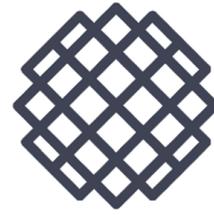




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE
MINISTRY OF CULTURE, YOUTH AND SPORTS FOR YEAR 2020

Prishtina, July 2021

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Note:

This audit report has, for the first time, been generated through the audit management electronic platform SITA. We are also using the new audit report template this year in accordance with the updated financial and compliance audit methodology. For the first time, the report includes a separate compliance audit conclusion.

We are well aware that having to apply all these new features at once and in extraordinary circumstances of a pandemic we might have unwillingly missed any omission. Therefore, we would like to apologise in advance and thank you for your understanding.

To: Hajrulla Çeku, Minister of Culture, Youth and Sports
Address: Sheshi Nena Tereze pa nr., Prishtinë, Republika e Kosovës

1 Audit Opinion

We have completed the audit of the financial statements of Ministry of Culture, Youth and Sports for the year ended on 31 December 2020 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 Ministry of Culture, Youth and Sports (MoJ) which comprise the Statement of cash receipts and payments, Budget execution report, and Explanatory notes to financial statements, including a summary of important accounting policies and other reports² for the year ended as at 31 December 2020.

In our opinion, except for the effects of matters described in the Basis of Qualified Opinion section of our report, the annual financial statements of 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 Article 19.3.1 of AFS, capital assets (over €1,000) do not present the exact value of the Ministry's assets. The audit revealed that 16 payments totalling €907,355 were not recorded in the KFMIS accounting register, while one (1) payment in the amount of €15,829 was recorded twice. In addition, the Ministry still keeps the asset value of €667,114 recorded as ongoing investments, even though the capital projects were completed and their technical acceptance was made.

Even non-capital assets (under €1,000) were not presented correctly. In four (4) cases, the purchased property in the amount of €45,033 was not recorded in the E-asset register. In one (1) case the assets in the amount of €14,828 were recorded twice and the assets register under €1,000 did not deduct the value of the accumulated depreciation

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

² Other reports as required in Regulation no.01/2017 on Annual Financial Report, Article 8

- A1 Article 17 of Annual Financial Statements (AFS) does not present the exact value of Outstanding Liabilities at the end of 2020, because the value of outstanding liabilities presented in AFS was overstated by €188,660.
- C1 In 2020, the Treasury through court decisions made payments in the amount of €33,252 from inadequate codes, which were made from the category of goods and services, but were paid for capital investment purposes.

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' 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 the Ministry of Culture, Youth and Sports' management 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 Ministry of Culture, Youth and Sports' budget have been, in all material respects, in compliance with the established audit criteria arising from the legislation applicable for the auditee as regards making use of financial resources.

Basis for Conclusion

- B2 In seven (7) cases amounting to €40,268, there were delays in payments starting from 41 to 153 days past the deadline of 30 days.
- B3 There were advance payments of €38,728 in the Ministry opened since 2010, for which the responsible officials had not yet provided relevant evidence for their closure and justification.
- A2 In four (4) cases MCYS exceeded the items foreseen in the contract by €16,961. Differences of quantities of works from the quantities specified in the contract were not reported by the contract managers. Whilst in three (3) cases, annex contracts exceeding 10% of the contract's value had been signed.
- B4 In 16 payments of a total of €337,158, subsidy beneficiaries had not closed the advance payments yet, as required by Article 21 of Regulation 09/2015 on subsidies for culture, youth and sports, which stipulates that subsidy beneficiaries are obliged, following implementation of the projects, to close them within 30 days with the submission of documented evidence.

- A3 The Ministry executed eight (8) payments in a total of €274,451 for Kosovo sports federations despite the fact that the federations had not yet fully justified the funds of preliminary instalments, as defined in the memoranda of cooperation concluded between MCYS and Kosovo sports federations.
- A4 During our examinations, we found that during 2020, two NGOs, "Doku Fest" and Lumbardhi Foundation, received double subsidy in the amount of € 19,500 from two departments within the ministry for the same project.
- B5 For 30 members of the illegal structure so-called "Civil Protection", the MCYS did not provide any evidence to confirm the attendance at work. Salary expenditures during 2020 for the above mentioned employees were €158,989.
- A5 MCYS paid €56,575 for compensation of staff engaged in steering councils and various commissions in contradiction to Article 80 of the Law on Public Financial Management which does not allow for additional compensation within working hours if an employee, civil servant or official of a public authority or budget organization, is required, under an act of the Government, to serve on a commission, board or other public authority or authority.
- A6 In three (3) cases of €34,974, we found that the Ministry had initially accepted the invoice and afterwards committed the funds and issued the purchase orders.

For more details, see sub-chapter 2.2. Issues with impact on 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 Annual Financial Statements

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, 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 and Regulation no.01/2017 on Annual Financial Reporting of Budget Organisations.

The Minister of Culture, Youth and Sports is responsible to ensure the oversight of the Ministry's financial reporting process.

Management's Responsibility for Compliance

Ministry of Culture, Youth and Sports' management is also responsible for the use of 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 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 conclusion on compliance of respective Ministry of Culture, Youth and Sports' authorities with the established audit criteria arising from the applicable legislation 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.

³ Collectively referred to as compliance with authorities

- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

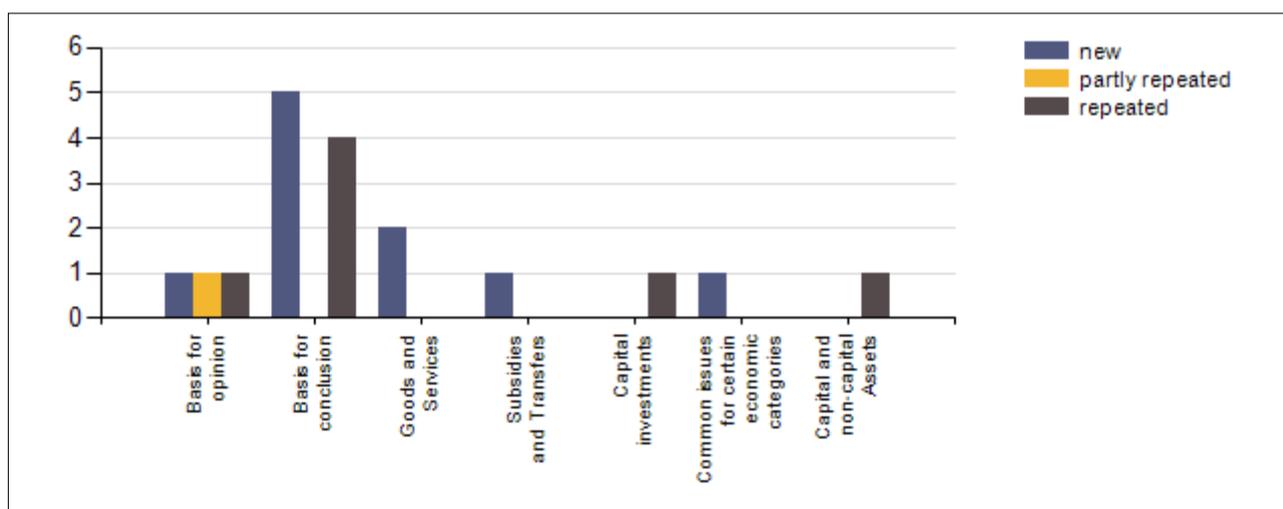
We communicate with management and those charged with governance regarding, among other matters, the planned audit scope and timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 recommendations

During the audit, we have identified areas of possible improvement, including internal control, that are presented for your consideration below in the form of findings (as shown in Graphic 1 below) and recommendations. These finding and recommendations are intended to make necessary adjustment to the financial information presented in the financial statements, including disclosures in the notes, and improve internal controls relevant to financial reporting and compliance with authorities in connection to the management of public sector funds. We will follow up these recommendations during next year's audit

Chart 1. Type of findings by economic categories⁴



We have also reviewed the status of previous year's recommendations and conducted an assessment on the extent of their implementation [for details, please see Chapter 4]

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 partly repeated issues and recommendations

2.1 Issues with impact on the compliance conclusion

Issue B1 - Irregularities in asset registration and reporting

Impact

MoF Regulation No. 02/2013 on the Management of Non-Financial Assets by Budget Organizations, Article 6 provides that each budget organization shall put in place and update a register of non-financial assets under its management. Further, point 3 stipulates the assets register should include capital assets over €1,000 that should be recorded in KFMIS, while non-capital assets less than €1,000 and stocks in the E- assets system.

