



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
THE YEAR 2019

Prishtina, June 2020

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.

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 the International Standards of Supreme Audit Institutions, 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, Qerkin Morina, who supervised the audit.

The report issued is a result of the audit carried out by Arian Haxha - Team Leader and, Fatlinda Podvorica and Shqiponja Krasniqi - team members, under the management of the Head of Audit Department, Zukë Zuka.

TABLE OF CONTENTS

Executive Summary	4
Audit Scope and Methodology	5
1 Audit Opinion on Annual Financial Statements	6
2 Financial Management and Control	8
2 Progress in Implementing Recommendations	31
Annex I: Explanation of the Different Types of Opinion Applied by NAO	38
Annex II: Letter of Confirmation	40

Executive Summary

This report summarises the key issues arising from our audit of Ministry of Culture, Youth and Sports for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



Conclusions

Annual Financial Statements have been prepared in accordance with the legal requirements, with the exception of issues, which have been presented in the basis for opinion (Emphasis of Matter), which could not be adjusted since the actions occurred during 2019.

Financial management and control - continue to be very challenging for the management of the Ministry of Culture, Youth and Sports (MCYS), as the same shortcomings are being repeated over the years in some areas, such as subsidies, procurement, execution of payments, etc.

Implementation of the recommendations - MCYS has not paid due attention to implementation of recommendations and, as a result, most of the prior year recommendations were not implemented.

Opinion of the Auditor General¹

Unmodified Opinion with Emphasis of Matter

In our opinion, the Annual Financial Statements of MCYS for the year ended on 31 December 2019 give a true and fair view in all material respects.

For more details, see Chapter 1 of this report.

¹ Annex I explains different types of Opinions in line with ISSAIs.

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters 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 appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed the Ministry's operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

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

The following chapters provide in detail our audit findings and recommendations in each audited area. Management's responses to audit outcomes can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the MCYS for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

Unmodified Qualified Opinion with Emphasis of Matter

In our opinion, the Annual Financial Statements of MCYS for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards of cash based accounting.

Basis for the Opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the Ministry. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We want to draw your attention to the fact that as a result of poor budget planning, when the law on 2019 budget appropriations was prepared, the MCYS paid for and recorded expenditures under inadequate economic categories in amount of €120,563. Furthermore, due to inadequate allocation of funds by Government decisions, other misclassifications took place for the amount of €220,809. In addition, payments amounting €136,789 by court rulings were made from inadequate economic categories.

Other than the afore misclassifications, based on government decision no. 06/39 dated 22.07.2015, 31 members of the so-called "Civil Protection" structure were assigned to different departments of the MCYS in the north of the country. MCYS did not provide any evidence for these officials such as work attendance or reports on work performed during 2019. Salary expenses during 2019 were €150,789.

Responsibility of Management for AFS

The Secretary General of the Ministry of Culture, Youth and Sports is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the 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 No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

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

Auditor General's Responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit conducted in accordance with ISSAIs. These standards require that we 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 every material misstatement that might exist. Misstatements may 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.

The 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.

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

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

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 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 and assets and liabilities as well as **the internal audit function**.

Financial Management and Control Conclusion

During 2019, MCYS did not make any progress in terms of financial management and control, compared to the previous year. In the context of financial systems, controls in the area of expenditure that require further improvement should be strengthened to prevent irregularities and irrational spending. The main areas where more improvements are needed are the procurement area due to the inconsistent implementation of legal requirements, the subsidy area as a very disturbing area due to the non-implementation of legal requirements when granting and monitoring them, wages and salaries, asset management, payment processing, contract management as well as reporting and payment of obligations.

2.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds:	44,733,726	41,951,236	30,917,975	29,952,620	24,408,173
Government Grant - Budget	31,178,336	29,195,424	23,956,313	27,520,149	24,342,201
Carried forward from previous year ³	0	17,317	7,283	7,947	15,579
Own Source Revenues ⁴	55,390	55,390	10,590	23,166	36,675
Domestic Donations	0	18,850	14,443	0	343
External Donations	0	134,255	109,809	28,050	13,375
PAK Revenues	13,500,000	12,530,000	6,819,537	2,373,308	0

² Final budget – the budget approved by the Assembly subsequently adjusted by the Ministry of Finance

³ Own Source Revenues unspent in previous year carried forward into the current year.

⁴ Receipts used by the entity for financing its own activities.

The final budget is lower than the initial budget by €2,782,490. This decrease is a result of budget cuts by Government decisions. In 2019, the MCYS spent 74% of the final budget or €30,944,798, with a slight improvement of 992,178 compared to 2018.

