



KPMG Albania Shpk Kosovo Branch
14, Sulejman Vokshi Street
Pristina, Kosovo

Telephone +381 (38)246771
Telefax +381 (38)246772
E-mail al-kosovo@kpmg.com
Internet www.kpmg.al

AUDIT REPORT

ON THE FINANCIAL STATEMENTS
OF THE MUNICIPALITY OF KAÇANIK
FOR THE YEAR ENDED 31 DECEMBER 2012

Pristina, July 2013

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
AUDIT SCOPE AND METHODOLOGY.....	4
I. AUDIT OPINION	5
II. FINANCIAL STATEMENTS - COMPLIANCE WITH THE REPORTING FRAMEWORK	7
II.1 COMPLIANCE WITH THE REPORTING FRAMEWORK.....	7
II.2 QUALITY AND ACCURACY OF INFORMATION PRESENTED IN THE ANNUAL FINANCIAL STATEMENTS	7
III. PRIOR YEAR RECOMMENDATIONS.....	9
IV. FINANCIAL MANAGEMENT AND CONTROL	10
IV.1 INTRODUCTION.....	10
IV.2 BUDGET PLANNING AND EXECUTION.....	10
IV.3 CURRENT REPORTING AND TIMELINESS IN THE OVERALL BUDGET PROCESS.....	11
IV.4 REVENUES (INCLUDING OWN SOURCE REVENUES)	11
IV.5 EXPENDITURES	12
IV.6 ASSETS.....	14
IV.7 HANDLING OF DEBTS.....	15
V. INTERNAL AUDIT SYSTEM	16
V.1 INTERNAL CONTROL SYSTEMS.....	16
V.2 INTERNAL AUDIT	16
VI. OVERALL CONCLUSION ON THE MANAGEMENT OF MUNICIPALITY OF KAÇANIK	17
ANNEX 1 DIFFERENT TYPE OF AUDIT OPINIONS APPLIED BY KPMG IN THE ANNUAL AUDIT REPORT 2012.....	18
ANNEX 2: PRIOR YEAR RECOMMENDATIONS	19
ANNEX 3 MUNICIPALITY OF KAÇANIK MANAGEMENT COMMENTS AND KPMG RESPONSES	22

Executive Summary

Introduction

KPMG has carried out an audit of the Annual Financial Statements ('AFS') of the Municipality of Kacanik ("Municipality"), on behalf of the Office of the Auditor General of Kosovo, for the year ended 31 December 2012.

This report summarises the key matters arising from our audit. We would like to thank the Mayor and his team for their assistance during the audit process.

Our audit was carried out in accordance with international auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) and included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements.

Our focus has been on whether the amounts and disclosures in the AFS are sufficient to give a reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the opinion audit. Our findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Our Overall conclusion on the Management of the Municipality is presented in Section VI of this report, and our audit opinion is in pages 5-7 of this document.

Internal Control

Our audit has identified weaknesses in several areas of financial management. These weaknesses are described in more detail within the report.

Our conclusion is that the Municipality's internal systems are not properly designed to eliminate evident weaknesses and are not implemented as they should be.

In order to improve the functioning of the financial management system and internal controls, we recommend the Municipality to ensure:

- A comprehensive list of its property, plant and equipment is maintained and reviewed;
- An automated billing system for all types of taxes is maintained;
- Measures are taken to increase the collection of revenues from various taxes; and
- The Law No. 04/L-042 'Law on Public Procurement in Kosovo' (amended) is fully complied with.

Management of the Municipality was given the possibility to comment on the findings presented in this report. Management has agreed to make all efforts to address all our recommendations.

Refer to Annex 3 for management's comments to our recommendations and our responses to them.

Audit scope and methodology

This audit relates to the annual financial statements of the Municipality of Kaçanik as at and for the year ended 31 December 2012.

It is the responsibility of the Municipality to prepare financial statements in accordance with Financial Rule no. 07/2011 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”.

KPMG, on behalf of The Office of the Auditor General, is responsible for carrying out an annual audit on the Municipality financial statements as at and for the year ended 31 December 2012.

An audit is an attestation of financial accounting, involving examination and evaluation of Financial Statements and other financial records and provides assurance on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- Any other significant matters arising from or relating to the audit.

In order to fulfil our responsibilities for the audit of the Municipality, we have undertaken the following activities:

- Compared the Municipality’s Annual Financial Statements against the approved budget as at and for the year ended 31 December 2012;
- Determined whether the Municipality’s Annual Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting” and Financial Rule no. 07/2011;
- Established a materiality level, as a threshold for assisting in determining the type of opinion to render on the financial statements;
- Used a combination of judgment and random sampling to select transactions for testing;
- Undertook substantive testing of financial transactions; and
- Relied on a combination of interviews, analytical reviews, document checking, and physical verification to assess the validity and propriety of financial transactions.

In this report we summarise the audit findings and provide our opinion on the Annual Financial Statement as at and for the year ended 31 December 2012.

INTOSAI set out specific criteria that govern the type of opinion that should be rendered regarding our audit opinion for the Municipality’s annual financial statements.

These are set out more fully in Annex 1, which includes an extract from ISSAI 400.

I. Audit Opinion

To Kaçanik Municipality

Pristina, 2 July 2013

We have audited the accompanying financial statements of Municipality of Kaçanik ("the Municipality"), which comprise the statement of cash receipts and payments for the year ended 31 December 2012, a comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Financial Rule No. 07/2011 *On Annual Reporting of Budget Organizations*. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Fundamental Auditing Principles and Guidelines. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

Six procurements files with a total contracted amount of EUR 336 thousand and total payments made until the end of 2012 of EUR 299 thousand, are under investigation from the public prosecutor office and were not provided to us. We are not aware of the reasons and the status of such investigations and their final or potential outcome.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material aspects the receipts and payments for the year ended 31 December 2012 in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Financial Rule No. 07/2011 *On Annual Reporting of Budget Organizations*.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the following:

- The total disclosed in Section 16 'Disclosure of property, plant and equipment' is EUR 80 thousand higher than the register of property provided by the Municipality. This difference is not explained by the Municipality. Furthermore, for certain properties, there could be uncertainty regarding ownership rights of the Municipality and various other Kosovo Government Agencies, and lack of supporting ownership documentation. In addition, due to lack of supporting documentation for the measurement

of a significant part of these assets, the Municipality sought to measure them at fair value based on a valuation performed by an internally established committee. The valuation included only main municipal buildings and not all property, plant and equipment.

- The comparative information for third party payments of EUR 811 thousand for the year 2010 presented in Section 12 “Statement of cash receipts and payments” is EUR 484 thousand higher than the total of EUR 327 thousand, presented in the audited financial statements for 2011.

Review of Compliance

In addition to our audit of the financial statements, a compliance review was planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them. The nature, timing and extent of the compliance work were limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Auditor's Responsibility

Our responsibility is to express a conclusion based on our review. Our work was conducted in accordance with the ISSAI 4200 *Compliance Audit Guidelines Related to Audit of Financial Statements*. Those principles require that we comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. We have not performed an audit, and, accordingly, express our conclusion in the form of limited assurance, which is consistent with the more limited work we have performed under this compliance review.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Conclusion on Compliance

Based on our work described in this report, the activities, financial transactions and information reflected in the financial statements that have come to our notice during the review, are in all material respects, in compliance with the authorities which govern them.

Other matters

We draw attention to the following:

- 1 The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record revenues from penalties, payments from third parties and outstanding invoices, it cannot solely be used to produce comprehensive financial statements.
- 2 Since the Municipality has not implemented a comprehensive and automated billing system, there is uncertainty regarding completeness of both receivables and revenues that the Municipality can earn, and their ability to prepare a reliable and accurate budget, to report an accurate collection ratio, and monitor the collection of the own source revenues on a timely basis.
- 3 We identified a number of non-compliances with Laws No. 04/ L-042 on Public Procurement in Kosovo, applicable in the year 2012. Such non-compliance related to required procedures which were not performed and documented by the Municipality.
- 4 Although the Municipality may be involved in several minor legal cases and future cash outflows might be required in the near future, the Municipality does not have in place any formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

KPMG Albania Shpk Kosovo Branch

KPMG Albania Sh.p.k. - Kosovo Branch
Sulejman Vokshi, No. 14
Pristina
Kosovo

II. Financial Statements - Compliance with the Reporting Framework

Our review of the Annual Financial Statements ('AFS') considers both compliance with the reporting framework and the quality and accuracy of the information recorded in the financial statements. We also consider the Declaration made by the Chief Executive Officer and Chief Financial Officer when the draft Annual Financial Statements are submitted to the Government.

