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Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY OF CULTURE, YOUTH AND SPORTS FOR YEAR 2024

Prishtina, June 2025

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1 Audit Opinion

We have completed the audit of the financial statements of the Ministry of Culture, Youth and Sports for the year ended on 31 December 2024 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Qualified Opinion on Annual Financial Statements

We have audited the annual financial statements of the Ministry of Culture, Youth and Sports (MCYS) which comprise the statement of cash receipts and payments; budget execution report; and explanatory notes to financial statements, including a summary of significant accounting policies and other reports², for the year ended as of 31 December 2024.

In our opinion, except for the matter/s described in the paragraph for Basis for Qualified Opinion, the annual financial statements of the Ministry of Culture, Youth and Sports give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards under cash-based accounting, the Law no.03/L-048 on Public Finance Management and Accountability (amended/supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

Basis for Qualified Opinion

- B1 The value of capital assets presented in the Annual Financial Statements (AFS) was understated by €870,760, while non-capital assets were understated by €56,315, due to failure to register and disclose assets;
- B2 During 2024, MCYS executed payments in inadequate categories in the amount of €662,412.

For more details, see sub-chapter 2.1 Issues with impact on the audit opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P 10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations'

¹ Compliance with authorities – compliance with all the public sector laws, rules, regulations, and relevant standards and good practices

² Other reports are required under Article 8 of Regulation no.01/2017 on Annual Financial Report

AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion on Compliance

We have also audited if the processes and underlying transactions are in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

In our conclusion, except for the matter/s described in the paragraph Basis for Compliance Conclusion, transactions carried out in the process of execution of the Ministry of Culture, Youth and Sports's budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee related to the use of financial resources.

Basis for Conclusion

- A1 During the testing of recruitment procedures, we noticed that in two cases legal requirements were not respected.
- A2 MCYS, in violation of the budgetary restrictions set in the decision for public calls, had exceeded the planned budget when evaluating projects and subsidized other institutions not planned with the budget.
- A3 In 11 cases, we noticed that regular job positions were staffed by acting employees for longer than the foreseen statutory deadline.
- B3 In two (2) cases in the amount of €833,595, reports justifying the expenditures were not submitted by the subsidy beneficiaries as specified in the agreement.
- B4 In eight (8) cases, invoices totalling €165,052 were not paid within the foreseen statutory deadline. The delays ranged from 11 to 179 calendar days.
- B5 MCYS, at the end of 2024, had unjustified advance payments for official trips in the amount of €40,984.

For more details, see sub-chapter 2.2 Issues with impact on the compliance conclusion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. NAO is independent from the auditee in accordance with INTOSAI-P 10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Management and Those Charged with Governance for the AFS

The Secretary of MCYS is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards –

Financial reporting under the cash basis of accounting. In addition, the Secretary is responsible for establishing internal controls which he determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes the fulfilment of requirements of the Law no.03/L-048 on Public Finance Management and Accountability (amended and supplemented) and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

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

Ministry of Culture, Youth and Sports Management's Responsibility for Compliance

The management of the Ministry of Culture, Youth and Sports is also responsible for the use of the Ministry of Culture, Youth and Sports's financial resources in compliance with the Law on Public Financial Management and Accountability, and all other applicable rules and regulations.³

Auditor General's Responsibility for the audit of AFS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our objective is also to express an audit opinion on compliance of respective Ministry of Culture, Youth and Sports's authorities with the applicable policies, rules and regulations as regards making use of financial resources of the audited organisation

As part of an audit in accordance with the Law on NAO and ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

³ Collectively referred to as compliance with authorities

- Identify and assess the risks of non-compliance with authorities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry of Culture, Youth and Sports's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations⁴

During the audit, we identified areas for improvement, including internal control, which are presented below for your review in the form of findings and recommendations.

The Ministry in 2024 spent 75% of the final budget, marking a decrease of 3% compared to 2023. The areas with the most problems relate to the maintenance of asset registers and inadequate classification of expenditures.

Regarding compliance with applicable legislation and regulations, special focus should be paid to shortcomings in the recruitment process, compliance with legal deadlines set by law on acting officials, the process of granting and managing subsidies, delays in closing advances and delays in paying invoices.

These findings and recommendations aim to make the necessary corrections to the financial information presented in the financial statements, including disclosures in the form of explanatory notes and to improve internal controls related to financial reporting and compliance with authorities regarding the management of public sector funds.

Additionally, as a team we have provided advice on improving the draft annual financial statements of MCYS for 2024, which after our recommendations, have been improved.

This report has resulted in 17 recommendations, of which 10 are new recommendations and seven (7) are repeated. We will follow up on these recommendations during next year's audit.

For the status of the previous year's recommendations and the level of their implementation, see Chapter 4.

⁴ Issue A and Recommendation A - means new issue and recommendation
Issue B and Recommendation B - means repeated issue and recommendation
Issue C and Recommendation C - means partly repeated issue and recommendation

2.1 Issues with impact on the audit opinion

Issue B1 - Failure to record assets and their incomplete presentation in the AFS

Finding MoF Regulation No. 02/2013 on the Management of Non-Financial Assets in Budgetary Organizations, Article 6, stipulates that “Capital assets must be registered in the KFMIS, while non-capital assets and stocks must be registered in the “e-assets” system. In addition, the Regulation No. 01/2027 on Annual Financial Reporting by Budgetary Organizations Article 6, states: “Budgetary organizations maintain accurate, complete, up-to-date and in accordance with applicable legislation accounting records for all financial and other non-financial information.”

The value of capital assets presented in the Annual Financial Statements (AFS) was understated by €927,075 due to shortcomings in asset registration, such as:

- In six (6) cases, assets totalling €870,760 were not registered in KFMIS; and
- In one case, assets totalling €56,315 were not registered in the e-asset system.

The identified shortcomings were due to the lack of proper communication between units within MCYS.

Impact Failure to fully register assets in the relevant registers lead to incorrect and inaccurate presentation of assets in the AFS. Further, unregistered assets may be exposed to the risk of loss and alienation.

Recommendation B1 The Minister, through responsible officials, should ensure that the registration of capital and non-capital assets is applied in order to preserve assets and accurately present their value in the AFS.

Management's Response: Agree

Issue B2 - Inadequate classification of expenses

Finding According to the Financial Rule No. 01/2013 Expenditure of Public Money, Article 18.3, expenditures must have adequate codes, determined by the accounting plan. Additionally, the Treasury chart of accounts determines the relevant codes and categories of expenditures that Budget Organizations (BOs) must apply.