The current position of expenditures by economic categories is presented below.

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

Description	Initial Budget	Final Budget	2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories:	44,733,726	41,951,238	30,917,975	29,952,621	24,408,171
Wages and Salaries	5,031,282	5,053,512	5,052,780	4,504,696	4,073,999
Goods and Services	1,430,986	2,265,090	1,822,792	1,703,542	1,453,497
Utilities	404,908	404,933	297,456	317,331	343,867
Subsidies and Transfers	9,016,550	12,503,394	11,432,739	10,734,320	8,583,046
Capital Investments	28,850,000	21,724,309	12,312,208	12,692,732	9,953,762

Explanations for changes in budget categories are given below:

- The budget for wages and salaries, compared to the initial budget, was increased by €22,230, according to Government's decision to harmonise salaries, as well as the budget of grants carried forward from the Global Fund.
- The budget for goods and services, compared to the initial budget, was increased by €834,104, according to Government decision, transfers and budget reallocations between categories, revenues carried forward and designated donor grants.
- The budget for subsidies and transfers was increased by €3,486,844, according to Government decisions, transfers and budget reallocations between categories as well as designated donor grants.
- The budget for capital investments, compared to the initial budget, was decreased by €7,125,691, according to Government decisions on savings, transfers and budget reallocations between categories.

MCYS has shown poor performance in terms of budget execution, especially in the category of capital investments, where it managed to spend only 57% of the final budget.

Issue B1 – Misclassification of expenditures by economic codes**Finding**

In analysing payments by economic codes, we found that some of the payments were not made from adequate codes. Payments resulted in errors due to misclassification at the stage of approval of the Law on budget appropriations and direct payments due to court rulings. Errors are related to the following cases:

- From Subsidies and Transfers, payments in amount of €94,020 were made for expenses which by nature and according to the chart of accounts belong to Goods and Services, related to payments for official travel tickets, maintenance of facilities, payments for members of steering committees, etc;
- From Capital Investments, the payment in amount of €88,354 was made by a court decision for official travel tickets, expenses which by nature belong to Goods and Services;
- From Goods and Services with a court decision, two payments in amount of €32,593 were made for construction of a sports hall in municipality of Skenderaj, which by nature belong to Capital Investments, as well as a payment in amount of €15,842 for the difference in salary, which belong to Wages and Salaries;
- From Goods and Services, payments in amount of €26,543 were made to staff for overtime work, expenses which by nature belong to Wages and Salaries; and
- For organization of activities related to celebration of the Independence Day of Kosovo, MCYS has spent €220,809 from Subsidies. These activities by nature and the chart of accounts belong to Goods and Services. This is because the funds were allocated from Subsidies by Government decision, and the ministry has only carried out operational work, while the contracting with the EO has been carried out by the Office of the Prime Minister.

The above errors were due to poor budget planning by Government and carelessness of MCYSs management to prevent recording of budget appropriations into wrong expenditure codes.

Impact

Payments made from inadequate expenditure codes lead to understatement of some accounts and overstatement of others which result in untrue presentation or misstatement of accounts.

Recommendation B1 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.

2.1.1 Revenues

Revenues generated by MCYS in 2019 totalled €56,673. These revenues were generated from the State Archives in amount of €11,043€, the Regional Centre for Cultural Heritage in Prizren in amount of €17,060, the Kosovo National Library in amount of €9,318, the National Theatre in amount of €12,952 and the Cinematography €6,300. Those relate to sale of tickets for plays, concerts, likes, etc.

Table 3. Own Source Revenues (in €)

Description	2019 receipts	2018 receipts	2017 receipts
Own source revenues	56,673	59,663	85,330
Total	56,673	59,663	85,330

Compared to last year, revenues generated are nearly the same, with a slight decrease of €2,990.

2.1.2 Wages and Salaries

The final budget for Wages and Salaries in 2019 was €5,053,512, of which €5,052,786 were spent. The number of employees by budget was 787, whereas by the end of the year the number of employees was 765. We have tested 47 samples of €22,733 as part of substantive testing, and 16 samples as part of compliance testing.

Our audit identified the following issues:

Issue B2 – Failure to withhold tax from personal income

Finding Article 38 of Law no. 05/L-028 on Personal Income Tax stipulates, “Each employer shall be responsible for withholding tax from the taxable wages paid to its employees including payments for officials engaged under special service agreements”.

We have noticed that in 21 cases for officials engaged with special service agreements, where salary expenses were €40,876. MCYS - Kosovo Academy of Sciences and Arts (KASA) did not withhold tax for payments made from SSA.

