



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE MINISTRY OF CULTURE, YOUTH AND SPORTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Prishtina, June 2019

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

Our Mission is through quality audits to strengthen accountability in public administration for an effective, efficient and economic use of national resources.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with internationally recognized public sector auditing standards and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Ministry of Culture, Youth and Sports, in consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Arian Haxha (Team Leader), Fatlinda Podvorica and Veton Misiri (team members) under the management of the Head of Audit Department, Shkëlqim Xhema.

TABLE OF CONTENTS

Executive Summary	4
1 Audit Scope and Methodology	6
2 Annual Financial Statements and other External Reporting Obligations	7
3 Financial Management and Control	13
4 Good Governance	30
5 Progress in implementing recommendations.....	32
Annex I: Explanation of the different types of opinion applied by NAO	42
Annex II: Letter of confirmation	44

Executive Summary

This report summarises the key issues arising from our audit of the Ministry of Culture, Youth and Sports for 2018, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2018 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures that were necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in the External Audit Plan dated 23/10/2018.

Our audit focus has been on:



The level of work undertaken to carry out the audit was determined depending on the quality of internal controls implemented by the Management of the Ministry of Culture, Youth and Sports.

Opinion of the Auditor General

Qualified opinion with emphasis of matter

In our opinion the Annual Financial Statements for 2018 *present a true and fair view* in all material aspects, except for in 2018 the MCYS had made payments in the amount of €390,455 out of inadequate economic categories, in the Kosovo Archaeological Institute were carried out payments in the amount of €273,913 for employees hired to perform fieldwork on the basis of a regulation that was abolished by the decision of the government, subsidies given in the amount of €153,864 were not justified by the beneficiaries, as well as the payment in the amount of €163,363 for wages and salaries without evidence of attendance at work.

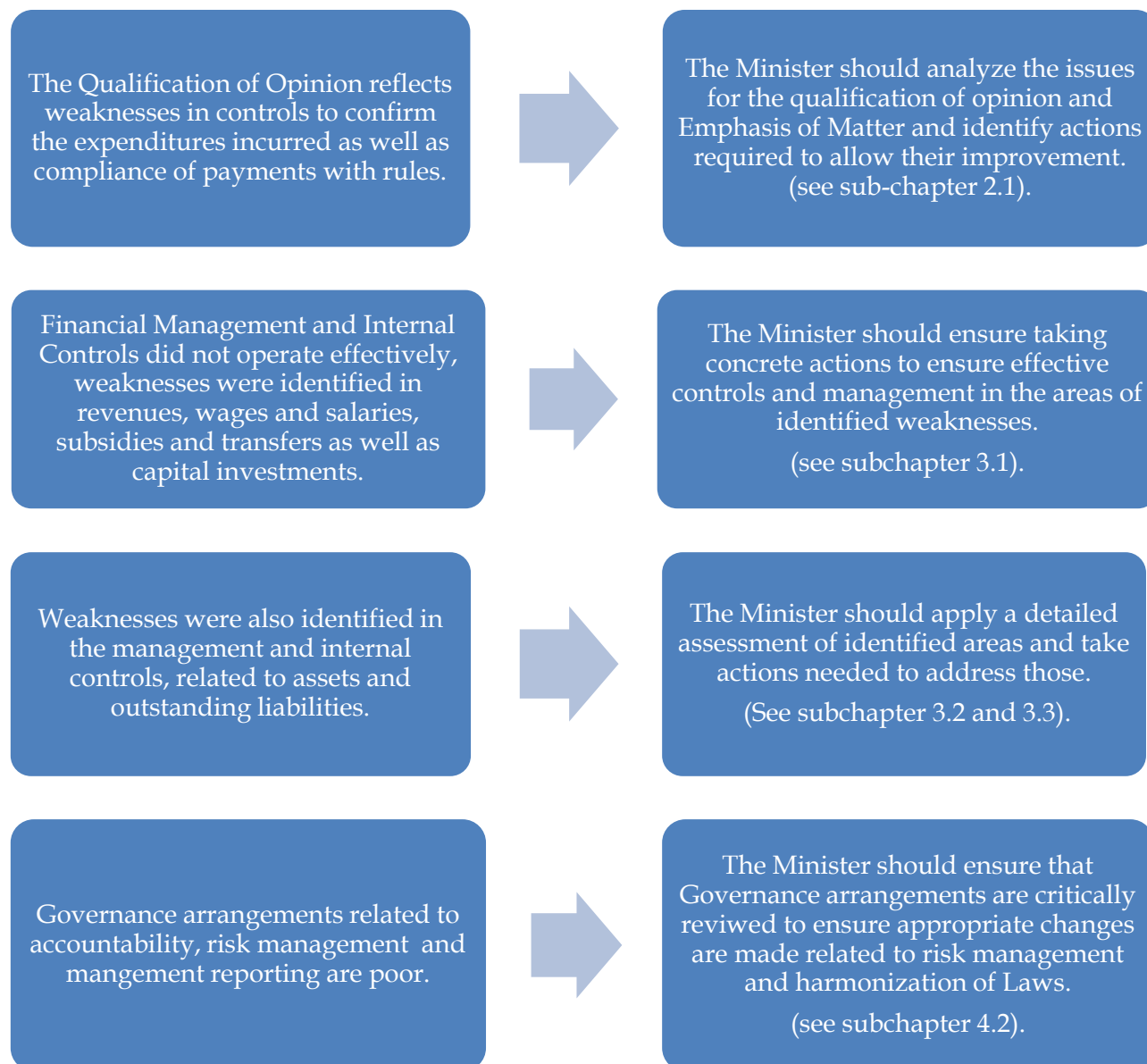
Emphasis of matter

We draw your attention to the fact that capital and non-capital assets disclosed in AFS do not present a true and fair view, as well as improper classification of Court decisions payments.

For more details, refer to Section 2.1 of this report.

Annex I explains different types of Opinions in line with ISSAIs.

Key Conclusions and Recommendations



Management's Response on 2018 audit

The Minister of the Ministry of Culture, Youth and Sports has agreed with audit findings and conclusions and has committed to address a given recommendation.

The National Audit Office appreciates the cooperation of the management and personnel of the Ministry of Culture, Youth and Sports during the audit process.

1 Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records, as follows:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether have been taken appropriate actions for implementation of audit recommendations.

Audit work undertaken is based on risk assessment. We have analysed MCYS's business, the level of reliance on management controls, in order to determine the level of detailed testing required to provide the necessary evidence and that support the opinion of the AG.

Our procedures have included a review of internal controls, accounting systems and related substantive tests, as well as related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following sections provide a detailed summary of our audit findings and recommendations in each area of review. Management's responses to our findings can be found in Annex II.

2 Annual Financial Statements and other External Reporting Obligations

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information presented in the AFS, including the declaration made by the Chief Administrative Officer and Chief Financial Officer.

The declaration on presentation of AFS includes a number of assertions relating to the compliance with the reporting framework and the quality of information within the AFS. These assertions intend to provide assurance to the Government that all relevant information has been provided to ensure that an audit process can be undertaken.

2.1 Audit Opinion

Qualified Opinion with Emphasis of Matter

We have audited the AFS of the Ministry of Culture, Youth and Sports for the year ended on 31st of December 2018, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement and the Explanatory Notes of the Financial Statements.

