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7 ARTE

**INDEPENDENT AUDITORS' REPORT AND
THE STATEMENT OF SOURCES AND USES
OF FUNDS FOR THE PERIOD FROM JUNE
1, 2016 TO JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Management of 7 Arte

We have audited the accompanying statement of sources and uses of funds of 7 Arte Project name "Zhvillimi i politikave kulturore në Komunën e Mitrovicës" related to granting scheme Democratic Society Promotion "DSP" contract DSP II - 18 funded by Swiss Cooperation Office Kosovo, coordinated and operated by the Kosovar Civil Society Foundation (KCSF) for the period from June 1, 2016 to June 30, 2017, in accordance with the requirements for reporting to Swiss Cooperation Office in Kosovo and SDC Terms of Reference. All information included in this statement is the representation of the management.

Objective

Our engagement was financial audit as agreed in TOR, which is an engagement to perform certain agreed-upon procedures with regard to Financial Statements of the project "Zhvillimi i politikave kulturore në Komunën e Mitrovicës"- 7 ARTE for the period from June 1, 2016 to June 30, 2017, for the grant contract DSP II - 18 between you and Kosovar Civil Society Foundation (KCSF). The objective of financial audit is to carry out certain procedures which we have agreed in TOR to which we agreed to provide you with financial audit opinion.

Standards and Ethics

Our engagement was undertaken in accordance with:

- International Standard on Related Services "ISRS" 4400 *Engagements to perform Agreed upon Procedures regarding Financial Information* as promulgated by International Federation of Accountants "IFAC".
- The *Code of Ethics for Professional Accountants* issued by IFAC. Although ISRS 4400 provides that independence is not required for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of ethics for Professional Accountants.

Procedures Performed

As requested, we have only performed the procedures listed under article 2 of Terms of Reference of this engagement.

These procedures have been determined solely by the Donor and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditures claimed by you in accompanying Financial Statements are eligible in accordance with the terms and conditions of the Grant Contract.

Management's Responsibility for the Financial Statements

Management of 7 ARTE is responsible for the preparation and fair presentation of the Financial Statements in accordance with the requirements for reporting to KCSF. This responsibility includes maintaining Internal Control System in adequate and effective manner, execution in conformity with the project objectives and to adhere to the contract conditions, business to be economically conducted and the financial resources effectively used.

Summary of Findings

1. 7 Arte did not use any accounting/bookkeeping system in Excel or other accounting program. 7 Arte has only organized the invoices and other supported documents in files in order of the budgetary lines.
2. 7 Arte did not use any internal control procedures for cash reconciliation. Cash in financial report of expenses occurred is 1822.18 EUR and cash on bank according to bank confirmation is 1859.09 EUR, the difference of (36.91) EUR.
3. The amount budgeted for salary expenses are in Gross Gross, in the employee agreements the same amount is stated as Gross salary also taxes for salaries were declared and paid in the same amount.

Based on our audit, except of the matter described in the Summary of Findings paragraph above, nothing has come to our attention that causes us to believe that:

- the Internal Control System is not adequately or effectively organized,
- the project execution is not in conformity with the project objectives and does not adhere to the contract conditions,
- the business is not economically conducted and the financial resources are not effectively used.

BDO Kosova 2-6-17

BDO Kosova L.L.C.
Str. Pashko Vasa, No.46,
Pristine, Kosovo
August 16, 2017

7 Arte (7 ARTE)
 Statement of sources and uses of funds
 For the period from June 1, 2017 to June 30, 2017

	Notes	Budget (in EUR)	Actual (in EUR)
FINANCING			
Donor Funding	3	26,960.00	26,960.00
TOTAL FINANCING		26,960.00	26,960.00
EXPENDITURE			
Long term experts	4	13,800.00	13,800.00
Direct costs of the project	5	9,200.00	7,982.55
Administrative project expenses	6	3,960.00	3,355.27
TOTAL EXPENDITURE		26,960.00	25,137.82
Surplus / (Deficit) of funds received over expenditure		-	1,822.18
Cash and bank balance at the beginning of the period		-	-
Cash and bank balance at the end of the period	7	-	1,822.18

Authorized for issue by the management of 7 Arte on August 1, 2017.