This was due to the lack of knowledge of the staff regarding the requirements of the law, and the negligence of the ministry to address this issue.

Impact withholding tax on wages is a legal obligation, and failure to fulfil this obligation may expose the MCYS as a subject of penalties to the tax authorities. Furthermore, this also affects the collection of general state revenues.

Recommendation B2 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.

Issue B3 – Nonattendance at work

Finding	<p>According to Law 03/L-149 on Civil Servants of the Republic of Kosovo, Article 36, and Regulation 05/2010 on working hours respectively Article 4, workers are obliged to work 40 hours per week. Based on the decision of the Government no. 06/39, dated 22.07.2015, 31 members of the illegal structure called “Civil Protection” were assigned to different departments of the MCYS in the north of the country. MCYS did not provide any evidence for these officials such as work attendance or reports on work performed during 2019. Salary expenses during 2019 were €150,789.</p> <p>That was due to difficulties in accommodation and clear structuring of staff into adequate units. This issue, according to the ministry, was also raised before the government structures and it is not finalised yet.</p>
Impact	<p>Payment of salaries with no work attendance damages the budget as per amount of expenditure, leads to non-attainment of objectives defined in the agreements, and non-integration of this community to the current system</p>
Recommendation B3	<p>The Minister should undertake all actions to provide work conditions for and ensure regular work attendance of employees by constantly monitoring, as provided by legal acts. Otherwise, the issue should be addressed before the Government as well, having in consideration that this issue has been repeating for years while no measure was taken to solve it.</p>

Issue B4 – Weaknesses in engagement of staff under Special Service Agreement**Finding**

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

During 2019, MCYS (including subordinate institutions) has engaged 147 officials through special service agreements (SSA). Of them, 12 are employed at the Presidential Residence “Dr. Ibrahim Rugova” in positions (guide, guard, maintenance, and protocol officer), 7 in the National Library, 22 in the Agency of the State Archive of Kosovo and the remaining 106 in the MCYS. However, at the end of 2019, the number of employees with SSA dropped to 75, of whom 59 in MCYS and 16 in KASA.

In this regard, the following weaknesses have been identified:

- In 37 staff engaged under SSA (of which 16 in MCYS, 1 in KNL and 20 in KASA) in previous years, the ministry has not implemented any recruitment procedure, in 2019 their contracts were extended by means of a decision; and
- 101 staff engaged with SSA continued from previous years only that during 2018-2019 they have undergone the simplified recruitment procedure. Therefore, the period of engagement of these officials is longer than the deadline set by the rules, over six months without interruption.

According to MCYS officials, this was due to the need for additional staff, especially in terms of supportive level positions in subordinate institutions and the non-approval of the budget for additional staff.

Impact

Identified weaknesses can result in a lack of proper competition and poor quality of services provided. The staff engaged outside recruitment procedures increases the risk of staff engagement without the appropriate professional competence, which reflects on the achievement of the ministry’s objectives.

Recommendation B4 The Minister should ensure that measures have been taken to terminate the practice of concluding contracts without recruitment procedures and that the duration of 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.

2.1.3 Goods and Services

The final budget for Goods and Services (including Utilities) in 2019 was €2,670,022, of which €2,147,071 was spent according to AFS. However, through final adjustments of records by Treasury, expenditures were €26,822. Expenditures for Goods and Services relate to consumables, maintenance, IT equipment, fuels, rent, contractual services, utilities etc. We have tested 22 samples of €302,359 as part of substantive testing, and 13 samples as part of compliance testing.

Our audit identified the following issues:

Issue A1 – Delays in closing advances for official travels

Finding According to Administrative Instruction No. 2004/07 on Official Travel Expenses, all advances must be justified and unpaid amounts must be returned within 15 days after returning from the trip. The same rule applies to expenses incurred through credit card.

From the tested samples, in two cases we noticed that the advances were not justified and were not closed within the legal deadline of 15 days after returning from the official trip. Advance payment in the amount of €2,195 was closed with a delay of 42 days after the allowed deadline, while the advance payment in the amount of €1,212 has not been closed since 2014. The value of unjustified advances at the end of 2019, according to CFO, was €32,499, of which, there were unjustified advances since 2010.

This situation has come because of negligence of officers and failure to take legal action by financial officers to return funds.

Impact Failure to justify travel expenses and non-closure of advances increases the risk of public money being used in contrary to the intended purposes, applicable rules or misuse of public money.

Recommendation A1 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.

Issue A2 - Development of procurement activities without notifying CPA and conclusion of contracts without commitment of funds**Finding**

According to LPFMA Article 36.1 before initiating a procurement process, which aims to result in the establishment of an obligation in the current fiscal year, the Budget Organization should conduct commitment of funds.