The declaration regarding presentation of financial statements incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the financial statements. A number of the declarations are intended to provide assurance to the Government that all relevant information has been provided to ensure that a comprehensive audit can be undertaken.

II.1 Compliance with the Reporting Framework

The requirements in LPFMA No. 03/L-048 and Financial Rule no. 07/2011.

- Except as mentioned under the basis for qualified opinion the Municipality has prepared the financial statements according to Financial Rule 07/2011.
- The Financial Statements have been signed by the Chief Administrative Officer and Chief Financial Officer of the audited body;
- The Financial Statements were signed within the required time frame on 31 January 2013 and Submitted to Ministry of Finance (MF);
- The Financial Statements were submitted to the Ministry of Finance in the Albanian and Serbian Language; and
- The Municipality has prepared and submitted regular quarterly reports to the Ministry of Finance during 2012.

II.2 Quality and Accuracy of Information Presented in the Annual Financial Statements

Findings

- The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record payments from third parties, or outstanding invoices, it cannot solely be used to produce comprehensive financial statements for the year ended 31 December 2012.
- Six procurements files with a total contracted amount of EUR 336 thousand and total payments made until the end of 2012 of EUR 299 thousand, are under investigation by the public prosecutor office and were not provided to us. We are not aware of the reasons and the status of such investigations and their final or potential outcome.
- The total disclosed in Note 30 "Summary of non financial capital assets (over EUR 1,000) in possession by the organizations' budget" is EUR 80 thousand higher than the register of property provided by the Municipality. The difference is not explained by the Municipality.
- Realizations of Own source revenue and Donations presented in Section 13 "Budget Execution Report" do not agree with Free Balance reports.

- Note 12 “Other Payments” discloses information on the third parties that provided financing to the Municipality, which is also disclosed in Note 6 “Other Receipts”, rather than information on the categories of expenditures financed by third parties as required.
- The comparative information for third party payments of EUR 811 thousand for the year 2010 presented in Section 12 “Statement of cash receipts and payments” is EUR 484 thousand higher than the total of EUR 327 thousand, presented in the audited financial statements for 2011. In addition, the classification of third party payments for 2011, presented in Note 11 and Note 8, does not agree with the audited financial statements for 2011.
- Note 29 “Contingent Liabilities” was not completed.

Recommendation 2

We recommend the Mayor ensures that the preparation of the Municipality’s financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.

III. Prior Year Recommendations

Our report on the 2011 AFS included the following main recommendations that remain outstanding to be addressed, as follows:

1. An automated billing system for all types of taxes should be put in place and measures should be taken to increase the collection of revenues from various taxes;
2. The receivables register should be updated according to payments done in respect of invoices released by the Municipality and treatment of cash collections;
3. Additional resources should be involved in the registration and valuation of the assets of the Municipality;
4. Improvements need to be implemented in the areas of expenditure and wages and salaries; and
5. All efforts should be made to make payments within the year.

Failure to fully address our given recommendations in points 1-5 above, has led us to have similar findings in these areas that remain to be addressed as in the future.

IV. Financial Management and Control

IV.1 Introduction

We developed an understanding and evaluation of the actions taken by management to ensure effective financial management and control. For individual financial systems we seek to identify the level at which actual controls operate. This may, for example, be monitoring activity undertaken by senior management or lower level operational controls. We consider whether controls are well designed, have been implemented as planned and operate effectively.

IV.2 Budget Planning and Execution

We have considered the source of budgetary funds for the Municipality, spending of funds by economic categories and Revenues collected. The analysis of Actual Outcome in the Financial Statements compared to the Approved Budget indicates:

Table 1: Overview of budget and actual spending in EUR '000

Description	Initial Budget	Final Budget	2012 Actual	2011 Actual	2010 Actual
Government Grant	4,865	5,065	4,975	4,936	3,950
Carried forward from prior year		120	97	-	-
Own Source Revenues	593	593	275	592	432
Domestic Donations		2	-	-	-
External Donations		134	90	65	22
I. Total receipts	5,458	5,914	5,437	5,593	4,404
Wages and Salaries	3,762	3,771	3,728	3,557	2,769
Goods and Services	402	521	511	433	454
Utilities	84	165	164	87	87
Subsidies and Transfers	30	47	39	73	61
Capital Investments	1,180	1,410	995	1,443	1,033
Reserves	-	-	-	-	-
II. Total payments	5,458	5,914	5,437	5,593	4,404
Difference I-II	-	-	-	-	-

Conclusion

Actual total receipts were lower than final budget by EUR 477 thousand which is mainly due to lower realization of own source revenue by 341 thousand, government grant EUR 90 thousand and grants and donors EUR 46 thousand.

Total payments were lower than final budget by EUR 477 thousand due to wages and salaries being lower by EUR 43 thousand, goods and services being lower by EUR 10 thousand, utilities being lower by EUR 1 thousand, transfers and subsidies being lower by EUR 8 thousand and capital expenditure being lower by EUR 415 thousand.

Initial budget was lower by EUR 456 thousand from the final budget due to following: additional allocation from governmental grant of EUR 200 thousand, own source revenues carried forward by EUR 120 thousand and grants and donors by EUR 136 thousand were not anticipated in initial budget. All changes to the original budget were approved upon revision of the budget, based on a Decision of the Government of Kosovo or approved by the Mayor and Municipality Assembly. These changes are also supported by the assembly decision and mandated by the legal framework Law 03/L-048.

The unspent budget of the Municipality in 2012 is 8.1%.

IV.3 Current reporting and timeliness in the overall budget process

Fulfilment of current external reporting obligations as well as its budgetary process:

- Budget requests were completed on a timely basis;
- Quarterly reports including the nine month financial statements were submitted on a timely basis to MF.
- Draft procurement plan was submitted on time to MF;
- Action Plan on implementing recommendations was included in the annual financial statements of the Municipality.

Findings

No major exceptions noted.

IV.4 Revenues (including own source revenues)

Findings

During our testing we noted the following:

- *Billing systems.* An automated billing system exists only for tax on property. The Municipality does not maintain billing records for other types of revenue. Instead only cash collections from such revenue streams are recorded.
- *Collection of revenues.* Except for taxes on property, business and construction licenses, the Municipality management does not maintain separate sub ledgers or lists of all its debtors from various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis.

- *Reconciliation of Revenues.* The Municipality did not perform any formal reconciliation of revenues collected with the accounting department during the year 2012.
- *Weaknesses in the automated billing system.* The tax on property billing system is centralized and the Municipality has limited access to the system. Such limitations restrict the ability of the Municipality to generate regular and comprehensive reports on collection of revenue and related receivables, and as a result impair its ability to properly monitor and review such collections. Although such reports are automatically generated by the system on a centralized basis, the Municipality does not make regular use of them. Furthermore, the list of collections for the year generated from tax on property system was not reconciled and did not agree with the collections recorded in free balance.

Recommendation 2

We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on billing and revenue. Improvement of the procedures related to such systems would enable management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out. We recommend that the Municipality considers to:

- Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management.
- Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate bills automatically. The generation of bills should also be authorized and reviewed.
- Automatically inter-connect the billing system with the accounting software so that information is automatically processed into the general ledger.
- Automatically link the operational and billing units and perform regular reconciliations between them, in cases where the billing is directly related to services supplied by the operational units. This is especially important where a high volume of transactions is executed.

IV.5 Expenditures

5.1 Procurement

Findings

During our inspection of the documents for our sample of procurement files we noted only few non-compliances with procedures as required by Public Procurement Law PL 04/L-042. These non compliances are described below:

- Six procurements files including files no. KA652/12/002/136, KA652/12/27/521, KA652/12/011/136, KA652/12/021/236, KA652/11/32/521 and KA652/11/27/521 with a total contracted amount of EUR 336 thousand and total payments made until the end of 2012 of EUR 299 thousand, are under investigation by the public prosecutor office and were not provided to us. We are not aware of the reasons and the status of such investigations and their final or potential outcome.
- Procurements no. KA652/12/040/521; KA652/12/34/121 and KA652/12/67/136: statements of needs and availability of funds were not signed by the authorised officers, including Chief Financial Officer and Chief Administrative Officer.
- Procurement no. KA652/12/58/521: Insufficient contracts evidencing experience and references from similar projects were filed for the winner of this tender.
- Procurement no. KA652/11/006/521: The dynamic plan that should provide information on the timely completion of the project and calculate delays, where applicable was not filed for the winner of this tender.