Capital assets (over €1,000) do not present the exact value of assets in the Ministry. The audit revealed that 16 payments totalling to €907,355 were not recorded in the KFMIS accounting register, whilst one (1) payment of €15,829 was recorded twice. In addition, the Ministry still keeps the asset value of €667,114 recorded as ongoing investments, even though the capital projects were completed and their technical acceptance was made.

Even non-capital assets (under €1,000) were not presented correctly. In four (4) cases, the purchased assets in the amount of €45,033 was not recorded in the E-assets register, in one (1) case the assets in the amount of €14,828 were recorded twice, and the assets register under €1,000 does not contain the accumulated depreciation calculated..

This was because of the poor functioning of internal controls and the lack of accountability in performing duties by competent officers.

Impact

Failure to record assets in the relevant non-financial asset registers leads to incorrect presentation of assets in AFS and prevents effective management and control of assets, to the risk of assets being lost or misused.

Recommendation B1 The Minister should take actions to ensure complete and accurate registration of assets as provided for by Regulation No. 02/2013 on the Management of Non-Financial Assets, in order to give a true and fair view of assets situation.

Entity management response (Agree).

Issue A1 - Incorrect disclosure of outstanding liabilities in AFS**Finding**

Article 17 of Regulation No. 01/2017 on Annual Financial Statements stipulates that budget organizations must report all liabilities (invoices) generated until December 31 of the reporting year.

Article 17 of AFS does not present the exact value of Outstanding Liabilities at the end of 2020, due to the fact that the value of outstanding liabilities presented in AFS was overstated by €188,660. These are noted as follows:

- In five cases in the amount of €25,150, outstanding liabilities were presented twice;
- The amount of €163,510 and outstanding liabilities presented in AFS for 16 film projects funded by Kosovo Cinematography Centre were contractual liabilities, as there was no request for payment from the beneficiaries.

This occurred as a result of poor functioning of internal controls over preparation, provision, and analysis of appropriate information to be presented in the AFS.

Impact

Untrue disclosure of liabilities has led to overstatement of liabilities and incorrect presentation of information to AFS users

Recommendation A1

The Minister should ensure that adequate internal control procedures are applied when preparing the AFS by verifying the accuracy and completeness of data on outstanding liabilities.

Entity management response (Agree).

Issue C1 – Inadequate classification of expenditures

Finding

Article 18 paragraph 3 of Financial Rule No. 01/2013 on Public Funds Expenditure provides that expenditures should be under adequate codes, defined under the accounting plan.

In 2020, the Treasury through court decisions made payments in the amount of €33,252 from inadequate codes.

These were made from the category of goods and services, which expenditures by nature belong to the category of capital investments. Of these, the payment in the amount of €15,112 was for the project "Construction of the Olympic Pool" in Prizren while the payment in the amount of €18,140 was for the project "Feasibility Study for the National Football Stadium" in Drenas.

Inadequate classification of expenditures occurred in the absence of funds under adequate codes.

Impact

Payments made from inadequate expenditure codes affect the understatement of some accounts and the overstatement of other accounts, which resulted in the inaccurate presentation of the account balance

Recommendation C1 The Minister should ensure effective cooperation with the Ministry of Finance to ensure that payments are made according to the appropriate economic categories, to enable their fair reporting in AFS according to the regulation in accordance with the accounting plan.

Entity management response (Agree).

2.2 Issues with impact on compliance conclusion

Issue B2 – Delayed payment of liabilities

Finding

The Law on Public Financial Management, Article 39, obliges the Ministry to pay any valid invoice within 30 days from the date the invoice or request for payment is received. Whilst Regulation no. 01/2013 on Public Money Expenditure, Article 24, paragraph 1.3, stipulates that all invoices must be archived and recorded in the invoice book.

We tested seven (7) samples from the list of liabilities disclosed in the AFS and found that invoices in an aggregate amount of €40,268 were not paid within the legal deadline. Delays in payments were ranging from 41 days to 153 days.

Whilst in three (3) cases, we found that invoices in an aggregate amount of €577,935 were not recorded in the protocol book by the Ministry. Furthermore in one of the invoices in the amount of €576,000 for the Feasibility Study for the National Football Stadium in Drenas, in addition to not being archived there was no evidence that it had been actually accepted by the Ministry as there was no signature by the responsible officials.

This happened because MCYS did not implement the internal control procedures when receiving and paying invoices, because the received invoices are not archived and recorded in the invoice book.

Impact

Delayed payments and failure to apply control procedures upon receipt of invoices, i.e. archiving and recording them in the invoice book, increases the risk of having to deal with court or enforcement decisions, thus leading to additional costs and budgetary difficulties for subsequent years.

Recommendation B2 The Minister should ensure that an effective system is put in place wherein all unpaid invoices are archived, recorded, and paid in time in order to reduce the amount of outstanding liabilities at the yearend as much as possible.

Entity management response (Agree).

Issue B3 – Advance payments for travelling closed in delays

Finding According to Administrative Instruction No. 2004/07 on Official Travel Expenditures, all advance payments must be justified and unspent amounts returned within 15 days upon return from travel.

In one case, the advance payment of €1,534 made for participation in the Berlin Festival was not justified and closed within the legal deadline of 15 days upon return from the official travel. It was closed 9 months later. Moreover, there were advance payments in the Ministry opened since 2010, for which the responsible officials had not yet submitted the relevant evidence to close them. The value of unjustified advance payments until the end of 2020 was €38,728.

This was as a result of the Ministry management's failure to take legal action against the officers to return the funds.

Impact Failure to justify travel expenses and to close advance payments increases the risk that public money has not been used for the intended purposes, in line with applicable rules, or misused.

Recommendation B3 The Minister should take actions in order to ensure that all unjustified advance payments from 2010 to the end of 2019 are justified and closed with the finance office. Should they lack the needed evidence for their reasoning, the money should be returned to the Ministry's budget, otherwise the Ministry should file lawsuits against all persons to return the money.

Entity management response (Agree).

Issue A2 - Additional costs due to poor designing of the project and technical specifications

Finding According to Rules and Operational Guideline for Public Procurement, the Project Manager should ensure that the economic operator performs the contract in accordance with the terms and conditions specified in the contract. Moreover, Law on Public Procurement, Article 35, section 2.4, stipulates that a contracting authority may use negotiated procedures without prior publication of a contract notice when such works or services, although separate from the original contract, become necessary for the performance of the services or works, provided that the value of works or services is not greater than ten percent (10%) of the value of the original contract.

In four cases, we found that MCYS exceeded the items planned in the contract by €16,961. Differences between the quantities of works from the ones defined in the contract had not been reported by the Contracts Managers. Identified cases are the following:

- In the contract "Tennis Courts Complex"- Ferizaj, in the amount of €98,891, the exceeded value of the item was €1,530;
- In the contract "Renovation and functionalization of Isa Kastrati Tower and Community Houses in Kamenica", in the amount of €162,928, the exceeded value of the item was €3,058;
- In the contract "Renovation of the stadium in Gjakova", in the amount of €1,056,609, items in the stage payment of €50,000 were exceeded by €5,842; and
- In the contract "Sports Hall in Skenderaj", in the amount of €651,965, the exceeded value of four items was €6,531.

Moreover, in three cases MCYS signed annex contracts exceeding 10% of the original contracts as follows: "Waterproofing of the roof of National Library of Kosovo", "Emergency Interventions - Tower of Reshat Istrefaj", and "Construction of the Tower of Haxhë (Mustafë) Lajçi".