During 2024, MCYS executed payments in inadequate economic categories, in the amount of €662,412, as follows:

- The payment in the amount of €631,066 paid through court decisions for “Expenses for organizing events, designs and printing of promotional materials” was executed from the capital investment category, while the corresponding expenditure by nature belonged to the goods and services category;
- Payments in the amount of €395,596 executed through court decisions for Capital Investments, as part of additional and enforcement expenses, included a value of €12,996, which by nature belonged to the Goods and Services category.
- In the contract for "Supply of work equipment and materials necessary for the restoration - conservation of artifacts and cabinets for the National Museum of Kosovo", the payment for equipment in the amount of €18,350 paid from the category of goods and services, by nature belonged to the category of capital investments.

The inadequate classification of expenditures was a result of improper economic planning and as a result of the execution of payments by the Treasury for court decisions.

Impact Payments made from inadequate economic categories have resulted in an unfair presentation of expenditures, causing overstatement/understatement of the capital investment category as well as the goods and services category.

Recommendation B2 The Minister should ensure that expenditures are planned and executed in accordance with adequate economic categories, to enable their fair reporting according to public sector accounting standards in accordance with the chart of accounts.

Management's Response: Agree

2.2 Issues with impact on the compliance conclusion

Issue A1 - Shortcomings in recruitment processes

Finding

Law 08/L-197 on Public Officials, Article 44, stipulates that "Admission to a position of lower and middle management category is made through an open and public competition organized for each vacant position". While Article 7, paragraph 2. of Regulation (GRK) No. 05/2022 on competitive procedures and admission for administrative and support employees determines that: "The deadline for receiving applications cannot be shorter than eight (8) days and no longer than fifteen (15) calendar days". In addition, Article 13, paragraph 5, preliminary verification determines that "Candidates who do not meet the conditions for application, do not have the right to continue the competition further".

During the testing of recruitment procedures, we noted the following shortcomings in the process:

- At the NBK, we noticed that an official, who had been in the position of Head of the IT Sector since 2012, was appointed to the position of Head of the IT Division (Junior Manager), on 20.12.2024, without following an open recruitment procedure, as required by the legislation in force.
- On 06.12.2023, KSAA announced a vacancy for the position of receptionist, while the deadline for submitting applications was 09.01.2024, thus exceeding the legal deadline of 15 days for submitting applications, as provided for by the relevant legislation. Furthermore, the selected candidate did not meet the criteria set out in the vacancy, which were not in accordance with the requirements of the regulation for this position, specifically the criterion for three (3) years of work experience, as he had provided evidence of only 16 months of experience. Furthermore, the employment relationship should be concluded with an employment contract, not with an appointment act.

These occurred due to a lack of internal control and non-compliance with applicable regulations and laws.

Impact

Shortcomings in recruitment processes by appointing officials to management positions without initiating an open, public competition, as well as by not respecting the legally established criteria and deadlines, have a negative impact on the transparency and credibility of the recruitment process.

Recommendation A1 The Minister should ensure that all recruitment processes are carried out in accordance with established rules and laws, by initiating open, public competitions for each vacant position. It is essential that recruitment criteria and procedures are respected to ensure transparency and equality in employment processes.

Management's Response: Disagree

In more detail, see Appendix I

Issue A2 - Exceeding the planned budget and unplanned subsidy

Finding According to the decision dated 13.03.2024 on the public call for project proposals in the field of art, culture and heritage for 2024, point 2, financial support for projects of NGOs and Individuals will be provided from the Budget of the Ministry of Culture, Youth and Sports, Department of Culture in the amount of €2,000,000 for projects in the field of art and culture, while €400,000 from the Department of Heritage for projects in the field of cultural heritage. Furthermore, Regulation MF-No. -04/2017 on criteria, standards and procedures for public financing of NGOs as well as Regulation No. 09/2015 on subsidies in the field of culture, cultural heritage, youth and sports do not provide for funding for public institutions.

During testing, we noticed that MCYS, contrary to the budgetary restrictions set in the decision for public calls, exceeded the planned budget when evaluating projects and subsidized other institutions not planned with the budget:

- The Department of Culture supported projects totalling €4,104,229, while the Department of Cultural Heritage supported projects totalling €840,801, exceeding the planned budget by over 100% based on the public call.
- MCYS has subsidized Radio Television of Kosovo (RTK) in the amount of €140,000 for broadcasting national football team matches, despite the fact that RTK is a public medium and as such is funded by the Kosovo Assembly.

This occurred due to poor functioning of internal controls.

Impact Exceeding the planned budget with public calls for subsidies and the method of financing RTK increases the risk of entering into obligations without a budget, may lead to non-professional evaluation of projects and support projects that are not in line with the established objectives.

Recommendation A2 The Minister should ensure that the budget planned for subsidies is in line with budgetary constraints and that other financing is implemented in a transparent and justifiable manner, avoiding unbudgeted obligations and ensuring that supported projects are in line with the defined objectives.

Management's Response: Disagree

In more detail, see Appendix I

Issue A3 - Exceeding the legal deadlines as acting officer

Finding According to Law No. 08/L-197 on Public Officials, Article 35 paragraph 3 states that: A public official may not be appointed as acting official for longer than six (6) months. When the position cannot be filled within the six (6) month period, this period may be extended for a maximum of another six (6) months.

The Ministry had appointed 49 acting officials by Decision, of which:

- 28 cases in MCYS;
- 14 cases in the National Library of Kosovo (NLK) and
- Seven (7) cases in the Kosovo State Archive Agency (KSAA).

Additionally, in 11 cases we identified that regular job positions were staffed by acting employees for longer than the foreseen statutory deadline of twelve (12) months, as follows:

- Seven (7) in the Ministry;
- One (1) in KSAA;
- Two (2) in the NBK; and
- One (1) in AMMMCK

This situation occurred due to delays in finalising regulations for the organization and systematization of jobs in accordance with legal requirements.

Impact Staffing positions with acting officials for a longer period than the foreseen statutory term risks that the various positions will be held by persons who do not meet the required/defined criteria for the appropriate positions.

Recommendation A3 The Minister should ensure compliance with the legal deadlines set by the law on acting officials, the finalization of internal legislation in order to fill the positions with regular staff.