- Procurement no. KA652/12/45/521: Delays in comparison to the dynamic plan were caused by low capacities and an insufficient number of employees of the contracted entity. The Municipality did not apply penalties for these delays as provided in the contract
- Procurement no. KA652/12/58/521: The contract value is higher than the estimated costs stated in the winning bid by EUR 643.
- Procurement no. KA652/12/34/121: Although the required criteria were not met by the participants in the tender, the tender was not reorganised. The winner did not provide the Municipality with the required list of equipment and supporting documentation for such equipment.
- Procurement no. KA652/12/45/521: The file for the winner did not include required documentation such as evidence for ownership of equipments, sufficient and appropriate evidence for staff and insufficient bank turnover.
- Procurements no. KA652/12/43/121 and KA652/12/45/521: the contracted amount was fully paid, although based on the acceptance reports the quality of work was poor.
- An amount of EUR 750 was presented as capital expenditure, rather than as transfer for a cultural event financing as indicated by the nature of such expenditure.

Recommendation 3

We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements.

5.2 Other expenditures

Findings

We noted the following discrepancies in relation to expenditure of EUR 24 thousand, representing payments for the project “Construction of center for communities”, a co-financed project of the “Community Development Fund (CDF)” and the municipal commission “Commission of Project of Old Kaçanik (CP)”:

- The agreement between CDF and CP was not signed by CP;
- CDF has organised the procurement procedures and the Municipality has no evidence of such procurement to support the payment.
- The payment was based on the CDF request only and no invoice was filed by the Municipality;
- The decision assigning the representative of the Municipality in the supervising committee of the project was not found.

Recommendation 4

We recommend the Mayor ensures that the Municipality takes further steps to obtain and file complete sets of required documentation for other expenditures.

5.3 Remunerations (Wages and Salaries)

Findings

Three personnel files reviewed by us did not include documents such as employee application and evaluation forms, identification documents, and evidence that the staff is not under investigation. The files related to employees hired by the Municipality in the previous years.

Recommendation 5

We recommend that the Mayor ensures that the Municipality ensures to maintain personnel files with all documents required by regulations in place for all employees.

5.4 Subsidies and Transfers

Findings

Except the finding mentioned in the last paragraph under point 5.1 above, there are no other finding to report.

IV.6 Assets

6.1 Handling of cash and cash equivalents

Findings

No major exceptions noted.

6.2 Handling of receivables

Findings

The Municipality does not have in place a robust process for identifying, evidencing and following up on issued invoices for its taxes. Many of the receivables disclosed in the financial statements, related to previous years. The Municipality has not taken necessary actions to collect these amounts and no aging analysis is maintained. In addition, receivables reported by the central billing system for tax on property do not agree with receivables disclosed in Note 34 to the financial statements.

Recommendation 6

We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice and that overdue amounts are followed up regularly.

6.3 Capital and non capital assets

Findings

The following issues are noted in regard to disclosure of non-financial capital assets at values above EUR 1,000 in possession of the budget organization in Note 30 to the financial statements:

- There is a difference of EUR 80 thousand between total capital assets disclosed in Note 30 “Summary of non financial capital assets (over EUR 1,000) in possession by the organizations’ budget” and the register of property provided by the Municipality.
- Although the Municipality has prepared and disclosed a list of real estate property in Note 30, for certain assets, there are uncertainties regarding ownership rights of the Municipality or various other Kosovo Government Agencies and lack of supporting ownership documentation.

- The Municipality has not maintained a comprehensive register of its property, plant and equipment, including information like the date of purchase and disposal of the assets and the depreciation charge for the year.
- Due to lack of supporting documentation for the measurement of a significant part of its property, plant and equipment, disclosed in Note 30, the Municipality sought to measure such items at fair value based on a valuation performed by an internally established committee. The valuation included only main municipal buildings and not all property, plant and equipment was included.

Recommendation 7

We recommend the Mayor to involve additional resources in the registration, reconciliation, control and valuation of the assets of the Municipality.

IV.7 Handling of debts

Findings

The following inconsistencies were noted in regard to outstanding liabilities disclosed in Note 28 to the financial statements:

- In accordance with Law No. LPFMA 03/L-048, Article 39.1, the budget organization is responsible for ensuring that each valid invoice and request for payment for goods and services supplied and/or works completed for the budget organizations are to be paid within thirty (30) calendar days after receipt of invoice or request for payment by the concerned budget organization. We noted 68 cases where the payment was not done within 30 days as required by Law No. 03/L-048, Article 39.1. The value of such invoices is Eur 11,000, and
- We noted a payment was done in the year 2013 for an invoice of EUR 20,457 issued in 2012. Such invoice was not included in the disclosure of outstanding invoices.

V. Internal Audit System

V.1 Internal Control Systems

V.2 Internal Audit

Findings

The work of Internal Audit was focused on the previous year, rather than in the current period.

Recommendation 8

We recommend that the Mayor produce an Action Plan that should be implemented to ensure that internal audit work is done and reported on a timely basis and to address resulting recommendations, detailing responsible officers and timescales for implementation.

VI. Overall conclusion on the Management of Municipality of Kaçanik

General conclusions

As discussed within this report, improvements need to be made in the areas of revenues, procurement, remunerations, handling of receivables, payment of obligations within the required timeframe and reconciliation and measurement of capital and non-capital assets.

Overall Recommendation

- The financial statements should be prepared in compliance with the actual financial rule and IPSAS;
- An automated billing system for all types of taxes should be put in place, reconciliations of revenues between the own source revenue officer and operational departments should be performed, and measures should be taken to increase the collection of revenues from various taxes; and
- All efforts should be made to improve expenditure and procurement procedures.
- A comprehensive list of its property, plant and equipment, including payments from third parties, is maintained and reviewed.
- Produce an Action Plan that should be implemented to ensure that internal audit work is done and reported on a timely basis and to address resulting recommendations, detailing responsible officers and timescales for implementation

Annex 1 Different type of Audit Opinions applied by KPMG in the Annual Audit Report 2012

(extract from ISSAI 400)

9. An audit opinion is normally in a standard format, relating to the financial statements as a whole, thus avoiding the need to state at length what lies behind it but conveying by its nature a general understanding among readers as to its meaning. The nature of these words will be influenced by the legal framework for the audit, but the content of the opinion will need to indicate unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse (paragraph 14) or a disclaimer (paragraph 15) of opinion.

10. An unqualified opinion is given when the auditor is satisfied in all material respects that:

- a) the financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
- b) the statements comply with statutory requirements and relevant regulations;
- c) the view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- d) there is adequate disclosure of all material matters relevant to the financial statements.

11. **Emphasis of Matter.** In certain circumstances the auditor may consider that the reader will not obtain a proper understanding of the financial statements unless attention is drawn to unusual or important matters. As a general principle the auditor issuing an unqualified opinion does not make reference to specific aspects of the financial statements in the opinion in case this should be misconstrued as being a qualification. In order to avoid giving that impression, references which are meant as "emphasis of matter" are contained in a separate paragraph from the opinion. However, the auditor should not make use of an emphasis of matter to rectify a lack of appropriate disclosure in the financial statements, nor as an alternative to, or a substitute for, qualifying the opinion.

12. An auditor may **not be able to express an unqualified opinion** when any of the following circumstances exist and, in the auditor's judgement, their effect is or may be material to the financial statements:

- a) there has been limitation on the scope of the audit;
- b) the auditor considers that the statements are incomplete or misleading or there is an unjustified departure from acceptable accounting standards; or
- c) there is uncertainty affecting the financial statements.

13. **Qualified Opinion.** Where the auditor disagrees with or is uncertain about one or more particular items in the financial statements which are material but not fundamental to an understanding of the statements, a qualified opinion should be given. The wording of the opinion normally indicates a satisfactory outcome to the audit subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion. It helps the users of the statements if the financial effect of the uncertainty or disagreement is quantified by the auditor although this is not always practicable or relevant.

14. **Adverse Opinion.** Where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate, an adverse opinion is given. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect on the financial statements is quantified where relevant and practicable.

15. **Disclaimer of Opinion.** Where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction which is so fundamental that an opinion which is qualified in certain respects would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.

16. It is customary for SAIs to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.

Annex 2: Prior year recommendations

Audit Component	Recommendation given	Recommendation fully implemented	Partly addressed	Not addressed
IV.4 Revenues	<ul style="list-style-type: none"> • <i>Billing systems.</i> An automated billing system exists only for tax on property. The Municipality does not maintain billing records for other types of revenue. Instead only cash collections from such revenue streams are recorded. • <i>Collection of revenues.</i> Except for taxes on property, the Municipality management does not maintain separate sub ledgers or lists of all its debtors from various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis. • <i>Weaknesses in the automated billing system.</i> The tax on property billing system is centralized and the Municipality cannot review and monitor the collection of revenue as it is automatically done by the system. 			Not addressed

Audit Component	Recommendation given	Recommendation fully implemented	Partly addressed	Not addressed
VI.3 Expenditures	We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements			Not addressed
VI 5 Assets and Debts 5.2. Handling of receivables	<p>We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice. Also the receivables register should be updated according to payments done in respect of invoices released by the Municipality.</p> <p>Further, we recommend the Municipality to reconsider its treatment of cash collection limits.</p> <p>We recommend to the Municipality to regularly follow up on the timely collection of receivables</p>			Not addressed
VI 5 Assets and Debts 5.3 Capital and non-capital assets	Involve additional resources in the registration and valuation of the assets of the Municipality.		Partially addressed.	