Further, Rules and Operational Guidelines for Public Procurement, Article 7 paragraph 8.6 requires that in the event of conducting a procurement activity which was not included in the final procurement forecast, the contracting authority should inform Central Procurement Agency (CPA) at least 5 days before initiating the procurement activity.

However, on two occasions during 2019 MCYS conducted procurement activities, which were not included in the procurement plan and the CPA was not notified. These two activities have resulted in the conclusion of contracts and the incurring of obligations in the current year without commitment to funds. This happened in the procurement activity for "Supply of hygienic material for subordinate institutions" the value of the contract €6,936, as well as in the procurement activity for "Public communication for the sports week" the value of the contract €9,940.

This was due to procurement office's failure to follow the procurement rules, as well as due to poor supervision of activities in this area.

Impact

Not notifying the CPA on the development of procurement activities which were not included in the final procurement plan may result in the conclusion of contracts for services or supplies at a higher cost, while there may be a preliminary contract concluded by the CPA. Furthermore, entering into contractual obligations without commitment of funds leads to increase of obligations without budget coverage and the breakdown of budget balances in other projects.

Recommendation A2 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 contract, in order not to created obligations without sufficient funds.

2.1.4 Subsidies and Transfers

The final budget for Subsidies and Transfers was €12,503,394, of which €11,432,739 were spent in 2019. The Ministry supports funding of different cultural, sport, youth and cultural heritage projects. We have tested 100 samples of €2,981,314 as part of substantive testing, and 12 samples as part of compliance testing.

Our audit identified the following shortcomings:

Issue B5 – Delays in justification of subsidies

Finding According to the agreements signed, when granting subsidies for various projects, the bearers of the projects are obliged to justify the executed expenses, within 30 days after the execution of the subsidised activities.

Of 58 samples tested, for 15 cases of subsidies in the total amount of €247,350, no reports were submitted for justification of expenses, although the activities subsidised according to the agreements should have been completed some time ago.

This was due to the negligence of the beneficiaries of subsidies and the failure of the Ministry to take legal action against the beneficiaries who had not reported.

Impact Lack of reports on justification of subsidies increases uncertainty regarding the spending of these funds in accordance with the ministry's intended objectives, and increases the risk that funds will be used for other purposes.

Recommendation B5 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.

Issue A3 - Financial support to beneficiaries with no public announcement

Finding Regulation MoF-No.-04/2017 on the criteria, standards and procedures of public funding of NGOs, Article 12 - Public announcement of the call stipulates that every financial support for NGOs should be announced by public call, which should be published on the website of the financial support provider. Moreover, according to this Article, providers of financial support are encouraged to use other forms for notifying the NGOs, in order to increase competitiveness. The call must be open for at least fifteen (15) working days.

From the tested samples, we noticed that MCYS, in four cases, provided financial support in the amount of €30,191, concluding agreements only on the basis of beneficiaries' requests, i.e., with no announcement through public call.

This was due to MCYS management's failure to comply with the regulation on subsidies.

Impact Financial support of NGOs, without public calls, limits competition and increases the risk of allocating funds arbitrarily, negatively impacting on reaching the value for money, while not achieving the intended objectives of budget allocation.

Recommendation A3 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.

2.1.5 Capital Investments

The final budget for Capital Investments was €21,724,309, of which €12,312,208 or 57% was spent in 2019. Those relate to construction of sport halls, cultural centres, youth centres, archaeological excavation etc.

We have tested 74 samples of €7,901,270 as part of substantive testing, and 15 samples as part of compliance testing, whereby we identified the following issues:

Issue A4 - Non-compliance with TAK legal requirements

Finding According to Law no. 03/L-222 of the Tax Administration of Kosovo (TAK), Article 11 paragraph 5, "Any non-resident person who is subject to taxation in accordance with the tax legislation of Republic of Kosovo shall appoint a fiscal representative prior to starting any economic activity in Republic of Kosovo. The fiscal representative shall register with TAK within five (5) days of being named".

On 07.03.2019, MCYS signed a contract with a Turkish company, for the Feasibility Study for the National Football Stadium in Drenas in the amount of €1,440,000, while this company has not named any fiscal representative in the Republic of Kosovo.

Furthermore, the contract was not drafted in accordance with the PPL legal framework, as Article 5.1 of the contract states that all tax and customs duties will be paid by the MCYS, while according to the law, the economic operator is responsible for all taxes in accordance with the legal framework.