Management's Response: Agree**Issue B3 - Delays in Subsidies Justification**

Finding The Ministry, with the aim of supporting the development of culture in general, among other things, also subsidizes various cultural and sports projects, whether of public or non-public entities. Subsidies are given in the form of advance payments in order to justify them according to agreements signed mainly at the end of the year, while project holders are obliged to justify the expenses incurred based on the deadlines foreseen in the contracts.

In two (2) tested cases, totalling €833,595, the beneficiaries of subsidies did not submit reports justifying the expenses within the deadlines set in the signed agreements, which according to the agreements should have been closed. As a result, they are still open. These cases are as follows:

- Judo Federation in the amount of €533,595; and
- Handball Federation in the amount of €300,000;

This was due to the poor functioning of the federations' expenditure monitoring system by the MCYS, and the lack of adequate mechanisms that would require beneficiaries to report on subsidized projects.

Impact Failure to justify and report on subsidized projects by subsidy beneficiaries according to the terms set out in the signed agreements makes it impossible to confirm whether the ministry's objectives and value for money have been achieved. It can also damage the ministry's budget and increase the possibility of funds being used for other purposes.

Recommendation B3 The Minister should ensure that all subsidized projects are justified within the stipulated time and are in accordance with the requirements of the memorandum, supported by valid documents stipulated in the regulation on subsidies and transfers. In cases of non-justification of subsidies, legal actions should be taken, as stipulated in the relevant agreements.

Management's Response: Disagree

In more detail, see Appendix I

Issue B4 - Delays in payment of outstanding obligations

Finding According to the Law No. 03/L-048 on Public Financial Management and Accountability, Article 39.1, "Every valid invoice and request for payment for goods and services supplied and/or works performed for the budget organization shall be paid within thirty (30) calendar days after receipt of the invoice."

In eight (8) cases, invoices totalling €165,052 were not paid within the foreseen statutory deadline. The delays range from 11 to 179 calendar days.

The delays were caused by a lack of budgetary funds and poor planning for fulfilling obligations according to the established deadlines.

Impact Delays in payments to suppliers increase the risk that in future periods the ministry will face legal/executive lawsuits which at the same time result in additional expenses, burdening the ministry's budget.

Recommendation B4 The Minister should ensure the establishment of an effective system in which all invoices are processed for payment in a timely manner according to the legally established deadline.

Management's Response: Agree

Issue B5 - Delays in closing advance payments for official trips

Finding According to AI No. 2004/07 – on Official Travel, Article 8 and Article 9, paragraph 1 of Regulation (GRK) No. 06/2023 on Compensation for Official Travel and Representation Expenses stipulate that "The request for compensation and minor expenses together with all evidence of financial expenses shall be submitted to the relevant budget and finance unit within fifteen (15) working days from the date of completion of the official travel". Further, Article 10, paragraph 4 stipulates that "In the event that the official does not return the amount, it shall be withheld according to the salary system".

MCYS, in Article 20 of the Annual Financial Statements (AFS), reported unjustified advance payments for official trips in the amount of €40,984. Of this amount, €19,590 were unclosed advance payments from previous years (2010-2023), while unclosed advance payments for 2024 were in the amount of €21,394, which exceeded the legal deadline of 15 days.

This situation occurred due to lack of appropriate legal action by the ministry to return the funds from the relevant officials.

Impact Failure to justify official travel expenses and failure to close advances within the legal deadline increases the risk that the money has been used contrary to the intended purposes, applicable rules, or misuse of public funds.

Recommendation B5 The Minister should ensure that all advances for official trips are justified, and unspent amounts returned within 15 days after returning from the trip. Otherwise, should ensure that legal action is taken against the responsible persons who have not justified or returned the funds received – advance payments.

Management's Response: Agree

2.3 Findings on financial management and compliance issues

2.3.1 Wages and Salaries

The final budget for wages and salaries in 2024 was €6,733,377, from which €6,702,027 were spent. The number of employees according to the budget was 816, while at the end of the year their number was 725.

Issue A4 - Failure to issue internal regulations in accordance with legal provisions

Finding Regulation (GRK) No. 06/2024 on the Classification of Job Positions in Civil Service, Article 34, stipulates that: "Institutions within the scope of this Regulation are obliged to prepare the classification and grouping of job positions in accordance with this Regulation and the job catalogue, no later than three (3) months from the entry into force of this Regulation."

The MCYS and the Agency for the Management of Monuments and Memorial Complexes of Kosovo (AMMMCK) prepared relevant draft regulations, but they have not been finalized yet. Meanwhile, the National Library of Kosovo has not yet drafted its own regulation, although this is required by the legislation in force.

Recent legal changes affecting MCYS sectors, such as the fields of youth and sports, have created the need to review some aspects of the regulations, leading to delays in their adoption.

Impact Failure to finalize regulations for the classification and grouping of job positions in accordance with legal provisions may create delays in the implementation of the requirements provided for in this regulation. These delays may affect the proper functioning of the relevant institutions and the implementation of policies in accordance with legal changes, creating uncertainty in the management and implementation of administrative processes.

Recommendation A4 The Minister should ensure that the process of drafting and approving regulations is expedited, ensuring close coordination between institutions and respecting the deadlines set out in the regulations in force.

Management's Response: Agree

2.3.2 Goods and Services and Utilities

The final budget for goods and services in 2024 was €25,356,341, of which €23,084,508 was spent. Expenditures for goods and services relate to supplies of consumables, maintenance, IT equipment, fuels, rental costs, contracting services, utilities, etc.

Issue A5 - Engagement of consultants through procurement procedures to cover regular positions

Finding According to the Rules for the Procurement of Specific Services (Consultants/Individual Contractors), Article 3.1 stipulates that these rules apply only to the procurement of specific services that cannot be procured through recruitment procedures under the Law on Public Officials No. 06-L-114. Specific services that cannot be procured through recruitment procedures are professional services that the Contracting Authority needs but cannot meet the requirements with its existing staff. Further, Article 3.2 stipulates that the Consultant/Individual Contractor is a specialist in a specific field, engaged by the Contracting Authority in the role of an advisor.

During 2024, MCYS (including subordinate institutions) engaged 153 consultants with agreements for specific services through procurement procedures, such as:

- 149 in MCYS;
- Three (3) in AMMMCK; and
- One (1) in the NBK.

These people were engaged in regular positions, as administrative, legal, financial, archive, IT, driver, historian, ethnologist officials, etc.

This occurred due to poor controls and improper application of legal requirements.

Impact The engagement of personnel for regular positions with contracts for specific services through procurement procedures leads to non-compliance with legal requirements and the selection of staff with inadequate experience and qualifications for certain positions.