Abovementioned shortcomings were as a result of poor planning of projects, technical specifications not complying with the site conditions, and inclusion of project in the budget law without making proper analyses of projects beforehand.

Impact

Exceeding the contracted quantities of items leads to the risks of failure to implement other items of the contract. Entry into contracts exceeding the allowed amount leads to overspending of planned budget thus creating additional costs until they are finalised.

Recommendation A2

The Minister should ensure that adequate controls are put in place to confirm the truthfulness and propriety of implementation of projects in order to assure that each project is implemented in accordance with contracted term. He should also ensure that legal requirements set forth in the annex contracts are strictly applied.

Entity management response (Agree).

Issue B4 – Delayed justification on subsidies**Finding**

In order to support the development of culture in general, the Ministry, among other things, subsidizes public or non-public entities for various cultural and sports projects. Subsidies are given in the form of advance payments, so the same are then justified and closed in the end. According to the signed agreements, for the granted subsidies, project holders are obliged to justify the incurred expenditures within 30 days upon implementation of subsidised activities.

Our audit tests revealed 16 cases of granted subsidies, in the amount of €337,158, where the beneficiaries had not submitted reports to justify the incurred expenditures although those activities, according to the agreements, should have been finishes long ago.

This was as a result of poor management of subsidising process and lack of adequate mechanisms which would condition beneficiaries to report on subsidised projects.

Impact

The large number of unjustified projects makes the conclusion as to whether or not the Ministry's objectives and value for money have been achieved difficult to be reached. Failure to provide justification and report on subsidised projects may damage the Ministry's budget and increase the possibility of using the funds for other purposes.

Recommendation B4 The Minister should ensure that all subsidised projects of Non-government organisations (NGOs) are timely justified with valid supporting documents as foreseen in the internal regulation on subsidies and transfers. Otherwise, legal remedies should be taken as stipulated in the respective agreements.

Entity management response (Agree).**Issue A3 – Shortcomings in the management of subsidies to sports federations of Kosovo****Finding**

According to the memoranda of cooperation concluded between MCYS and the sports federations of Kosovo, namely section 5.7, specifies that the federations are obliged to quarterly report on the funds spent on implementation of sports activities, before the MCYS allocates the funds for the next quarter. Moreover, Regulation no.09/2015 on subsidies in culture, youth and sports, namely Article 21.1, stipulates that subsidy beneficiaries are obliged to close them after the implementation of projects. Whilst section 2.2 specifies that beneficiaries must justify the spending of benefited funds by submitting documented evidence.

Based on the program policies of the Ministry and the Law on Sports, the Ministry provides financial support to sports federations of Kosovo every year for achieving their objectives and goals. In 2020, the Ministry supported 39 sports federations and the Kosovo Olympic Committee, through memoranda of cooperation. In this regard, we found the following:

- In 10 payments of €287,658, the subsidy was made after the activity was implemented and for which the advance payments had not been closed, i.e. justified, yet.
- In six (6) payments of €199,075, subsidies had been provided although the subsidies of the previous instalments were not yet fully justified. Whilst two of them were financially supported them with no MoU in place and despite the fact that they had not justified the expenses from the obligations deriving from the memoranda of cooperation. These related to the Ski Federation, supported with €52,626 for the International Competition "Dardania Cup", and the Cycling Federation supported with €22,750 for the purchase of bicycles.
- In four (4) payments of €80,560, we found shortcomings when it comes to the justification of subsidies. Of these, in two (2) cases the justification of expenditures for the second quarter of 2020, for the Karate Federation and the Basketball Federation, was made with invoices for 2019. This happened due to absence of activities in 2020 and the federations' obligations from the previous year. Whilst in the Basketball Federation for the closing of Q4-2019 and the Karate Federation for the closing of Q2-2020, we found shortcomings in the justification of expenses for hotels, air and ground transport, and supplies with clothing for athletes, as the lists of participants to be staying at the hotel, names of transport users, and of those who have been supplied with clothing were missing. Their value was €29,300.

These shortcomings were as a result of delayed transfer of instalment payments from the MCYS to the federations, poor monitoring by MCYS of the management of federation expenditures, as well as inaccurate definition of mutual obligations in the agreement and as a result of the pandemic situation.

Impact Granting of subsidies by not adhering to the criteria established in the memoranda of cooperation as well as delays and shortcomings in the closing and justification of subsidies may lead the Ministry to the failure of achieving its objectives and increases the risk that the funds may be used for other purposes than the planned ones.

Recommendation A3 The Minister should ensure that all the criteria set out in the Memoranda of Co-financing with Federations are adhered to and that the way of subsidising is determined in accordance with the objectives and activities set by the federations. In addition, he should ensure that decisions on granting subsidies are taken before the implementation of projects, by establishing that the funds which the federations have not managed to justify with documents as required in the memorandum and regulation on subsidies are returned.

Entity management response (Agree).

Issue A4 - Double subsidy of NGOs by the Ministry for the same project

Finding Regulation MF-no.04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs, Article 10, section 1.4, stipulates that to qualify for public financial support, applicants must meet the general minimal criteria, i.e. not to have received funds from other funding sources for the same activities. Whilst, section 2 specifies that in order to prove the fulfilment of the criterion in question the applicant must sign and submits the relevant statements.

During the testing, we found that during 2020, two NGOs, "Doku Fest" and Lumbardhi Foundation, received a funding of €47,500 from two departments within the Ministry for the same projects. For the double subsidy of €19,500, the said NGOs did not give a clear statement in the provided evidence regarding the double funding,

This was as a result of poor controls exercised by responsible officers from the assessment of applications over to execution of payments, as well as due to lack of cooperation between departments in the Ministry.

Impact Lack of adequate controls over assessment of applications and execution of payments for subsidies as well as lack of coordination and cooperation between departments in the Ministry increases the risk of damages to the budget as a result of having the same project funded by different departments in the Ministry.

Recommendation A4 The Minister should ensure that each decision on subsidies is taken in accordance with the Regulation. In addition, he should initiate a review of the abovementioned cases in order to prevent double subsidising of the same project.

Entity management response (Agree).

Issue B5 – Lack of evidence on work attendance

Finding Regulation 5/2010 and Regulation no.12/2020 on Working Hours and Holidays of Public Officers, effective from August 2020, Article 4, stipulates that employees are obliged to work 40 hours per week.

Based on Government Decision No.06/39, dated 22.07.2015, 30 members of the illegal structure so-called "Civil Protection" were deployed to various departments of the MCYS in the north of the country. For these officers, MCYS has not provided any evidence, such as attendance sheets or performance reports on the work done during 2020, to confirm employees' attendance at work, as required to work 40 hours per week. Salary expenses for the above mentioned employees during 2020 were €158,989.

This was as a result of the challenges in accommodating and clear structuring of staff in the units where they had to be accommodated. This issue, according to the Ministry, has been raised in government bodies, but has not been resolved yet.

Impact Payments made regardless lack of evidence on attendance are irregular, cause damages to the budget, and lead to failure to achieve the objectives set in the agreement and to integrate this community in the current system.

Recommendation B5 The Minister should take all necessary measures to provide the conditions for regular attendance at work by employees, and conduct regular monitoring as foreseen in the regulation. Otherwise, this problem should be addressed to the Government, considering that this is a problem that is being repeated for consecutive years and not measures have been taken to resolve it.

Entity management response (Agree).

Issue A5 – Compensation of internal regulations in contradiction to the legal requirements**Finding**

According to the Law on Public Financial Management, Article 80, if an employee, civil servant or official of a public authority or public undertaking is required by an act of the Government to serve on any commission, board or other public body or authority, such employee, civil servant or official shall not be entitled to receive, and shall not receive, any additional compensation for such service. Such service shall instead be deemed to be part of the mandatory duties of the current position held by such employee, civil servant or official.

MCYS overlooked the legal requirements and compensated the staff engaged in various steering councils and commissions. The total value of these compensations was €56,575, of which €18,650 were paid from the category of Goods and Services and €37,925 from the category of Subsidies and Transfers.

According to MCYS management, the reason for these compensations was to motivate the staff, given that they have been reluctant to engage in such commissions without compensation. For this issue, the management of MCYS has requested interpretation in MoF.