Mr. Lulzim Hoti
 Executive Director

Mrs. Berna Xhemajli
 Finance Officer

The accompanying notes from 1 to 7 form an integral part of this Statement

7 Arte (7 ARTE)

Notes to Statement of sources and uses of funds

For the period from June 1, 2017 to June 30, 2017

1 BACKGROUND AND OPERATING POLICIES

7 ARTE is a non-profit organization founded and officially registered on May 2, 2006, with the registration number 5110907-4 and address UCK-së Bair, Mitrovica, Kosovo.

Main objectives

The organization is founded with the purpose of supporting young Kosovar artists (especially filmmakers) develops and promotes a common European culture.

In order to fulfill its purpose, the organization will undertake, but will not be restricted to, the following activities:

- Seminars and workshops on local and international level
- Film festivals and script contest
- Supporting on non formal education
- Publication and promotion of young arts
- Performing on dramatic and music arts

Democratic Society Promotion (DSP) project

Kosovar Civil Society Foundation has been mandated by Swiss Cooperation Office in Kosovo to implement the project 'Democratic Society Promotion (DSP)'.

During period 2014 - 2018, with a total amount of grants over EUR 3 million, DSP will support high quality projects that will impact the society and it will provide institutional support for organizations that systematically support and promote these changes. DSP aims to achieve positive changes at the local and central level.

The overall goal of DSP is to support the development of a democratic society in Kosovo. The long term perspective is to contribute to significant and sustainable changes that will in turn contribute to the development of democratic society in Kosovo.

DSP will contribute to the following two objectives/outcomes:

- **Outcome I:** Kosovar citizens and civil society organizations increase their demand for, and take an active role in seeking high quality services, good governance and the integration of minorities.
- **Outcome II:** Diaspora actively contributes to the democratic and social development of Kosovo.

7 Arte (7 ARTE)

Notes to Statement of sources and uses of funds

For the period from June 1, 2017 to June 30, 2017

2 BASIS OF PREPARATION OF THE STATEMENT AND ACCOUNTING CONVENTIONS

2.1 Accounting convention

The Statement of sources and uses of funds (the "Statement") has been prepared in accordance with the cash receipts and disbursements basis of accounting. On this basis revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Fixed assets are expensed for purposes of this Statement.

2.2 Reporting currency

The Statement has been prepared in European Union Currency Unit (EUR).

3 DONOR FUNDING

	Budget (in EUR)	Actual (in EUR)
Date transferred		
May 12, 2017	13,000.00	13,000.00
February 10, 2017	13,960.00	13,960.00
TOTAL	26,960.00	26,960.00

4 LONG TERM EXPERTS

	Budget (in EUR)	Actual (in EUR)
Project Manager	5,400.00	5,400.00
Project Coordinator	4,200.00	4,200.00
Finance Manager	4,200.00	4,200.00
TOTAL	13,800.00	13,800.00

5 DIRECT COST OF THE PROJECT

	Budget (in EUR)	Actual (in EUR)
Workshops and focus groups		
Workshops	2,560.00	2,550.60
Focus groups	960.00	1,015.10
Facilitation of working groups	320.00	299.60
Facilitation of focus groups	320.00	285.00
Public debates and conferences		
Regional debates	390.00	283.80
Conferences	700.00	240.00

7 Arte (7 ARTE)

Notes to Statement of sources and uses of funds

For the period from June 1, 2017 to June 30, 2017

5 DIRECT COST OF THE PROJECT (CONTINUED)

	Budget (in EUR)	Actual (in EUR)
Publications, assessment and reporting		
Design and maintenance of webpage	500.00	550.00
Translation services	700.00	-
Promotion on TV and Radio	500.00	500.00
Photography and video services	750.00	760.00
Print, design and visibility services	1,500.00	1,498.45
TOTAL	9,200.00	7,982.55