Recommendation A5 The Minister should ensure that regular job positions are included in the recruitment plan and that their recruitment is carried out through regular recruitment procedures in accordance with the legal requirements.

Management's Response: Agree

Issue A6 - Exceeding the contract value

Finding Article 1, paragraph 1.4 of the contract stipulates that the contract enters into force on 16.10.2023 and ends on 15.10.2026. Also, according to the contract, article 4, the total price of the bid will be in financial value of €800,000 (+/-30%).

The audit of payments for the framework contract "Production services for television spots and documentaries for the needs of MCYS" signed on 16.10.2023 in the amount of €800,000 (+/- 30%) showed that MCYS made payments in the amount of €1,062,093. Therefore, the value of payments exceeded the value of the contract including (+30%) by €22,093.

This occurred due to the lack of internal controls during the implementation of the framework contract.

Impact The lack of effective controls in contract management, accepting services/supplies beyond the limits allowed by the contract, leads to the execution of payments not according to the contract, unplanned expenses and limiting the financing of other projects, also affecting transparency regarding the spending of public funds.

Recommendation A6 The Minister should strengthen internal control mechanisms for the management of framework contracts, ensuring that expenditures are in line with the contracted values, in order to avoid budget overruns and the efficient use of its budget.

Management's Response: Agree

Issue A7 - Monitoring contract management not through e-procurement

Finding According to the Regulation No. 001/2022 on Public Procurement, Article 70, paragraph 70.24.f, "The contract manager shall ensure that all contract management records are prepared, maintained and archived in the contract management module in the electronic procurement system".

During the testing of seven (7) contracts totalling €1,661,385, we noticed that contract/project managers did not maintain and archive contract management and contractor performance evaluations through the electronic public procurement system.

This occurred due to poor functioning of internal controls.

Impact Failure to maintain and archive contracts through the public procurement system may result in non-fulfilment of legal requirements as well as the inability for management to receive timely information regarding contract progress and performance.

Recommendation A7 The Minister should ensure that all project managers apply contract management through the electronic public procurement system, with the aim of easier oversight by management or other potential users.

Management's Response: Agree

Issue A8 - Lack of prior notice

Finding The Public Procurement Regulation, Article 6, paragraph 6.2, stipulates: "If the CA intends to award contracts during the next 12-month period, one or more contracts for supplies, services or works which have an estimated value of €500,000 or more, the time limit for the preparation of the indicative notice by the procurement officer is: a. In the case of a Prior Information Notice for supplies or services as soon as possible after the beginning of the fiscal year.

The Ministry, on 23.12.2024, concluded the contract "Production services for television spots and documentaries for the needs of MCYS and subordinate institutions", in the amount of €1,500,000. However, MCYS did not prepare and publish the prior notice at the beginning of the year as required by regulation.

This occurred as a result of poor functioning of internal controls.

Impact The lack of prior notice leads to the non-fulfilment of public procurement rules and at the same time reduces transparency for EOs to be notified and prepared in real time for potential procurements.

Recommendation A8 The Minister should ensure that the prior notice is prepared and published in accordance with the rules set out in the Public Procurement Regulation.

Management's Response: Agree

Issue B6 - Poor planning and delay in receiving goods**Finding**

Article 2, paragraph 2.1 of the contract, delivery conditions and Article 11, execution schedule of the special conditions, determine the deadlines for the delivery of goods.

During testing in three (3) cases of contracts at MCYS, we noticed that the terms/conditions set out in the contract were not respected, such as:

- NBK concluded the contract (mini-tender) "Printing of various materials for the needs of the NBK on the occasion of the 80th anniversary of the Library" in the amount of €5,282 on 20.11.2024. According to the delivery note, the acceptance committee had accepted the supplies on 09.12.2024, after the contract was concluded.
- The Ministry concluded the contract in the amount of €12,600, divided into two Lots on 28.07.2023. During the testing of the payment for Lot 2, in the amount of €3,598, for "Supply of carpets for the needs of MCYS", it was noted that the EO had delivered the supply according to the terms of the contract. However, the Ministry requested a change of sample, which was not possible for the EO. Furthermore, out of three (3) samples provided by the EO, the Ministry had selected one type of carpet, filling only one of the positions of Lot 2, while the other position was not realized at all.
- The contract for "Equipment with the Archicad 26 program for MCYS and subordinate institutions" in the amount of €92,942, signed on 11.07.2023, was not entirely completed, specifically the staff training part in the amount of €5,124 (by the time of completion of the audit on 11.03.2025).

The reasons for the shortcomings during the implementation of contracts were poor planning, failure to implement contract deadlines, and the inability of ISA to intervene in the antivirus installed on the institutions' computers.

Impact

Failure to implement the contract on time by the EO may cause delays in the implementation of the planned activities. Also, additional requests and changes to supplies by the ministry increase the risk of financial loss as the same may be obliged to pay additional costs to the EO.

Recommendation B6 The Minister should strengthen internal controls to prevent delays and non-compliance with deadlines, by better planning the supply and training process, and by ensuring that economic operators respect the established deadlines and conditions.

Management's Response: Agree**2.3.3 Subsidies and Transfers**

The final budget for subsidies and transfers was €25,356,341, of which €23,084,508 were spent. They mainly relate to supporting various cultural, sports, youth and cultural heritage projects.

Issue A9 - Establishment of the evaluation and complaints committee for subsidies not in accordance with legal requirements

Finding Regulation MF-No. -04/2017 on Criteria, Standards and Procedures for Public Financing of NGOs, Article 8 – Evaluation Committee, stipulates: The Evaluation Committee shall consist of five (5) members, as follows:

1. one representative from the relevant unit, within which it is planned.
2. two representatives from the group of external experts, one of whom must be a representative of NGOs, who will be selected through a public call to be launched by the provider of financial support;
3. two representatives from the institution providing financial support, one of whom must be from the relevant budget/finance unit.
4. In addition to the regular members of the Evaluation Committee from paragraph 3 of this Article, the provider of financial support must provide by decision one (1) reserve member, who will replace, if necessary, the member of the Evaluation Committee who has a conflict of interest.

Furthermore, Article 9 - Appeals Committee, stipulates that: Members who have participated in the review of the application within the Evaluation Committee and political appointees cannot participate in the Complaints Committee.

During testing of the subsidy award process, we noted shortcomings in the establishment of the evaluation and complaints committees, such as:

- The project evaluation committee was established in violation of the regulation, as no member from the relevant unit – the culture department or the finance department – was appointed to the committee (except for one reserve member).