Impact

Payments for compensation of staff for additional work are in contradiction to the legislation, thus resulting in irregular payments.

Recommendation A5

The Minister should reconsider the abovementioned cases and stop payments with no clear legal basis, and in cooperation with Ministry of Finance to initiate the development of a new policy regarding the functioning of steering councils and commissions, by giving clear instructions on the engagement, work, and compensation of members of different councils and commissions.

Entity management response (Agree).**Issue A6 – Shortcomings in the processing of payments****Finding**

Financial Rule no.01/2013 on Public Funds Expenditure, Article 22, stipulates that before processing of payments, first commitment of funds is made, then the Request for purchase is issued. Afterwards the report of acceptance of goods is produced and then the invoice is received.

In three (3) tested samples of €34,974 for Goods and Services, we found that invoices had been received before the funds were committed and purchase orders were issued.

This was as a result of the officers in charge failure to adhere to the statutory procedures on spending of public funds.

Impact

Failure to apply proper control procedures during processing of payments, entry into liabilities without having obtained the needed funds may result in delayed execution of payments and lead to increase of outstanding liabilities, which would constitute a burden to the following periods' budget.]

Recommendation A6

The Minister should ensure that all procedures defined in the Regulation are adhered to, i.e. funds are committed, purchase order is issued, and goods/services are received before the payment is done in the end.

Entity management response (Agree).

2.3 Findings on financial management and compliance issues

2.3.1 Goods and services

The final budget for Goods and Services in the end of 2020 was €1,872,256, of which €1,571,340 were spent. Expenses on goods and services relate to supply with consumables, maintenance, IT equipment, fuels, rent, outsourced services, utilities, etc. We tested 17 samples of €106,059 as part of substantive testing and 10 samples as part of compliance testing.

Issue A7 – Delayed Contract Award Notice

Finding

Article 41 of LPP stipulates that the contracting authority within two (2) days after the contract award should prepare and publish the contract award notice.

During the audit, we found that MCYS was delayed in the contract award notice. The Ministry signed the contracts, but the delays in the contract award notices were delayed by the Ministry by 38 and 121 days respectively: These cases are:

- In the contract "Translation and Proofreading Services" in the amount of up to €10,000; and
- In the contract "Live Audio Recording Services in the studio for Shota Ensemble" in the amount of €8,800.

This occurred because MCYS operated with reduced staff, thus resulting in delayed publishing of such notices.

Impact Delays in contract award notice violate the transparency towards the economic operators taking part in the activity and PPRC that must have accurate information within the deadlines set out by law.

Recommendation A7 The Minister should ensure controls in implementing deadlines set regarding the contract award notice according to legal requirements.

Entity management response (Agree).

Issue A8 - Failure to appoint the contract manager

Finding Paragraph 61.4, Article 61 - Contract Management of ROGP requires the appointment of a contract manager for contracts managed according to the procurement procedures set out in LPP.

We have identified that the State Agency of Kosovo Archives (KASA) failed to appoint contract managers in three cases. These cases are for contracts: 1. "Supply with working tools" in the amount of €3,360; 2. "Supplies and cleaning services for 4 inter-municipal archives" in the amount of €4,425 and 3. "Supply with archive boxes in the amount of €8,724".

This occurred because of improper professional care by the responsible officers in complying with the criteria set out in the law.

Impact Lack of contract manager increases the risk that supplies/services do not comply with the CA requirements.

Recommendation A8 The Minister, in coordination with the Chief Executive Officer, should ensure that a contract manager is appointed for each procurement procedure in accordance with legal requirements.

Entity management response (Agree).

2.3.2 Subsidies and Transfers

The final budget for Subsidies and Transfers in 2020 was €12,251,204, of which €11,157,716 was spent. The Ministry provides financial support to various cultural, sports, youth and cultural heritage projects. In this regard, we tested 70 samples of €3,482,145 as part of substantive testing and 11 samples as part of compliance testing. Our audit identified the following shortcomings:

Issue A9 - Delays in concluding film projects**Finding**

Article 19 of Regulation 07/2016 on Subsidizing Film Projects by Kosovo Cinematography Centre, point 2.1 stipulates that the deadline to launch film shooting cannot be longer than six months and the duration of the realization of the film project that results with first copy of a movie cannot be longer than 36 months, unless otherwise foreseen with the contract.

For the film project "Skype" funded by the Kosovo Cinematography Centre (KCC) in the amount of €120,000, we have identified delays of more than three years in the implementation of the film project. The contract was signed in December 2016 and was supposed to be completed by early 2018 at the latest, while this project had not yet been completed. It is worth mentioning that KCC had twice extended the contract at the request of the designer.

Besides the list of film projects funded by KCC, there were delays in completing film projects by one (1) to eight (8) years. Furthermore, we have identified that in 4 cases the film productions had completed the realization of the film while they had not yet made the justification for the funds received from the Ministry. The value of contracted liabilities created by KCC by the end of 2020 amounts to a total of €2,414,032.

According to Kosovo Cinematography Centre, this happened as a result of the difficulties of the beneficiary in securing the remaining part of the self-financing for the implementation of the film project, as well as the negligence of the designers in fulfilling the contractual obligations.

Impact

Delays in implementing film projects make MCYS fail in achieving the set objectives and result in the lack of funds for subsequent years. The initiated projects may not be completed for a long time, failing to achieve the annual KCC objectives.

Recommendation A9

The Minister should ensure that all subsidized film projects are implemented and justified in accordance with the terms of the contract and the criteria set out in the regulations. In cases of non-justification of subsidies or delays in implementation, legal actions should be taken, as provided for by the relevant contracts.

Entity management response (Agree).

2.3.3 Capital Investments

The final budget for Capital Investments was €17,478,278 in 2020, of which €7,539,522 was spent. They are related to the construction of sports gyms, cultural centres, youth, etc. We tested 70 samples of €3,028,160 as part of substantive testing and five samples as part of compliance with procedures testing.

Issue B6 - Delays in the execution of works

Finding

A time limit is set in the contracts signed between MCYS and economic operators for implementing capital projects for the execution of works under such contracts.

In three cases, we found that works were not executed as provided by the contract. There were delays in these projects as works due to be completed in 2019 and 2020, were not completed. These are identified as follows:

- Gjilan City Stadium - the contract value was €3,121,346, it had to be completed on 23.10.2020, while only 54.29% of the works were completed by the end of 2020. Further, in October 2020, the contract was amended where changes are foreseen in the works to be performed without forecasting the time of execution and the financial aspect of the changes from the basic contract;
- Skënderaj Sports Gym - the contract value was €651,965, signed on 06.10.2017, it should have been completed on 06.10.2019, but it has not been completed yet;
- Cultural Centre in Hani i Elezit - the contract value was €409,985 signed on 28.08.2019, the completion of works should have been done within 120 calendar days, while it ended on 24.09.2020.

The reason for the delays in implementing these projects was their poor planning and lack of budget.

Impact

Delays in the completion of capital projects make MCYS fail in achieving the set objectives and the lack of budget funds for subsequent years may make the initiated projects uncompleted for a long time.

Recommendation B6 The Minister should make a comprehensive analysis of the initiated projects and identify the reasons for such delays, as well as review the availability of funds against the contracted works. Otherwise, contracts should not be signed without prior funding allocation.

Entity management response (Agree).

2.3.4 Common issues on certain economic categories

Issue A10 - Non-compliance with the requirements set in the tender dossier during the selection of economic operators

Finding

According to Law No. 05/L-092 on Public Procurement, Article 59, paragraph 4 stipulates that the Contracting Authority shall regard a tender as responsive only if it conforms to all requirements set forth in the contract notice and the tender dossier. - Annex 1 Mandatory technical specifications and Annex 7, which is a requirement that the required evidence for equipment and machinery should be completed and attached.

