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Republika Kosova
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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 2023

Prishtina, June 2024

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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 2023 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 on the financial statements and conclusion on compliance with authorities¹.

Qualified Opinion on the 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 at 31 December 2023.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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.

Basis for Qualified Opinion

- B1 The value of capital assets reported in the Annual Financial Statement (AFS) was understated by €995,305, and non-capital assets were understated by €41,497 due to assets not being recorded and disclosed;
- B2 In 2023, MCYS paid and recorded expenses totalling €135,322 in incorrect economic categories;
- C1 In the AFS, the statement of receipts and payments was understated by €36,167 due to failure to disclose the donation returns.

For more, see subchapter 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' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Compliance conclusion

We have also audited whether 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 matters described in the *Basis for Compliance Conclusion* section of our report, transactions carried out in the process of execution of the MCYS's budget have

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 Reporting

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

- B3 In 19 subject matters totalling €2,585,765, reports justifying expenses were not submitted by the beneficiaries of the subsidies as specified in the agreement;
- A1 In two (2) tested subject matters totalling €849,699, weaknesses were found in procurement procedures;
- A2 In nine (9) signed contracts for subsidy beneficiaries totalling €326,082, weaknesses were identified in the contract signing process;
- C2 In three (3) tested subject matters totalling €163,481, MCYS entered into contracts without meeting specified deadlines;
- C3 In four (4) subject matters totalling €76,309, payments were made past due the statutory deadline of 30 days;
- B4 By the end of 2023, MCYS had outstanding advance payments for official trips totalling €28,330.

For more, see subchapter 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 General 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 General 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 of Culture, Youth and Sports' financial reporting process.

Management's Responsibility for Compliance

The Ministry of Culture, Youth and Sports' management is also responsible for the use of the Ministry of Culture, Youth and Sports' 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

³ Collectively referred to as compliance with authorities

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' authorities with the applicable policies, rules and regulations as regards making use of financial resources of the auditee.

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.
- 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' 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 shortcomings 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 found areas for improvement, including internal controls, that are presented below in the form of findings and recommendations for your consideration.

The areas with the most pronounced problems relate to the maintenance of asset records, misclassification of expenses, and untrue and incomplete financial disclosure notes. In terms of compliance with applicable legislation and applicable regulations, special focus should be put on the process of granting and managing subsidies, applying of procurement procedures, delays in closing of advance payments, and delays in invoice payments.

These findings and recommendations are intended to make the necessary adjustment to the financial information presented in the financial statements, including disclosures in the form of explanatory notes, and improve internal controls relevant to financial reporting and compliance with authorities in connection with the management of public sector funds.

This report resulted in 13 recommendations, two (2) of which are new, seven (7) are repeated, and four (4) are partly repeated. We will follow up these recommendations during next year's audit.

For the status of last year's recommendations and the extent they have been implemented to, please refer to chapter 5.

⁴ Issue A and Recommendation A - means new issues and recommendations
Issue B and Recommendation B - means repeated issues and recommendations
Issue C and Recommendation C - means partially repeated issues and recommendations

2.1 Issues with impact on audit opinion

Issue B1 - Irregularities in the registration and reporting of assets

Finding

Article 13 of MF Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations stipulates that " All transactions created during the purchase or construction of non-financial assets for other budgetary organizations must be registered in the books of financing organization in category of investment. At the moment when the non-financial asset has passed all the rules and procedures of delivery, the budget funding organization will close the following investment category. Recipient budget organization shall register non-financial assets on its non-financial assets' records". Moreover, the co-financing memorandums signed between the ministry and the municipalities stipulate that upon handover of works performed by the EO, the project will be transferred under the municipality's ownership. Further, Article 6.3 stipulates that "Capital assets must be recorded in KFMS, while the non-capital assets and stocks in the 'e- assets' system".

The value of capital assets reported in the Annual Financial Statement (AFS) was understated by €995,305 (caused by the overstatement of €159,593 as a result of not-delivery of ownership of the completed project to the beneficiary municipality and the understatement of €1,154,898 as a result of asset not being recorded). Additionally, the value of non-capital assets was understated by €41,497. The issues that impacted the asset register are as follows:

- For the project "Construction of a sports hall in Greme village" in Ferizaj, which was co-financed with the beneficiary municipality, two (2) tested transactions totalling €159,593 were still listed as ongoing investments, even though the technical acceptance was completed on 22.06. 2023. The asset register was overvalued by the same amount because the investment had not yet been transferred to the beneficiary municipality;
- The project "Construction of Ukë Bytyqi House of Culture in Suhareka" totalling €1,000,000, co-financed with the municipality of Suhareka, was not registered, resulting in understatement of the asset register by the same amount;
- Regarding the activity "Equipment with the Archicad 26 program for MCYS and subordinate cultural heritage institutions", the payment of €87,278 was not recorded in the asset register, resulting in an understatement of the asset by the same amount;
- For the project "Supply of equipment for digitizing Books, Newspapers and Maps", three positions totalling €18,000 were not recorded in the asset register. The expenses are associated with preparing the purchased asset for use. Consequently, the asset register was understated by the same amount;
- For the project "Supply of a server for the needs of the National Library of Kosovo", a payment of €19,895 was not recorded in the asset register, resulting in understatement by the same amount;
- For the project "Supply, installation, and configuration of the LAN network" at the National Library of Kosovo (NLK), a transaction totalling €29,725 was not recorded in the asset register, leading to an understatement by the same amount.
- Additionally, purchases for NLK "Supply with IT equipment" totalling

€4,730" and "supply and installation of inventory in the American corner spaces in NLK" totalling €8,719 were not registered in the e-asset register.

Furthermore, the value of non-capital assets presented in the AFS was understated by €28,048. The assets from the register of the Agency for Managing Monuments and Memorial Complexes (AMMMC) valued at €11,481, and the National Library of Kosovo (NLK) valued at €16,567 were not disclosed in the AFS.

The identified shortcomings that had led to the understatement of records in KFMIS and e-asset were a result of insufficient information dissemination for completed projects, as well as inadequate communication for co-financed projects with municipalities and between units during payment execution at the end of the reporting year.

Impact

Failure to transfer ownership of assets to the beneficiary municipalities, as well as incomplete recording of assets in records lead to untrue and unfair presentation, overstatement /understatement in the AFS. On the other hand, unregistered assets may be exposed to the risk of loss and alienation.

Recommendation B1

The Minister, through responsible officials, should ensure that projects funded for municipalities, for which technical approvals have been granted, are transferred ownership through formal procedures, and at the same time remove them from the ministry's property records. Additionally, they should ensure that capital assets are properly registered to preserve assets and accurately reflect their value in the AFS.

Auditee's Management Response (Do not Agree)

For more, see Annex I

Issue B2 - Misclassification of expenses

Finding

According to Article 18 point 3 of the Financial Rule No. 01/2013 Expenditures should have the adequate codes, as defined under the Administrative Instruction for the accounting plan. Additionally, the Treasury's accounting plan outlines the corresponding codes and expense categories that Budgetary Organizations (BO) must follow.