Audit Component	Recommendation given	Recommendation fully implemented	Partly addressed	Not addressed
VI 5 Assets and Debts 5.4 Debts	We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. All efforts should be made to make payments within the year.			Not addressed

Annex 3 Municipality of Kačanik management comments and KPMG responses

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendation 1:</u> We recommend the Mayor ensures that the preparation of the Municipality's financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.</p>		X		<ul style="list-style-type: none"> • Article 16- Note 30, of the financial statements has a difference of EUR 80,877 which is due to the delayed information from the committees that calculated the depreciation charge on a group level and not individually. • Article 13 – OSR and donations presented in the budget realization are not presented accordingly (notes 15 and 16): there were some inflows within the reporting period and data was based on the system records before 31.01.2013. 	

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 2:</u></p> <p>We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on billing and revenue. Improvement of the procedures related to such systems would enable management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out.</p> <p>We recommend that the Municipality:</p> <ul style="list-style-type: none"> • Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management. • Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate the bills automatically. The generation of bills should also be authorized and reviewed. • Automatically inter-connect the billing system with the accounting software so that the information is automatically processed into the general ledger. • Automatically link the operational and billing units and perform regular reconciliations between them, in cases where the billing is directly related to services supplied by the operational units. This is especially important where a high volume of transactions is executed. 	<p></p> <p></p> <p>X</p> <p>X</p> <p>X</p>	<p>X</p> <p>X</p> <p></p>	<p></p> <p></p> <p></p>	<ul style="list-style-type: none"> • We do not have any authorized software from the Ministry of Finance which would have solved these issues once and for all. SIMFK identifies only transfers from commercial banks and CBK. • Since having specialized software is very unlikely the Municipality is considering the possibility of opening a special purpose office that would enable issuing all type of invoices for all services offered, registering all payments made in cash and through bank. This would generate more reliable information on receivables and payable balance for all tax payers and partners. • Based on the deficiencies of SIMFK and on the impossibility of approved software from Ministry of Finance, alternative evidence in Excel does not ensure the management on data reliability. • Improvement on direct operation, invoicing and automatic inter-connection with other systems are difficult to be achieved due to lack of adequate software implementation authorized by the Ministry of Finance. This concern has been raised for our Municipality as well as from other Municipalities, but so far we have been hesitant in applying one without the authorization from the Ministry of Finance. 	<p></p>

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendation 3 and 4:</u> We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. We recommend the Mayor ensures that the Municipality takes further steps to obtain and file complete sets of required documentation for other expenditures.</p>		X X		<ul style="list-style-type: none"> • Full application of LMFPP, LPP, KBF, and other activities from the public finance area. • Procurement files (6) UZP – were taken by the Police. 	
<p><u>Recommendation 5:</u> We recommend that the Mayor ensures that the Municipality ensures to keep proper evidence of approval, authorization and payment of wages and salaries.</p>		X		Annual staff performance evaluations and other documents are included in the personnel files, with the exception of the declaration regarding penal cases, which was not required.	
<p><u>Recommendation 6:</u> We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice and that overdue amounts are followed up regularly.</p>		X		Refer to comment 3.1.	
<p><u>Recommendation 7:</u> We recommend the Mayor to involve additional resources in the registration, reconciliation, control and valuation of the assets of the Municipality.</p>		X		There is no specialised or licensed company in the country to deal with engagement practices regarding requirements for additional recourses. Hence, the Municipality should assign, as soon as possible, an official in charge of property registration and should require additional responsibility on commissioners with the possibility of respective rewards.	
<p><u>Recommendation 8:</u> We recommend that the Mayor produce an Action Plan that should be implemented to ensure that internal audit work is done and reported on a timely basis and to address resulting recommendations, detailing responsible officers and timescales for implementation</p>		X		We partially agree with External Audit findings because on the first quarter of the year internal audit covered the previous period, but after this date covered previous and actual period.	



Republika e Kosovës
Republika Kosova-Republic of Kosovo



KOMUNA KAÇANIKUT
OPSTINA KAÇANIK
MUNICIPALITY KAÇANIK

Financial Statements

as at and for the year ended 31 December 2012

Pristina, 2013

Section 11. DECLARATION REGARDING THE PRESENTATION OF FINANCIAL STATMENTS

For: Mr. Fatmir Plakiqi, act. as General Treasury Director

From: Administrative and Financial Chief Officer

In our opinion, the attached financial statements and the notes to these statements for the year ended on 31 December 2012 have been prepared in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Based Accounting", adhere to all reporting requirements of the Law on Public Finance and Accountability 03/L-048 and Law nr. 03/L-221 for meeting changes of LPFMA, and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo Consolidated Budget ("KCB") financial statements of the budget organizations for the year ending 31 December 2012.

We confirm, to the best of our knowledge and belief, that:

There have been no irregularities involving management or employees which could have had a material effect on the financial statements.

The information provided and presented in the financial statements regarding the identification of funds and their expenditure related to the KCB is complete and accurate.

The information regarding collection of revenues is accurate.

There are no bank accounts related to the KCB other than the bank accounts specified in the financial statements and this specification is complete and accurate as of 31 December 2012.

There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

There are no (legal) claims pending that could have a material effect on the financial statements.

All liabilities, both actual and contingent, and all guarantees given to third parties have been recorded and/or disclosed, as appropriate.

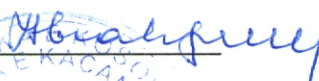
All loans to external parties have been recorded and/or disclosed, as appropriate.

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto.

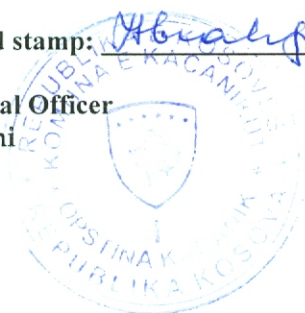
Municipalities must send their reports to the Budget and Finance Committee in the Municipal Assemblies.

In our opinion, the attached financial statements give a true and fair presentation of the finances and financial transactions for the year ended 31 December 2012 of Municipality of Kaçanik.

Date:

Signature and stamp: 

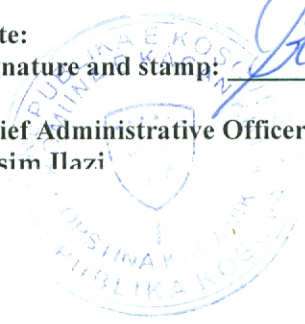
Chief Financial Officer
Ibrahim Gjini



Date:

Signature and stamp: 

Chief Administrative Officer
Resim Ilazi



Municipality of Kaçanik
Section 12. Statement of cash receipts and payments
for the year ended 31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2012		2011		2010	
		Single treasury account	Payments from third parties	Single treasury account	Payments from third parties	Single treasury account	Payments from third parties
		KCB €'000	€'000	KCB €'000	€'000	KCB €'000	€'000
Funds sources							
Government Grant	2	4,975	-	4,936	-	3,950	-
Own Source Revenue	3	372	-	592	-	432	-
Fund designated for specific purpose		-	-	-	-	-	-
Designated Donor Grants	4	90	-	65	-	22	-
Borrowed Funds	5	-	-	-	-	-	-
Other receipts	6	-	247	-	940	-	811
Total funds		5,437	247	5,593	940	4,404	811
Utilization of funds							
<i>Operations</i>							
Wages and Salaries	7	3,728	-	3,557	-	2,769	-
Goods and Services	8	511	-	433	-	454	-
Utilities	9	164	-	87	-	87	-
		4,403	-	4,077	-	3,310	-
<i>Transferet</i>							
Transfers and subsidies	10	39	45	73	-	61	-
<i>Capital expenditures</i>							
Property, Plant and Equipment	11	995	-	1,443	-	1,033	-
Other payments	12	-	202	-	940	-	811
Return of Loan	13	-	-	-	-	-	-
Total		5,437	247	5,593	940	4,404	811