During 2019, the ministry paid directly to the account of the Turkish company the amount of €864,000 according to Annex I of the contract, the price did not include VAT. During the audit phase, we were not presented with the evidence that the international economic operator has permanent unit or fiscal representatives, through which it has fulfilled its tax obligations to TAK. MCYS has stopped further payments to the company in order to correct this error. At the beginning of 2020, according to MCYS officers, discussion with the Turkish company were taking place to correct the error, however, the EO did not agree upon. Moreover, on 03.06.2020, MCYS filed a claim before the court claiming its rights in relation to the contractual party.

The cause behind this error, according to the MCYS officers, was discrepancy between the project design file and the TAK law, and absence of a template contract for the project design file drafted by PPRC.

Impact Because of non-application of the tax fee, budget can be damaged and uncertainty in the implementation of the project and execution of payments to the EO can be created.

Recommendation A4 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.

Issue A5 - Advance payment for capital investments in conflict with the Budget Law**Finding**

According to Article 13 of the Budget Law for 2019, Budget Organizations may pay advances to contractors for capital projects up to fifteen percent (15%) of the contract value. Whereas, for the payment of advances in the amount of up to thirty percent (30%) of the contract value for capital projects, the approval must be made by the Government.

For the advance payment for capital projects, the contract should contain the performance security and a clearly defined payment schedule, which at the same time provides for the work to be performed before each payment is made.

Regarding contract for Feasibility for the National Football Stadium in Drenas in amount of €1,440,000, MCYS made the advance payment in the amount of €432,000 or 30% to the economic operator, without the approval of the Government and without performance security.

According to the ministry's management, this was due to staff's lack of knowledge regarding the requirements of the law.

Impact

Payment of advance without ensuring performance security not only is contrary to the budget law but also increases the risk that the economic operator will not carry out the works under the contract or not carry out the works at all. In the event of a project failure, this may incur additional costs for the MCYS to terminate the contract in question and return the funds paid in advance.

Recommendation A5 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.

Issue B6 – Delays in execution of Works**Finding**

In the contracts concluded between MCYS and Economic Operators (EO) for execution of capital projects, the time limit for execution of works according to the dynamic plan is determined, and the application of penalties is foreseen in case of unreasonable delays.

We have identified five cases where the works were not carried out according to the dynamic plan as provided for by contract, so there was a significant stagnation in the physical progress in these projects. The works to be completed within 2018 and 2019 have not been completed yet in the projects:

- Përparim Thaqi Stadium - Prizren, a contract of €1,574,537 dated 26.01.2017 had to be completed within 400 working days;
- Kaçanik Sports Hall, a contract of €677,587 dated 13.03.2018, had to be completed within 250 calendar days, then with conclusion of annex contract dated 07.11.2018 in amount of €66,787, the deadline for execution was extended for 30 days from the final date of submission of tenders;
- Sports Complex 11 Marsi Prizren, a contract of €119,567 dated 02.11.2018, had to be completed within 110 working days;
- Sports Hall Samadrezhë - Vushtrri, a contract of €786,371 dated 22.05.2017, had to be completed on 30.10.2018; and
- Sports Hall - Deçan, a contract of €549,864 dated 15.12.2017 had to be completed within 135 calendar days, then on 21.05.2019 an annex contract in amount of €54,882 was signed.

The main cause of delays in implementation of these projects is the ministry, where according to MCYS officers budget was lacking. However, given that the budget execution for capital investments was only 57%, then, it is understood that this is due to inadequate management of the budget by the ministry.

Impact

Delays in the completion of projects affect the MCYS not to achieve the set objectives and in the absence of budget funds for subsequent years, the initiated projects may not be completed for a long time. On the other hand, this situation may lead the EO to file a lawsuit against the ministry due to irresponsibility for implementation of projects or timely fulfilment of obligations to the EO.

Recommendation B6 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.

2.1.6 Common Issues on Goods and Services, Capital Investments and Subsidies and Transfers

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

Issue B7 – Conclusion of contracts by avoiding procurement procedure and using inadequate procedures**Finding**

According to the Law on Public Procurement no. 04/L-042, as amended and supplemented, the conclusion of contracts for supply of goods and services as well as capital investments shall be done through public procurement procedures, with the exception of contracts mentioned in Article 3 of this law. According to this law contracts shall be signed by the procurement manager.