In our opinion, except for the effects of the issue described in the Basis for Qualified Opinion paragraph, the Annual Financial Statements for the year ended on 31st of December 2018 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (cash based Accounting), Law no.03/L-048 on Public Finance Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2018 on Annual Financial Reporting by Budget Organisations

Basis for Qualified Opinion

Issues that had an effect on the Basis for Qualified Opinion are as follow:

1. MCYS, in 2018 made payments in the amount of €390,455 from inadequate economic categories such as:
 - From the category of subsidies and transfers, the amount of €341,656 had been paid for expenditures, which by nature and according to the chart of accounts belongs to other economic categories. Out of these, €171,614 belong to the category of goods and services, such as the following cases:
 - MCYS made payments in the amount of €104,368 for the supply of interiors for the Kosovo Museum;

-
- Payments in the amount of €44,550 for the MCYS hired officers appointed at various commissions, as well as the payment in the amount of €2,360 for organizing the European Sports Week;
 - Payment for official travel tickets for the MCYS staff in the amount of €15,000 and accommodation expenditures in the amount of €5,336; and
 - Payments in the amount of €170,042 for the members of steering committees of the MCYS subordinate institutions. These expenditures by nature belong to the category of wages and salaries.
- The payments made from the category of goods and services were in the amount of €48,799. Under the Article 12 paragraph 5 of Law No. 06 /L-20 on Budget of 2018, the expenditure of public money from the category of goods and services is not allowed for the payment of employees. During 2018, MCYS paid the overtime in the amount of €27,190 to its officials who were assigned to work outside regular working hours, which by nature belong to the category wages and salaries. While payments in the amount of €21,609 belonged to the category of subsidies and transfers to support sport personalities (payment of travel tickets).
2. Payments in the amount of €273,913 for fieldwork hired employees by the Kosovo Archaeological Institute, were made according to regulation no. 01/2009 on the payment of workers in the field which, regulation has been repealed by a government decision. This issue is being repeated over the years as the MCYS did not take any action despite the fact that, KAI drafted a draft regulation.
 3. Subsidies in the amount of €153,864 were not justified by the beneficiaries. Under the signed agreements, project providers are obliged to justify the incurred expenditures, within 30 days following the implementation of subsidized activities. This occurred due to poor monitoring by MCYS officers and failure to take legal measures against beneficiaries that did not report.
 4. Based on Brussels Agreement dated 26.03.2015 and the Government Decision No. 06/39 dated 22.07.2015, 31 members of the illegal structure so-called "Civil Protection", have been assigned to different MCYS departments in the north of the country. MCYS did not provide any evidence for these officials such as: work attendances or reports on the work performed in 2018. The expenditures for the wages in 2018, were in the amount of €163,363.

Our audit was conducted 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 AFS section of our report. NAO is independent of the MCYS in accordance with the ethical requirements that are relevant to our audit of the annual financial statements of Budget Organisations in Kosovo and we have fulfilled other ethical responsibilities in accordance with these requirements. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the qualified opinion.

Emphasis of Matter

We would also like to draw your attention to the fact that:

1. The value of assets presented in the AFS 2018 was not accurate due to following reasons:
 - The value of capital assets (over 1,000 Euros) in the MCYS is €33,066,055. From those, assets in the amount of €32,913,030 or 99% are presented as current investments. In this regard, MCYS did not yet made progress regarding, identification, valuation and recording its facilities and assets, therefore the asset register as such, is still considered as inaccurate. Furthermore, the MCYS, did not provide necessary information for testing the assets, such as, property ownership, information on completed capital projects for which, transfers of the capital should be made to respective municipalities, as well as, the information on, whether such projects were new investments or restoration of existing assets;
 - Furthermore, capital assets (over €1,000) were understated by €1,592,908, this situation occurred, as some of the assets acquired in 2018 were not timely recorded, and as such were recorded in 2019. The uncertainty regarding the net value of assets also arises for the fact that the asset inventory report was not reconciled with the assets register; and
 - The value of non-capital assets (under € 1,000) was overstated by €403,530. The value presented in the AFS was €627,407, while, the value according to the e-assets register was €223,877. This occurred as a result of poor control when preparing the statements.
2. Payments in the amount of €119,417 for court decisions affected the misclassification of expenditures in the following cases:
 - Payments in amount of €104,435 were made from the category of subsidies and transfers, which by nature belong to the category of capital investments; and
 - Payments in amount of €14,982 were made from the category of capital investments, while these expenditures by nature belong to the category of wages and salaries.

Our opinion is not qualified for this matter.

Responsibility of the Management for AFS

The Secretary General and Chief Financial Officer of the Ministry are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law number 03/L-048 on Public Finance Management and Accountability (as amended and supplemented).

The Minister is responsible to ensure oversight of the financial reporting process of the Ministry and subordinate institutions.

Auditor General's Responsibility for the Audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect any material misstatement that might exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the presentation of the financial statements.

2.2 Compliance with AFS and other reporting requirements

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

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations; and
- Requirements of Financial Management and Control (FMC) procedures.

The above findings indicate that the AFS production process was poorly managed. Given the above, the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance can be considered to be incorrect given the material errors identified during the audit.

2.3 Recommendations related to Annual Financial Statements

For abovementioned issues at the basis for qualified opinion and emphasis of matter are given recommendations:

Recommendation A1 The Minister should ensure that all expenditures are planned and recorded in adequate economic categories and that no payments from other categories of expenditure will be allowed.

Recommendation B1 The Minister should ensure that in cooperation with the Steering Committee of AIK develops policies or comprehensive guidelines on hiring and paying staff for the implementation of projects.

Recommendation C1 The Minister should ensure that all NGOs subsidized projects are justified at the foreseen time, and supported by valid documentation as provided in the internal regulation of subsidies and transfers.

Recommendation C2 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 shall be discussed with the Government as well, having in consideration that this issue is spread in the other Ministries as well.

Recommendation B2 The Minister should ensure that responsible officers possess information related to asset registers, and the same are provided to the NAO. For completed projects should finalize the process of transferring the property to Municipalities. In addition, should establish a special commission for identifying, evaluating the facilities and assets of the MCYS. The inventory report should be reconciled with assets register and this should be reflected on the AFS.

3 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources as well as assets and liabilities.

Financial Management and Control Conclusion

Even though, there were improvements in terms of financial management and control in 2018, as it is worthy to mention that, bringing to an end the fund transfers to unauthorized accounts at the subordinate institutions, as well as the closure of these accounts, additional actions are needed to achieve a proper financial management and control.

In the context of financial systems, controls over revenues and a range of expenditure areas s require further enhancement to prevent irregularities and irrational expenditures. The main areas where most improvements are required are Subsidies as an area of concern, due to non-compliance with legal requirements on granting and monitoring the subsidies, wages and salaries, asset management, payment processing, contract management as well as reporting and payment of liabilities.

3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds by economic categories. This is highlighted in the following tables:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
Sources of Funds:	36,523,904	33,223,382	29,952,621	24,408,173	16,773,166
Government Grant -Budget	31,653,401	29,712,167	27,520,149	24,342,201	16,255,016
Carried forward from previous year ¹ -	0	22,407	7,947	15,579	26,520
Own Source Revenues ²	70,503	70,503	23,166	36,675	26,671
Domestic Donations	0	1,157	0	343	0
External Donations	0	117,149	28,050	13,375	464,959
PAK Revenues	4,800,000	3,300,000	2,373,308	0	0

¹ Own Source Revenues unspent in previous year carried forward into the current year.