- While for the public call "Mobility Fund 2024, Sport-Youth-Art, Culture-Cultural Heritage", with separate decisions, the commission for evaluating applications was established initially on 13.05.2024, while the appeals committee was established on 14.06.2024. However, in these decisions the same official from the sports department was appointed as a member of both committees.

This occurred as a result of improper controls during the establishment of the committees.

Impact

The establishment of the evaluation committee and the appeals committee in violation of the regulation may lead to conflict of interest and lack of transparency, undermining the legality of the process and its credibility.

Recommendation A9 The Minister should ensure that evaluation and appeals committees are established in accordance with regulations and include members from all relevant departments, to ensure impartiality, transparency and respect for legal procedures.

Management's Response: Disagree

In more detail, see Appendix I

2.3.4 Capital Investments

The final budget for capital investments was €43,131,166, of which €26,172,158 were spent. They mainly relate to the renovation of cultural heritage monuments, the construction of sports halls, cultural and youth centres, etc.

Issue B7 - Delays in the implementation of works

Finding Articles 61.6, 61.19 and 61.20 of the Public Procurement Rules and Operational Guidelines determine that: Contract managers are responsible for managing the contract and must ensure that the EO performs the contract in accordance with the terms and conditions specified in the contract. Furthermore, each public contract has a defined implementation timeframe.

During the audit, in two (2) cases we noticed that the works were not completed according to the time frame set by the contract, as follows:

- MCYS signed a Memorandum of Cooperation with the Municipality of Suhareka on 30.07.2020 for the co-financing of the "Construction of the Ukë Bytyqi Culture House - Suhareka" project. The contract for the implementation of this project in the amount of €2,712,712 was concluded by the Municipality on 15.08.2023. According to point 17.2 of the Special Conditions of Contract (SCC), the deadline for the completion of the works was 75 calendar days, namely by 13.11.2023. Despite this, the project was completed on 20.12.2024, with a delay of about 490 working days.
- AMMMCK signed the contract for the "Conservation and Construction of the Memorial Complex - Historical - Headquarters of the KLA ZOD and Museum in Gllogjan, Phase III - Retendering" project totalling €2,314,764, on 24.10.2024. The deadline for the completion of the project was set for 31.12.2024, but by the end of the year only about 50% of the works had been completed and paid for, while the project remained unfinished.

According to the justifications given by contract managers, the causes of delays are mainly related to weather conditions, the extension of procedures for approving additional work, and unplanned work.

Impact Delays in the completion of projects lead to an increase in contractual obligations which may have budgetary implications in the following years and also lead to failure to achieve the ministry's set objectives.

Recommendation B7 The Minister, through responsible officials, should provide a comprehensive analysis of initiated projects and identify the reasons for contract delays and take action for their implementation/completion.

Management's Response: Agree

2.3.5 Common issues for certain economic categories

The following are common issues for Capital Investments as well as Goods and Services.

Issue A10 - Shortcomings in the definition of technical specifications

Finding According to the Law No. 04/L-042 on Public Procurement in the Republic of Kosovo, Article 28, paragraph 7, "The contracting authority shall not draw up technical specifications that refer to a specific item or source, or to a detailed process, or to any distinctive sign, type or origin or to any product. Notwithstanding the foregoing, the contracting authority may, in exceptional circumstances, draw up technical specifications or make such a specific reference, if the contracting authority clearly establishes that it is not possible to draw up a sufficiently precise and intelligible specification of the subject matter of the relevant contract, in accordance with paragraphs 3-6 of this Article or otherwise; provided that any such reference is accompanied by the words "or equivalent".

From the samples tested, we observed that in two (2) cases, when drafting the technical specifications, technical specifications referring to a specific article or source were used but were not accompanied by the expressions or words "equivalent" as required by law. These were observed as follows:

- Contract for "Construction works for the implementation of the detailed architectural and engineering project for the expansion and renovation of the City Stadium in Shtime - Re-tendering",

in the tender specification required steel radiators from the "Radiator Factory" Gjilan; and

- The contract for "Supply of work equipment and materials necessary for the restoration - conservation of artefacts and cabinets for the National Museum of Kosovo, second re-tender", required in the specification, the position of a vacuum cleaner for surface cleaning of artefacts with the manufacturer Bosch.

This occurred due to negligence during the drafting of technical specifications by the requesting units.

Impact

The failure to include the expression "or equivalent" in the technical specifications limits competition between economic operators and increases the risk of favouring certain operators. This may result in less competitive bids and higher prices for the ministry.

Recommendation A10 The Minister should increase the level of control and accountability so that the requesting entities, when drafting technical specifications, must include the expression "or equivalent" when mentioning specific names or products, in order to comply with legal requirements.

Management's Response: Agree

3 Summary on budget planning and execution

This chapter gives a summarised information on the sources of budget funds, spending of funds and revenues collected, by economic categories. This is highlighted in the following tables:

Table 1. Expenditures by sources of budget funds (in €)

Description	Initial budget	Final budget ⁶	2024 Expenditures	2023 Expenditures	2022 Expenditures
Sources of funds	88,118,721	82,989,100	62,249,462	46,211,509	25,103,236
Government Grants – Budget	88,001,131	82,629,451	62,108,869	46,078,554	24,930,327
Carried forward from previous year	0	29,587	11,652	4,828	10,456
Own source revenues	117,590	117,590	8,250	23,178	6,065
Domestic Donations	0	18,898	0	10,000	0
External donations	0	193,575	120,691	94,949	156,388

The final budget is lower than the initial budget by €5,129,621, mainly due to Government's decision for budget savings.

In 2024, the MCYS spent €62,249,462, or 75% of the final budget, a decrease of 3% compared to the previous year.