- Under the contract "National Judo Center" in the amount of €298,342, the Ministry awarded a contract to an EO which did not attach to the tender dossier the evidence for possession of necessary equipment according to the requirements of the tender dossier. This equipment was provided by the economic operator, after the Ministry's request for clarifying information, but the request for clarifications was in contradiction with point 39 of the public procurement guide, which determines the requests for which additional clarifications may be required;
- Under the contract "Supply with IT equipment" in the amount of €23,401, an activity implemented by KASA, the contract was awarded to an EO that failed to provide specifications for three positions as defined in the tender dossier. It is worth mentioning that out of four (4) bidders that competed in this procurement activity, only the fourth EO or EO with the highest price had fully met the technical specifications required in the dossier, but it was eliminated due to the price higher than the value foretasted by KASA.

For the contract "National Judo Center", according to the Ministry, this happened as a result of the need for this project to be completed faster to meet the needs of the Judo Federation. Whereas, in the KASA contract for "Supply of IT equipment" the reason was the lack of budget as the requirements set under the dossier exceeded the planned budget.

Impact

Signing contracts without meeting the criteria required in the tender dossier and setting specifications in the absence of a budget for their purchase, besides being contrary to law, may affect the poor quality of contracted goods, making favours and reducing process reliability.

Recommendation A10 The Minister and the Chief Executive Officer of KASA should ensure that the signing of contracts is done only after the requirements set out in the tender dossier are fully complied with and ensure that budgeted funds are sufficient to complete the procurement activities before the initiation of the procurement process.

Entity management response (Agree).

2.3.5 Capital and non-capital assets

According to the AFS, the net value of capital assets was €48,268,142, the net value of non-capital assets was €210,295, and the value of stocks was €27,759 as of 31 December 2020. We tested 70 samples of €3,055,886 as part of substantive testing.

Issue B7 - Failure to reconcile the stocktaking report with the assets registers and failure to establish the Assets Stocktaking Commission

Finding Regulation no.02/2013 on Management of non-financial assets in budget organisations, Article 19, section 4.3, stipulates that one of the responsibilities of the Non-Financial Assets Stocktaking Commission is to compare the inventory balance with the balance of non-financial assets in the registers. Whilst Article 20 stipulates that the budget organization must evaluate the non-financial assets to verify the necessity for non-financial assets for the organization, physical situation and the possibility to use on the other units of the organization.

In MCYS, the assets stocktaking was carried out in 2020 and the commission produced a report thereon. But, reconciliation of the inventory balance with the balance of non-financial assets in the registers was not carried out and reporting of assets in the AFS was not in accordance with the accounting registers. Moreover, CAO did not establish the commission for evaluation of assets for 2020.

This was as a result of poor functioning of internal controls over assets management.

Impact Failure to reconcile the stocktaking register with the registers of non-financial assets makes it impossible to confirm the existence of assets on the day of registration, thus leading to untrue presentation of assets in the AFS. As a result of lack of asset evaluation, the Ministry does not have a clear picture of useful assets.

Recommendation B7 The Minister should ensure that the stocktaking commission will carry out all registrations in the yearend and reconciliations of the assets balance in the stocktaking report with the balance of assets in the register and give explanations on all differences. The balance of assets in the AFS should not be disclosed unless all registers have been reconciled.

Entity management response (Agree).

3 Summary on budget planning and execution

This chapter gives a summary on the sources of budgetary funds, spending of funds, and collection of revenues by economic categories. It is illustrated in the following tables and charts:

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

Description	Initial Budget	Final Budget ⁵	2020 Outturn	2019 Outturn	2018 Outturn
Sources of Funds	44,176,110	37,030,254	25,583,740	30,917,976	29,952,621
Government Grant -Budget	32,620,720	27,523,902	23,555,254	23,956,313	27,520,149
Carried forward from previous year	0	24,753	15,373	7,283	7,947
Own source revenues	55,390	55,390	10,378	10,590	23,166
Revenues from PAK	11,500,000	9,230,122	1,988,892	6,819,537	2,373,308
Domestic Donations	0	4,407	509	14,443	0
External Donations	0	191,681	13,333	109,809	28,050

The final budget is lower than the initial budget by €7,145,856. This reduction is a result of budget review and Government decisions. Following the budget review, the amount of €5,629,719 was cut, while the amount of €1,516,137 was cut by Government decisions.

⁵ Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance

In 2020, the Ministry spent 69% of the final 2020 budget or €25,583,740, a decrease of 5% compared to the execution of 2019. However, explanations for the current position are detailed below.

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

Description	Initial Budget	Final Budget	2020 Outturn	2019 Outturn	2018 Outturn
Spending of funds by economic categories	44,176,110	37,030,254	25,583,740	30,917,976	29,952,621
Wages and Salaries	4,965,787	5,170,706	5,074,725	5,052,780	4,504,696
Goods and Services	2,176,437	1,872,256	1,571,340	1,822,793	1,703,542
Utilities	404,908	257,810	240,436	297,456	317,330
Subsidies and Transfers	9,201,550	12,251,204	11,157,716	11,432,739	10,734,320
Capital Investments	27,427,428	17,478,278	7,539,522	12,312,208	12,692,732

Explanations for changes in budget categories are given below:

- The budget for wages and salaries, compared to the initial budget, was increased by €204,920, according to Government Decision No. 09/50 dated 21.12.2020 on the harmonization of salaries in the amount of €109,278 and the budget carried forward by grants from the Global Fund in the amount of €95,642. Expenditures were 98% of the budget;
- The budget for goods and services, compared to the initial budget, had a decrease of €304,181. Following the budget review, it was reduced by €304,500 while there was a small increase of €319 by the Government decision. 84% was spent in this category;
- The utilities budget, compared to the initial budget, was reduced by €147,098. Following the budget review, it was reduced by €129,089, while by Government Decisions No. 09/50 dated 21.12.2020 by €18,009. Expenditures were 93% of the budget;
- The budget for subsidies and transfers was increased by €3,049,654. Initially, the budget was increased as a result of the budget review in the amount of €50,000, as well as the economic recovery program according to the Government decision in the amount of €2,500,000. Then by other moves by Government decisions, it resulted in an increase of €499,654. Expenditures were 91% of the budget;
- The capital investments, budget compared to the initial budget, was reduced by €9,949,150. Following the revision, it was reduced by €5,246,130, while by Government Decisions, No. 01/46 dated 25.11.2020 and No. 09/50 dated 21.12.2020 it was reduced by €4,703,020. Budget spending in this area was 43%.

Expenditures incurred for the management of the COVID 19 pandemic by the Ministry were in the amount of €2,459,797 from the category of subsidies and transfers