In the following cases we have identified that MCYS signed contracts without applying any procurement procedure:

- Conclusion of twenty (20) media contracts for media services to cover the activities of the minister/MCYS. These contracts were signed by the procurement manager. Expenditures during 2019 for implementation of these contracts were €106,528;
- Contract for “High level specialised services in infrastructure and project management, high level specialist for infrastructure services and project management” (€150,000), with a duration of 3 years. The contract was signed by the procurement manager without implementing any procurement procedure. According to the procurement manager, the negotiated procedure was used in this case without publishing the contract notice. However, no relevant evidence has been provided to confirm the implementation of any particular procedure. Furthermore, this contract was not drafted in accordance with the Legal Framework of the PPL, as under the general terms of the contract, Article 3 of the contract stipulates that all tax and customs duties shall be paid by the MCYS. Whereas, according to the law, the economic operator is responsible for all taxes in accordance with the legal framework;
- The contract for the supply of promotional material for Ulpiana Park (€13,275) signed on 21.12.2018, was signed by the Director of the Department of Cultural Heritage, who also signed the report on the acceptance of promotional material. Payment was made from Subsidies and Transfers;

- Contract “maintenance and cleaning of sacral objects” in the list of Cultural Heritage in amount of €12,600 was signed by Director of the Regional Centre for Cultural Heritage in Mitrovica, who also signed the report on the acceptance of services. The payment was made in full in amount of €12,600 from Subsidies and Transfers; and
- The contract for the mounting and dismounting scaffolding, placing of the mesh, construction of stairs for the museum of Kosovo was signed on 15.05.2019 in monthly amount of €1,097. The contract was signed by Director of the Department of Cultural Heritage based on a decision of the Secretary General;
- **Conclusion of contract by inadequate procurement procedure**

According to Article 35 of LPP, the negotiated procedure can be used to conduct a procurement activity having as its object the award of: any public contract: (i) if, for objective and compelling technical or artistic reasons, the contract may be awarded only to a particular economic operator; (ii) if, for reasons of protection of intellectual or industrial property right or other exclusive rights, the contract may be awarded only to a particular economic operator; (iii) if, insofar as is strictly necessary for reasons of extreme urgency brought about by objectively verifiable events that were not reasonably foreseeable by the concerned contracting authority, such contracting authority cannot afford the time required to conduct any other procedure provided for by the present law.

MCYS had concluded a contract for “High level specialised services in infrastructure and project management, high level specialist for infrastructure services and project management, planned contract amount of €150,000, in duration of 3 years, by using the negotiated procedure without publication of notice, in conflict with Article 35 of the LPP. Furthermore, the contract was not prepared in compliance with the LPP Legal Framework because under the general terms of contract, Article 3 stipulates that all tax and custom duties shall be paid by MCYS. Whereas, according to the law, the economic operator is responsible for all taxes in accordance with the legal framework.

The above actions occurred due to the failure of the management to respond appropriately to prevent the signing of such contracts by unauthorised officers and without procurement procedures.

Impact

Contracting services without implementing any procurement procedure, or application of negotiated procedure in inadequate cases, leads to reduction of competition and discrimination of other providers of such services. This can result in higher cost of expenditures than competitive prices.

Recommendation B7 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.

Issue A6 – Noncompliance with principles for segregation of tasks

Finding Rules and Operational Guidelines for Public Procurement Article 62.3.7 stipulates: “A member of the evaluation committee cannot be appointed as the Project Manager”.

In the following three cases, we have identified that the member of the evaluation committee has also been appointed as a project manager:

- Supply with books in amount of €16,054 in KNL;
- Public communication “Java e sportit” in amount of €9,940; and
- Hydro-isolation of the flat roof and attic in KNL premises.

This was due to improper attention paid when establishing committees and appointing contract managers.

Impact Non-compliance with the principles for segregation of tasks, which is in conflict with the relevant legislation, also increases the risk of conflict of interest and/or threat of objectivity in the performance of assigned tasks.

Recommendation A6 The Minister should take the necessary actions to ensure that when 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.

2.2 Capital and non-capital assets

The net value of capital assets (over €1,000) presented in AFS is €43,433,068, that of non-capital assets is €147,583, and of stock is €23,775.

Our audit identified the following shortcomings:

Issue B8 – Shortcomings in asset management

Finding Regulation no. 02/2013 - On the management of non-financial assets by Budget Organizations, Article 12, paragraphs 2 and 3 stipulates that: “By the time of acceptance of non-financial assets, the budget financing organizations will recorded transactions in category of following investments. At the moment when the non-financial assets have passed all the rules and procedures of receiving by budget organization, which has the right of ownership over the relevant asset, then the category of following investments should be closed in records of receiving budget organization and co-financing budget organization”, and Article 13 paragraph 2 and 3 states that: “At the moment when the non-financial asset has passed all the rules and procedures of delivery, the budget funding organization will close the following investment category. Recipient budget organization shall register non-financial assets on its non-financial assets records”.

