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**7 ARTE**

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**INDEPENDENT AUDITORS' REPORT AND  
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OF FUNDS FOR THE PERIOD FROM  
NOVEMBER 1, 2017 TO OCTOBER 31,  
2018**

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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 strategjisë së 7Arte" related to granting scheme Democratic Society Promotion "DSP" contract DSP II - 19 funded by Swiss Cooperation Office Kosovo, coordinated and operated by the Kosovar Civil Society Foundation (KCSF) for the period from November 1, 2017 to October 31, 2018, 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 strategjisë së 7Arte" 7 Arte for the period from November 1, 2017 to October 31, 2018, for the grant contract DSP II - 19 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*

**The amount of tax withheld on salary paid more than the adequate**

During audit, auditors have identified the payments from the bank for Tax Administration of Kosovo. The total amount paid more for one employee is 18.65 Euros. This amount has affected the budget of KCSF.

Based on our audit except the matters 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 LLC*

BDO Kosova L.L.C.  
Str. Perandori Justinian No 120  
Pristine, Kosovo  
December 10, 2018

*Mr. Libran Hoxhi  
Executive Director*

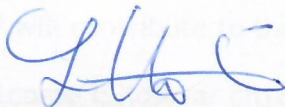
**7 ARTE**

**Statement of sources and uses of funds**

For the period from November 1, 2017 to October 31, 2018

	Notes	Budget (in EUR)	Actual (in EUR)
<b>FINANCING</b>			
Donor Funding	3	35,240.00	35,240.00
<b>TOTAL FINANCING</b>		<b>35,240.00</b>	<b>35,240.00</b>
<b>EXPENDITURE</b>			
Long term staff	4	24,120.00	24,120.00
Direct costs of the project	5	5,180.00	5,087.17
Administrative project expenses	6	5,940.00	5,837.86
<b>TOTAL EXPENDITURE</b>		<b>35,240.00</b>	<b>35,045.03</b>
Surplus / (Deficit) of funds received over expenditure		-	194.97

Authorized for issue by the management of 7 Arte on November 13, 2018.



**Mr. Lulzim Hoti**  
**Executive Director**

## 7 ARTE

### Notes to Statement of sources and uses of funds

For the period from November 1, 2017 to October 31, 2018

#### 1 BACKGROUND AND OPERATING POLICIES

7 Arte is a non-profit organization founded and officially registered on May 02, 2006, with the registration number 5110907-4, fiscal number 600313358 and address Str. Uck p.n 40000 Mitrovicë.

7 Arte mission is to organize cultural events and produce workshops on creative industry, becoming part of cultural exchange programs and international networks to share values and experiences and strategic research and promotion in national and international level.

#### 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)'.  
(in EUR)

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.

	Budget	Actual
	(in EUR)	(in EUR)
	4,440.00	4,440.00
	4,440.00	4,440.00
<b>TOTAL</b>	<b>74,120.00</b>	<b>23,120.00</b>

	Budget	Actual
	(in EUR)	(in EUR)
Administrative - operational & direct costs in projects		
Personnel	1,400.00	1,400.00
Equipment & other material purchase	200.00	200.00
Travel & other related expenses	130.00	130.00
Utilities	150.00	150.00
Printing	120.00	120.00
Project materials & supplies	330.00	330.00

## 7 ARTE

### Notes to Statement of sources and uses of funds

For the period from November 1, 2017 to October 31, 2018

## 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		
18 May, 2018	17,620.00	17,620.00
13 September, 2018	17,620.00	17,620.00
<b>TOTAL</b>	<b>35,240.00</b>	<b>35,240.00</b>

## 4 LONG TERM STAFF

	Budget (in EUR)	Actual (in EUR)
Lulzim Hoti - Drejtor ekzekutiv (100%)	5,640.00	5,400.00
Berna Xhemajli - Zyrtare për projekte dhe financa (100%)	4,800.00	4,800.00
Lulzim Hakaj - Kryesues i programit (100%)	4,800.00	4,800.00
Blerinda Veliu - Zyrtare për monitorim dhe vlerësim (100%)	4,440.00	4,440.00
Erzen Isufi - Zyrtar i logjistikës (100%)	4,440.00	4,440.00
<b>TOTAL</b>	<b>24,120.00</b>	<b>24,120.00</b>

## 5 DIRECT COST OF THE PROJECT

	Budget (in EUR)	Actual (in EUR)
Aktivitetet - shpenzimet e drejtpërdrejta të projektit		
Punëtoritë	1,400.00	1,400.00
Ekspertët gjatë grupeve punuese	880.00	880.00
Ekspertë për asistim ne hartimin e dokumenteve	330.00	330.00
Debate	120.00	85.77
Promocion	120.00	120.00
Pagesa e anëtarësisë vjetore	330.00	297.20

## 7 ARTE

## Notes to Statement of sources and uses of funds

For the period from November 1, 2017 to October 31, 2018

## 5. DIRECT COST OF THE PROJECT (CONTINUED)

	Budget (in EUR)	Actual (in EUR)
Takimet në rrjetet ndërkombëtare për bashkëpunim dhe krijim të projekteve të reja	2,000.00 -	1,974.20 -
<b>TOTAL</b>	<b>5,180.00</b>	<b>5,087.17</b>