6 ADMINISTRATIVE PROJECT EXPENSES

	Budget (in EUR)	Actual (in EUR)
Public services	720.00	462.10
Communication	840.00	647.04
Local travel and car maintenance	1,080.00	888.52
Office materials	600.00	630.25
Maintenance expenses	720.00	727.36
TOTAL	3,960.00	3,355.27

7 CASH AND BANK BALANCE

	Budget (in EUR)	Actual (in EUR)
Cash on hand	-	-
Cash at bank	-	1,822.18
TOTAL	-	1,822.18

Cash in financial report of expenses occurred is 1,822.18 EUR, and cash on bank according to bank confirmation is 1,859.09 EUR, the difference of (36.91) EUR.

Buxheti (Shtojca B)

Emri i organizatës (Shkurtesa)

7 Arte

Titulli i projektit

Zhvillimi i politikave kulturore në Komunën e Mitrovicës

Informatat për kontakt (Email dhe Telefon)

info@7-arte.org ; +386 (0)49 211 771

Buxheti i përkrahur nga DSP

€ 27,416.95

Kategoria	Njësia	Sasia	Çmimi për njësi	Shuma totale	Shuma e përkrahur nga DSP	Buxheti i shpenzuar	Bilanci i mbetur
Personeli							
Lulzim Hoti - Menaxher	muaj	12	€450.00	€5,400.00	€5,400.00	€5,400.00	€-
Blerinda Veliu - Koordinatorë e Projektit	muaj	12	€350.00	€4,200.00	€4,200.00	€4,200.00	€-
Berna Xhemajli - Zyrtare për Financa dhe Marketing	muaj	12	€350.00	€4,200.00	€4,200.00	€4,200.00	€-
Nën totali për Personel				€13,800.00	€13,800.00	€13,800.00	€-
Aktivitetet - shpenzimet e drejtpërdrejta të projektit							
Punëtori dhe fokus grupe							
Punëtoritë	event	4	€640.00	€2,560.00	€2,560.00	€2,550.60	€9.40
Fokus Grupe	event	4	€240.00	€960.00	€960.00	€1,015.10	€(55.10)
Fasilitimi i grupeve punuese	event	16	€20.00	€320.00	€320.00	€299.60	€20.40
Fasilitimi i fokus grupeve	event	16	€20.00	€320.00	€320.00	€285.00	€35.00
Debate publike dhe konferenca							
Debate ne nivel rajonal	event	6	€65.00	€390.00	€390.00	€283.80	€106.20
Konferenca	event	1	€700.00	€700.00	€700.00	€240.00	€460.00

XXA - FINANCIAL STATEMENT FOR MANDATE AGREEMENT FOR THE PROJECT IMPLEMENTATION
 period from June 1, 2017 to June 30, 2017

Publikime, vlerësim dhe raportim								
Dizajnimi dhe mirëmbajtja e webfaqes	tremujor/ cerrek	1	€500.00	€500.00	€500.00	€550.00	€(50.00)	
Shërbime përkthimi	pako/ aktivitet	1	€700.00	€700.00	€700.00	€-	€700.00	
Promocion në TV & Radio	pako/ aktivitet	1	€500.00	€500.00	€500.00	€500.00	€-	
Sherbime te fotografimit dhe videos	ditë	15	€50.00	€750.00	€750.00	€760.00	€(10.00)	
Shërbime printimi, dizajnimi dhe vizibiliteti	pako/ aktivitet	1	€1,500.00					
Nën totali për Aktivitete			€1,500.00	€1,500.00	€1,500.00	€1,498.45	€1.55	
Shpenzimet administrative dhe të zyrës (qira, shërbime publike, komunikim, udhëtim lokal, materiale të zyrës, pajisje)			€9,200.00	€9,200.00	€9,200.00	€7,982.55	€1,217.45	
Shërbime publike	muaj	12	€60.00	€720.00	€720.00	€462.10	€257.90	
Komunikim	muaj	12	€70.00	€840.00	€840.00	€647.04	€192.96	
Udhëtim lokal dhe mirembajtja e vetures	muaj	12	€90.00	€1,080.00	€1,080.00	€888.52	€191.48	
Materiale të zyrës	muaj	12	€50.00	€600.00	€600.00	€630.25	€(30.25)	
Shpenzimet për mirëmbajtje	muaj	12	€60.00	€720.00	€720.00	€727.36	€(7.36)	
Nën totali për Shpenzimet Administrative			€3,960.00	€3,960.00	€3,960.00	€3,355.27	€604.73	
II PROJEKTIT								
Auditi								
Shpenzimet e auditit (llogaritni sipas përqindjes nga nëntotali i projektit)	3,001- 10,001- 25,000EURkalkuloni 25,001- 50,000EURkalkulini >50,000kalkulime	7% 10% 3% 3% 2% 1.7%						
TALE E PROJEKTIT								
			€456.95	€456.95	€456.95			
			€27,416.95	€27,416.95	€27,416.95			