During 2023, MCYS paid and recorded expenses totalling €135,322 in incorrect economic categories, as follows:

- A payment of €87,279 for "Equipment with the Archicad 26 program for MCYS and subordinate cultural heritage institutions", which by nature falls under the capital investment category was executed from the goods and services category;
- A payment in the amount of €19,895 for "Supply of a server for the needs of the National Library of Kosovo" which by its nature falls under the category of capital investments was executed from the category of goods and services; and
- Payments totalling €28,148 were made by the Treasury based on judicial decisions from the inadequate category. Among them, a

payment of €19,840 was executed from the goods and services category, even though it belonged to the capital investments category, and was related to the debt payment for the construction works at the sports hall for SLPS "8 Deshmoret". Additionally, the amount of €6,691 belonged to the salaries and wages category, for the payment of unpaid wages. Meanwhile, the amount of €1,617 belonging to the goods and services category was executed from the salaries and wages category of, which was related to the expenses for the use of vehicles.

The misclassification of expenses was the result of poor financial planning. It is was also as a result of the payments executed by Treasury based on court decisions.

Impact Payments made from incorrect economic categories have led to untrue presentation of expenses, resulting in overstatement of the goods and services category, as well as the wages and salaries category, and understatement of the capital investment category.

Recommendation B2 The Minister should ensure that expenses are planned and executed in accordance with the appropriate economic categories enabling their proper reporting according to public sector accounting standards outlined in the chart of accounts.

Auditee's Management Response (Agree)

Issue C1 – Failure to include the donation returns in the AFS

Finding Regulation of the Ministry of Finance No. 01/2017 on Annual Financial Statements of Budget Organizations, Article 13.1 stipulates that "The first financial statement comprises all of receipts and payments in cash divided by categories".

In the Annual Financial Statements (AFS), Article 13 Statement of Receipts and Payments in Cash, the return of donations totalling €36,167 was not disclosed. This led to understatement of receipts and payments by the same amount. The error was also reflected in the budget execution report.

The reason behind failure to present the donation returns was the neglect of the responsible officials to disclose them in the AFS.

Impact The failure to present the donation returns has resulted in understatement of the Statement of cash receipts and payments in the AFS.

Recommendation C1 The Minister, through responsible officials, should enhance controls and ensure that the financial amounts of payments and receipts are truly and fairly presented in the AFS.

Auditee's Management Response (Do not Agree)

For more, see Annex I

2.2 Issues with impact on compliance conclusion

Issue B3 - Delays in justification of subsidies

Finding

The Ministry, with the aim of supporting the development of culture in general, among other things, also provides subsidies for various cultural and sports projects, whether from public or non-public entities. The subsidies are given in the form of advance payments with the purpose of being justified according to the agreements mainly signed at the end of the year, or the project holders are obliged to justify the expenses incurred based on the deadlines set in the contracts.

Out of the 19⁵ cases tested with a total value of €2,585,765, the beneficiaries (recipients) of the subsidies had not submitted the reports justifying the expenses on time, which should have been closed according to the agreements. The advance payments are still outstanding.

Additionally, there was an instance where the payment to the "Judo Federation" was made in full amount even though the agreement specified that it should be executed in two parts. The payment was executed in the amount of €63,504 instead of just €31,752, disregarding the terms set in the agreement. As a result, the justification for the acceptance of the first part as a prerequisite for the execution of the remaining payment as stipulated in the agreement is deemed unenforceable.

This was the result of the improper functioning of the federations' expense monitoring system by the Ministry of Culture, Youth and Sports, and the lack of adequate mechanisms that would require beneficiaries to report on the subsidized projects.

Impact

The delays in justifying subsidies by the federations and the high number of unjustified subsidies make it impossible to confirm whether the objectives of the ministry and value for money have been achieved. Failure to justify and report on subsidized projects can damage the ministry's budget and increase the likelihood of funds being used for other purposes.

Recommendation B3

The Minister should ensure that all subsidized projects are justified in a timely manner and comply with the requirements of the memorandum, supported by valid documents provided in accordance with the regulations for subsidies and transfers. In cases of unjustified subsidies, legal actions should be taken as stipulated in the relevant agreements.

Auditee's Management Response (Agree)

Issue A1 – Poor application of procurement procedures and preparation of tender dossiers

Finding

Article 54.15 of Regulation No. 001/2022 on Public Procurement, states that "Whenever the Contracting Authority does not know the indicative quantities, or unit price contracts, the CA must determine the weights based on the importance of each "service category" or each "item" in order for the Contracting Authority to determine what is the lowest bid. In these cases, the threshold or ceiling plus/minus thirty per cent (30%) is not

applicable", and Article 27 of the Law No. 04/L- 042 on Public Procurement defines that "a contracting authority shall draw up a tender dossier providing all relevant information on the concerned contract, including all material terms and conditions thereof".

During the testing of two (2) tendering procedures, we identified the following weaknesses:

- For the procedure "Production services of television spots and documentaries for the needs of the Ministry of Culture, Youth and Sports and its subordinate institutions" with an estimated value of €800,000, the ministry used a public framework contract with a unit price, and despite the rules, they applied a threshold or ceiling of plus/minus thirty percent (30%). The tender evaluation was conducted based on the specified weights in the tender dossier, while the contract also stated that the allowable deviation from the contract value is +/-30%; and
- The tender dossier for the procedure "Supply of costume design materials for the needs of the Kosovo Philharmonic", which resulted in a €49,699 contract, did not include the tender specifications. Additionally, the description of prices included a non-measurable criterion of "high quality" for some of the supply items;

This was due to a lack of controls over the implementation of procurement procedures.

Impact

Failure to comply with legal provisions related to the improper application of procurement procedures can lead to contract implementation weaknesses, increased expenses, and difficulties in executing other projects of the ministry.

Recommendation A1

The Minister through responsible officials should ensure that proper controls are being implemented in the application of procurement procedures, compliance with legal provisions guaranteeing competition, and the execution of payment terms specified in contracts to avoid incurring expenses beyond the planning and allowed limits. Additionally, procurement planning should be carried out in close collaboration between the procurement officer, the budget department, and requesting units to ensure the proper planning of procedures that deliver value for money.

Auditee's Management Response (Do not Agree)

For more, see Annex I

Issue A2 – Delayed signing of contracts between beneficiaries and MCYS

Finding

The Regulation MF-No. 04/2017 on Criteria, Standards and Procedures of Public Funding of NGOs, in Article 22.1 stipulates that the provider of financial support enters into contract in written with beneficiary of financial support within ninety (90) days from the date of public call closure. Additionally, point 2.1 specifies that the contract with the beneficiary contains details on the amount of the funding, implementation period, monitoring on the implementation and reporting for the beneficiary project / program.