## 6 ADMINISTRATIVE PROJECT EXPENSES

	Budget (in EUR)	Actual (in EUR)
Shërbime publike	480.00	479.94
Komunikim	840.00	743.07
Udhëtim lokal dhe mirembajtja e vetures	1,080.00	1,077.31
Materiale të zyrës	600.00	599.40
Shpenzimet për mirëmbajtje te zyres dhe bankare	1,080.00	1,073.47
Refreshments për zyre	360.00	364.67
Quick Books	1,500.00	1,500.00
<b>TOTAL</b>	<b>5,940.00</b>	<b>5,837.86</b>

## 7 CASH AND BANK BALANCE

	Budget (in EUR)	Actual (in EUR)
Cash on hand	-	194.97
Cash at bank	-	
<b>TOTAL</b>	<b>-</b>	<b>194.97</b>



ANNEX A - FINANCIAL STATEMENT FOR MANDATE AGREEMENT FOR THE PROJECT IMPLEMENTATION  
 period from November 1, 2017 to October 31, 2018

**Buxheti (Shtojca B)**

Emri i organizatës (Shkurtesa)

Titulli i projektit

Informatat për kontakt (Email dhe Telefon)

Buxheti i përkrahur nga DSP

7 Arte

Zhvillimi i politikave kulturore në Komunën e Mitrovicës

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

€35,837.29

Kategoria	Njësia	Sasia	Çmimi për njësi	Shuma totale	Shuma nga DSP	Buxheti i shpenzuar	Bilanci i mbetur
<b>Personeli</b>							
Lulzim Hoti – Drejtor ekzekutiv	muaj	12	€470.00	€5,640.00	€5,640.00	€5,640.00	€-
Berna Xhemajli – Zyrtare për projekte dhe financa	muaj	12	€400.00	€4,800.00	€4,800.00	€4,800.00	€-
Lulzim Hakaj – Kryesues i programit	muaj	12	€400.00	€4,800.00	€4,800.00	€4,800.00	€-
Blerinda Veliu – Zyrtare për monitorim dhe vlerësim	muaj	12	€370.00	€4,440.00	€4,440.00	€4,440.00	€-
Erzen Isufi – Zyrtar i logjistikës	muaj	12	€370.00	€4,440.00	€4,440.00	€4,440.00	€-
<b>Nën totali për Personel</b>				<b>€24,120.00</b>	<b>€24,120.00</b>	<b>€24,120.00</b>	<b>€-</b>
<b>Shpenzimet e drejtpërdrejta të programit</b>							
Punëtoritë	event	4	€350.00	€1,400.00	€1,400.00	€1,400.00	€-
Takime këshillëdhënëse për qeverisje të brendshme	event				€-		€-
<b>Punëtoritë dhe hartimi i dokumenteve total</b>				<b>€1,400.00</b>	<b>€1,400.00</b>	<b>€1,400.00</b>	<b>€-</b>
<b>Angazhimi i ekspertëve të jashtëm</b>							
Ekspertët gjatë grupeve punuese	aktivitet	4	€220.00	€880.00	€880.00	€880.00	€-
Ekspertë për asistim në hartimin e dokumenteve	dite	3	€110.00	€330.00	€330.00	€330.00	€-
<b>Angazhimi i ekspertëve të jashtëm total</b>				<b>€1,210.00</b>	<b>€1,210.00</b>	<b>€1,210.00</b>	<b>€-</b>
<b>Ad Hoc aktivitete</b>							
Debate	aktivitet	3	€40.00	€120.00	€120.00	€85.77	€34.23
Promocion	aktivitet	3	€40.00	€120.00	€120.00	€120.00	€-
<b>Ad Hoc aktivitete total</b>				<b>€240.00</b>	<b>€240.00</b>	<b>€205.77</b>	<b>€34.23</b>
<b>Përfaqësimi i organizatës në rrjete ndërkombëtare</b>							
Pagesa e anëtarësisë vjetore	vit	1	€330.00	€330.00	€330.00	€297.20	€32.80
Takimet në rrjetet ndërkombëtare	aktivitet	2	€1,000.00	€2,000.00	€2,000.00	€1,974.20	€25.80
<b>Përfaqësimi i organizatës në rrjete ndërkombëtare total</b>				<b>€2,330.00</b>	<b>€2,330.00</b>	<b>€2,271.40</b>	<b>€58.60</b>
<b>Nën totali për Aktivitete</b>				<b>€5,180.00</b>	<b>€5,180.00</b>	<b>€5,087.17</b>	<b>€92.83</b>
<b>Shpenzimet administrative dhe të zyrës (qira, shërbime publike, komunikim, udhëtim lokal, materiale të zyrës, pajisje)</b>							

A - FINANCIAL STATEMENT FOR MANDATE AGREEMENT FOR THE PROJECT IMPLEMENTATION  
 period from November 1, 2017 to October 31, 2018