² Receipts used by the entity for financing its own budget.

The final budget is lower than the initial budget by €3,300,522. This is the result of budget cuts upon Government decisions.

In 2018, the MCYS has spent used 90% of the final budget in 2018 or €29,952,621, with a decrease of 6% compared to 2017.

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

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
Spending of funds by economic categories	36,523,904	33,223,382	29,952,621	24,408,173	16,773,166
Wages and Salaries	4,342,854	4,530,497	4,504,696	4,073,999	3,560,945
Goods and Services	1,280,986	1,917,969	1,703,542	1,453,497	1,363,229
Utilities	404,908	387,222	317,331	343,867	308,555
Subsidies and Transfers	8,166,550	12,013,990	10,734,320	8,583,046	7,060,865
Capital Investments	22,328,606	14,373,704	12,692,732	9,953,762	4,479,572

Explanations for changes in budget categories are given below:

- The final budget of Wages and Salaries compared to initial budget was higher by €187,643. The increase of a budget by €177,031 was because of Government decision on salary alignments, the amount of €9,880 was carried forward revenues of the Kosovo National Library and the transferred budget of Grants from the “Global Fund” in amount of €732. The expenditure was 99% of the final budget;
- Compared to initial budget, the final budget of Goods and Services was increased by €636,983. This budget increase includes the transfer of funds from capital investments in the amount of €450,000, Government decision no. 04/45 dated 08/05/2018 for the special service agreements of the employees at the Residency Ibrahim Rugova from the contingency reserve fund for by €57,944, revenues carried forward in the amount of €12,526 and €116,513 from other external donors. The expenditure was 89% of the final budget;
- Utilities budget was reduced by €17,686. Initially there was an increase of the budget from the global fund by €25, hence, it was subsequently reduced by €17,711 upon Government Decision no.07/80 dated 18/12/2018 due to budgetary savings. Expenditure was 82% of the final budget;
- Final budget for subsidies and transfers was higher by €3,847,440 compared to initial one. In the beginning, there was a budget increase upon Government decisions³, as the amount of €855,613 was allocated from the reserve fund for organizing the 10th anniversary of the

³ Decision No. 03/29 dated 13.02.2018 in the amount of €600,000 and Decision No. 07/64 dated 11.09.2018 in the amount of €255,613 Decision No. 04/35 dated 09.03.2018 in the amount of €250,000.

Independence of Republic of Kosovo, and €250,000 for marking the 550th anniversary of Gjergj Kastrioti's death. Following the request of the MCYS, the amount of €1,515,000 was approved by the Ministry of Finance to be transferred from the category of Capital Investments, the amount of € 1,225,791 was transferred upon Government decisions and based on article 15 of the Law on budget 2018, increase from external donations by €898 and the global fund €138. Expenditure was 89% of the final budget; and

- Capital investment budget was lower by €7,954,902 compared to initial budget. This was a reflection of transfers to other budget lines in the amount of €2,878,528 and reduction by €5,076,374 upon Government decisions. The expenditure was 88% of the final budget.

Recommendations

We have no recommendations in this area

3.1.1 Revenues

Revenues generated by MCYS in 2018 totalled €59,663. These revenues were collected by, the State Archive €16,184, IMM Prizreni €14,641, National Library of Kosovo €15,632, National Theatre €12,967 and by the MCYS Central Administration €239.

Table 3. Own Source Revenues (in €)

Description	2018 Receipts	2017 Receipts	2016 Receipts
Own source revenues	59,663	85,330	50,785
Total	59,663	85,330	50,785

Compared to last year, the revenues are lower by €25,667, because vehicles were sold last year.

In regards to our testing, we identified the following issue:

Issue A 2⁴ - Use of a cultural heritage facility without permission from the Competent Institution

Finding

According to Article 6, point 6.14 of the Law No.02/L-88 on Cultural Heritage: Beneficial economic and cultural use of the architectural heritage can be authorized by written permission from the Competent Institution where the values of the architectural heritage are safeguarded.

In one case we noticed that the facility “Mulliri i Pintollit” in Prizren that belong to MCYS - Cultural Heritage being used without public notice and without written permission by the competent institution. The first contract signed by the party that uses the Mill and the Institute for the Protection of Monuments in Prizren (now called RCCH -Prizren) was signed in 2004 when there was no Law on cultural heritage and as such was renewed during the certain periods until 2011 by the directors. Further, from 2011 onwards, this facility is used without a valid contract, even though, the client/ user of this facility, continues to pay the annual rent in the amount of €2,000, and repeatedly made efforts by submitting requests to sign a lease contract with MCYS, but this was not achieved so far.

This was because the MCYS did not make a public notice for the use of Cultural Heritage assets in accordance with the Law on heritage.

Risk

Permitting the use of cultural heritage facilities without a contract or permit specifying the terms for the use of these facilities, increases the risk of damaging cultural heritage values as well as, increases the risk of benefiting lower revenues from rent as a result of a non-competitive process. Furthermore, operating with expired contract deprives MCYS from eligibility to collect revenues and the use of Court procedures in cases of non-collection of debts in time, or damage to cultural heritage facilities.

Recommendation A2 The Minister should ensure that hiring out the facilities that belong to cultural heritage is made through public notice, where should be primarily specified the criteria for the use of these facilities.

3.1.2 Wages and Salaries

Wages and Salaries are paid through a centralized payments system managed by MPA and MoF. However, a range of controls operate within MCYS, which are related to the authorization of payroll list, verification of changes, the budget review for this category, reconciliations with the Treasury, etc. Therefore, it is important to have effective controls to ensure that these actions are in accordance with the general rules.

Apart from the issue under subchapter 2.1 (Basis for Opinion), we identified the following issues:

Issue C3 – Weakness in hiring the staff under special service agreements

Finding

According to Article 12, paragraph 4 of Law No. 03/L-149 on Civil Service, fixed-term appointments for a period of less than six months shall be made on the basis of contracts called “Special Services Agreement”, which are subject to the Law on Obligations and for which a simplified recruitment procedure is applied.

MCYS (including subordinate institutions) hired 129 officers through special service agreements (SSA), out of which, 12 are employed in the Presidential Residence “Dr. Ibrahim Rugova” in the positions such as (guide, guard, maintenance officer, protocol officer), 16 in the National Library, 4 in the State Agency of Kosovo Archives and the remaining 97 in the MCYS. In relation to these, we identified the following weaknesses:

- In 43 cases, the Ministry did not apply any recruitment procedure as per legal requirements; and
- 86 officers hired with SSA had continued from the previous years, but, in 2018 they underwent a process of a simplified recruitment procedure. Thus, the period of appointment of these officers is longer than the period of time defined by the rules, over six months.

According to the MCYS officers, this situation occurred as they needed additional staff, particularly for the support positions at subordinate institutions and due to non-approval of the budget for additional staff.

Risk

The identified weaknesses may result in a lack of appropriate competition and poor quality of the services provided. In the absence of controls, the Ministry risks increasing unplanned expenditures that may have an effect on delaying to achieve the other set objectives.