In nine (9) contracts totalling €326,082, awarded through public calls between the beneficiaries and MCYS, we have identified delays and weaknesses in the process of signing contracts.

The delays/weaknesses were as follows:

- For the "Art and Cultural Heritage" call, the deadline for applications was until 22.03.2023. In five (5)⁶ cases, delays in signing contracts of 58 to 73 days beyond the allowed deadline were identified. In three (3) cases the contracts did not contain timeframes for the start and end of the project. Additionally, the contracts were not properly documented; and
- The deadline for application for the "Public call for the Field of Youth" was until 18.04.2023, and a delay of 105 days beyond the allowed deadline was identified in signing the contract in one (1) case.

This occurred as a result of delays in evaluating project proposals, due to the high number of contracts.

Impact

The delay in signing the contracts may impact the achievement of the proper objectives and result in them not being completed within the deadlines set for the year.

Recommendation A2

The Minister should ensure that proper mechanisms are in place to guarantee that a contract is concluded with the beneficiary for every financial support, in accordance with legal requirements, in order to achieve the intended objectives.

Auditee's Management Response (Agree)

Issue C2 – Delayed implementation of contracts

Finding

The tender dossier, section 5.3, sets forth the deadlines for the commencement and ending of the contract. Furthermore, Article 70.11 of Regulation No. 001/2022 on Public Procurement, states that "The contract management plan shall be prepared before the commencement of the contract implementation and with the consent of the parties to the contract".

In three (3) cases that were tested, it was observed that MCYS did not adhere to the deadlines/terms specified in the contract:

- The contract for "Supply, maintenance, and servicing for the needs of MCYS Lot 1" valued at €20,840, was signed on 07.12.2022, with a deadline of 10 days. The supply was accepted with a delay of 10 months. Furthermore, the contract management plan was prepared with a delay on 20.09.2023.
- The contract for "Supply of clothing" valued at €49,699, dated 03.03.2023, with a deadline of 45 days. The acceptance of the goods was done in two parts, on 08.06.2023 and 28.07.2023. Additionally, the contract management plan was drafted with a delay on 01.06.2023.
- The contract for "Equipment with the Archicad 26 program for

MCYS and its subordinate institutions" valued at €92,942, dated 11.07.2023, with a deadline of 60 days. The Ministry drafted the contract management plan with a delay on 23.08.2023. As of the audit date (15.03.2024), the contract had not been completed because not all computers had been distributed.

The delayed implementation of the contracts occurred due to poor needs assessment by the requesting unit and poor planning of contract management.

Impact Failure to implement the contract on time due to internal reasons by the Ministry increases the risk of financial loss as it may result in having to pay additional costs to the economic operator, such as possible compensation or other expenses for alternative solutions.

Recommendation C2 The Minister should enhance internal controls and require the responsible officials involved in the tendering process to ensure full compliance with all procedures and requirements for every public contract signed based on legal requirements.

Auditee's Management Response (Agree)

Issue C3 – Delayed settlement of outstanding liabilities

Finding Law on Public Finance Management, Article 39, obliges the Ministry to ensure payment of any valid invoice within 30 days upon the date of receipt of the invoice or demand for payment. Similarly, Article 6 of the Financial Rule No. 02/2013 on Reporting of Arrears by Budget Organizations, sets the deadline for submitting reports of budget organization arrears within 15 days after the end of month, for the previous month

Regarding the management of outstanding liabilities, four (4)⁷ cases with a total value of €76,309 have been identified where the invoices were paid with a delay of more than 30 days. The delays ranged from 2 to 6 months. Additionally, these liabilities were not disclosed in the reports of outstanding liabilities in the Treasury for the respective months.

The delays were mainly caused by the lack of budget resources and poor planning to meet obligations within the set deadlines. The omission of liabilities in the reports on outstanding liabilities occurred because MCYS did not implement internal control procedures when accepting invoices.

Impact Delayed payments to suppliers increase the risk that the ministry will face court/enforcement lawsuits in the future, which in turn result in additional expenses burdening the ministry's budget.

Recommendation C3 The Minister should ensure the establishment of an efficient system in which all invoices are processed for payment in a timely manner, in order to minimize the amount of outstanding liabilities at the end of the year. Additionally, this will ensure the complete and periodic reporting of invoices to the Treasury in accordance with financial rules.

Auditee's Management Response (Agree)

Issue B4 – Delayed closing of advance payments for official travel

Finding Administrative Instruction No. 2004/07 on Official Travel Expenses, as well as Article 9, paragraph 1 of Regulation (GRK) No. 06/2023 on Compensation for Official Travel and Representation Expenses states that "The request for compensation and small expenses together with all the evidence for financial expenses shall submitted to the relevant budget and finance unit within fifteen (15) working days, from the day when the official travel ends", and Article 10, paragraph 4 defines "If the official does not return the amount, it shall be withheld according to the salary system."

In Article 20 of the Annual Financial Statements (AFS), MCYS reported unjustified advance payments for official trips totalling €28,330. Of this amount, €8,336 were advance payments not settled from previous years (2010-2022), while the outstanding advance payments for 2023 amounted to €19,994.

This situation occurred due to the ministry's management failure to take legal actions to recover the funds from the officials.

Impact Failure to justify official travel expenses within the legal deadline and failure to close advance payments, increases the risk that the funds may not be used for intended purposes and in line with the applicable rules, or may be misused.

Recommendation B4 The Minister should ensure that all advance payments for official travel are justified and any unspent amounts are returned within 15 days after returning from the trip. Otherwise, they must ensure that legal actions are taken against the responsible officials who have not justified or returned the funds received as advance payments.

Auditee's Management Response (Agree)

2.3 Other financial management and compliance issues

2.3.1 Subsidies and transfers

The final budget for subsidies and transfers was €22,318,902, of which €22,037,975 was spent. These funds primarily focus on supporting various cultural, sports, youth and cultural heritage projects.

Issue B5 - Weaknesses in the public calls/subsidy evaluation process

Finding

Article 17 of Regulation MCYS - No. 09/2015 on Subsidies in the Field of Culture, Cultural Heritage, Youth and Sports, states that "Commission for the evaluation of projects should carry out its work within 15 working days after the closing deadline". Additionally, Article 17 of Regulation 04/2017, under point 1 specifies that the Evaluation Committee shall open and evaluate each application within five (5) days from the closing date of the public call to determine if they meet the formal criteria, including the qualifications criteria of the applicants for public financial support as outlined in Articles 10 and 11 of this Regulation.

The evaluation process for the three (3) public calls was delayed, as follows: "Art and Cultural Heritage" by 45 days, "Art and Culture" by 18 days, and "Research and Documentation" by 10 days.