Of 100 samples tested, we have encountered 12 cases where capital projects, although they were completed and technical acceptance was made, they keep being recorded as ongoing investments.

Moreover, over 99% of capital assets (over €1000) are registered as ongoing investments. MCYS did not provide the necessary information such as asset ownership, information on completed capital projects for which capital transfers should be made to the respective municipalities and information on whether such projects were new investments or renovation of existing assets.

This was due to lack of co-ordination between the assets officer and other units to be informed about the completed projects, and lack of communication with municipalities to transfer the assets to their accounts.

Impact Lack of complete and accurate information regarding the available assets of the MCYS leads to poor management of assets and unfair presentation in the AFS. In this case, the Ministry has overestimated the assets of those that are as ongoing investments in completed capital projects for which capital transfers to municipalities should be made.

Recommendation B8 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.

Issue A7 – Failure to record the non-financial assets and failure to harmonise inventory register with the asset register

Finding Regulation no. 02-2013 on Management of Non-Financial Property, Article 6, paragraph 3 stipulates that “Capital assets must be recirded in KFMIS while the non-capital assets and stocks in the “e-assets” system.” Furthermore, Article 19 of the above-mentioned regulation stipulates that the commission for assets inventorying shall compose a general report on the inventory of assets and compare the situation of inventory with the condition in the register of non-financial assets.

Our audit has identified the following shortcomings:

- Capital asset (over €1000) was understated, as 14 payments in amount of €1,049,635 (ongoing investments) were not recorded in the KFMIS. While a payment in amount of €2,564 (photo camera) was not recorded in KFMIS but was erroneously recorded in the e-asset system;
- Non-capital asset (under €100) was understated, as assets in amount of €27,100 (in the KNL) were not registered in the e-asset system; and
- The Commission has timely carried out the inventorying for 2019, but has not harmonised the inventory situation with the registers of non-financial assets.

This was because information from financial officers to the assets officers was not forwarded in time and due to poor functioning of internal controls. It also happened due to officers neglect to harmonise the inventory situation with the asset register.

Impact Failure to record assets and to harmonise inventory with non-financial asset registers leads to unfair presentation of assets in the AFS and creates preconditions for assets to be lost or misused.

Recommendation A7 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.

2.3 Liabilities

2.3.1 Outstanding liabilities

The statement of liabilities towards suppliers at the end of 2019 was €3,814,475. These liabilities are carried forward to be paid in 2020. The reason for not paying these obligations are: receipt of some invoices in delay, incomplete documentation for payment, negligence of officers, etc.

The amount of outstanding liabilities remains high regardless of sufficient budget in all economic categories, and surplus at the end of the year.

Issue B9 – Delays in payment of liabilities

Finding Law on Public Financial Management, Article 39, obliges the Ministry to pay any valid invoice within 30 days from the date of receipt of the invoice or payment demand. According to Regulation no. 01/2013, on the public funds expenditure, Article 24, paragraph 1.3, all invoices must be recorded and identified in the invoice book.

In 17 cases, the MCYS paid the invoices/obligations to suppliers totalling €651,002 after the statutory deadline of 30 days. Delays range from 32 to 493 days. According to the AFS, the value of outstanding liabilities at the end of 2019, which had exceeded the statutory deadline of 30 days, was €1,328,209. While in 13 cases, the invoices amounting €489,161 were not protocolled when received.

Further, by court rulings during the period January - July 2019, the Treasury executed six payments amounting €281,524. On this occasion, MCYS paid €2,245 as additional costs for court proceedings, enforcement proceedings and interests.

This was due to the MCYS's failure to implement internal control procedures upon receipt and payment of invoices. Thus, this was a result of the poor internal controls.

Impact Failure to implement internal control procedures upon receipt of invoices, including protocolling and recoding thereto in the book of invoices, and delays in payments increase the risk of entering into obligations without budget coverage or facing judicial bodies, thus incurring additional costs and budgetary difficulties for subsequent years.

Recommendation B9 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 avoided.

2.3.2 Contingent liabilities

The value of contingent liabilities at the end of 2019 was €335,689. These relate to litigations pending before the court which will be adjudicated in the future.

2.3.3 Contractual obligations

The value of contractual obligations, according to MCYS reporting, is €23,205,047.

Contractual obligations relate to contracts for capital investments namely in sports department (construction of stadiums and sport halls) and culture department (renovations and restorations), which are above one year and are not complete yet.