Recommendation C3 The Minister should ensure taking measures towards discontinuing the practice of entering into contract without recruitment procedures, and the duration of these agreements should be in line with relevant legislation. If there is a need to hire additional staff at the Ministry (regular positions), ensure that, the incoming years’ budget of the category of wages and salaries, should include the salaries of all needed employees paid through the payroll system.

Issue C4 -Failure to withhold source tax on personal incomes

Finding Article 38 of the Law no. 08/L-028 on Personal Income Tax, specifies that, "each employer shall be responsible for withholding tax from the taxable wages paid to its employees including payments to the officials appointed with special service agreements.

However, we have noticed that in 20 cases for officials hired through special services agreements, where expenditures for the salaries were €30,926, the Ministry did not withhold the source tax. 16 cases belong to the National Library (KNL) and 4 cases to the State Agency of Kosovo Archives (SAKA).

This was due to lack of staff knowledge regarding the requirements of the Law.

Risk Withholding the source tax on wages is a legal obligation for each employer and may risk the MCYS to be subject to penalties by the tax authorities. Further on, this also affects the collection of general state revenues.

Recommendation C4 The Minister respectively the Chief Executive Officers should take necessary actions to ensure professional competence of the staff in order to comply with the legal requirements in regards to withholding of source tax for the contracted employees for specific services.

3.1.3 Goods and Services and Utilities

The final budget of Goods and Services (including utilities) in 2018 was €2,305,191, out of which €2,020,872 were spent. Those relate to supplies with consumption material, maintenance, IT equipment, fuel, rents, contractual services, utilities etc.

For further details, see subchapter 2.1 (basis for opinion).

3.1.4 Subsidies and Transfers

The final budget of Subsidies and Transfers was €12,013,990, out of which €10,734,320 were spent in 2018 or 89%. Through this category, the Ministry supports, funding of different cultural, sports and youth projects, and of the cultural heritage.

The MCYS, until August 2018 granted subsidies to fund core activities of subordinate institutions, in these cases, the funds were transferred to unauthorized accounts of these institutions that were then used for their various activities. Following the NAO report 2017, this practice discontinued and as a result the funds in the amount of € 708,038 were returned to the Treasury account.

Apart from the issue under subchapter 2.1 (Basis for Opinion), we identified the following issues:

Issue A 3 – Inadequate planning and payment deficiencies**Finding**

According to financial rule no. 01/2013/MF – expenditure of public funds, article 25, the certifying officer will not certify the documentation for payment if the following conditions are not met: 1) To possess the commitment/request for purchase, announcement of tender, contract, purchase order, report of acceptance and the accepted invoice. 2) To ensure that the implementable conditions of a public contract are met prior to registering the expenditure in KFMJS and the authorisation of payments; 3) Request for payment has the appropriate code of the sub-item of expenditure in the classification of expenditures; as well as, all levels of internal financial control were implemented.

During 2018, the funds in the amount of €855,000 for paying various expenditures of services and supplies on the occasion of celebration the 10th Anniversary of Independence of Kosovo in the category of Subsidies have been appropriated with Government decisions⁵.

For these expenditures, we tested 9 payments in the amount of €668,502 and we noticed that MCYS did not previously entered into any contract or agreement with economic operators (EO) where would be specified the terms of services or works to be performed and the prices to be paid for them.

This happened as the Government in 2018, did not timely planned the manifestation of the 10th anniversary of independence in the budget Law, and because the commission for organizing the 10th Anniversary of Independence was established by the Government and there was no proper coordination with the MCYS.

Risk

Inadequate planning and implementation of activities in the absence of contracts that clearly specifies services to be performed and prices, increases the risk that the cost of services received may be higher than market cost and at the same time may result in harming the budget.

Recommendation A3 The Minister should ensure timely planning of certain activities and the budget for their implementation. At the same time, the relevant procedures should be developed prior to implementation of activities, and the contracts/agreements clearly specifies the services to be performed and their price.

⁵ Decision No 03/29 dated 13.02.2018 in amount of €600,000 and Decision No 07/64 dated 11.09.2018 in amount of €255,613.

Issue C5 - Payments for compensation of staff for additional work**Finding**

Article 80 of the Law on Public Financial Management and Accountability cites that, if an employee, civil servant or official of a public authority, is required to serve in a commission, board or body or other public authority, this employee civil servant or official shall not be entitled to receive, or 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 disregarded legal requirements by compensating the staff assigned to different commissions⁶ during regular working hours. The total value of these remunerations was €35,200, which were paid from the category of subsidies and transfers and were carried out with the approval of the CFO.

The cause of these remunerations based on the management response of the MCYS was the motivation of staff, because in the absence of compensation, the staff are reluctant to be assigned in such commissions.

Risk

Payments for staff compensation for additional work within regular working hours is in contradiction with the legislation, thus, resulting in irregular payments and at the same causes harm to the budget.

Recommendation C5 The Minister should ensure that there would be no additional compensation for the staff assigned within regular working hours.

⁶ Commissions for sponsorship, project evaluation etc.

Issue A 4 - Deficiencies in reviewing subsidizing requirements**Finding**

MCYS, based on program policies, subsidizes sports activities of sports federations, sports clubs etc., for various activities such as massiveness of sports, internationalization of sports etc. according to MF regulation. No. 04/2017 on the Criteria, Standards and Public Financing Procedures of NGOs, Article 10 - the applicants shall meet the general minimum criteria set out in the following provisions: to be registered as an NGO according to the requirements of the applicable legislation on the liberty of association with non-governmental organizations in the Republic of Kosovo; to be equipped with a fiscal number according to the requirements of the tax legislation of the Republic of Kosovo etc.

For the payment in the amount of €20,000 we noticed irregularities regarding the approval of the request submitted on date 26/07/2018 by the NGO - AKADEMIA BASKET ABA, financial support for participation in "Champions League" for the basketball club SIGAL Prishtina. These two NGOs had an agreement wherein was stipulated that basketball club sponsors could deposit funds into the bank account of the Basket Academy, and that the latter was authorised to make payments on behalf of the Basketball Club Prishtina.

As such, the request was unclear, because according to them, the legal name of the basketball club SIGAL PRISHTINA has a legal name AKADEMIA BASKET ABA, but no evidence was provided verifying the name to which they refer. We have confirmed that in the NGO register in the Ministry of Public Administration, these two NGOs are registered as separate entities. Also, the application for subsidizing the activity was initially rejected by the sports official as the request had come on behalf of the AKADEMIA BASKET ABA.

Despite these uncertainties, this request was approved further by the MCYS management, even though there was no clear justification on the manner of conclusion of the subsidy contract with AKADEMIA BASKET ABA, for an activity which is conducted by the Basketball Club SIGAL Prishtina, and how this project would be implemented.

Risk

Approval of request and allocation of funds for financial support in lack of clear justifications regarding the implementation process and project goals, poses a risk regarding the budget management and execution of irregular payments.

Recommendation A4 The Minister should ensure that the approvals of requests by the management are done only after applicants' requirements are met, which in these cases are not done without the confirmation of the last beneficiary of funds, and that is carried out a detailed analysis on the reasons of use of these funds, by preparing a special report to ensure that means are used for the given purposes.