In three (3) cases, the evidence provided for the received subsidies did not meet the requirements of the NGOs call:

- For the project proposal "7 Arts" with a total amount of €70,000, the annual turnover for the year 2020-2021 was submitted. However, the criteria of the public call required the annual turnover for the years 2021-2022.
- For the project proposal "Solidarity Day in Kosovo 2023-2024" amounting to €36,082, only the bank turnover for the year 2022 was provided. However, the public call criteria required the submission of annual turnover for the past 2 years. Additionally, the project was expected to be completed in 2023 according to the call, but the proposal included activities planned for 2024 as well; and
- For the project proposal "Athlete and Liberator" amounting to €14,780, only confirmation of being a regular taxpayer with the Tax Administration of Kosovo was provided. However, the call criteria required the submission of annual turnover/financial statements for the year 2021-2022.

This occurred due to the inadequate management of the subsidy granting process, the high volume of applications, and the challenges encountered during the online application process via the ministry's website link.

Impact

Delays in evaluation make it impossible to confirm whether the Ministry's objectives have been achieved and increase the likelihood of funds being used for other purposes. Additionally, completely disregarding the requirements of the public call may lead to unfair selection based on legal criteria. The identified weaknesses have an impact on the failure to implement projects within the deadlines set for the year.

Recommendation B5 The Minister should ensure that the process of evaluating projects for subsidies is carried out in accordance with the specified deadlines in the subsidy regulation, and based on the criteria set out in the public calls. Additionally, they should also ensure that the criteria set out in the public call are fully applied and that contracts are not signed unless all requirements specified in the public call have been met.

Auditee's Management Response (Agree)

2.3.2 Capital investments

The final budget for capital investments was €24,259,866, of which €12,999,725 was spent. These funds mainly relate to the renovation of cultural heritage monuments, the construction of sports gyms, cultural and youth centres, etc.

Issue B6 - Delays in the execution of works

Finding The Public Procurement Rules and Operational Guide, Articles 61.6, 61.19 and 61.20, stipulates that: Contract managers are responsible for contract managing and must ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract. Each public contract has a defined implementation deadline. Additionally, based on the provisions of the cooperation agreements with the respective municipalities, it is determined that: the Ministry of Culture, Youth and Sports, in collaboration with the municipalities, shall oversee the implementation of the Memorandum of Cooperation and offer guidance on the actions to be taken in fulfilling obligations, until the goal is achieved.

In five (5) cases within the Ministry of Culture, Youth and Sports (including 2 co-funded projects with municipalities) and two (2) cases within the Agency for Managing Monuments and Memorial Complexes (AMMMC), we have identified that the work was not completed in accordance with the terms of the contracts. The cases identified and the number of days delayed are calculated based on the contract/project timeline until December 2023, or in the event of contract termination, until the date of the audit conducted on 15.03.2024, as outlined below:

- On 15.07.2019, the Ministry of Culture, Youth and Sports signed a Memorandum of Cooperation with the Municipality of Ferizaj to co-fund a project. On 13.08.2020, the municipality signed a contract for the "Construction of the Multifunctional Centre in Ferizaj" a three-year project worth €3,299,321. According to point 10.2 of the Special Conditions of the Contract (SCC), the deadline for completing the work was 12.08.2023. On 07.08.2023, the Economic Operator (EO) requested termination of the contract, while on 10.10.2023 a technical acceptance of the work completed up to that date was made, indicating that 37% of the contract value had been executed based on payments;
- On 30.07.2020, the Ministry of Culture, Youth and Sports signed a Memorandum of Cooperation with the Municipality of Suhareka to co-fund a project. On 15.08.2023, the municipality signed a contract for the "Construction of the Ukë Bytyqi House of Culture in Suhareka" amounting to €2,712,712. According to point 17.2 of the

Special Conditions of the Contract (SCC), the deadline for completing the work was 13.11.2023, calculated with 75 calendar days. The delays in completing the project were 2 months, although by the time of the end of the audit (15.03.2024), this project had still not been completed. By the end of the year, 56% of the work had been completed/realized based on payments. The delays and non-completion of the project were attributed to improper planning of the dynamic work completion schedule;

- On 23.12.2021, the Ministry of Culture, Youth and Sports signed a contract for the "Ferizaj Catholic Church" amounting to €473,326. According to point 9 of the Special Conditions of the Contract (SCC), the deadline for completing the work was 23.01.2023. After amending the contract, the dynamic plan indicated that the works were supposed to be completed by 07.12.2023. However, the project had not been completed yet as the performance insurance expired on 31.12.2023;
- On 15.04.2022, the Ministry of Culture, Youth and Sports signed a contract for the "Emergency interventions in the Gazi Mehmet Pasha Bath in Prizren, in the Lokvica family house in Prizren, and the City Bath in Mitrovica" amounting to €342,899. According to point 9 of the Special Conditions of the Contract (SCC), the deadline for completing the works was 15.10.2022. However, based on a request (21.09.2022) with the reasoning that mistakes were made in bill of quantities, an amendment to the contract was made on 11.01.2023 (without specifying a completion deadline). On 04.09.2023, a decision was made to extend the deadline until 25.12.2023. Despite the deadline extension, the technical acceptance report was not completed until 04.03.2024. The delays in completing the work as per the original contract, and the subsequent need for contract amendments, were attributed to the lack of a detailed restoration project, adverse weather conditions, and a shortage of professional staff from the contractor;
- On 10.11.2022, the Ministry of Culture, Youth and Sports signed a contract for the "Designing the project for the conservation and restoration of the National Museum of Kosovo monument" amounting to €95,000. According to point 4 of the Special Conditions of the Contract (SCC), the completion date is 08.02.2023. Since the project was complex and needed to go through several commissions for approval from the Institute for Protection of the Monuments of Kosovo (IPMK), the contract manager requested an extension of the deadline on 24.10.2023. On 30.10.2023, a decision was made to amend the deadline until 23.11.2023. The reasons for the delays in carrying out the project design based on the original contract and the need for contract amendment are the complexity of the project and the need to go through several procedures to obtain permits that were not initially foreseen by the requesting unit.
- On 25.08.2023, the Agency for Managing Monuments and Memorial Complexes (AMMMC) signed a contract for the "Construction of veterans' cemeteries in the Kleqka memorial complex" amounting to €222,933, with a deadline for completion by 28.12.2023 (depending on weather conditions). As of the end of the year, the project has not yet been completed, and the works executed/realized for the project based on payments were at 76%;
- On 07.12.2022, the Agency for Managing Monuments and Memorial Complexes (AMMMC) signed a contract for the "Construction of the

Radio Kosovo Obelisk and the Bunker in the memorial complex "ZIV – the KLA (UCK) General Headquarters in Kleqka and Divjaka-Berisha Mountains" amounting to €29,951.28, with a deadline for completion by 07.01.2023 (depending also on weather conditions). As of the end of the year, the project has not yet been completed, and the works executed/realized for the project based on payments were at 40%.

Additionally, there have been delays in 10⁸ completed projects at AMMMC, ranging from one to nine months.