Municipality of Kaçanik
Section 13. Budget Execution Report
for the year ended 31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2012				2011	2010
		Original Budget (Appropriation)	Final Budget (Appropriation)	Realization	Variance	Realization	Realization
		A €'000	B €'000	C €'000	D=C-B €'000	E €'000	F €'000
Cash inflows from treasury account							
Taxation	14	-	-	-	-	-	-
Own Source Revenue	15	593	593	426	(167)	510	515
Donations	16	-	121	121	-	79	22
Capital Receipts	17	-	-	-	-	-	-
Privatization Fund	18	-	-	-	-	-	-
Borrowings	19	-	-	-	-	-	-
Other	20	-	-	-	-	-	-
Total cash inflows		593	714	547	(167)	589	537
Cash outflows from Treasury accounts							
Wages and Salary	21	3,762	3,771	3,728	(43)	3,556	2,769
Goods and Services	22	402	521	511	(10)	433	454
Utilities	23	84	165	164	(1)	87	87
Transfers and Subsidies	24	30	47	39	(8)	73	61
Capital expenditures	25	1,180	1,410	995	(415)	1,444	1,033
Privatization Fund	26	-	-	-	-	-	-
Return of Borrowings		-	-	-	-	-	-
Other	27	-	-	-	-	-	-
Total payments		5,458	5,914	5,437	(477)	5,593	4,404

The *General Fund* amounts totaling EUR 4,865 thousand for original budget, EUR 5,065 thousand for final budget and EUR 4,975 thousand for 2012 realisation (2011: EUR 4,936 thousand ; 2010: EUR 3,950 thousand; 2009) have not been included in the *Cash inflows from treasury account* section in the above table, although they were used to help pay the various expenses of the Municipality presented under the *Cash outflows from treasury accounts* section. In previous years, such amounts were recorded as a separate category within the *Cash inflows from treasury account* in Section 13 *Budget Execution Report*.

Kaçanik Municipality

Section 14. Notes to the financial statements

31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 1

1.1 Basis of preparation

The financial statements have been prepared in accordance with Cash Basis IPSAS *Financial Reporting Under the Cash Basis of Accounting* and with the Administrative Instruction No. 07/2011 *On Annual Reporting of Budget Organizations*

The accounting policies have been applied consistently throughout the period.

1.2 Reporting entity

The financial statements are for the public sector entity: Municipality of Kaçanik ('the Municipality').

The financial statements according to the Law for the management of Public Finance and Responsibility (03/L-048 and 03/L-211). The Municipality of Kaçanik is controlled by the Kosovo Government and all financial activities from the Consolidated Budget of Kosovo.

1.3 Payments by Third Parties

The Municipality benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the reporting period. The payments made by third parties do not constitute cash receipts or payments of the Municipality of Kaçanik. The payments are reported in the column *Payment by Third Parties* in the Statement of Cash Receipt and Payments and other financial statements.

1.4 Treasury Single Accounts

The Municipality of Kaçanik does not operate its own bank accounts. The Government has a centralized function of Treasury which administers the receipt of cash received by all budgetary entities during the fiscal year. Payments made in this account regarding the Municipality of Kaçanik are presented in the column Single Treasury Account in the Statement of Cash Receipt and Payments.

1.5 Return of expenses from last year

Expenses returned to KCB from previous year are reported in the year and not as reductions to expenses of the year when the expense occurred.

1.6 Reporting currency

The reporting currency is Euro (€)

1.7 Authorization Date

The financial statements are authorized to be issued on 31 January 2013 and approved by Besim Ilazi, Chief Administrative Officer and Ibrahim Gjini, Chief Financial Officer.

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Funds source

Note 2 General Fund Appropriation

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Economic classification	€'000	€'000	€'000
Wages and Salaries	3,712	3,546	2,744
Goods and Services	461	339	358
Utilities	164	82	71
Subsidies and transfers	7	-	-
Capital Investments	631	969	777
Total	4,975	4,936	3,950

Note 3 Own source revenue

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Economic classification	€'000	€'000	€'000
Wages and Salaries	16	10	25
Goods and Services	35	69	88
Utilities	-	5	16
Subsidies and transfers	32	73	61
Capital Investments	289	435	242
Total	372	592	432

Note 4 Designated Donor Grants

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Economic classification	€'000	€'000	€'000
Wages and Salaries	-	-	-
Goods and Services	15	25	8
Utilities	-	-	-
Subsidies and transfers	-	-	-
Capital Investments	75	40	14
Total	90	65	22

Note 5 Borrowed Fund

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Lender	€'000	€'000	€'000
	-	-	-
	-	-	-
Total	-	-	-

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 6 Other Receipts

Economic classification	€'000	€'000	€'000
Ministry of Education and Science – construction of school in Begracë	-	-	26
Ministry of Public Administration – construction of school in Vatë	-	-	91
USAID/DEMI – Construction in city stadium "B.Begunca"	-	-	32
CARITAS – Asphalting highway Biçec-Nikë	-	-	9
CARITAS – Construction of sports center in Biçec	-	-	9
HEIFER Kosova – Supply of farmers with cows	-	-	40
Ministry of Infrastructure – Asphalting road in Çardak, K.Vjetër	-	-	211
Ministry of Infrastructure – Asphalting road in Lumbardh village	-	436	286
Ministry of Education and Science – construction of school "Te Kisi"	-	351	107
European Union Office – Two projects “Kosova e Bukur”, implemented by IOM	-	139	-
World Bank (WB) – Establishing registration center for businesses	-	11	-
USAID/DEMI – Supply with IT equipment	-	3	-
Ministry of Local Government Administration - Road construction Dubravë (Shorrë-Zhark)	80	-	-
Ministry of Labour and Social Welfare – Seasonal employment project	45	-	-
CARITAS – Limiting poverty through stable development - Fushe Elezaj	20	-	-
CDF – Construction of Centre on communities - Kaçanik i Vjetër	46	-	-
USAID/DEMI – Vertical and horizontal signalizing of roads	20	-	-
USAID/DEMI – Building of Youth Park - Shtepia e Kulturës "Xh.Kurtaj"	35	-	-
USAID/DEMI – Supply with IT equipments of Gender equality Office	1	-	-
Total	247	940	811

Note 7 Wages and Salaries

Description	2012				2011	2010
	KCB	OSR	DDG	Total		
	€'000	€'000	€'000	€'000	€'000	€'000
Payments						
Net Salaries	3,200	16	-	3,216	3,072	2,327
Payments to unions -0.10% to 0.50%	11	-	-	11	13	9
Overtime payments	-	-	-	-	-	-
Part time payments	-	-	-	-	-	26
Night-shift salaries	-	-	-	-	-	-
Net salary for maternity leave	-	-	-	-	-	-
Daily payments for Assembly and committee members	-	-	-	-	-	63
Contracted payments	-	-	-	-	-	-
Personal Income Tax	145	-	-	145	134	80
Employer pension contribution	178	-	-	178	169	132
Employee pension contribution	178	-	-	178	169	132
Court decisions	-	-	-	-	-	-
Total Payments	3,712	16	-	3,728	3,557	2,769

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 8 Goods and Services

Description	2012			Total €'000	2011	2010
	KCB €'000	THV €'000	GPD €'000		€'000	€'000
Payments						
Travel expenses	4	-	-	4	7	12
Telecommunication services	5	1	-	6	8	6
Service expenses	73	2	1	76	61	70
Furniture and equipment under 1,000 EUR	17	-	10	27	28	22
Other furniture and equipment 1,000- 5,000 EUR	-	-	-	-	-	-
Other goods and services	71	3	1	75	74	104
Heating fuel	204	20	-	224	157	138
Financial services	-	-	-	-	-	-
Registration and insurance expenses	13	1	-	14	12	8
Lack in cash box	-	-	-	-	-	-
Maintenance	50	3	1	54	49	52
Rent	-	-	-	-	-	-
Marketing expenses	9	4	-	13	18	22
Representation expenses	15	1	2	18	19	20
Court decision	-	-	-	-	-	-
Tax	-	-	-	-	-	-
Debt servicing	-	-	-	-	-	-
	461	35	15	511	433	454

Note 9 Utilities

Description	2012			Total €'000	2011	2010
	KCB €'000	OSR €'000	DDG €'000		€'000	€'000
Electricity	99	-	-	99	51	43
Water	15	-	-	15	12	8
Waste	39	-	-	39	16	23
Phone	11	-	-	11	8	13
Total payments	164	-	-	164	87	87