Issue C6 – Poor justification of expenditures by federations

Finding According to the memorandum of understanding between the MCYS and the Kosovo Chess Federation dated 28/03/2018, the MCYS financially supports the Chess Federation in the amount of €39,160 for the achievement of its target objectives 2018. According to this memorandum payments are made for each quarterly period by €9,790, after written notification on spending the funds based on implementation of sports activities for the previous period.

In one case, we have noticed that the justification of expenditures for the first quarter 2018 by the chess federation was made with 2017 invoices, based on the report and invoices provided.

This was because the budget of the chess federation was seized by the bailiff in the last quarter of 2017 since they have failed to meet their obligations.

Risk Approval of quarterly expenditures by providing expenditure invoices that were made in earlier periods increases the risk of irregular payments and failure to meet the set objectives.

Recommendation C6 The Minister should ensure that the approval of subsidy expenditures is made only after providing evidence, that the spending of funds by the beneficiaries has been made in accordance with the agreed objectives and for the period of time specified in the memorandum of understanding.

3.1.5 Capital Investments

The final budget of Capital Investments was €14,373,704, out of which €12,692,732 were spent in 2018. Those relate to construction of sports halls, cultural, youth centres and archaeological excavations etc.

During our testing, the following issues have been identified:

Issue A 5-Advance payment without security of performance

Finding According to Article 13 of the Law on Budget for 2018, budget organizations may pay advance payments to contractors for capital projects up to 15% of the contract value. For the advance payment for capital projects, the contract must contain a performance guarantee and clearly defined payment schedule, which simultaneously provides for work to be performed before any payment is made.

In the contract for the construction of the sports hall in Deçan municipality - third phase in the amount of €549,865, MCYS paid the advance in the amount of €82,479 or 15% to the economic operator without bringing performance security.

This was because of the poor functioning of internal controls.

Risk Advance payment without providing the performance security, besides being in contradiction with the Law on budget it increases the risk that the economic operator will not perform the works under the contract terms, or fail to perform the works at all. At the same time, this can cause large expenses to MCYS for the closure of the contract in question and return the funds that were paid in advance, in case of failure.

Recommendation A5 The Minister should strengthen the internal controls related to the payment of advances and that they are made only after meeting the criteria set out in the Law on budget.

Issue A 6 - Delays in the completion of capital projects

Finding

In the signed contracts between the MCYS and the economic operators for the implementation of capital projects, the deadline for the completion of works according to the dynamic plan is determined, and also the application of the penalties in case of unreasonable delays.

In four cases, we noticed that the works were not carried out according to the dynamic plan as foreseen by the contract. Completion of works for these cases should be within 2018 but they were not completed until April 2019. The identified cases are as follows:

- “Construction of the Sports Hall” in Deçan - the third stage, the value of the contract €549,865 signed on 15/12/2017 should have been to be completed in June 2018;
- “Renovation of Culture Centre - Hasan Prishtina” in Skenderaj, contract value €197,393 signed on 26/07/2017, should have been completed in July 2018, afterwards with the annex contract in the amount of €19,515, the deadline for implementation was extended until 24/10/2018;
- “Refurbishment of the House of Culture” in Obiliq, the value of the contract €748,340 signed on date 12/12/2016, it should end on date 13/12/2017. Furthermore, with the annex contract dated 02/10/2018 in the amount of €72,069, the deadline for implementation was extended for 90 days from the date of signing the annex contract. However, work is not yet completed;
- “Restoration of the House of Xhavit Deva”, the value of the contract €115,001, signed on date 03/01/2018, should have been completed within 120 calendar days;

Concerning this, we did not receive any definite explanation from the MCYS officials regarding delays in project implementations.

Risk

Delays in the completion of the projects have an impact on the MCYS not achieving the set objectives and at the same time may cause budget difficulties for subsequent years.

Recommendation A6 The Minister should ensure analysing the causes that affected the failure to complete the works in line with dynamic plans, and take necessary legal actions.

Issue A 7 - Performing additional works in the absence of annex contract**Finding**

Article 10.2 of the special conditions in the contract “Renovation of the Olympic Stadium - Adem Jashari” in Mitrovica signed on 27.04.2017 in the amount of €1,493,219, stipulates that, if during the completion of the works, the oversight body ascertains that, additional works are needed that could be verified, then, the additional works may be performed by the contracting authority at the request of the contractor, approved by the oversight body. Additional works will be subject to the relevant procedure as provided in the following legal provisions:

Public Procurement Rules and Procedures, paragraph 61.22 stipulates that where the contract is amended in order to change the terms and conditions, the contract amendment shall be prepared by the procurement department; paragraph 61.23 the amended contract shall not be issued to the economic operator prior to: (a) obtaining approval from the CAO; (b) Commitment of funds for the Amended Contract; and paragraph 61.25 No contract amendment shall add to the total contract price more than 10% of the original contract price.

At the contract mentioned above, we have noticed that additional work of 10% of the base contract was carried out by not respecting the special conditions of the contract and the legal requirements for the approval of additional works. For this, there was no signed annex contract. The total value of the payments for this project including the additional works, and the expenses of the bailiff were in the amount of €1,689,289.

Regarding the cause of performing additional works without prior approval of this project, indicates lack of control and coordination within the MCYS.

Risk

Execution of additional works without annex contract is in contradiction with legal requirements and increases the risk of unnecessary work being done, thus, harming the MCYS budget. This will affect the increase of unplanned liabilities.

Recommendation A7 The Minister should strengthen the internal controls regarding the approval of additional works, and ensure following of legal procedures as provided in the contract for the cases when there is a need for additional works.

3.1.6 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue C7 - Binding of contracts by disregarding procurement procedures.

Finding

According to the Law on Public Procurement no. 04/L-042 amended and supplemented, binding contracts for supply of goods and services and capital investments should be developed through public procurement procedures. Further on, according to this Law, these contracts should be signed by the procurement director.

However, in the following cases we have noticed that binding of the contracts was not in accordance with the LPP:

- The Kosovo Museum during 2018 signed three contracts for the supply of interiors, in total amount of €269,440 without applying any procurement procedure. These contracts were signed by the director of the Kosovo Museum;
- MCYS has signed nine media contracts for media services covering the activities of the minister/MCYS without applying any procurement procedure. These contracts were signed by the CAO, where their prices were in a monthly basis and depending on the services rendered; and
- MCYS, on the occasion of organizing the European Sports Week from 23 to 30 September 2018, hired a company for the realization of videos including filming, audio, montage and post production. Further, the contract in the amount of €2,360 was made on 31.10.2018 after the completion of the activity and without applying any procurement procedure. This contract was signed by the head of the sports department.

This occurred due to disregarding procurement procedures by MCYS and the Kosovo Museum.

Risk

Contracting the services without procurement procedures, impacts on reducing the competition and discriminates other providers of such services. Furthermore, this may result in a higher cost of these expenditures.

Recommendation C7 The Minister should take measures to assess the legality of these contracts as well as, assess whether contracted services are economic and provide value for money. Also, ensure that CAO and other Subordinate Officers not sign contracts which do not comply with the Law on Public Procurement.

3.2 Capital and non-capital assets

Based on KFMIS accounting register, the net value of capital assets (over €1,000) is €33,066,000, while the value of noncapital assets (under €1,000) was presented €627,000, and the value of stocks in the amount of €910. The value of the assets presented in the AFS is incorrect.