According to reasons provided by contract managers, the main causes of delays are primarily weather conditions, prolonged procedures for approving additional work, unplanned work, price inflation, the pandemic situation, which in some cases have also led to contract terminations, and the need for contract amendments.

Impact Delays in project implementation impact the increase of contractual obligations, which may have budgetary implications in the upcoming years and affect the achievement of the ministry's defined objectives.

Recommendation B6 The Minister, through responsible officials should ensure a comprehensive analysis of ongoing projects and identify the reasons for delays/contractual breaches, and take appropriate actions to execute/complete them.

Auditee's Management Response (Agree)

2.3.3 Capital and non-capital assets

The amount of capital assets presented in AFS is €60,935,830, that of non-capital assets is €298,368, and of stock is €21,913.

Issue B7 – Shortcomings in asset inventory and appointment of commissions

Finding Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations, Article 19, stipulates the establishment of the Asset Inventorying Commission and, among other things, emphasizes the responsibility for drafting the general report based on the individual reports of the Non-Financial Assets Inventorying Commission in the convenient time before the preparation of the annual financial statements. Report on inventorying should include the physical condition of non-financial assets, conditions of their maintenance as well as remarks related to type of ascertained differences and damages.

The Ministry, along with its subordinate units, had established the asset inventorying commissions for the year 2023. However, the Ministry, NLK, and KASA commissions, in addition to the individual counting reports, had not drafted comprehensive harmonized reports. The Ministry of Culture, Youth and Sports had not established an assets evaluation commission, deeming it unnecessary. Additionally, no reports have been provided by the evaluation commissions established by its subordinate units.

The Ministry has not approved internal rules and procedures for the

management, recording and maintenance of assets, as required by Article 4 of Regulation 02/2013. This occurred due to inadequate functioning of the ministry's internal controls regarding asset management.

Impact The failure to approve internal rules and procedures has resulted in a lack of reconciliation between the inventory status and accounting register, which increases the risk of assets being misused, lost or alienated, as well as inaccuracies in the organization's asset values reflected in the AFS.

Recommendation B7 The Minister should ensure that appropriate commissions are established and that inventory reports are reconciled with the asset records before preparing the Annual Financial Statements. Additionally, the National Audit Office should analyse whether it is necessary to develop internal procedures and regulations for asset management, given the wide scope of subordinate institutions within the Ministry of Culture, Youth and Sports.

Auditee's Management Response (Agree)

Issue C4 - Shortcomings in asset management systems

Finding Article 6.3 of Regulation No. 02/2013 on Management of Non-Financial Assets by Budget Organizations stipulates that "Capital assets must be recorded in KFMIS, while the non-capital assets and stocks in the "e-assets" system".

The Ministry had not fully implemented the requirement to keeping the accounting register in the e-asset system. The system remains unused in the Ministry's subordinate unit, the Kosovo Academy of Sciences and Arts (KASA), where there was no asset officer as of 2020.

This was due to weaknesses in the internal control functioning, and the absence of an asset officer at the Kosovo Academy of Sciences and Arts (KASA).

Impact The non-functioning of the system for registering assets under €1,000 results in a lack of information for management regarding the assets owned by the ministry, as well as potentially leading to their loss.

Recommendation C4 The Minister should ensure that the non-capital asset registration system is implemented in the e-asset system to maintain assets and have them fairly presented in the AFS. Additionally, subordinate units should fill the vacant positions with asset officers and train them to use the e-asset system.

Auditee's Management Response (Agree)

3 Issues resolved during the audit process

The issue identified during the audit process was communicated to management and effectively resolved during the current audit.

Issue 1	Lack of work attendance records
Finding	<p>Regulation (GRK) No. 07/2022 on Working Hours and Leave of Public Officials, Article 9, paragraph 2 and 3, states that: "Every public official shall be obliged to log in the work attendance book or the electronic register, depending on which one the institution uses, and failure to record in the work attendance books or the electronic register shall be counted as absence from work."</p> <p>The Ministry, through the appointment acts, had hired 20 employees in accordance with the Brussels Agreement and based on Government Decision No. 06/39 dated 22.07.2015. However, there was no evidence of their attendance at work. The total payments made in 2023 amounted to €90,025.</p>
Required action	<p>The Minister should analyse the situation created to ensure that all possibilities to find solutions have been evaluated, and take actions that are in line with legal requirements.</p>
Result	<p>On 25.10.2023, the Ministry decided to suspend the salaries of these employees until an alternative solution could be found. Following the decision, the Ministry of Culture, Youth and Sports did not pay any funds to these employees.</p>

4 Summary on budget planning and execution

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

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

Description	Initial Budget	Final Budget ⁹	2023 Outturn	2022 Outturn	2021 Outturn
Sources of Funds	57,017,861	59,524,506	46,211,509	25,103,236	32,632,436
Government Grant -Budget	56,930,471	59,235,757	46,078,554	24,930,327	32,532,239
Carried forward from previous year	0	27,085	4,828	10,456	9,148
Own Source Revenues	87,390	87,390	23,178	6,065	8,091
Domestic Donations	0	18,898	10,000	0	0
External Donations	0	155,376	94,949	156,388	82,958

The final budget is higher than the initial budget by €2,506,645. This increase is primarily due to the Government's decisions to support the category of subsidies in the field of cultural heritage and sports.

In 2023, the Ministry of Culture, Youth and Sports spent 78% of the final budget, or €46,240,339, an improved performance compared to the previous year.

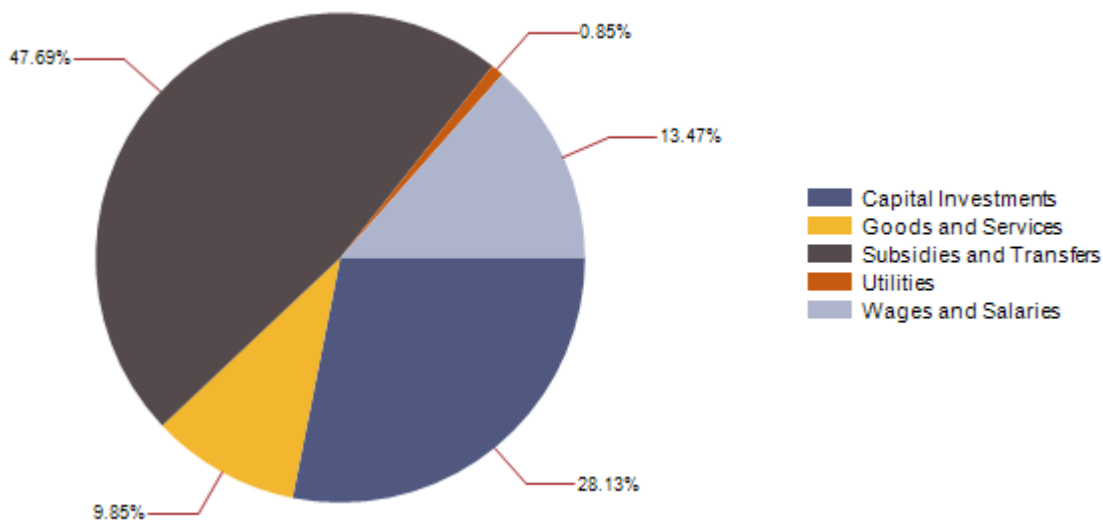
Table 2 – Spending of funds by economic categories - (in €)