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 10 Subsidies and transfers

Description	2012					2011	2010
	KCB €'000	OSR €'000	DDG €'000	THPP €'000	Total €'000	€'000	€'000
Payment							
Subsidies for public entities	7	7	-	-	14	28	11
Subsidies for cultural entities	-	-	-	-	-	1	-
Subsidies for non public entities	-	17	-	-	17	34	20
Transfers for other governments	-	-	-	-	-	-	5
Payments for individual beneficiaries	-	8	-	-	8	10	25
Base pensions	-	-	-	-	-	-	-
Disabled pensions	-	-	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-	-	-
Pensions for KSF	-	-	-	-	-	-	-
Payment for war invalids	-	-	-	-	-	-	-
Payments for civil invalids	-	-	-	-	-	-	-
Payments for war victim families	-	-	-	-	-	-	-
Trepca provisional pensions	-	-	-	-	-	-	-
Court Decisions	-	-	-	-	-	-	-
Ministry of Labour and Social Welfare – Seasonal employment project	-	-	-	45	45	-	-
Total payments	7	32	-	45	84	73	61

Note 11 Capital Investments

Description	2012				2011	2010
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Payments						
Buildings	70	25	-	95	283	138
Roads construction	378	152	75	605	755	477
Waste water system	-	4	-	4	51	119
Water supply system	-	1	-	1	60	100
Energy, generation, transfer, and supply	-	-	-	-	12	38
Equipment over 1,000 Euro	25	20	-	45	22	77
Transport vehicles	-	-	-	-	49	-
Machinery	-	-	-	-	-	-
Other capital	113	75	-	188	162	-
Land	-	7	-	7	-	2
Intangible assets	-	-	-	-	-	-
Capital transfers for public entities	20	-	-	20	26	82
Capital transfers for non-public entities	25	5	-	30	23	-
Cour Decisions	-	-	-	-	-	-
Total payments	631	289	75	995	1,443	1,033

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

<u>Note 12</u>	<u>Other payments</u>	2012	2011	2010
Economic classification		€'000	€'000	€'000
	Ministry of Education and Science – construction of school in Begracë	-	-	26
	Ministry of Public Administration – construction of school in Vatë	-	-	91
	USAID/DEMI – Construction in city stadium "B.Begunca"	-	-	32
	CARITAS – Asphalting highway Biçec-Nikë	-	-	9
	CARITAS – Construction of sports center in Biçec	-	-	9
	HEIFER Kosova – Supply of farmers with cows	-	-	40
	Ministry of Infrastructure – Asphalting road in Çardak, K.Vjetër	-	-	211
	Ministry of Infrastructure – Asphalting road in Lumbardh village	-	436	286
	Ministry of Education and Science – construction of school "Te Kisi"	-	351	106
	European Union Office – Two projects “Kosova e Bukur”, implemented by IOM	-	139	-
	World Bank (WB) – Establishing registration center for businesses	-	11	-
	USAID/DEMI – Supply with IT equipment	-	3	-
	Ministry of Local Government Administration - Road construction Dubravë (Shorrë-Zhark)	80	-	-
	CARITAS – Limiting poverty through stable development - Fushe Elezaj	20	-	-
	CDF – Construction of Centre on communities - Kaçanik i Vjetër	46	-	-
	USAID/DEMI – Vertical and horizontal signaling of roads	20	-	-
	USAID/DEMI – Building of Youth Park - Shtepia e Kulturës "Xh.Kurtaj"	35	-	-
	USAID/DEMI – Supply with IT equipments of Gender equality Office	1	-	-
Total		202	940	811

Note 13 Return of borrowings

Description	2012	2011	2010
	€'000	€'000	€'000
Lender 1	-	-	-
Lender 2	-	-	-
Lender 3	-	-	-
Total	-	-	-

Note 14 Taxation

Description	Note	2012	2011	2010	% of total 2011	% of difference from 2010
		€'000	€'000	€'000		
Tax Revenues 1		-	-	-	%	%
Tax Revenues 2		-	-	-	%	%
Tax Revenues 3		-	-	-	%	%
Total		-	-	-	0%	%

Warning: The table relates only to taxes related to Customs and Tax Administration of Kosovo (“TAK”).

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 15 **Own Source Revenues**

Description	Note	2012	2011	2010	% total 2012	% of difference from 2011
		€'000	€'000	€'000		
Tax on property		152	149	190	35.7%	2.0%
Revenue from taxes 1		141	163	179	33.1%	-13.5%
Revenue from taxes 2		-	-	-	0.0%	0.0%
Revenues from fines-penalties 1		47	17	26	11.0%	176.5%
Revenues from fines-penalties 2		-	-	-	0.0%	0.0%
Revenues from licenses 1		19	88	88	4.5%	-78.4%
Revenues from licenses 2		-	-	-	0.0%	0.0%
Revenue from sale of assets and services		55	81	31	12.9%	-32.1%
Revenues from inspection		12	12	1	2.8%	0.0%
Revenues from bank interest		-	-	-	0.0%	0.0%
Fees on accreditation		-	-	-	0.0%	0.0%
Revenues from assets		-	-	-	0.0%	0.0%
Other revenues		-	-	-	0.0%	0.0%
Total OSR collected in the year		426	510	515	100.0%	-16.5%

Own source revenues presented in Section 13, for 2010 have been restated from EUR 432 thousand to EUR 515 thousand.

A change was made to the presentation in 2011 such that *Own Source Revenues* recorded in Section 13 *Budget Execution Report* comprise only OSR collected in the year, and no adjustment was made for the net of OSR carried and brought forward which for 2010 amounted to negative EUR 83 thousand respectively.

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 16 Grants and assistance

Donor	Description	Project	2012 €'000	2011 €'000	2010 €'000
Communit.Street Lekaj	Remain. Project (KP-70942)	Road construction Lekaj	-	-	-
Communit.Street Dallosh	Particip.comm. - (KP-72040)	Waste water system	-	7	-
Communit. Vilage.Bob	Particip.comm.- (KP-83198)	Dallosh	-	3	-
Communit.Street Thaq	Particip.comm. - (KP-83198)	Primary school sports hall	-	-	-
World Bank (WB)	130 - M/Sh,Ditura - (94118)	Rehab. of waste water sys.	-	2	7
World Bank (WB)	130 - M/Sh, SHMP - 94118	Inst.of education and devel.	-	6	8
Swiss Government	130 - M/Sh,Information-96135	Inst.of education and devel.	-	14	-
Swiss Government	130 -M/Sh, Mayrot O.96144	Support.Public Inf. Office	-	2	7
Swiss Government	Bashkëf. Projekti-(KP-83205)	Support.Gend. Equal Office	-	6	-
Swiss Government	130 - M/Sh, Code - 96126	Bridge contruction river Nerodime	-	26	-
UNOPS	130 - M/Sh, Code - 96701	SHMP "F.Guri and VII.Çaka"	-	10	-
Swiss Government	Capital investments-KP 83205	Support. Cit.Reg.- REKOS	-	3	-
Swiss Government	Capital investments-KP 86259	Bridge on Neredime river	25	-	-
Swiss Government	Capital investments-KP 96162	Pavement in Kacanik i Vjeter	49	-	-
Red Cross of Kosovo	Goods and services- KP-93902	Pavement from Bob to Kovaçec	45	-	-
		PHS "F.Guri dhe VII.Çaka"	2	-	-
Total grants provided by donors			121	79	22

Note 17 Capital Receipts

Property type	Gains from sales		
	2012 €'000	2011 €'000	2010 €'000
Land	-	-	-
Building	-	-	-
Infrastructure	-	-	-
Machinery	-	-	-
Equipment	-	-	-
Transport vehicles	-	-	-
Other	-	-	-
Total	-	-	-

Kaçanik Municipality
Section 14. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 18 Privatization Fund

POE	Gains from privatisation		
	2012	2011	2010
	€'000	€'000	€'000
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
Total	-	-	-

Note 19 Borrowings

Description	2012	2011	2010
	€'000	€'000	€'000
Lender 1	-	-	-
Lender 2	-	-	-
Lender 3	-	-	-
Lender 4	-	-	-
Lender 5	-	-	-
Total	-	-	-

Note 20 Other

Nature of revenue	2012	2011	2010
	€'000	€'000	€'000
Lottery game deposits	-	-	-
Regulatory committee deposit	-	-	-
Ministry of Justice deposit	-	-	-
Other deposit	-	-	-
Total	-	-	-

Note 21 to Note 27

Unlike notes 11 -16, these notes are used to explain material difference in column D on the Budget Execution Report, ie material differences in budget realizations. Depending on the size of the difference, there is no need to offer explanations for all categories.

21. Difference between payments and final budget for wages and salaries

Salaries and wages are lower than budgeted by EUR 43 thousand. This is due to less staff than anticipated in Mayor's Office, Administration, Budget and Finance, Agriculture and Urban Planning and Cadastre. Furthermore few staff anticipated to have increased salaries were not promoted. In Health Department the Municipality was not able to pay the night shift for the month of December until the following month, whereas in Education department, no additional classes were held as anticipated.