Chart 2. Expenditures by economic categories during 2018-2020

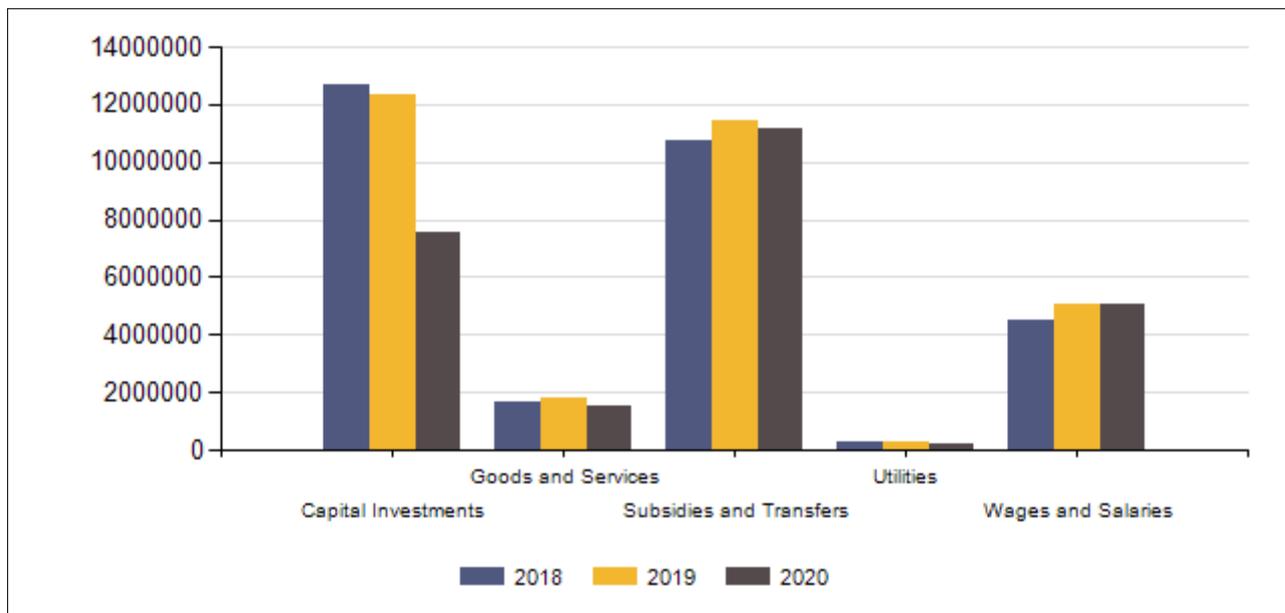
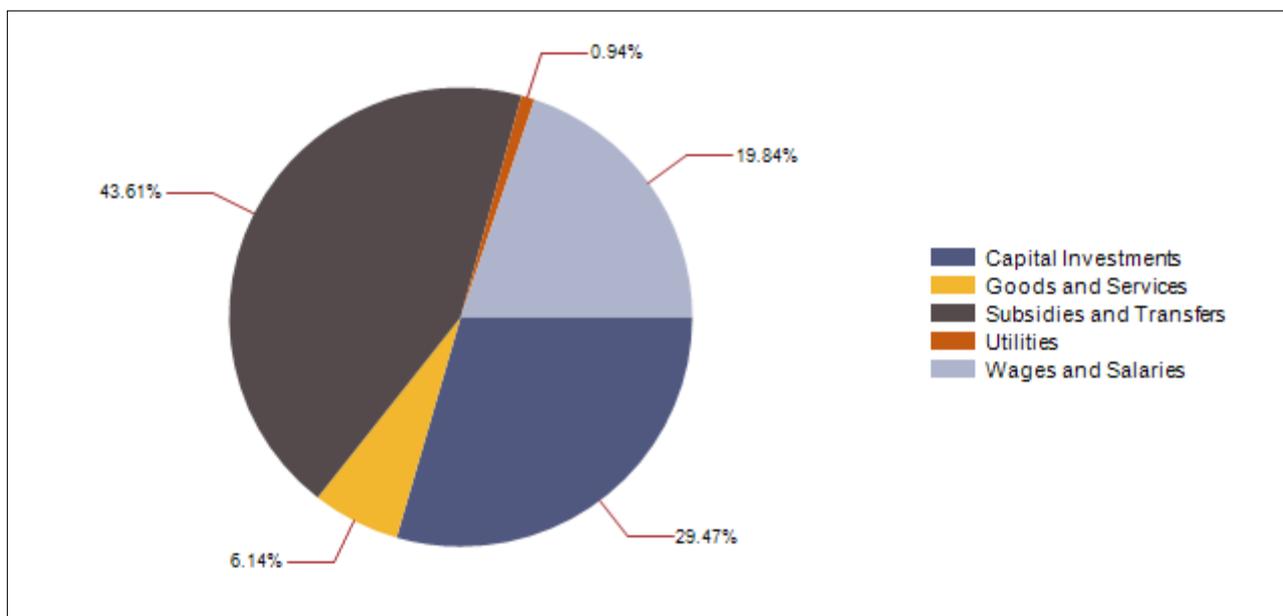


Chart 3. Expenditures by economic categories for year 2020



Revenues generated by MCYS in 2020 were €27,680. These revenues were generated from the State Archive - €14,221, Regional Centre for Cultural Heritage Prizren - €3,584, National Library of Kosovo - €1,288, National Theatre of Kosovo - €2,962, Kosovo Cinematography Centre - €5,150 and the revenues from last year in the amount of €475. They relate to revenues from ticket sales for shows, concerts, consents, etc.

Table 3. Revenues (in €)

Description	Initial Budget	Final Budget	2020 Receipts	2019 Receipts	2018 Receipts
Total of revenues	25,249	21,007	27,680	64,871	767,828
Non-tax revenues	25,249	21,007	27,205	56,673	59,663
Other revenues	0	0	475	8,198	708,165

4 Progress in implementing recommendations

Our audit report on 2019 AFS of 2019 resulted in 16 key recommendations. The Ministry prepared an Action Plan stating how all recommendations will be implemented.

By the end of our 2020 audit, eight (8) recommendations have been implemented, one (1) was in the process of implementation, and implementation for seven (7) of them had not started yet (see Chart 4). For a more thorough description of the recommendations and how they are addressed, see Table 4 (Table of recommendations).

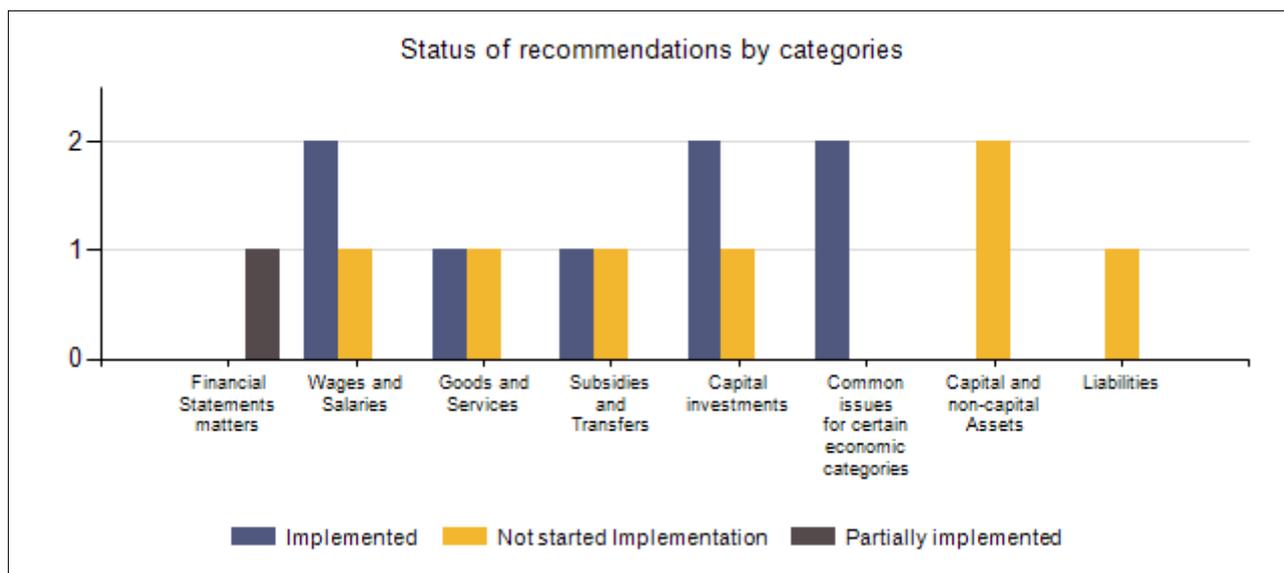
Chart 4. Progress in implementing prior year's recommendations