7 Arte (7 ARTE)
APPENDIX B - MANAGEMENT REPRESENTATION LETTER
For the period from June 1, 2017 to June 30, 2017

August 16, 2017
BDO Kosova L.L.C.
Prishtina, Kosova.

Representations by Management

This representation letter is provided in connection with your audit of statement of sources and uses of funds of 7 Arte Project name "Zhvillimi i politikave kulturore në Komunën e Mitrovicës" related to granting scheme Democratic Society Promotion "DSP" contract DSP II - 18 funded by Swiss Cooperation Office Kosovo, coordinated and operated by the Kosovar Civil Society Foundation (KCSF), in accordance with the requirements for reporting to Swiss Cooperation Office in Kosovo and SDC Terms of Reference. All information included in this statement is the representation of the management.

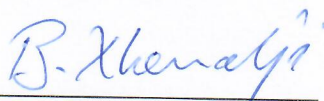
We acknowledge our responsibility for the preparation and fair presentation of the Statement in accordance with the requirements for reporting to Swiss Cooperation Office in Kosovo and SDC Terms of Reference. This responsibility includes maintaining Internal Control System in adequate and effective manner, execution in conformity with the project objectives and to adhere to the contract conditions, business to be economically conducted and the financial resources effectively used.

Apart of the issues mentioned in the Summary of Findings, we confirm to the best of our knowledge and belief, the following representations:

- a) Responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the project, the documents of reference (description of the project, contracts, budgets, etc.) and national legislation,
- b) that all accounting records, supporting and other documents, minutes and any other pertinent information necessary for the audit be at the disposal of the auditor,
- c) the completeness of information concerning property and goods,
- d) the completeness of information concerning financing received or due and own financing concerning the audited period, for the project being examined,
- e) the availability of any information and explanations, either orally or by written confirmation, which might be required by the auditor in the execution of his mandate,
- f) the completeness of information concerning financing received or due and own financing concerning the audited period, for the project being audited and for the examination of the consolidated financial statements of the organization.



Mr. Lulzim Hoti
Executive Director



Mrs. Berna Xhemajli
Finance Officer

7 Arte (7 ARTE)
APPENDIX C - MINUTES OF CLOSING MEETING
For the period from June 1, 2017 to June 30, 2017

Minutes of the Closing Meeting

***Audit of statement of sources and uses of funds of 7 Arte related to granting scheme
Democratic Society Promotion (DSP II)***

Held on August 16, 2017 in Prishtina

Present:

Representatives of the 7 Arte:
Lulzim Hoti - Executive Director
Berna Xhemajli - Finance Officer

Representatives BDO Kosova:
Sami Tahiraga
Liridona Januzi

Agenda

- Draft audit review report
- Accounting system
- Cash reconciliation
- Findings about salary expenses

7 Arte (7 ARTE)

APPENDIX C - MINUTES OF CLOSING MEETING

For the period from June 1, 2017 to June 30, 2017

1. Draft audit report

Representatives of BDO Kosova presented the Draft Audit Report where it states that BDO Kosova is not satisfied with level of internal controls and procedures implemented by 7 Arte.