Kaçanik Municipality

Section 14. Notes to the financial statements

31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

22. Difference between payments and final budget for goods and services

Goods and services were lower by EUR 10 thousand mainly due to lower expenditures financed by the government grant of EUR 7 thousand, own source revenue of EUR 1 thousand, and donors' financing of EUR 2 thousand.

23. Difference between payments and final budget for utilities

Utilities were lower by EUR 1 thousand mainly due to lower expenses in education department.

24. Difference between payments and final budget for transfers and subsidies

There is a difference of EUR 8 thousand between the budgeted and actual expenses for subsidies. This is mainly due to unused funds for subsidies, as a result of lack of eligible requests. The unused funds will be carried forward to the budget for the year 2013.

25. Difference between payments and final budget for capital expenditure

Capital expenditures were lower by EUR 415 thousand. This is due to unused funds for capital investments such as "Asphalting the road in neighbourhoods Bunjak, Koraq dhe Mezin" in amount of EUR 54 thousand; grave yard of the town in amount of EUR 20 thousand; EUR 16 thousand not spent for the project of investments in agriculture; EUR 30 thousand for the project "Asphalting the road Dëshmorët e Lirisë" etc. The remaining unused funds represent projects that were anticipated to be realized in cooperation with citizens but which were not completed within this year.

26. Difference between payments and final budget for privatization fund

There are no differences in this economic category.

27. Difference between payments and final budget for other funds

There are no differences in this economic category.

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Statement of unpaid invoices (obligations) by the organization

Summary

Economic Category	Description	2012
		€'000
130	Goods and Serices	12.44
132	Utilities	0.50
300	Capital expenditure	0.50
Total		13.44

Details of unpaid invoices

Invoice date	Invoice number	Economic code	Due date	Supplier	Description	Reason for nonpayment	€'000
29.11.2012	671-2012	14220	28.11.2012	Zyra e Kryeministrit	Official paper	Lack of funds	0.12
31.12.2012	C-No.70/09	14410	15.01.2013	Kjamil Muhaxheri	Court decision	Lack of funds	0.68
30.11.2012	830/12	14220	30.12.2012	Gazeta "Epoka e Re"	Advertising	Lack of funds	0.10
27.11.2012	0012670.	13460	26.12.2012	FBT, NSH - Kaçanik Gjykata	Advertising	Lack of funds	0.36
11.12.2012	C-No.22/06	14410	26.12.2012	Komun.Kaçanik	Court taxes	Lack of funds	0.32
16.06.2011	69-A/2011	13780	15.07.2011	Shkëndija NTSH	Fuel	Invoice not received	0.11
30.09.2011	105-A/011	13780	29.10.2011	Shkëndija NTSH	Fuel	Invoice not received	0.38
30.11.2011	136-A/011	13780	29.12.2011	Shkëndija NTSH	Fuel	Invoice not received	0.04
31.12.2011	157-A/011	13780	30.01.2012	Shkëndija NTSH	Fuel	Invoice not received	0.01
30.08.2010	127-A/010	13780	29.09.2010	Shkëndija NTSH	Fuel	Invoice not received	0.03
26.03.2010	38-A/010	13780	25.04.2010	Shkëndija NTSH	Fuel	Invoice not received	0.40
30.09.2010	138-A/010	13780	29.10.2010	Shkëndija NTSH	Fuel	Invoice not received	0.26
24.12.2012	12-2288	31600	23.01.2013	ILIR Kosova, Prishtinë	IT equipment	Lack of funds	0.52

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Statements of invoices (obligations) unpaid by the organizations budget (continued)

Details of unpaid invoice

Invoice date	Invoice number	Economic code	Due date	Supplier	Description	Reason for nonpayment	€000
31.10.2012	12-210-001-758.	14220	30.11.2012	Gazeta "Zëri"	Advertising	Invoice not received	0.10
13.01.2010	246	13470	12.02.2010	Shtypshkronja "Era"	Advertising	Invoice not received	0.03
23.12.2009	243	13470	23.01.2010	Shtypshkronja "Era"	Advertising	Invoice not received	0.08
11.09.2009	151	13470	11.10.2009	Shtypshkronja "Era"	Penalties, Verbal note	Invoice not received	0.04
21.08.2009	134	13470	21.09.2009	Shtypshkronja "Era"	Covers	Invoice not received	0.55
28.07.2009	120	13470	28.08.2009	Shtypshkronja "Era"	Camera signs	Invoice not received	0.04
07.07.2009	105	13470	07.08.2009	Shtypshkronja "Era"	Inspection Verbal Note	Invoice not received	0.35
14.04.2009	44	13470	14.05.2009	Shtypshkronja "Era"	Evidence book	Invoice not received	0.04
12.02.2009	18	13470	12.03.2009	Shtypshkronja "Era"	Advertising	Invoice not received	0.25
19.02.2008	480	13470	19.03.2008	Shtypshkronja "Era"	Promotion "Bac u Kry"	Invoice not received	1.04
14.02.2008	478	13470	14.03.2008	Shtypshkronja "Era"	Urime Pavarësia –Promotion	Invoice not received	0.37
04.08.2007	397	13470	04.09.2007	Shtypshkronja "Era"	Advertising	Invoice not received	0.08
19.01.2007	259	13470	19.02.2007	Shtypshkronja "Era"	Recording books	Invoice not received	0.35
03.06.2004	60	13470	03.07.2004	Shtypshkronja "Era"	Advertising	Invoice not received	0.28
07.05.2004	43	13470	07.06.2004	Shtypshkronja "Era"	Invitations, notices	Invoice not received	0.02
14.04.2010	294	13470	14.05.2010	Shtypshkronja "Era"	Registration books	Invoice not received	0.30
16.12.2009	219	13470	16.01.2010	Shtypshkronja "Era"	Invitations for 11 June	Invoice not received	0.69
11.11.2009	198	13470	11.12.2009	Shtypshkronja "Era"	Invitation	Invoice not received	0.56
29.09.2009	169	13470	29.10.2009	Shtypshkronja "Era"	Certificates for the Soccer Team	Invoice not received	0.07
10.07.2009	107	13470	10.08.2009	Shtypshkronja "Era"	Receipts, evidential books	Invoice not received	0.03
08.09.2012	49	13470	08.10.2012	Shtypshkronja "Era"	Protocol book	Invoice not received	0.02
22.06.2011	48	13470	22.07.2011	Shtypshkronja "Era"	Call for vaccination	Invoice not received	0.08

Note 28 Statements of invoices (obligations) unpaid by the organizations budget (continued)

Details of unpaid invoice

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Invoice date	Invoice number	Economic code	Due date	Supplier	Description	Reason for nonpayment	€'000
21.05.2011	556	13470	21.06.2011	Shtypshkronja "Era"	Medical Report	Invoice not received	0.01
16.08.2010	74	13470	16.09.2010	Shtypshkronja "Era"	Certificates	Invoice not received	0.01
04.08.2010	378	13470	04.09.2010	Shtypshkronja "Era"	Advertising	Invoice not received	0.12
05.04.2010	56	13470	05.05.2010	Shtypshkronja "Era"	Advertising	Invoice not received	0.18
03.12.2009	212	13470	03.01.2010	Shtypshkronja "Era"	Certificates and business cards	Invoice not received	0.04
18.08.2009	141	13470	18.09.2009	Shtypshkronja "Era"	Business Cards – DAK	Invoice not received	0.25
31.08.2009	138	13470	30.09.2009	Shtypshkronja "Era"	Seal for schools	Invoice not received	0.28
16.07.2009	114	13470	16.08.2009	Shtypshkronja "Era"	Stone of appreciation	Invoice not received	0.01
22.06.2009	101	13470	22.07.2009	Shtypshkronja "Era"	Highschool notification	Invoice not received	0.04
18.06.2009	98	13470	19.07.2009	Shtypshkronja "Era"	Invitation for manifest	Invoice not received	0.04
07.04.2009	44	13470	07.05.2009	Shtypshkronja "Era"	Stamp for the school	Invoice not received	0.03
04.03.2009	35	13470	04.04.2009	Shtypshkronja "Era"	Business Card – DAK	Invoice not received	0.38
13.02.2009	24	13470	13.03.2009	Shtypshkronja "Era"	Notice	Invoice not received	0.04
02.02.2009	13	13470	02.03.2009	Shtypshkronja "Era"	Stamp for SHMP	Invoice not received	0.05
15.01.2009	4	13470	15.02.2009	Shtypshkronja "Era"	Notice	Invoice not received	0.03
13.06.2008	540	13470	13.07.2008	Shtypshkronja "Era"	Invitation for Concert	Invoice not received	0.37
27.05.2008	531	13470	27.06.2008	Shtypshkronja "Era"	Cardbord for sticking	Invoice not received	0.08
02.04.2008	499	13470	02.05.2008	Shtypshkronja "Era"	Stamp for “Agimi” QEAP	Invoice not received	0.17
12.07.2007	414	13470	12.08.2007	Shtypshkronja "Era"	Notice for soccer players	Invoice not received	0.18
19.07.2007	381	13470	19.08.2007	Shtypshkronja "Era"	Banner “Stop Smoking”	Invoice not received	0.02
02.08.2006	228	13470	02.09.2006	Shtypshkronja "Era"	Notice for Soccer Player	Invoice not received	0.13
15.07.2006	407	13470	15.08.2006	Shtypshkronja "Era"	Festive Diploma	Invoice not received	0.10
12.09.2005	166	13470	12.10.2005	Shtypshkronja "Era"	Brochure for painters	Invoice not received	0.05
10.09.2005	164	13470	10.10.2005	Shtypshkronja "Era"	Books	Invoice not received	0.13
19.08.2005	158	13470	19.09.2005	Shtypshkronja "Era"	Invitation for 10 August	Invoice not received	0.03
19.11.2004	96	13470	19.12.2004	Shtypshkronja "Era"	Flags for the tables	Invoice not received	0.08