Table 4 Summary of prior year's recommendations and of 2020

No.	Audit area	Recommendations of 2019	Actions taken	Status
1	Annual Financial Statements	The Minister, should ensure that all necessary actions are undertaken to plan expenditures into adequate budget lines (or that re-destination of funds is done by legal requirements) and that payments and recording of expenditures is strictly carried under adequate economic codes.	Apart from misclassifications of payments through court decisions caused by the Treasury in the absence of a budget and executed payments, we have not identified misclassifications of payments caused by the Ministry. Regarding overtime work, MCYS has taken steps in this direction, where after the recommendation given by NAO, the category Wages and Salaries started to make payments.	Partly implemented
2	Wages and Salaries	The Minister, respectively, the Chief Executive Officer of KASA should take the necessary actions to ensure the professional competence of the staff, in order to implement the legal requirements regarding the withholding tax for special service agreements employees, and such cases should not be repeated	The recommendation given for tax withholding for officers under SSA in KASA has been implemented. Payments for contributions and taxes started to be made on 29.07.2020. We have also been informed from KASA that all invoices for contributions and tax for 2019 have been paid as recommended NAO. All bills are paid for 2019 and 2020.	Implemented
3	Wages and Salaries	The Minister should undertake all actions to ensure working conditions for these employees and regular attendance at work, by conducting continuous monitoring as provided by legal acts. On the contrary, this issue should be discussed with the Government as well, having in consideration that this issue is occurring in other ministries as well.	Regarding the Civil Protection officers in MCYS and KASA, the situation has not changed, so it continues to be the same as in previous years.	Implementation not started
4	Wages and Salaries	The Minister should ensure that measures have been taken to terminate the practice of concluding contracts without recruitment procedures and that the duration of	From the MCYS Human Resources Manager, we have been informed in writing that after the entry into force of the Law on	Implemented

		these agreements should be made in accordance with the relevant legislation. If there is a need for additional employment in the ministry (regular positions), the minister should ensure that the salaries of all necessary employees, going through the salary system, are included in the budget of the following years in the category of wages and salaries.	Public Servants on 14.07.2020, those recruited under Special Service Agreement Contracts continued until the end of their valid contracts that were terminated thereafter. Currently, there is no officer hired under these contracts, as their contracts have all expired. We also received confirmation and evidence from the Director of Procurement where the Procurement Office conducted the negotiated procurement procedure and implemented the necessary documents such as the statement of needs and availability of funds and notified PPRC as required by legal provisions.	
5	Goods and Services and Utilities	The Minister should take all actions that the persons who have not justified the advances from 2010 to the end of 2019 reconcile them with the finance and accounting service. If they do not possess the necessary evidence to justify the advances, then the amounts withdrawn for this purpose should be returned in full within a quarterly period. Otherwise, the Minister should file a lawsuit against all persons who have not returned this money. The Minister should also establish strict controls so that the advances given in the future are justified within the set legal deadlines.	The advance payment situation for official trips in MCYS continues to be the same as in previous years.	Implementation not started
6	Goods and Services and Utilities	The Minister should strengthen the controls in the field of procurement to ensure that the procurement activities, which are not included in the final procurement plan, will be developed only after the notification of the CPA. In addition, the funds should be committed before the signing of the	No such cases were encountered during the samples testing.	Implemented

		contract, in order not to created obligations without sufficient funds.		
7	Subsidies and Transfers	The Minister should ensure that the financial support of NGOs is done through a public call, and the requirements of Regulation No. 04/2017 on the criteria, standards and procedures for funding NGOs will be implemented consistently	For 2020, we have not identified such cases.	Implemented
8	Subsidies and Transfers	The Minister should ensure that all subsidised projects of Non-Governmental Organizations (NGOs) are justified in the foreseen time and with the valid supporting documents provided for under the internal regulation of subsidies and transfers. When non-justification of subsidies occur, legal actions should be taken, as provided for by the relevant contracts.	The Ministry had not yet taken the necessary measures to address this recommendation.	Implementation not started
9	Capital Investments	The Minister should ensure that the signing of contracts will not take place without a planned budget, so that the works are carried out according to the contracted dynamic plan. In case unplanned works appear, the Minister should ensure to apply the procurement rules and provide the necessary means before signing the annex contract.	Even in 2020, the same irregularities have been identified.	Implementation not started
10	Capital Investments	The Minister should ensure that prior to the conclusion of the contract, the international company is required to establish a fiscal representative in Kosovo, to ensure that the company is fulfilling its legal obligations to TAK. Further, in this case, the Minister should ask the winning company to amend the contract to meet the legal requirements of TAK	We have not encountered such cases during the procurement procedures testing.	Implemented
11	Capital Investments	The Minister should take the necessary actions to ensure the professional competence of the staff in order to implement the legal requirements regarding the payment of advances and the execution of payments only after meeting the criteria set by the Budget Law	During the testing, we noticed that the advance payment was made according to Law on Budget	Implemented
12	Common Issues	The Minister should take the necessary actions to ensure that when	During our testing, we did not encounter such issues.	Implemented

		committees are established and contract managers are appointed, the principles for segregation of tasks are taken into account so that the officers appointed to evaluation committees are not appointed as contract managers, too		
13	Common Issues	The Minister should provide a review of the cases in question to assess the lawfulness of these contracts and to assess whether the contracted services are economical and provide value for the money spent. The Minister should also ensure that MCYS officers do not sign contracts contrary to public procurement law	Regarding the recommendation given in relation to the Media, the Procurement Office concluded agreements with the largest national portals and news agencies such as Ekonomia Online, Kosova Press, Gazeta Blic, Gazeta Express, Indeksonline and Insajderi, using the negotiated procedure without publishing a contract notice.	Implemented
14	Assets	The Minister should ensure that the officers in charge have the information regarding the asset register, in order to finalise the process of ownership transfer to municipalities for completed projects	The same shortcomings have been identified in 2020.	Implementation not started
15	Assets	The Minister should undertake actions to ensure the full and accurate recording of assets as stipulated in Regulation no. 02/2013 on management of non-financial assets. He should also ensure that the inventorying commission compares the condition of the assets according to the inventorying report with the situation of the assets registers and reflects potential changes in the AFS.	MCYS did not take the necessary steps to ensure that the asset register is complete and accurate because during the testing, we noticed that there are assets that are not recorded in the registers.	Implementation not started
16	Outstanding liabilities	The Minister should ensure establishment of an effective system where all unpaid invoices are protocolled, recorded and processed for payment in a timely manner so that the value of outstanding liabilities at the end of the year (except those that are not due) is minimised	During the samples testing, we encountered that in some cases the invoices received by MCYS were not recorded. In addition, we have encountered irregularities in the reporting of liabilities that are disclosed in the report.	Implementation not started

No.	Audit area	Recommendations of 2020
1	Basis for opinion	The Minister should take actions to ensure complete and accurate registration of assets as provided for by Regulation No. 02/2013 on the Management of Non-Financial Assets, in order to give a true and fair view of assets situation.
2	Basis for opinion	The Minister should ensure that adequate internal control procedures are applied when preparing the AFS by verifying the accuracy and completeness of data on outstanding liabilities.
3	Basis for opinion	The Minister should ensure effective cooperation with the Ministry of Finance to ensure that payments are made according to the appropriate economic categories, to enable their fair reporting in AFS according to the regulation in accordance with the accounting plan.
4	Basis for conclusion	The Minister should ensure that an effective system is put in place wherein all unpaid invoices are archived, recorded, and paid in time in order to reduce the amount of outstanding liabilities at the yearend as much as possible.
5	Basis for conclusion	The Minister should take actions in order to ensure that all unjustified advance payments from 2010 to the end of 2019 are justified and closed with the finance office. Should they lack the needed evidence for their reasoning, the money should be returned to the Ministry's budget, otherwise the Ministry should file lawsuits against all persons to return the money.
6	Basis for conclusion	The Minister should ensure that adequate controls are put in place to confirm the truthfulness and propriety of implementation of projects in order to assure that each project is implemented in accordance with contracted term. He should also ensure that legal requirements set forth in the annex contracts are strictly applied.
7	Basis for conclusion	The Minister should ensure that all subsidised projects of Non-government organisations (NGOs) are timely justified with valid supporting documents as foreseen in the internal regulation on subsidies and transfers. Otherwise, legal remedies should be taken as stipulated in the respective agreements.
8	Basis for conclusion	The Minister should ensure that all the criteria set out in the Memoranda of Co-financing with Federations are adhered to and that the way of subsidising is determined in accordance with the objectives and activities set by the federations. In addition, he should ensure that decisions on granting subsidies are taken before the implementation of projects, by establishing that the funds which the federations have not managed to justify with documents as required in the memorandum and regulation on subsidies are returned.
9	Basis for conclusion	The Minister should ensure that each decision on subsidies is taken in accordance with the Regulation. In addition, he should initiate a review of the abovementioned cases in order to prevent double subsidising of the same project.
10	Basis for conclusion	The Minister should take all necessary measures to provide the conditions for regular attendance at work by employees, and conduct regular monitoring as foreseen in the regulation. Otherwise, this problem should be addressed to the Government, considering that this is a problem that is being repeated for consecutive years and not measures have been taken to resolve it.
11	Basis for conclusion	The Minister should reconsider the abovementioned cases and stop payments with no clear legal basis, and in cooperation with Ministry of Finance to initiate the development of a new policy regarding the functioning of steering councils and