Description	Initial Budget	Final Budget	2023 Outturn	2022 Outturn	2021 Outturn
Spending of funds by economic categories	57,017,861	59,524,506	46,211,509	25,103,236	32,632,436
Wages and Salaries	5,531,454	6,256,813	6,226,003	4,880,533	4,968,085
Goods and Services	4,811,950	6,127,193	4,553,493	3,152,252	2,818,240
Utilities	467,908	561,733	394,313	264,618	278,081
Subsidies and Transfers	14,166,550	22,318,902	22,037,975	13,021,111	15,439,950
Capital Investments	32,040,000	24,259,866	12,999,725	3,784,720	9,128,081

The explanations for the changes in the budget categories are as follows:

- The final budget for salaries and wages increased by €725,359 compared to the initial budget. This increase is due to the Government's decision in the amount of €661,227, and allocation of donors' grants in the amount of €64,132. The budget realization for this category was 100%;
- The final budget for goods and services increased by €1,315,243 compared to the initial budget. This increase was influenced by budget movements due to decisions on transfers between economic categories totalling €353,150, as well as the Government's decisions on budget allocations totalling €840,955. Additionally, there were own revenues carried over amounting to €27,085, and allocations from defined donors' grants totalling €94,053. The budget realization for this category was 75%;
- The final budget for utilities increased by €93,825 compared to the initial budget, influenced by the Government's decisions on budget allocation. Expenditures in this category accounted for 70% of the final budget;
- The final budget for subsidies and transfers increased by €8,152,352 compared to the initial budget. This increase was influenced by budget movements related to decisions on transfers between economic categories amounting to €1,849,625, the Government's decisions for support in the field of cultural heritage and sports in the amount of €3,791,664, the Government's decision to implement measure 4.3 from the Economic Recovery Package worth €2,500,000, and allocations from designated donor grants worth €11,063. The budget realization for this category was 99%;
- The budget for capital investments was reduced by €7,780,134 compared to the initial budget as a result of internal adjustments amounting to €2,197,775 and savings declarations amounting to €5,582,359. The final budget expenditure in this category was 54%. The low level of budget realization was due to the failure to initiate/implement procurement procedures for capital projects, cancellation of procedures, and lack of requests from the requesting unit. Some of the projects that contributed to the low budget realization were: non-realization of the planned project for the construction of the theatre and opera building worth €2.5 million, a procedure which was cancelled by the procurement review body (PRB), the project for sports requisites worth €750,000 was still in the evaluation process, a project for the renovation of the national theatre worth €400,000 was still in the design phase for 2023, and a project for the construction of the sports hall in Podujevë worth €400,000, had no request initiated by the requesting unit;
- Based on the Government decision, a budget of €2,500,000 has been allocated for the implementation of measure 4.3 of the Economic Recovery Package to support culture and sports. These funds from the Subsidies and Transfers category were allocated to cover the guarantee amount for the organization of the Mediterranean Games 2030.

Chart 1. Expenditures by economic categories for year 2023



The revenues generated by the MCYS in 2023 were €88,847. These mainly relate to revenues from: administrative fees, co-payments, and revenues carried forward from the previous year.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2023 Revenue receipts	2022 Revenue receipts	2021 Revenue receipts
Total Revenues	91,583	91,583	88,847	139,703	58,412
Non-tax Revenues	91,583	91,583	65,999	54,077	37,125
Other Revenues	0	0	22,848	85,625	21,287

5 Progress in implementing recommendations

The audit report on 2022 AFS of the Ministry of Culture, Youth and Sports resulted in 16 key recommendations. One of these recommendations pertains to the Agency for the Management of Memorial Complexes and is part of the progress of implementing recommendations following the previous year's report of this agency. As of 2023, in accordance with Law No. 08/L-063, this agency has been transferred as an executive agency under the MCYS.

The Ministry prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2023 audit, six (6) recommendations have been implemented, four (4) are in process, and seven (7) have not yet been implemented, as shown in following Chart 2.

For a more thorough description of the recommendations and how they are addressed, see Table 4 (or Table of recommendations).

