future. While all procedures for capital investments are led by the Ministry, transfer of funds into bank accounts of the subordinate institutions is not required.			Recommendation was not implemented since transfers for capital projects into the accounts of subordinate institutions have continued during this year for projects which have not started.
Annual Financial Statements	The Minister should ensure that the 2014 AFS production plan requirement for management review of the draft account is actioned with specific focus on areas considered of high risk of error and/or areas where errors have been identified in previous years.			Recommendation was not implemented since the preparation of AFS for the fiscal year of 2014 had many errors.
Good Governance	The Minister should ensure that an appropriate governance structure is implemented whereby an appropriate reporting framework is developed to meet the needs of MCYS. Clear roles and responsibilities should be determined within MCYS and its institutions to ensure the effective production, review and monitoring of these reports and the achievement of required timelines.			Recommendation was not addressed since the same issues were repeated during this year as well.

Budget Planning and Execution	The Minister should ensure that budget preparation is preceded by a rigorous assessment process that fully reflects all relevant information including prior year outturns / expected in year changes etc. Particular emphasis should be placed on the identification of the barriers and opportunities to increase the execution rate of capital investment. Effective in year budget monitoring should be applied where timely action is taken to addresses variances against planned expenditure.			Recommendation was not addressed, and this year became even more emphasised.
Revenues	The Minister should implement an appropriate revenue management process with clear roles and responsibilities determined between MCYS finance staff and revenue collecting institutions to ensure the effective identification, review and monitoring of revenue collected and the timely banking of such revenues. The Minister should ensure that all concessions operated in cultural institutions provide revenue streams to the institution and are charged for their share of utility costs. Concessions should only be awarded through open tendering processes.			First and second points of the recommendations were not addressed, since during this year there was a similar situation on reporting of revenues. The National Theatre did not implement the recommendation regarding the leasing of the buffet.
Expenditures through procurement – Systematic weaknesses	The Minister should implement an internal review to determine why specific procurement requirements are not addressed for all procurement exercises and implement enhanced controls to ensure that the systematic weaknesses identified are addressed, identify barriers to the effective implementation of internal controls related to procurement should be identified and appropriate action taken to remove these barriers.			The recommendation has not been addressed.

Expenditures through procurement – Nonsystematic weaknesses	The Minister should review why specific procurement controls have not been applied consistently in the above cases and implement enhanced controls to ensure that a similar situation will not be repeated. In addition, the Minister should identify barriers to the effective implementation of internal controls related to procurement and take appropriate action to remove these barriers.		Non-systematic weaknesses were partially addressed since some of the issues were repeated this year.	
Wages and Salaries	The Minister should implement a review of all special service contracts to ensure that all posts are regularised and also ensure that effective recruitment processes and controls are implemented to ensure that open public announcements are used to fill all future vacancies. The Minister should ensure that the Personnel department undertakes a comprehensive review of the relationship between staff multipliers and job descriptions to remove existing inconsistencies. Similarly action should be taken to ensure the implementation of effective controls to ensure that staffs are paid for by the correct department and brain fund payments are approved correctly.			All recommendation in regard to wages and salaries were not addressed.

Subsidies and Transfers	The Minister should review the above-mentioned cases to investigate why the payments were made without sufficient evidence and / or not on the basis of expected procurement procedures. Adequate controls and oversight should be introduced and supported by the appropriate regulations to ensure that proper procurement and adequate payment procedures are implemented in the future. The Minister should engage a Working Group to draft a comprehensive regulation for payment of the actors and other staff engaged in shows which will clearly define who can be paid and the basis on which all payments are made. The Minister should initiate a detailed review to determine clearly the objectives of granted subsidies and ensure the implementation of adequate controls in order to stop making ineligible payments. This should be subject to management's regular review including internal audit's assessment of whether the proposed scheme is „fit for purpose“. The Minister should assess why expected controls are not implemented in the process of closing the above-mentioned advances, ensure enhanced controls and improve oversight in order to ensure that in the future contractual requirements are met.			None of the recommendations in the area of subsidies and transfers were addressed, so they became even more emphasised.
--------------------------------	--	--	--	--

Assets	The Minister should ensure that the current process of identification, evaluation and recording of assets continues in order to achieve accurate assets records and a correct 2014 AFS disclose of the value of assets. Milestones should be set in this process and the achievement of these reviewed by the Minister monthly. The Minister should ensure that all capital projects funded by the Ministry are recorded as on-going investments with an associated schedule detailing expected transfer date, beneficiary, cost etc. The same should be disclosed in the AFS in accordance with the accounting standards and rules of assets management.		First point of recommendations was partially addressed, since the CFO in 2015 had established the Commission for identification of facilities and areas owned by the Ministry. This work will be audited in 2015.	
Handling of Debts	The Minister should ensure that effective procedures are implemented to identify and record outstanding liabilities and to ensure that payment obligations are met.	Recommendation was partially fully.		
Internal Audit	The Minister should ensure that it will take appropriate measures to strengthen cooperation between the IAU, Management and the Audit Committee to ensure that a comprehensive risk based audit plan is developed and implemented and that the appropriate recommendations arising from the IAU are applied in practice.		Recommendation was partially implemented.	