Representatives of 7 Arte comments: 7arte is aware of this lack of managerial part regarding the internal control according to the email and contact we exchanged with the auditor. It is worth to be mentioned that 7arte did not have such a project before therefore we did not have any experience regarding the report to the auditor and the requirements. However, we give our commitment for improvement and capacity building on this field.

2. Accounting system

Auditors have noted that 7 Arte did not use any accounting/bookkeeping system in Excel or other accounting program. 7 Arte has only organized the invoices and other supported documents in files in order of the budgetary lines. Representatives of the auditors recommend that in the future the accounting transactions must be registered by 7 Arte as per accounting standards.

Representatives of 7 Arte comments: We agree on your comment and we are also aware of this; due to the lack of experience it was difficult for us to find the proper method to organize the accounting part and we are looking for grant opportunities to purchase the accounting program QuickBox and manage properly our budget.

3. Cash reconciliation

Auditors have noted that 7 Arte did not use any internal control procedures for cash reconciliation. Cash in financial report of expenses occurred is 1,822.18 EUR and cash on bank according to bank confirmation is 1,859.09 EUR, the difference of (36.91) EUR. Representatives of BDO Kosova LLC recommend to 7 Arte in the future to do the cash reconciliation (cash on bank and cash on hand).

Representatives of 7 Arte comments: 7 Arte representatives agree with your comment and is thankful for your recommendations. The managing part of cash control was due to lack of experience and not that we neglect this issue. We will have it into consideration for the next projects.

7 Arte (7 ARTE)

APPENDIX C - MINUTES OF CLOSING MEETING

For the period from June 1, 2016 to June 30, 2017

4. Findings about salary expenses

According to Swiss Cooperation Office in Kosovo reporting, in the Financial Report the salaries budgeted amounts are in GrossGross Salary. Auditors have noted that the amount budgeted as GrossGross, in the employee agreements is stated as Gross salary also taxes for salaries were declared and paid in the same amount, than the net salaries are paid after reduced for one of the pension contribution.

Therefore for budget lines 1.1, 1.2, 1.3 there is a difference of 25.19 euros that are paid less as net salaries, and 23.67 euros more for contributions and taxes.

For budget line 2.1.3, 1.41 euros are paid less as net salaries, and 1.09 euros more for pension contributions and taxes.

For budget line 2.1.4, 1.31 euros are paid less as net salaries and for that amount more for pension contributions and taxes.

For Nelihane Muja in budget line 3.5, the net salary as per contract is 40 euros. Auditors have noted that pension contributions aren't been paid from June to October 2016. For 21.06 euros, pension contributions are paid less than the right amount, which amount is spent in line 3.5 for other expenses. From November 2016 to June 2017 for Nelihane Muja net salaries and pension contributions are been paid more for 2.5 euros and 1.45 euros, respectively.

Representatives of 7 Arte comments:

- For budget lines 1.1, 1.2, 1.3: Since we have used old forms from ATK for the declaration of taxes, it came to this misbalance for taxes and contributions, an issue that we managed to fix after we noticed the problem. However we assured that the total amount in the end of balance is same as in the budget proposal.
- For the budget line 2.1.3: same issue as above.
- For Nalihane Muja the net payment was 40 euros, and from June 2016 until December 2016 we conducted cash payment and no taxes and contributions were included because we did not have clear information for payments under 65 euros and the taxes obligation. However, after the 6 months report with KCSF and their remarks and recommendations, we started the practice to do every payment for service through bank and including taxes and contributions starting from mid January 2017 till the end of the project (June 2017).

Representatives of 7 Arte:

Lulzim Hoti - Executive Director



Berna Xhemajli - Finance Officer



Representatives of BDO Kosova:

Sami Tahiraga



Liridona Januzi