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

Description	Initial budget	Final budget	2024 Spending	2023 Spending	2022 Spending
Spending of funds by economic categories	88,118,721	82,989,100	62,249,462	46,211,509	25,103,236
Wages and Salaries	6,958,236	6,733,377	6,702,027	6,226,003	4,880,533
Goods and Services	5,120,027	7,267,784	5,993,349	4,553,493	3,152,252
Utilities	483,908	500,433	297,419	394,313	264,618
Subsidies and Transfers	17,116,550	25,356,341	23,084,508	22,037,975	13,021,111
Capital Investments	58,440,000	43,131,166	26,172,158	12,999,725	3,784,720

Explanations for changes in budget categories are provided below:

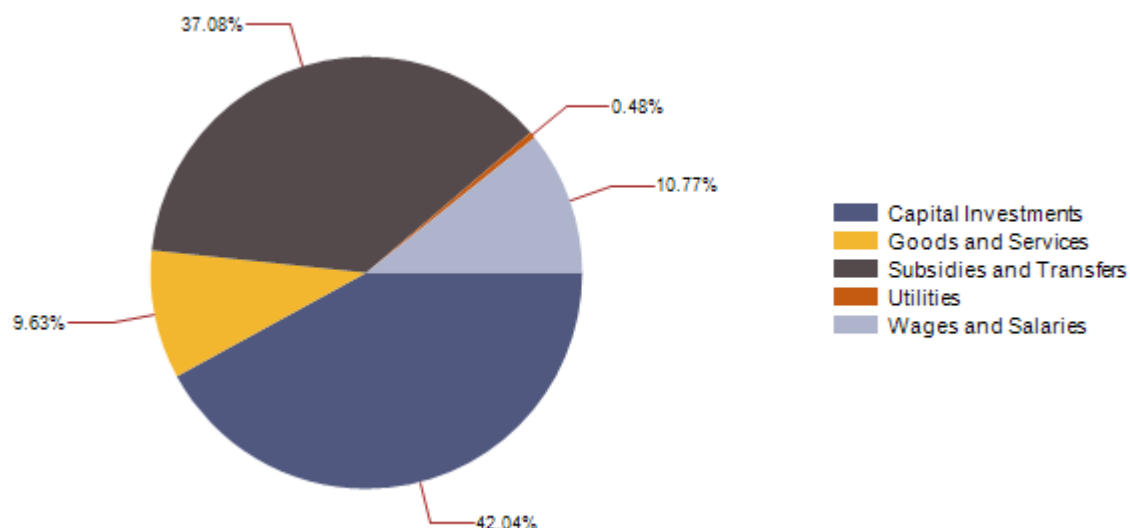
- The final budget for wages and allowances compared to the initial budget was decreased by €224,859. This decrease was initially a result of the Government's decision for budget cuts in the amount of €319,536, then there was an increase from the allocation of donor grants in the amount of €94,677. The realization for this category was 99.5% of the budget;
- The final budget for goods and services compared to the initial budget increased by €2,147,757. The increase was a result of budget transfers according to decisions for transfers between economic categories in the amount of €2,016,463, own source revenues carried forward in the amount of €29,587, as well as allocations from designated donor grants in the amount of €101,707. The budget execution for this category was 82.5%;
- The final budget for utilities compared to the initial budget increased by €16,525, influenced by budget movements according to transfer decisions. Budget execution for this category was 59.4%;
- The final budget for subsidies and transfers increased by €8,239,791 compared to the initial budget. The increase was driven by budget transfers based on decisions for transfers between economic categories in the amount of €1,296,088, Government decisions in the amount of €6,932,639, and allocations from designated donor grants in the amount of €11,064. Budget spending in this category was 91%;
- The budget for capital investments compared to the initial budget was reduced by €15,308,834 as a result of transfer requests and Government decisions in the amount of €15,303,834 and allocations from designated donor grants in the amount of €5,000. The final budget expenditure in this category was 61%. This low level of implementation was a result of the failure to initiate/implement procurement procedures for capital projects, the cancellation of procedures, and failure to initiate requests by requesting units.

Some of the projects that have contributed to the low budget execution were:

- Memorial Complex "Adem Jashari" Prekaz-Skenderaj, in the amount of €2,000,000. The project was put in re-tendering procedure and due to complaints from economic operators, the case remained in the PRB for several months. The contract was signed in August 2024, but due to the low dynamics of field works, the funds remained surplus;
- Theatre and Opera Dr. Ibrahim Rugova, the case was in the PRB for months. The contract totalling €2,700,000 was signed at the beginning of January 2025, and as a result the entire amount remained surplus;
- Renovation of the "Adem Jashari" Stadium in Mitrovica, due to the low dynamics of on-site works, the project budget of €1,724,757 has remained in surplus;
- The renovation of the City Stadium in Gjilan in the amount of €5,000,000 has failed at the procurement stage twice during 2024;
- The construction of the City Stadium in Peja in the amount of €1,500,000 was not completed in 2024, as the process was in the process of re-evaluation of the files, according to the PRB Decision;
- The construction of the city stadium in Ferizaj in the amount of €1,500,000 was in the process of re-evaluating the tender, according to the PRB Decision;

- The construction of the National Judo Centre, Peja, in the amount of €2,500,000, failed in the tendering phase (according to the evaluation committee, there was no responsive bid), etc.

Chart 1. Expenditures by economic categories for 2024



The revenues generated by MCYS in 2024 amounted to €78,929. These revenues were generated mainly from: administrative taxes, participations and revenues from the previous year.

Table 3. Revenues (in €)

Description	Initial budget	Final budget	2024 Receipts	2023 Receipts	2022 Receipts
Total of revenues	113,426	113,426	78,929	88,847	139,703
Non-tax revenues	113,426	113,426	51,648	65,999	54,077
Other revenues	0	0	27,281	22,848	85,625

4 Progress in implementing recommendations

The audit report for the 2023 AFSs of the Ministry of Culture, Youth and Sports resulted in 13 recommendations. The Ministry had prepared an Action Plan that presents how it will implement the given recommendations.

By the end of our 2024 audit, six (6) recommendations had been implemented while seven (7) had not been implemented yet as shown in Chart 2, below. For a more complete description of the recommendations and how they were addressed, see Table 4 (or the Recommendations Table).