For more, refer to chapter 2.1 (Emphasis of Matter).

3.3 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2018 was €3,084,380. These liabilities are carried forward to be paid in 2019. Compared to the previous year 2017, where the value of liabilities was €2,262,000, this year liabilities increased by 36%. However, this reflects only one part of the budget difficulty encountered by the Ministry. While the value of contingent liabilities was €194,623.

During our testing, the following issues have been identified:

Issue A 8 - Failure to reference the invoices

Finding

According to Article 37, paragraph 2 of Rule No. 01/2013 on Public funds Expenditure, the CFO is responsible to create mechanisms which enable registration of invoices received and submit the processing of payment of these invoices. Whereas according to article 24, paragraph 1.3, invoice should be referenced and recorded in the invoice book.

Regarding these, we have identified that MCYS did not apply internal control procedures in the case of receipt of invoices, because the received invoices are not referenced and are not recorded in the book of invoices, except for the invoices received in the department of sports, the Archive Agency and the National Library.

These irregularities occurred as the MCYS did not establish mechanisms that allow recording of received receipts and their timely payment.

Risk

Failure to implement internal control procedures when receiving invoices which needs to be referenced and recorded in the invoice book and processing the payments of these invoice, increases the risk of incorrect reporting of liabilities, delays in making payments and consequently increase the costs due to execution of payments through court proceedings.

Recommendation A8 The Minister should ensure that mechanisms which enables referencing the receipt of invoices are established, their recording in the invoice book and the processing the payments within legal deadline.

Issue B3 - Incomplete reporting of liabilities

Finding According to Article 17, paragraph 3 of the rule no. 01/2017 on Annual Financial Reporting of Budget Organizations, Budget Organizations report all obligations (invoices) created by December 31 of the reporting year. Also, according to rule. no. 02/2013 on Reporting of arrears, budget organizations are obliged to report on a monthly basis the received and unpaid invoices to the Ministry of Finance. Further on, according to Article 39 of the Law on Public Financial Management and Accountability, the budget organization shall pay every valid invoice within 30 calendar days from the receipt of the invoice.

Regarding the reporting of outstanding liabilities, we have identified the following shortcomings:

- Out of the 46 samples tested for invoices paid in 2019 (January to February) which were liabilities of 2018, we have ascertained that 21 invoices in total amount of €10,814 were not disclosed in the AFS 2018 as outstanding liabilities;
- Monthly reports on outstanding liabilities submitted to MoF by MCYS were incomplete as in none of the monthly reports during 2018 were not included liabilities from the area of subsidies and capital investments; and
- In 25 cases, invoices or obligations to suppliers totalling €433,724 were paid after the legal deadline of 30 days. Delays ranged from 5 to 420 days.

This happened because the CFO did not establish control mechanisms to ensure full reporting of liabilities.

Risk The incomplete report on outstanding liabilities as well as overcoming the legal deadline for payment of obligations may result in loss of invoices and consequently the MCYS will not have timely and proper information on prior obligations. Furthermore, MCYS may be subject to direct payment executions by MoF and Court decisions.

Recommendation B3 The Minister should ensure that the payment of invoices is made in accordance with the deadlines defined by regulations, while those that exceeded the payment deadline shall be presented fairly in the liability report. It is necessary to make a plan where the budget and concrete actions are foreseen for the gradual repayment of accumulated debts.

4 Good Governance

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance. Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

Even though the MCYS achieved to make several improvements, there is a number of weaknesses related to accountability and risk management. Other arrangements supporting the governance development such as, an effective response to audit recommendations are not in place yet. An appropriate action is considered, discontinuation of transferring the funds by MCYS in the unauthorised accounts of subordinate institutions, and the closure of these accounts following NAO audit report 2017, resulting the return of funds in amount of €708,038 to the account of the Treasury.

The monitoring of subordinated institutions remains a challenge, which although they report to the Ministry, does not have good financial management. Controls were poor in the management of expenditures, particularly in subsidies. Further on, the absence of general strategy on objectives, indicates the need for further improvements in this area.

In terms of compliance with Legislation, our audit disclosed the existence of several weaknesses that mainly involves, not following in full the applicable regulations on subsidies, capital project management and personnel, which are treated in the chapters above.

4.1 Internal Audit System

The Internal Audit Unit (IAU) operates with two members - the Director of IAU and one auditor. IAU prepared the annual plan for 2018 based on risks, five (5) planned audits were completed. The audit covered the MCYS subordinate institutions⁷, for which the plans on implementation of IAU recommendations were prepared. Audit committee held regular meetings during this period.

Recommendations

We have no recommendations in this area.

⁷ Kosovo National Theatre, Kosovo Institute of Archaeology and Kosovo Philharmonics.

4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions or measures taken by the Management to control and respond to risks threatening the Organization.

Although, a range of internal controls are applied by Management to ensure that systems and operate as intended, we have noticed that the measures applied are weak and ineffective and therefore do not provide an effective and timely response to the identified operational problems.

The following has been identified in relation to this:

Issue C8 - Lack of written policies and procedures on risk management

Finding FMC procedure no. 4, defines that, each budget organisation shall establish written policies and procedures on risk management.

MCYS does not have written policies and procedures on risk management. There is no risk register drafted according to FMC requirements for identifying probable risks against the objectives, determining how to manage them and responsible units for taking necessary actions.

This occurred because the management did not prioritise the establishment of policies and procedures on risk management.

Risk The absence of effective risk management affects the quality of objectives, as the risks are not timely addressed. This is because the necessary proactive actions on preventing or avoiding such issues will not be systematically undertaken and according to the plan.

Recommendation C8 The Minister should ensure treating with priority the establishment of written policies and procedures on risk management in order to reduce their impact in the acceptable level. At the same time, should draft a risk register including all needed measures/actions to control possible threats against the objectives.

Issue B4 - Failure to align laws and transfer of responsibility without legal support**Finding**

The organic Laws regulating the activity of the subordinate culture institutions in MCYS are old and never amended, as such in many cases they are in conflict with the general Laws on the basis of which the Ministry should function. Directors of these institutions report to the Department of Culture even though the Law on State Administration, the Regulation on Standards of Organization of State Administration and the Regulation on Internal Organization and Systematization of Job Positions in the MCYS clearly define that, the only organizational units that departments may be subordinated to, are similar divisions.

While, As far as the legal framework of cultural heritage institutions is concerned, they are not regulated by specific organic Laws, and report to the Department of Cultural Heritage within MCYS. Their activity is based on the Law on Cultural Heritage (except the Kosovo Museum, which is based on the Law on Cultural Institutions).

Under this Regulation, these institutions are not entitled to have budget codes and manage their budget, but these should be carried out by the Ministry.

Risk

Failure to align organic Laws with general Laws results in problems in managing the work of subordinate institutions and risks the effectiveness of administrative and financial management and creates ambiguity in the reporting lines. Further on, the transfer of responsibility for budget management and expenditure to cultural heritage institutions may result in avoidance of internal controls and improper spending.

Recommendation B4 The Minister should immediately initiate procedures for aligning the organic legislation of subordinate institutions with the general legislation on organizing administration and managing public finances. Further on, management and spending of the budget of cultural heritage institutions should be carried out by the relevant departments in the Ministry.