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Statements of invoices (obligations) unpaid by the organizations budget (continued)

Details of unpaid invoice

Invoice date	Invoice number	Economic code	Due date	Supplier	Description	Reason for nonpayment	€'000
20.05.2004	55	13470	20.06.2004	Shtypshkronja "Era"	Invitation for 70 th anniversary B. Kycyku	Invoice not received	0.12
03.09.2011	631	13470	03.10.2011	Shtypshkronja "Era"	Writings-Honoring the victims	Invoice not received	0.23
02.08.2011	603	13470	02.09.2011	Shtypshkronja "Era"	Notices	Invoice not received	0.15
17.11.2009	206	13470	17.12.2009	Shtypshkronja "Era"	Notices	Invoice not received	0.10
18.06.2005	288	13470	18.07.2005	Shtypshkronja "Era"	Book Hajdar Loku	Invoice not received	0.30
13.04.2004	31	13470	13.05.2004	Shtypshkronja "Era"	Tickets KF "Lepenci"	Invoice not received	0.06
31.12.2012	0018383	13130	31.01.2013	Duraja Turs	Travel expense	Lack of funds	0.18
30.11.2012	148-A/12	13770	31.12.2012	Shkëndija NTSH	Fuel	Lack of funds	0.04
06.12.2012	0002964	13460	06.01.2013	Xili	Advertising	Lack of funds	0.09
24.11.2012	296/12	13130	24.12.2012	Merkatorit	Travel expense	Invoice not received	0.12
05.12.2012	287189492 012	13250	04.01.2013	PTK	Utilities	Invoice not received	0.35
05.12.2012	287129492 0012	13250	04.12.2013	PTK	Utilities	Invoice not received	0.05
05.12.2012	287526182 012	13250	04.01.2013	PTK	Utilities	Invoice not received	0.09
05.12.2012	287428612 012	13250	04.01.2013	PTK	Utilities	Invoice not received	0.01
TOTAL							13.44

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 29: Contingent Liabilities

Nature of contingent liabilities	Reason for liability	Estimated or exact value		
		2012 €'000	2011 €'000	2010 €'000
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
Total		-	-	-

Section 16 Disclosure of assets

Note 30: Summary of non financial capital assets (over EUR 1,000) in possession by the organizations' budget

Classification of assets	2012 €'000	2011 €'000	2010 €'000
Buildings	10,399	10,856	5,196
Land	19,254	19,254	19,254
Equipment and inventory	471	511	473
Infrastructure-roads	28,904	28,595	7,330
Waste water system	1,513	1,628	1,517
Water supply system	100	167	107
Vehicles	228	266	252
Other	981	961	431
Total	61,850	62,238	34,560

Note:

- 1) The source of information is the register of property with value over EUR 1,000 in KFMIS

Note 31: Summary of non financial capital assets with the value under 1,000 EUR and with term of use over one year

Non financial capital assets (value under EUR 1,000)

Classification of assets	2012 €'000	2011 €'000	2010 €'000
Furniture and equipment	26	28	-
Total	26	28	-

Note 32: Summary of inventory at the end of the period

Inventory

Classification of assets	2012 €'000	2011 €'000	2010 €'000
Inventory	1	1	-
Total	1	1	-

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 33: Unjustified Loans and advances

Issue date	CPO No.	Reason	2012 €'000
-	-	-	-
Total			-

Note 34 Receivables (applied to those organizations that receive revenues)

Economic code	Description	2012 €'000
40110	Revenues from tax on property	823
50029	Tax on business	24
50405	Tax for municipal land usage	61
Total		908

Note: 1) The source of information is the account register of receivables at the Municipality.

Section 17 Note 35 Summary of Carried Forward Own Source Revenues

	2012 €'000	2011 €'000	2010 €'000
Own source revenues carried over from last year	120	202	119
Own Source Revenues received this year by section			
<i>Plus</i> 15	426	510	515
Total available for sharing in the current year	546	712	634
<i>Minus</i> The amount spent in the current year	(372)	(592)	(432)
The amount left for transfer	174	120	202

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Section 18 Note 36 Reconciliation between Original and Final Budget Appropriations

Appropriation Category	Changes authorized by LPFMA							Final Budget Appropriation KFMIS €'000	Adjustment from Original Budget €'000
	Initial budget disposal of (Law on Budget) €'000	Changed according to article 29 Law No. 03/L-048 €'000	Changed according to article 30 Law No. 03/L-048 €'000	Changes according to article 31 Law No. 03/L-048 €'000	Changes of own source revenue €'000	Changes for donor grants defined	Changes for other sources of finance		
Revenues									
Tax	-	-	-	-	-	-	-	-	0.0%
Own source revenues	593	-	-	-	-	-	-	593	0.0%
Designated donor grants	-	-	-	-	-	-	121	121	100.0%
Capital receipts	-	-	-	-	-	-	-	-	0.0%
Privatization funds	-	-	-	-	-	-	-	-	0.0%
Other	-	-	-	-	-	-	-	-	0.0%
	593	-	-	-	-	-	121	714	20.4%
Expenses									
Wages and Salaries	3,762	-	-	-	-	9	-	3,771	0.2%
Goods and services	402	92	-	-	-	10	17	521	29.6%
Public services	84	81	-	-	-	-	-	165	96.4%
Transfers and subsidies	30	7	-	-	-	10	-	47	56.7%
Capital expenditures	1,180	20	-	-	-	91	119	1,410	19.5%
Privatization funds	-	-	-	-	-	-	-	-	0.0%
Other	-	-	-	-	-	-	-	-	0.0%
Total	5,458	200	-	-	-	120	136	5,914	8.4%

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Section 19. Employees number

Department	Total full time & part time no. of employees	Actual number of employees at the beginning of 2012		Actual number of employees at the end of 2012	
		Full time	Part time	Full time	Part time
Mayor Office	14	14	-	14	-
Administration	26	25	-	25	-
Budget and Finance	14	13	-	14	-
Public services and emergency	26	26	-	26	-
Local office of community	1	1	-	1	-
Agroculture , Forestry and Rural Development	14	13	-	13	-
Urban planning	13	13	-	13	-
Total Municipal Administration	108	105	-	106	-
Health	115	115	-	115	-
Education, Science and Culture	573	579	3	579	3
Total	796	799	3	800	3

Kaçanik Municipality
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Section 20.

Report on taken and proposed actions on findings and recommendations of the Auditor for the prior year

No	Recommendation or finding	Taken or proposed action	Deadline for implementation	Effect
1	An automatic system for all types of taxes, reconciliations between revenue officer and operational departments and measures should be taken to increase the collection of revenue from various taxes	Providing a unique software, licensed by the MoF; Reconciliation of collected revenues and continuous improvement of collection rate of municipal own source revenues (OSR)	Year 2012	Improvement of billing system, reconciliation of revenues between Mayor of the Municipality and departments that collect revenue, with the sole purpose to ensure safe control, effective in the process of billing and revenue collection
2	All efforts should be made to improve expenditure procedures	Improved controls over the processing of expenses and payments	Year 2012	Consistent application of legal provisions
3	All efforts should be made to pay all outstanding invoices within the required timeframe	Regulation of process of recording all invoices received	Year 2012	Implementation of LPMFP, no.03/L-048 (Article 39.1)
4	The regulation over the cash management of budget organisations should be strictly followed	Review of limit for cash receipt and their deposit in the bank accounts	Year 2012	Improvement of system for received cash management