Chart 2. Progress in implementing prior year's recommendations

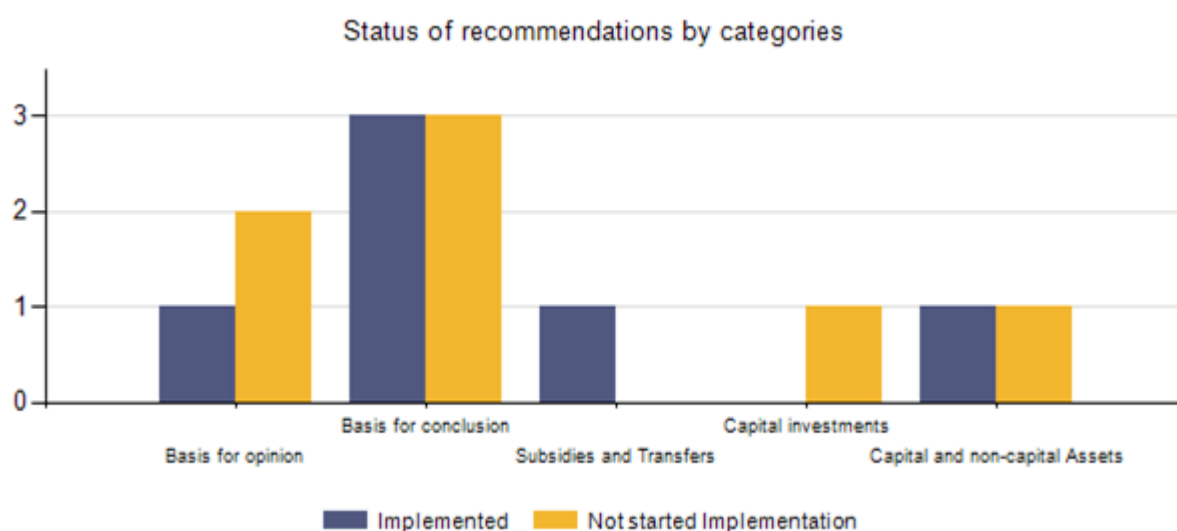


Table 4 Summary of the previous year's recommendations

No.	Audit area	Recommendations of 2023	Actions undertaken	Status
1.	Basis for Opinion	The Minister, through the responsible officials, should ensure that for the projects financed for municipalities for which technical acceptance has been completed through formal procedures, ownership transfer is carried out, and at the same time, these assets are removed from the Ministry's asset register. Furthermore, the Minister should ensure that the registration of capital assets is applied in order to safeguard the assets and	A similar situation was also observed during 2024.	Implementation has not started.

		ensure the accurate presentation of their value in the AFS.		
2.	Basis for Opinion	The Minister should ensure that expenditures are planned and executed in accordance with the appropriate economic categories, in order to enable their accurate reporting in line with public sector accounting standards and in compliance with the chart of accounts.	Cases of misclassification of payments were also identified in 2024 which affected the fair presentation of expenditures in the AFS.	Implementation has not started.
3.	Basis for Opinion	The Minister, through the responsible officials, should strengthen controls and ensure that the financial values of payments and acceptances are presented fairly and accurately in the AFS.	MCYS has taken the necessary actions to implement this recommendation.	Implemented
4.	Basis for Conclusion	The Minister, through the responsible officials, should ensure that appropriate controls are being applied during the implementation of procurement procedures, that the legal provisions guaranteeing competition are being respected, and that the execution of payment terms is carried out in accordance with the type of contracts, in order to avoid incurring expenditures beyond the planned amounts and permitted limits. Furthermore, procurement planning should be carried out in close cooperation between the procurement officer, the budget department, and the requesting units, in order to ensure proper planning of procedures and to achieve value for money.	We have not encountered such cases from the samples tested.	Implemented
5.	Basis for Conclusion	The Minister should ensure that appropriate mechanisms are in place to guarantee that, for every financial support provided, a contract is concluded with the beneficiary in accordance with	We have not encountered such cases from the samples tested.	Implemented

		legal requirements, in order to achieve the intended objectives.		
6.	Basis for Conclusion	The Minister should ensure that all subsidized projects are justified within the foreseen timeframe and in accordance with the requirements of the memorandum, supported by valid documentation as stipulated in the regulation on subsidies and transfers. In cases where subsidies are not justified, legal actions should be undertaken as provided in the respective agreements.	Similar cases of delays in the justification of subsidies were also identified in 2024.	Implementation has not started.
7.	Basis for Conclusion	The Minister should ensure the establishment of an effective system in which all invoices are processed in a timely manner for payment, so that the value of outstanding obligations at the end of the year is minimized. At the same time, their reporting to the Treasury should be complete and conducted on a periodic basis as required by financial regulations.	Similar cases of delays in the payment of obligations were also identified in 2024.	Implementation has not started.
8.	Basis for Conclusion	The Minister should ensure that all advance payments for official travel are justified, and that unspent amounts are returned within 15 days after the completion of the trip. Otherwise, the Minister should ensure that legal actions are taken against the responsible officials who have not justified or returned the received advance payments.	Similar cases were identified in 2024 as well.	Implementation has not started.
9.	Basis for Conclusion	The Minister should strengthen internal controls and, through the responsible officials, ensure full compliance with the procedures and requirements for every public contract signed, based on legal requirements.	We have not encountered such cases from the samples tested.	Implemented
10.	Subsidies and Transfers	The Minister should ensure that the project evaluation process for subsidization is carried out in accordance with the timeframes set out in the subsidy regulation	We have not encountered such cases from testing samples.	Implemented

		and based on the criteria outlined in the public calls. Furthermore, the Minister should ensure that the criteria established in the public calls are fully applied and that contracts are signed only once all requirements specified in the public call have been met.		
11.	Capital Investments	The Minister, through the officials responsible, should ensure a comprehensive analysis of ongoing projects and identify the reasons for delays/disruptions in contracts, taking appropriate actions to ensure their completion.	Cases of delays in the completion of works were also identified in 2024.	Implementation has not started.
12.	Assets	The Minister should ensure that the appropriate committees are established and that inventory reports are compared with the asset registers before preparing the AFS. Furthermore, the CAO should analyze whether it is necessary to develop internal procedures and regulations for asset management due to the extensive network of subordinate institutions within the Ministry of Culture, Youth, and Sports (MCYS).	MCYS has taken measures to implement this recommendation,	Implemented
13.	Assets	The Minister should ensure that the non-capital asset registration system is applied in the e-Asset system in order to safeguard the assets and ensure the accurate presentation of their value in the AFS. Furthermore, subordinate units should fill positions with asset officers and ensure that they are trained in the use of the e-Asset system.	Similar cases of non-registration of property have been identified.	Implementation has not started.