5 Progress in implementing recommendations

Our Audit Report on the 2018 AFS resulted in 30 key recommendations. In regard to this, the MCYS prepared an Action Plan stating how recommendations will be implemented.

At the end of our 2018 audit, 16 recommendations have been implemented; seven partially, four repeated and three recommendations are considered as closed. For a more thorough description of the recommendations and how they are addressed, see Table 4.

Table 4 Summary of prior year recommendations and of 2018

No	Audit area	Recommendations of 2017	Actions taken	Status
1	AFS	The Minister, in cooperation with the Ministry of Finance and Treasury, should find appropriate alternatives that payments from these subordinated institutions are made through treasury accounts.	Following the audit report 2017, unauthorized accounts of subordinated institutions have been closed.	Implemented .
2		The Minister should ensure that in cooperation with the Steering Committee of AIK develops policies or comprehensive guidelines for engagement and payment of staff for execution of projects.	MCYS did not take any action to implement this recommendation, despite the fact that the AIK, drafted a draft regulation that was not reviewed nor approved by MCYS.	Repeated.
3		The Minister should ensure that controls related to the Expenditure of public money are functioning so that payments for capital projects are carried out fully in compliance with Treasury Financial Rule 01/2013 on Expenditure of public money.	This recommendation is related to the transfer of money to the accounts of subordinate institutions and it is considered as implemented.	Implemented .
4		The Minister should ensure that all projects of subordinate institutions, federations and NGOs have to be justified at the foreseen time, and with valid supporting documentation foreseen under the internal regulation of subsidies and transfers.	With the exception of projects that belongs to subordinate institutions and federations, MCYS did not yet implemented the part of the recommendation related to justification of NGOs for received subsidies.	Partially implemented .
5		The Minister should ensure that responsible officials possess information related to assets	Assets are still recorded and remained as	Repeated.

		registers, and the same are provided to the CAO. For projects completed should finalize the process of transferring the property to Municipalities. In addition, should establish a special commission for identification, evaluation of properties and facilities of the MCYS. The inventory report should be reconciled with assets register and this should be reflected on the AFS.	current investment, regardless of last year's recommendation.	
6	Budget process	The Minister should ensure that preparation of budget requests is preceded by a thorough analysis of all the factors that have an impact on budget execution, so that there are no adjustments and significant differences between planning and spending of funds. It is also necessary to make efforts to allocate specific sub-budget codes to each subordinate culture institution so that they plan their budget. In addition, necessary measures should be taken in order to implement all capital projects foreseen by the budget as well as not take on board financial obligations through agreements until the funds have been previously secured.	MCYS, took actions this year in regards to this recommendation, by making an analysis of the factors that impacted budget execution.	Implemented .
7	Wages and salaries	The Minister should review identified cases and take necessary measures to ensure that staff salaries are carried out in accordance with valid contracts and applicable regulations.	There were no such cases identified during the year.	Implemented .
8		The Minister should ensure that categorization of positions of directors in subordinate institutions is done in accordance with their mandate, and relevant laws of subordinate institutions.	In 2018, MCYS is in the process of categorizing these posts.	Closed.
9	Personnel management	The Minister should ensure that employees with special services contracts are engaged through recruitment procedures in	MCYS for staff hired with SSA during 2018 carried out recruitment procedures in	Partially implemented .

		accordance with legal requirements.	accordance with legal requirements, but still remains the exceeding of legal deadline.	
10	Goods and services	The Minister should ensure that there will be no additional compensation for services that are part of obligatory duties of the position held by Ministry's employees. In addition, to ensure that all payments are made according to relevant laws.	No similar cases identified during our testing.	Implemented .
11		The Minister should ensure that the procurement plan includes goods and services, and same supplies in the contract. For each supply, commissions should be authorized and receiving reports should contain necessary information which proves that goods are received in accordance with the quantity and quality of the respective contract.	MCYS has implemented this recommendation that relates to procurement plan as well as commissions have been established for the supplies, and the acceptance reports contained necessary information.	Implemented .
12	Subsidies and transfers	The Minister should ensure that each subsidy decision will contain the total amount of funding for the given activity, and will be in accordance with internal regulation.	Decisions on subsidies contained amount funded in accordance with internal regulation.	Implemented .
13		The Minister should ensure that all the internal regulation criteria are adhered to upon financing Federation and no instalments should be paid without fully justifying prior instalments. In addition, to make sure that decisions on award of subsidies will be taken before projects are implemented, and no subsidies should awarded for projects that have already been implemented.	The recommendation is not yet fully addressed. There are weaknesses in justifying the expenditures.	Partially implemented .
14		The Minister should draft comprehensive rules for compensating the engaged	The part of the recommendation that has to do	Partially implemented .

		persons in ballet projects, and that the compensation for external engagement is done only through the bank account. The taxes and contributions of the engaged parties should be kept at source according to legal requirements and supplies from subordinated institutions should be subject to formal procurement procedures.	with tax on profit and contributions as well as binding of contracts through procurement procedures has not been implemented. For further details see chapter 3.1.2.	
15		The Minister should ensure that only projects and activities of entities are supported that are fully in compliance with the criteria of the internal regulation of subsidies.	MCYS supported the projects and activities of the entities in accordance with the criteria on subsidies.	Implemented
16		The Minister should ensure that monitoring by officials is regular for subsidies granted and the legal deadlines for reporting the expenditures used by project beneficiaries are met.	MCYS did not take any action to implement this recommendation. The recommendation given for this issue is within chapter 2.3.	Closed.
17		The Minister should ensure that funds for financing NGO projects in the future are deposited into the bank accounts of subsidized NGOs (legal entities). Further on, he should ensure that NGOs are funded only in case of valid claims and have signed a contract with the subsidy beneficiary.	MCYS implemented this recommendation, the funds have been transferred to the bank accounts of NGOs according to requirements, with contract or agreement.	Implemented
18		The Minister should establish stronger budget controls and ensure that expenditures are made in accordance with their purpose and planning in order to ensure adequate budget expenditure and appropriate expenditure classification.	In 2018, the recommendation under A1 has been given for the steering committee members, while for the commissions we have given recommendation under C5.	Partially implemented

19	Capital investments	The Minister should ensure that for each activity defined in the LPP, procurement procedures are applied. It should also ensure that controls related to the Expenditures of Public Money are functioning so that payments are made fully in compliance with applicable laws.	MCYS, in several cases, continued to enter into contracts without applying procurement procedures.	Partially implemented
20		The Minister should ensure that all contracts signed with EOs meet all the criteria set out in the tender dossier.	Based on our testing, we concluded that MCYS entered into contracts with EO that fulfilled the criteria.	Implemented
21		The Minister should ensure that the negotiated procurement procedures without publication of the contract notice are only applied under the terms of the LPP.	There were no similar cases identified.	Implemented
22		The Minister should ensure that the preparation of the procurement plan precedes a thorough analysis of all factors that have an impact on its implementation so that there are no significant deviations between the contracts executed in relation to those planned.	No similar cases identified during our testing.	Implemented
23		Common issues for all categories	The Minister should ensure that all memorandums of understanding/cooperation agreements are signed by him and not by SG, or authorize SG to transfer this responsibility.	MCYS implemented this recommendation, there were no similar cases identified.
24	The Minister should ensure that the MCYS adheres to legal requirement regarding TAK declarations, in order to avoid the possibility of fictitious payments; that of possible penalties.		MCYS implemented this recommendation by making declarations to TAK.	Implemented
25	The Minister and the Director of Treasury should ensure that unaccepted /undocumented invoices from MCYS are not paid		Based on our testing, there was confirmation on the acceptance of goods and	Implemented