Chart 2. Progress in implementing previous year's recommendations

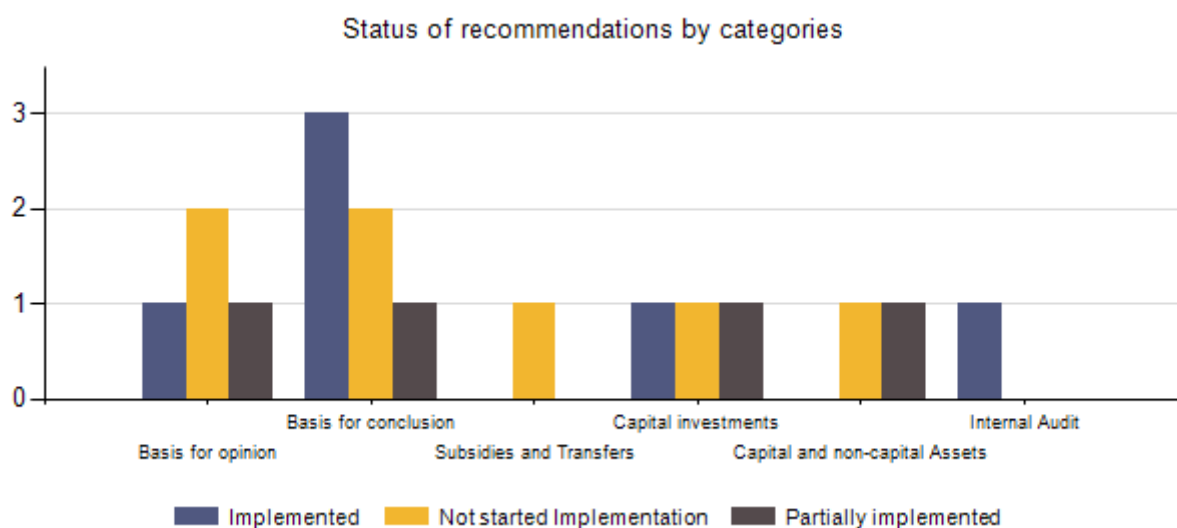


Table 4 Summary of previous year's recommendations

No.	Audit area	Recommendations of 2022	Actions taken	Status
1.	Basis for opinion	The Minister should ensure that expenses are planned and executed in accordance with the appropriate economic categories enabling their proper reporting according to public sector accounting standards outlined in the accounting plan. If the budget planning does not align with the nature of the expenditure and the needs of the ministry, funds should be reallocated to ensure the regular payment of expenses.	In 2023, there were still cases of misclassification of payments identified, which have impacted the accurate presentation of expenses in the AFS.	Implementation has not started
2.	Basis for opinion	The Minister should take all necessary actions to ensure proper working conditions and monitor the regular work attendance of the employees as envisaged by legal acts.	See chapter 3, for issues resolved in the course of audit process.	Implemented
3.	Basis for opinion	The Minister through relevant officials should ensure effective and timely communication with the State Advocacy Office in order to update information regarding contingent liabilities, as well as report the exact value of outstanding liabilities so that these disclosures are accurately and correctly presented in the AFS of 2023.	Similar shortcomings in the accurate and correct disclosure of notes in the AFS have been identified.	Partially implemented
4.	Basis for opinion	The Minister through responsible officials should ensure that projects funded for municipalities, for which technical approvals have been granted, are transferred ownership through formal procedures, and at the same time remove them from the ministry's property records. Additionally, they should ensure that non-capital assets are properly registered to preserve assets and accurately reflect their value in the AFS.	A similar situation was also recorded during the year 2023.	Implementation has not started
5.	Basis for conclusion	The Minister should ensure that all subsidized projects of non-governmental organizations (NGOs) are justified promptly and supported by valid documents, in compliance with the regulations on subsidies and transfers. In cases of unjustified subsidies, legal actions should be taken as outlined in the relevant agreements.	Even in 2023, similar cases of delays in justifying subsidies have been identified.	Implementation has not started
6.	Basis for conclusion	The Minister should ensure the establishment of an effective system in which all invoices are documented, recorded and processed in a timely manner for payment in order to minimize the amount of outstanding liabilities at the end of the year, while also ensuring their complete and periodic reporting of	The recommendation has been partially implemented. (Issue C3)	Partially implemented

		invoices to the Treasury in accordance with financial rules.		
7.	Basis for conclusion	The Minister should ensure that all advance payments for official travel are justified and any unspent amounts are returned within 15 days after returning from the trip. Otherwise, they must ensure that legal actions are taken against the responsible officials who have not justified or returned the funds received as advance payments.	Even in 2023, similar cases have been identified.	Implementation has not started
8.	Basis for conclusion	The Minister should ensure that all procedures specified in the regulations are followed so that before proceeding with payments, the allocation of funds should be done first, then the purchase order should be issued, goods/services accepted, and finally, the payment made.	Although several of these payments have been identified in 2023, this issue is considered implemented because of the lack of impact.	Implemented
9.	Basis for conclusion	The Minister should enhance internal controls by ensuring that contract managers oversee their implementation in compliance with relevant regulations. Additionally, in cases where the contract value is exceeded, their termination should be carried out in accordance with legal provisions.	We have not identified similar cases in 2023.	Implemented
10.	Basis for conclusion	The General Director should ensure that an acceptance report for the goods/works is completed before making any payments to ensure that the received goods/works align with the terms of the contract.	The recommendation comes from the AMMMC report. We have not identified similar cases in 2023.	Implemented
11.	Subsidies and transfers	The Minister should ensure that the process of evaluating projects for subsidies is carried out in accordance / within the specified deadlines in the subsidy regulation, and based on the criteria set out in the public calls in order to implement the projects within the year. Additionally, they should also ensure that the criteria set out in the public call are applied in full and that contracts are signed only after all requirements specified in the public call have been met.	Even in 2023, similar cases have been identified.	Implementation has not started
12.	Capital investments	The Minister should enhance internal controls and require the responsible officials involved in the tendering process to ensure full compliance with all procedures and requirements for every public contract signed based on the legal requirements.	In 2023, delays in implementation of contracts for expenses related to goods and services have been identified, primarily linked to contract management	Partially implemented

13.	Capital investments	The Minister through responsible officials should ensure that a proportional deduction of the advance payment for investments is applied before the contract is finalized.	We have not identified similar cases in 2023.	Implemented
14.	Capital investments	The Minister through responsible officials should ensure a comprehensive analysis of ongoing projects and identify the reasons for delays/contractual breaches, and take appropriate actions to execute/complete them.	Even in 2023, cases of delays in carrying out work have been identified.	Implementation has not started
15.	Assets	The Minister should ensure that appropriate commissions are established and that inventory reports are reconciled with the asset records before preparing the Annual Financial Statements. Additionally, the National Audit Office should analyse whether it is necessary to develop internal procedures and regulations for asset management, given the wide scope of subordinate institutions within the MCYS.	Even this year, shortcomings have also been identified in the asset inventorying process.	Implementation has not started
16.	Assets	The Minister should ensure that all the necessary actions are taken, that the subordinate units fill the vacant positions with asset officers and train them to use the e-asset system. Additionally, in collaboration with municipalities, actions should be taken to ensure full information on technical approvals in order to update the KFMIS records, while assets sold by the Ministry of Culture, Youth and Sports in cooperation with the Ministry of Finance, Labour and Transfers should be removed from the records.	Similar cases of not using e-asset have been identified in KASA, while NLK had made progress in asset registration. Similarly, there was progress in transferring ownership of assets to municipalities.	Partially implemented
17.	Internal audit	The Minister should ensure that the IAU is adequately staffed so that a higher number of audits on the Ministry's subordinate units and activities are included in the audit plan.	During 2023, the Ministry had staffed the IAU with an auditor.	Implemented

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

Vlora Spanca, Auditor General

Zukë Zuka, Assistant Auditor General

Mjellma Dibra, Audit Director

Ajtene Llapashtica, Team Leader

Fatlinda Podvorica, Team Member

Arnisa Aliu, Team Member

Annex I: Letter of Confirmation/Table of auditee's comments on the audit report

REPUBLIKA E KOSOVËS - REPUBLICA KOSOVA - REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
DATUM PRANAR DORËZUARIT DATE RECEIVED BY AUDITEE:		21-06-2024	
Njësia Org. Org. Unit	Shif. klasif. Class. Code	Nr. Prot. Br. Prot. Prot. No.	Nri i faqëve Br. Stranica No. Pages
03	47	909	2



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

Ministria e Kulturës, Rinisë dhe Sportit
 Ministarstvo za Kultururu, Omladinu i Sport - Ministry of Culture, Youth and Sport

Për: Zyrën Kombëtare të Auditimit

Tema: Letër konfirmimi për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për vitin 2023 dhe zbatimin e rekomandimeve

20 qershor 2024

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Ministrisë së Kulturës, Rinisë dhe Sportit, për vitin 2023;
- pajtohem pjesërisht me gjetjet, rekomandimet dhe komentet për përmbajtjen e Raportit;
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Hajrudlla Çekli, Miniditër