2.4 Internal audit function

The Internal Audit Unit (IAU) operates with three members - the Director of IAU and two auditors. The audits are carried out according to the strategic and annual plan and cover the most sensitive areas.

Other than the strategic plan, the IAU prepared the annual work plan for 2019 planning to carry out five (5) audits.

During the year it implemented the entire audit plan. The IAU carried out seven (7) audits, of which five (5) were according to the 2019 annual work plan and two (2) upon request of the management. The audit reports contain conclusions and recommendations identifying some of the weaknesses in the internal control system of MCYS.

The MCYS established the Audit Committee in 2019. The committee is composed of three (two external and one internal) members. In 2019, there were held five meetings for which minutes were kept.

We have no issue to report in this area.

2 Progress in Implementing Recommendations

Our Audit Report on the 2018 AFS of resulted in 20 recommendations. The MCYS prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2019 audit, of which: five (5) were implemented, two (2) were under implementation, ten (10) were unimplemented and three (3) are closed as unimplemented. For a more thorough description of the recommendations and the way they have been addressed, see Table 4.

The MCYS did not submit the Progress report on implementation of recommendations (30th of September and 15th of March) under requests deriving from the Rules of Procedure on implementation of audit and action plans.

Table 4 Summary of prior year recommendations and of 2019

No	Audit area	Recommendations of 2018	Actions undertaken	Status
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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
2	AFS	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.	No written guidelines or policies have been drafted; however, we have not encountered cases of staff engagement in these projects.	Recommendation closed unimplemented
3	AFS	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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
4	AFS	The Minister should undertake all actions to ensure working conditions for these employees and regular attendance at work, by conducting continuous	No action has been taken to implement this recommendation.	Recommendation unimplemented

		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	AFS	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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
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.	The regulation for giving these properties for rent has been drafted.	Recommendation implemented
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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
8	Wages and Salaries	The Minister respectively the Chief Executive Officers should take necessary actions to ensure professional competence of the staff in order to comply with the	No action has been taken to implement this recommendation.	Recommendation unimplemented

		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.	Contracts have been signed by the Government, MCYS has only implemented them.	Recommendation implemented
10	Subsidies and Transfers	The Minister should ensure that there would be no additional compensation for the staff assigned within regular working hours.	We have not encountered such cases during 2019.	Recommendation implemented
11	Subsidies and Transfers	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.	The issue of justifying advances for subsidies has not yet been addressed.	Recommendation partly implemented
12	Subsidies and Transfers	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.	We have not encountered such cases during 2019.	Recommendation implemented
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.	No action has been taken to implement this recommendation.	Recommendation unimplemented

14	Capital Investments	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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
15	Capital Investments	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	We have not encountered such cases during 2019.	Recommendation implemented
16	Common Issues on Goods and Services, Capital Investments, and Subsidies and Transfers	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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
17	Outstanding Liabilities	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.	No action has been taken to implement this recommendation.	Recommendation unimplemented
18	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.	MCYS has started to record invoices; however, we have encountered some cases where the invoices were not recorded.	Recommendation partly implemented
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	No action has been taken to implement this recommendation; however, due to the change in the format of the	Recommendation closed unimplemented

		draft a risk register including all needed measures/actions to control possible threats against the objectives.	audit.	
20	Management reporting, accountability and risk management	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.	No action has been taken to implement this recommendation; however, due to the change in the format of the audit report it will not be repeated.	Recommendation closed unimplemented
No	Audit area	Recommendations of 2019		
1	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.		
2	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..		
3	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 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.		
4	Budget Planning and Execution	The Secretary General 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.		
5	Goods and	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		

	Services	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.
6	Goods and Services	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 contract, in order not to created obligations without sufficient funds.
7	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.
8	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.
9	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.
10	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.
11	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.
12	Common Issues on Goods and Services, Capital	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.
13	Investments, and Subsidies and Transfers	The Minister should take the necessary actions to ensure that when 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.
14	Capital and	The Minister should ensure that the officers in charge have the information

	non-capital assets	regarding the asset register, in order to finalise the process of ownership transfer to municipalities for completed projects.
15	Capital and non-capital 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.
16	Outstanding and contingent 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.

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, Omaladine i Sporta -Ministry of Culture, Youth & Sports

Kabineti i Ministrit/ Kabinet Ministra/ Minister's Cabinet



LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 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 Raportit/Pasqyrave Financiare të Ministrisë së Kulturës, Rinisë dhe Sportit për vitin e përfunduar më 31 dhjetor 2019 (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 zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

znj. Vlora Dumoshi

Ministre e Kulturës, Rinisë dhe Sportit

Data: 10 qershor 2020, Prishtinë