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

Vlora Spanca, Auditor General

Shkelqim Xhema, Head of Audit

Arian Haxha, Team leader

Fatlinda Podvorica, Team member

Arian Zenelaj, Team member

Shemsije Llugiqi, Team member

Annex I: Letter of confirmation/ Comments of BO regarding the audit report (if any)

Issue	Comments from the BO	KNAO view
Shortcomings in the recruitment process	Regarding the recruitment procedure at the Kosovo Agency of State Archives (KASA), it is undisputed that the announcement of the vacancy through an inappropriate sub-legal act was erroneous. Consequently, procedural aspects such as the application deadlines deviated from those stipulated by the applicable sub-legal act — Regulation (GRK) No. 15/2022 on Competitive Procedures and Recruitment for Administrative Technical Civil Servants — which was in force at the time of the vacancy announcement. Furthermore, the criterion set forth in the vacancy notice, requiring three years of work experience for this category of civil servants, constituted a technical error, as the applicable general legal framework does not prescribe such a duration of prior work experience. In this regard, the identified errors did not have a material impact on implementation, as the factual actions were in compliance with the substantive provisions governing the same matter. Our recommendation would be to reformulate the finding in substance so that it reflects the formal and procedural aspects of the deficiencies observed during the execution phase.	The finding remains unchanged, as the criteria set out in the public vacancy announcement must comply with the relevant regulation. In cases where the criteria have been erroneously determined in the vacancy, the competition should be annulled.
Exceeding the Planned Budget and Allocation of Unplanned Subsidies	Public calls, according to the assessment of the evaluation committees, have resulted in qualitative projects that require substantial support to achieve the proposed project objectives. The Ministry of Culture, Youth and Sports (MCYS), having created the financial conditions by fully processing the availability of funds within the relevant budget codes for supporting the independent cultural scene, through amendments to the relevant decisions, has approved a new budget allocation for support. Consequently, the support budget was not exceeded; rather, it was revised based on the evaluation of	The finding remains unchanged, as it has also been confirmed by the MCYS that the budget ceilings set in the public call were exceeded. Moreover, no evidence has been provided regarding requests for additional budget allocations or the respective approvals. Regarding the subsidisation of

	the professional committees of MCYS. We believe that this issue should be analysed from the perspective of planning, with a focus on improving the accuracy of budget ceiling forecasts. Regarding the legal and sub-legal provisions, we consider that the budget increase was made in full compliance with the laws and subordinate acts stipulated in the Law on Public Finance Management and Accountability. Furthermore, this decision was based on the acceptance of a greater number and higher quality of project proposals than initially anticipated, with these proposals addressing the policies of the MCYS. Regarding the agreements with RTK, we consider that this finding cannot be sustained because the purpose of the agreement was not to finance RTK, but rather to address the promotion component within the framework of the policies approved by the Ministry of Culture, Youth and Sports (MKRS). We clarify, in principle, that MKRS regards promotion in the fields of culture, cultural heritage, sports, youth, and copyright as a significant dimension of its policies and objectives. Therefore, the aim of achieving these objectives does not contradict the rules of public financing for the public broadcaster nor the regulations governing the expenditure of public funds.	RTK, the relevant subsidy regulations do not provide for subsidies to public institutions.
Delayed in the justification of subsidies	The federations have requested extensions for the implementation period of the project activities and have submitted project files which required additional documentation to ensure compliance in the reporting and utilization of public funds. In both cases, the verification process was completed in month X of 2024, and the reports were approved by the responsible officials.	The finding remains unchanged, as the MCYS has not provided any evidence to substantiate that the federations were granted an extension for the implementation period of the project activities.

Establishment of the evaluation and appeals committee for subsidies not in compliance with legal requirements	The Evaluation Committee for the “Mobility Fund” projects for NGOs and the Appeals Committee for NGOs do not share any common members. The Evaluation Committee for the “Mobility Fund” projects for individuals and the Appeals Committee for NGOs review different categories of applications and, therefore, there is no conflict of interest. Meanwhile, the Evaluation Committee for NGO projects included representatives from the cultural sector, specifically from the TTK as a cultural institution, as well as a culture officer from MCYS office in Prizren.	The finding remains unchanged, as the MCYS has not provided any evidence to prove otherwise. In both the Evaluation Committee and the Appeals Committee for the assessment of projects under the “Mobility Fund” for NGOs, the same official was engaged (Decision No. 751/2024 dated 13.05.2024 and Decision No. 928/2024 dated 14.06.2024). Meanwhile, regarding the public call for draft proposals in the fields of art, culture, and cultural heritage for 2024, neither the evaluation committees for NGOs nor for individuals included any officials from the Culture Department or representatives from the Budget and Finance divisions.
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Annex II: Explanation regarding different types of opinion applied by NAO and other parts of the Auditor's Report

Auditor's Report on the financial statements⁵ should contain a clear expression of opinion referring to financial statement, based on conclusions drawn from the evidence obtained during the audit. Where the audit is conducted to assess also conformance with legislation and other regulations the auditors have an additional responsibility to report on compliance with authorities⁶. Such opinion should be separated from the opinion whether financial statements are true and fair, i.e. the opinion may be modified with respect to compliance issue(s) but still be unmodified in reference to credibility of the financial statements (or vice versa).

For the purpose of concluding whether an opinion on the financial statements is modified or unmodified an auditor should assure himself/herself whether audit results include or not (a) detected material or pervasive misstatement(s) or potential one(s) presumed in the event of a limitation of scope.

A misstatement is a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

(extract from ISSAI 200)

Forms of opinion

Unmodified opinion

It is formulated when no misstatements or non-compliance were detected or misstatements and/or non-compliance were detected, a single one or aggregate, that do(es) not equal or exceed the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions do(es) not equal or exceed the level of lower materiality established for this class of transactions. It is also formulated if there is no limitation of scope or a limitation of scope may not lead to omission of (a) material misstatement(s) and/or non-compliance).

⁵ Financial statements in the public sector include also the statement(s) of budget execution

⁶ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

Limitation of scope occurs when an auditor 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 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.

Modifications to the opinion in the auditor's report

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 and/or non-compliance, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and/or non-compliance, the auditor should modify the opinion in the auditor's report. A modified opinion may be:

- Modified (qualified)
- Adverse, or
- Disclaimer

Qualified opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that equals or exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions equals or exceeds the level of lower materiality established for this class of transactions. It is also formulated if there is a limitation of scope that may not lead to omission of (a) material misstatement(s).

Adverse opinion

It is formulated when misstatement and/or non-compliance were detected, a single one or aggregate, that pervasively exceeds the level of materiality for the financial statements as a whole or (a) misstatement(s) and/or non-compliance detected within a certain class of transactions pervasively exceeds the level of lower materiality established for this class of transactions.

“Pervasive is a term used, in the context of misstatements and/or non-compliance, to describe the effects of misstatements and/or non-compliance on the financial statements or the possible effects on the financial statements of misstatements and/or non-compliance, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- a) Are not confined to specific elements, accounts or items of the financial statements

- b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Disclaimer of opinion

It is formulated when limitation of scope, i.e. inability to obtain sufficient appropriate audit evidence, is material and pervasive.

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

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.

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.

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.