		commissions, by giving clear instructions on the engagement, work, and compensation of members of different councils and commissions.
12	Basis for conclusion	The Minister should ensure that all procedures defined in the Regulation are adhered to, i.e. funds are committed, purchase order is issued, and goods/services are received before the payment is done in the end.
13	Goods and Services and Utilities	The Minister should ensure controls in implementing deadlines set regarding the contract award notice according to legal requirements.
14	Goods and Services and Utilities	The Minister, in coordination with the Chief Executive Officer, should ensure that a contract manager is appointed for each procurement procedure in accordance with legal requirements.
15	Subsidies and Transfers	The Minister should ensure that all subsidized film projects are implemented and justified in accordance with the terms of the contract and the criteria set out in the regulations. In cases of non-justification of subsidies or delays in implementation, legal actions should be taken, as provided for by the relevant contracts.
16	Capital Investments	The Minister should make a comprehensive analysis of the initiated projects and identify the reasons for such delays, as well as review the availability of funds against the contracted works. Otherwise, contracts should not be signed without prior funding allocation.
17	Common Issues	The Minister and the Chief Executive Officer of KASA should ensure that the signing of contracts is done only after the requirements set out in the tender dossier are fully complied with and ensure that budgeted funds are sufficient to complete the procurement activities before the initiation of the procurement process.
18	Assets	The Minister should ensure that the stocktaking commission will carry out all registrations in the yearend and reconciliations of the assets balance in the stocktaking report with the balance of assets in the register and give explanations on all differences. The balance of assets in the AFS should not be disclosed unless all registers have been reconciled.

Besnik Osmani, Auditor General

Qerkin Morina, Assistant Auditor General

Shkëlqim Xhema, Head of Audit

Albesa Tolaj, Team Leader

Burbuqe Idrizi, Team member

Fatlinda Podvorica, Team member

Annex I: Letter of confirmation

REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVO			
ZYRA KOMBËTARE E AUDITIMIT / NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
DATE / DATUM / DATE			
DOKUMENTI / DOCUMENT / DOCUMENT			
KODI / CODE / CODE			
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REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVO	
Qeveria e Kosovës / Vlada Kosova / Government of Kosovo	
Ministria e Kulturës, Rinisë dhe Sportit / Министерство Кulture, Оmladine i Sporta / Ministry of Culture, Youth and Sports	
Ref. Nr.	2349/2021-2
Datim	12.07.2021
Orari	
Emri i Titullit	Adonij Lajç

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

Ministria e Kulturës, Rinisë dhe Sportit
Ministarstvo za Kultur, Omladinu i Sport – Ministry for Culture, Youth and Sport

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të pasqyrave financiare vjetore të MKRS-së "draft-raporti i auditimit për pasqyrat financiare vjetore të ministrisë së kulturës, rinisë dhe sporteve për vitin 2020", dhe për zbatimin e rekomandimeve.

Për: Zyren Kombëtare të Auditimit

Vendi dhe data: 12.07.2021, Prishtinë

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyres Kombëtare të Auditimit "Raporti i auditimit për pasqyrat financiare vjetore të ministrisë së kulturës, rinisë dhe sporteve për vitin 2020", (në tekstin e mëtejshëm "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Ibër ALAJ, Zëvendës Sekretar i Përgjithshëm/MKRS

Adresa: Rr. Nënë Tereza - 10000 Prishtinë-Kosovë

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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 statements⁶ 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 authorities⁷. 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 t

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.

⁶ Financial statements in the public sector include also the statement(s) of budget execution

⁷ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices.

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.

Footnotes

- 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
- 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 partly repeated issues and recommendations
- ⁵ 1. Tower of Haxhë Mustafë Lajçi €5,865.99; 2. Renovation and Functioning of Isa Kastrati Tower House and Community Houses in Kamenica €55,243.50; 3. Sports Gym in Vitia €87,500.00; 4. Renovation of Existing Sports Gyms in Regional Centers €51,782.50; 5. Construction of the Tower of Haxhë Mustafë Lajçi €18,250.00; 6. Renovation of the City Stadium in Gjiilan €181,858.50; 7. Renovation of SAKA building (advance) €17,245.00; 8. Renovation of SAKA building (advance) €34,490.50; 9. SAKA server €102,860.00. Court decisions €100,000.00; 11. Court decisions €100,000.00; 12. Court decisions €100,000.00; 13. Court decisions €50,000.00; 14. Court decisions €43,087.29; 15. Court decisions €39,477.20; 16. Court decisions €19,692.37. 1. Rexhep Malaj Complex €15,829 .1. Other equipment €8,447; 2. Purchase of computers €13,485; 3. "Other equipment (laboratory for the restoration of documents)" in the amount of €2,560; Computer in the amount of € 20,541. 1. "Furniture" in the amount of €14,828.
- ⁶ 1. Inna Nails, 2. Youth Awareness and Trafficking Prevention, 3. Prevention of extremism and religious radicalization, 4. Security contributing girls and 5. Subsidizing the movie Njëriu me Këmishë;
- ⁷ 1. Not the 5th but the 9th Symphony, 2. Press services; 3. Sports Gym, Loxha, Peja, and 4,5,6,7 in four cases fuel for cars; 1. Invoice in the amount of €975 for Press Services; 2. Total payment of €958.90 for stationaries including three invoices and 3. Invoice in the amount of €576,000 for the Feasibility Study Project for the National Football Stadium in Drenas.
- ⁸ 1. Recognizing cultural heritage €4,500; 2. Albanian tradition with orchestration and unique styles €5,000; 3. International Film Festival-Dokufest €10,000; 4. Project: Reading brings us together €2,000; 5. Vocational training program for unemployed young people €14,000; 6. Vocational training program for unemployed young people €14,000; 7. Athletic Federation - Q1-2020; 8. Bodybuilding Federation - Q1-2020; 9. Kickboxing Federation - Q1-2020; 10. Swimming Federation - Q4-2019; 11. Skiing Federation - Q2-2020; 12. Handball Federation - Q3-2020; 13. Judo Federation - Q3-2020; 14. Handball Federation - Q2-2020; 15. Swimming Federation - Q1-2020 and 16. Taekwondo Federation - Q1-2020.
- ⁹ 1. Athletic Federation - Q1-2020; 2. Bodybuilding Federation - Q1-2020; 3. Kickboxing Federation - Q1-2020; 4. Handball Federation - Q4-2019; 5. Skiing Federation - Q2-2020; 6. Handball Federation - Q3-2020; 7. Judo Federation - Q3-2020; 8. Handball Federation - Q2-2020; 9. Swimming Federation - Q1-2020 and 10. Taekwondo Federation - Q1-2020; Football Federation, Swimming Federation; Skiing Federation; Taekwondo Federation; Cycling Federation.
- ¹⁰ 1. "Furniture" in the amount of €1,725; 2. "IT Maintenance" in the amount of €18,199; 3. "Supply with furniture" in the amount of €15,049.96.
- ¹¹ 1. Supply with working tools in the amount of €3,360; 2. Supplies and cleaning services for 4 inter-municipal archives in the amount of €4,425 and 3. Supply with archive boxes in the amount of €8,724.
- ¹² 1. "Në kërkim të Venerës", "Homo", "Kosova dhe Hebrejtë", "Zgjoi" dhe "Martesa"
- ¹³ Final budget – the budget approved by the Assembly and subsequently adjusted for by the Ministry of Finance
- ¹⁴ Financial statements in the public sector include also the statement(s) of budget execution
- ¹⁵ Compliance with authorities: compliance with laws, rules, regulations, standards, or good practices