Shërbime publike	12	€40.00	€480.00	€480.00	€479.94	€0.06
Komunikim	12	€70.00	€840.00	€840.00	€743.40	€96.60
Udhëtim lokal dhe mirembajtja e vetures	12	€90.00	€1,080.00	€1,080.00	€1,077.31	€3.02
Materiale të zyrës	12	€50.00	€600.00	€600.00	€599.40	€0.60
Shpenzimet për mirëmbajtje te zyres dhe bankare	12	€90.00	€1,080.00	€1,080.00	€1,073.47	€6.53
Refreshments për zyre	12	€30.00	€360.00	€360.00	€364.67	€(4.67)
<b>Nën totali për Shpenzimet Administrative</b>			<b>€4,440.00</b>	<b>€4,440.00</b>	<b>€4,338.19</b>	<b>€102.14</b>
<b>Shpenzimet administrative dhe të zyres (qira, shërbime publike, komunikim, udhëtim lokal, materiale të zyrës, pajisje )</b>						
Quick Books	1	€1,500.00	€1,500.00	€1,500.00	€1,500.00	€-
<b>Shuma totale e shpenzimeve kapitale</b>			<b>€1,500.00</b>	<b>€1,500.00</b>	<b>€1,500.00</b>	<b>€-</b>
<b>SHUMA TOTALE E SHPENZIMEVE KAPITALE</b>			<b>€35,240.00</b>	<b>€35,240.00</b>	<b>€35,045.36</b>	<b>€194.97</b>

ALI I PROJEKTI

## 7 ARTE

### APPENDIX- B - MANAGEMENT REPRESENTATION LETTER

For the period from November 1, 2017 to October 31, 2018

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December 10, 2018

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 strategjisë së 7Arte" related to granting scheme Democratic Society Promotion "DSP" contract DSP II - 19 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 the matters described in the paragraph of 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.

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**Mr. Lulzim Hoti**  
**Executive Director**

**7 ARTE**

**APPENDIX- C - MINUTES OF CLOSING MEETING**

For the period from November 1, 2017 to October 31, 2018

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**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 December 10, 2018 in Prishtina

Present:

Representatives of the 7 Arte:

Lulzim Hoti - Executive Director

Berna Xhemajli - Project Coordinator and Financial Officer

Representatives BDO Kosova:

Sami Tahiraga

Argjentina Dragobuzhda

***Agenda***

- Draft audit review report
- Salaries calculation
- The amount of tax withheld on salary paid more than the adequate

## **7 ARTE**

### **APPENDIX C - MINUTES OF CLOSING MEETING**

For the period from November 1, 2017 to October 31, 2018

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#### **1. Draft audit report**

Representatives of BDO Kosova presented the Draft Audit Report where it states that BDO Kosova except the matters described in the paragraph of Summary of Findings, is satisfied with level of internal controls and procedures implemented by 7 Arte.

Representatives of 7 Arte comment:

Based on previous experiences with BDO Kosova, 7Arte has seriously considered the comments and has tried to improve its performance and regulate its internal controls and procedures.

#### **2. Salaries calculation**

According to the Reporting Guidelines, the budgeted amount for salary expenses is gross salary including the pension contribution of 5% of employer. The total amount of net salaries that is paid less than it should be paid according to the budgeted amount is 210.50 Euros, and for the same amount paid more for taxes. In general KCSF Budget is not affected.

Representatives of 7 Arte comment:

7Arte is aware that there might be some issues regarding this calculation. However, even though we have contacted several finance managers working in other NGOs and also some representatives of ATK it seems that we could not find the most correct way to do it and we have faced challenges in this area.

The method used includes the total gross amount presented in the budget proposal -(minus) the sum of taxes and contributions required by the declaration at ATK - which led to the net amount transferred to the individuals in order to not exceed the amount proposed in the budget. Also, as a consequence to this is also the fact that we do not have any other financial resources in order to be able to cover this expense.

Until now, we did not have faced any issues in reporting to our donors, including KCSF in several projects that we implemented through their grants as well as did not face any problems with ATK and taxes, and since we did not have any debts regarding taxes, we continued to use this method in order to avoid potential problems and debts.

Therefore, we are opened for any suggestions or methods that you would encourage us to apply for the next project.

#### **The amount of tax withheld on salary paid more than the adequate**

During audit, auditors have identified the payments from the bank for Tax Administration of Kosovo. The total amount paid more for one employee is 18.65 Euros. This amount has affected the budget of KCSF.

**7 ARTE**

**APPENDIX- C - MINUTES OF CLOSING MEETING**

For the period from November 1, 2017 to October 31, 2018

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Representatives of 7 Arte comment:

Since the salaries calculation is related to the payment of taxes as well, the comment is same as above.

Representatives of the 7 Arte:

Lulzim Hoti - Executive Director

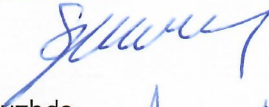


Berna Xhemajli - Project Coordinator and Financial Officer



Representatives BDO Kosova:

Sami Tahiraga



Argjentina Dragobuzhda