		and the receipt of goods or services is not confirmed.	services for the payments made.	
26	Outstanding liabilities	The Minister should ensure that the invoices are paid in accordance with the deadlines set by the regulations, while those that have expired have to be presented fairly in the report of liabilities. It is necessary to make a plan where the budget and concrete actions for the gradual repayment of accumulated debts are foreseen.	MCYS did not take any action to implement this recommendation. For more details see chapter 3.4.	Repeated.
27	Progress in implementing the recommendations	The Minister should ensure that a revised action plan has been implemented, which sets out the timelines for implementing the recommendations made by the Auditor General (AG) with the responsible staff identified, focusing primarily on the most significant ones.	The Management made efforts to address our recommendations, but, it is needed to engage further, in order to fully implement them.	Closed.
28	Internal audit	The Minister should secure sufficient IAU activities on MCYS subordinate institutions and the completion of annual audit plan. Accountability lines within the Ministry should be reviewed in order IAU reports to the Minister. It should also take proactive actions in addressing the IAU recommendations by preparing an action plan for their implementation.	MCYS implemented this recommendation, by including its subordinate institutions in the annual plan.	Implemented
29	Risk management	The Minister should provide a review of existing accountability and reporting requirements set for subordinate institutions and implement better arrangements to achieve the specified objectives within a reasonable timeframe. Further on, in order to reduce the impact of risks at acceptable levels, MCYS should develop a risk register with all appropriate measures/actions to put in place the threats exposed.	This recommendation remained unimplemented, except drafting of risk register.	Partially implemented
30		The Minister should immediately initiate procedures for aligning the organic legislation of	MCYS did not take any action to implement this	Repeated.

		subordinate institutions with the general legislation for organizing administration and managing public finances. Further on, management and spending of the budget of cultural heritage institutions should be made by the relevant departments in the Ministry.	recommendation. For more details, see chapter 4.2.	
N o	Audit area	Recommendations of 2018		
1	AFS	The Minister should ensure that all expenditures are planned and recorded in adequate economic categories and that no payments from other categories of expenditure will be allowed.		
2		The Minister should ensure that in cooperation with the Steering Committee of AIK develops policies or comprehensive guidelines on hiring and paying staff for the implementation of projects.		
3		The Minister should ensure that all NGOs subsidized projects are justified at the foreseen time, and supported by valid documentation as provided in the internal regulation of subsidies and transfers.		
4		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 shall be discussed with the Government as well, having in consideration that this issue is spread in the other Ministries as well.		
5		The Minister should ensure that responsible officers possess information related to asset registers, and the same are provided to the NAO. For completed projects should finalize the process of transferring the property to Municipalities. In addition, should establish a special commission for identifying, evaluating the facilities and assets of the MCYS. The inventory report should be reconciled with assets register and this should be reflected on the AFS.		
6	Revenues	The Minister should ensure that hiring out the facilities that belong to cultural heritage is made through public notice, where should be primarily specified the criteria for the use of these facilities.		
7	Wages and salaries	The Minister should ensure taking measures towards discontinuing the practice of entering into contract without recruitment procedures, and the duration of these agreements should be in line with relevant legislation. If there is a need to hire additional staff at the Ministry (regular positions), ensure that, the incoming years' budget of the category of wages and salaries, should include the salaries of all needed employees paid through the payroll system.		
8		The Minister respectively the Chief Executive Officers should take necessary actions to ensure professional competence of the staff in		

		order to comply with the legal requirements in regards to withholding of source tax for the contracted employees for specific services.
9	Subsidies and transfers	The Minister should ensure timely planning of certain activities and the budget for their implementation. At the same time, the relevant procedures should be developed prior to implementation of activities, and the contracts/agreements clearly specifies the services to be performed and their price.
10		The Minister should ensure that there will be no additional compensation for the staff assigned within regular working hours.
11		The Minister should ensure that the approvals of requests by the management are done only after applicants' requirement are met, which in these cases are not done without the confirmation of the last beneficiary of funds, and that is carried out a detailed analysis on the reasons of use of these funds, by preparing a special report to ensure that means are used for the given purposes.
12		The Minister should ensure that the approval of subsidy expenditures is made only after providing evidence, that the spending of funds by the beneficiaries has been made in accordance with the agreed objectives and for the period of time specified in the memorandum of understanding.
13	Capital investments	The Minister should strengthen the internal controls related to the payment of advances and that they are made only after meeting the criteria set out in the Law on budget.
14		The Minister should ensure analysing the causes that affected the failure to complete the works in line with dynamic plans, and take necessary legal actions.
15		The Minister should strengthen the internal controls regarding the approval of additional works, and ensure following of legal procedures as provided in the contract for the cases when there is a need for additional works.
16	Common Issues Goods and Services as well as Capital Investments	The Minister should take measures to assess the legality of these contracts as well as, assess whether contracted services are economic and provide value for money. Also ensure that CAO and other Subordinate Officers not sign contracts which do not comply with the Law on Public Procurement.
17	Outstanding liabilities	The Minister should ensure that mechanisms which enables referencing the receipt of invoices are established, their recording in the invoice book and the processing the payments within legal deadline.
18		The Minister should ensure that the payment of invoices is made in accordance with the deadlines defined by regulations, while those that exceeded the payment deadline shall be presented fairly in the liability report. It is necessary to make a plan where the budget and concrete actions are foreseen for the gradual repayment of accumulated debts.

19	Management reporting, accountability and risk management	The Minister should ensure treating with priority the establishment of written policies and procedures on risk management in order to reduce their impact in the acceptable level. At the same time, should draft a risk register including all needed measures/actions to control possible threats against the objectives.
20		The Minister should immediately initiate procedures for aligning the organic legislation of subordinate institutions with the general legislation on organizing administration and managing public finances. Further on, management and spending of the budget of cultural heritage institutions should be carried out by the relevant departments in the Ministry.

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

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

(Extract from ISSAI 200)

Form of opinion

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

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

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

Modifications to the opinion in the auditor's report

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

Determining the type of modification to the auditor's opinion

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

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

153. The auditor should express a **qualified opinion** if: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but

concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

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

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

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

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

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

158. An Emphasis of Matter paragraph should:

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

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

Annex II: Letter of confirmation



Republika e Kosovës

Republika Kosova-Republic of Kosovo

Qeveria -Vlada-Government

MINISTRIA E KULTURËS, RINISË DHE SPORTIT
MINISTARSTVO KULTURE, OMLADINE I SPORTA
MINISTRY OF CULTURE, YOUTH AND SPORTS

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2018 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

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 Sporteve për vitin e përfunduar më 31 dhjetor 2018 (në tekstin e mëtejme "Raporti");
- pajtohem me të gjeturën dhe rekomandimin 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 zbatimin e rekomandimit, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tij.

z. Kujtim Gashi 
Ministër i Kulturës, Rinisë dhe Sportit

Data: 14.06.2019, Prishtinë