Ministria e Kulturës, Rinisë dhe Sportit



Issue	Auditee comments	NAO views
Irregularities in the registration and reporting of assets	<p>Qualified opinion on the annual financial statements</p> <p>We ask for this issue to be removed under Finding C1 and not be considered as a basis for the qualification of the opinion given that the recommendation has already been implemented, as presented in the table of comments.</p> <p>The unrecorded assets cannot be exposed to any risk of loss or alienation, as there has never been such a risk given that the above-mentioned assets have been subject to the recording process and the whole documentation has been maintained and used in line with the legal procedures.</p>	<p>During 2024, the Ministry has taken actions to record these assets, but with no impact on the balance of assets presented in the AFS of 2023.</p> <p>The finding and recommendation remain unchanged.</p>
Failure to include the donation returns in the AFS	<p>MCYS does not agree with the finding C1</p> <p>Comment – we ask for this finding to be removed because we have operated in compliance with the infrastructure and the quoted law and regulations.</p> <p>Reference: Agreement between the MCYS and European Commission.</p> <p>Reference: MoF Regulation no.01/2017, Article 24;</p> <p>Reference: Annual Financial Statements for year 2023, quoted return of donation</p> <p>Reference: recording in the KFMIS, recorded return of donation</p>	<p>The issue concerns the presentation of the return of donations in the AFS and does not challenge other aspects related to these transactions.</p> <p>The finding and recommendation remain unchanged</p>
Poor application of procurement procedures and preparation of tender dossiers	<p>MCYS does not agree with Issue A1- Poor application of procurement procedures and preparation of tender dossiers</p> <p>Comment: this is implemented based on Article 54.11 The permitted discrepancy is plus/minus thirty per cent (30%) of the threshold or the ceiling of the total quantities or the total indicative value of the contract, however this does not mean that the</p>	<p>The Ministry has applied the framework contract based on unit price (rather than on indicative quantities), therefore the threshold of (+/-30%) is not applicable.</p> <p>The finding and recommendation remain unchanged</p>

	EO must be paid for works, services or supplies not ordered by the Contracting Authority under this restriction (+/-30%).	
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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).

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

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.

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

Endnotes

- ¹ Compliance with authorities – compliance with all relevant laws, rules, regulations, standards and good practices in the public sector
- ² Other reports are a requirement of Article 8 of Regulation 01/2017 on Annual Financial Reporting
- ³ Collectively referred to as compliance with authorities
- ⁴ Issue A and Recommendation A - means new issues and recommendations
Issue B and Recommendation B - means repeated issues and recommendations
Issue C and Recommendation C- means partially repeated issues and recommendations.
- ⁵ 1. Memorandum of cooperation - Kosovo State of Judo in the amount of €433,000; 2. Memorandum of cooperation, Towards the Mountain, Skiing and Hiking in the amount of €419,585; 3. Memorandum of cooperation - Open European Championship 2023 in the amount of €400,000; 4. Memorandum of cooperation - Organization of School Competitions in the amount of €377,350; 5. Memorandum of cooperation - Olympic Committee Q4/23 in the amount of €200,000; 6. Memorandum of Cooperation - FIBA U16 European Championship in the amount of €138,020; 7. Annex Memorandum– Organization of the EHF Championship in women's competition 2023 in the amount of €120,000; 8. Memorandum of cooperation - Kosovo State of Judo in the amount of €63,504; 9. Memorandum of cooperation Tour of Kosovo in the amount of €60,000; 10. Memorandum of cooperation – Capacity building of sports organizations in the amount of €50,000; 11. Memorandum of cooperation Q3/23 – Boxing Federation in the amount of €46,338; 12. Annex Memorandum - PRISTINA 2030 Mediterranean Games in the amount of €41,545; 13. Memorandum of cooperation - Volleyball Federation in the amount of €40,500; 14. Memorandum of cooperation - For support to sports organizations in the amount of €38,658; 15. Memorandum of cooperation Q2/23 - Federation of Mountaineering and Sports Climbing of Kosovo in the amount of €23,674; 16. Cooperation Memorandum Nationwide Championship and International Chess Tournament in the amount of €22,300; 17. NGO "Kosovo Centre for New Music" - XXII edition of the festival in the amount of €31,290; 18. Foundation 17 - Annual program of art and education in the amount of €50,000 19. Green heritage ethnographic association - Ulpiana Fest €30,000.
- ⁶ 1. Green heritage ethnographic association - Ulpiana Fest €30,000. (contract date 13.09.23); 2. NGO 7 ARTS – 7 Arts annual program in the amount of €70,000 (contract date 06.09.23); 3. NGO Prizren Fest – International theatre festival in the amount of €30,000 (contract date 05.09.23); 4. NGO Hardh Fest – Promotion of cultural heritage values in the amount of €50,000 contract date 04.09.23); 5. NGO Art Polis – Cultural Catalyst, empowerment of the independent cultural scene in the amount of €80,000, contract date 28.08.23); The three contracts without sufficient details (1. Fat Limani - Pinkmetal concrete in the amount of €10,000; 2. Besmir Olluri - Online promotion of culture and cultural heritage in the Prizren region in the amount of €10,000; 3. Agon Bektashi - Program main problems and prospects for the development of cultural tourism in the amount of €10,000) 1. NGO Toka - Solidarity Day in Kosovo in the amount of €36,082 contract date 16.11.23;
- ⁷ 1. Renovation of the youth center in the amount of €12,121 2. Jeronim De Rada Ferizaj School in the amount of €2,313.85 3. Other equipment <1000 in the amount of €12,710 4. Rent for facilities in the amount of €49,164.70
- ⁸ 1. "Emergency Interventions - Renovation of Memorials and Headstones in several Kosovo Municipalities", 2 months delay; 2) "Construction of KLA Barracks" in Prelofc Skenderaj", 2 months delay; 3) "Construction of the memorial to the KLA martyrs in Tërstenik Drenas, phase II", 2 months delay; 4) "Execution of the works phase V Memorial Complex 27 April Meje - Gjakova", 1 month delay; 5) "Construction of the KLA headquarters and the KLA martyrs cemetery in Shqiponje" 1 month delay; 6) "Execution of works in the KLA memorial complex in Marina, Skënderaj - ongoing phase" 2 months delay; 7) "Construction of the tombstone of the KLA martyrs in Mitrovica", 5 months delay, (the project was not completed during the audit); 8) "Construction of the Martyrs of Hasi memorial, Prizren; 9 months delay; 9) "Construction of the KLA House-Headquarters memorial Zhegoc, Gjilan first phase" 1 month delay; 10) "Construction of the monument of the Nerodime operational zone - Mollopolc, Shtime", 6 months delay.
- ⁹ Final Budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance
- ¹⁰ Financial statements in the public sector also include the statement(s) of budget execution
- ¹¹ Compliance with authorities: compliance with laws, regulations, standards, or good practices.