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AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF
HANI I ELEZIT AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2010

Pristina, June 2011

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I. Executive Summary

KPMG has carried out an audit of the Annual Financial Statements of the Municipality of Hani i Elezit (“Municipality”) for the year ended 31 December 2010.

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

Below please find an extract taken from our audit opinion in page 7 of this document:

“In our opinion, except for the omission of the information described in paragraphs 1 and 2 of the basis of qualified opinion paragraphs, the financial statements present fairly in all material aspects the receipts and payments for the year ended 31 December 2010 in accordance with the Cash Basis International Public Sector Accounting Standards (‘IPSAS’) for Financial Reporting Under the Cash Basis of Accounting and with Administrative Instruction No. 16/2010 On Annual Reporting of Budget Organizations.”

The main messages to the Mayor, which led to qualification of our audit opinion are:

- 1 The Municipality has not disclosed complete amounts in respect of property, plant and equipment in Note 27 to the financial statements. In addition, there are a number of deficiencies and uncertainties which affect the Municipality’s financial reporting of property, plant and equipment in the following ways:
 - The Municipality has not maintained a comprehensive register of its property, plant and equipment.
 - The Municipality has no detailed and comprehensive list of real estate property including ownership documentation of such property and information on the registration status in the Municipality’s name in the local Real Estate Register or Court.

Due to the nature of the records and other deficiencies as described above, we were not able to determine which adjustments might be necessary to the financial information provided in the Municipality’s financial statements.

- 2 The comparative informations for the year ended 31 December 2008 are not complete and accurate. In particular, the following was omitted or improperly disclosed in the financial statements:
 - Payments from third parties, in Section 9 Statement of Cash Receipts and Payments, were not disclosed for the year ended 31 December 2008.

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 you to ensure:

- The financial statements are prepared in compliance with the administrative instruction and IPSAS;
- A comprehensive list of property, plant and equipment is maintained;
- An automated billing system for all types of taxes is put in place;
- Reconciliations of revenues between the own source revenue officer and operational departments are performed;
- Measures are taken to increase the collection of revenues from various taxes;
- An internal audit function and Audit Committee are established.

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 our recommendations regarding Financial Statements, Internal Control Systems, Capital and non capital assets, Debts and establishment of an Audit Committee and Internal Audit function. While, they partially agreed with our recommendations in the areas of Revenues.

Refer to Appendix 1 for Management's comments to our recommendations and our response to them.

II. Introduction

This audit relates to the annual financial statements of the Municipality of Hani i Elezit as at and for the year ended 31 December 2010.

It is the responsibility of the Municipality to prepare financial statements in accordance with Administrative Instruction 16/2010 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 2010.

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.

We carried out an interim audit of the Municipality. During that stage of the audit process we addressed the Municipality’s handling of recommendations given earlier and the quality of financial management. Based on this we have given advice to the management. Our recommendations also included advice related to improvements for the financial statements to be in compliance with Administrative Instruction 16/2010 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”. Our recommendations were submitted through an audit memorandum dated 8 December 2010.

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 2010;
- Determined whether the Municipality’s Annual Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting” and Administrative Instruction no. 16/2010;
- 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, documents checking, and physical verification to assess the validity and propriety of financial transactions;

In this report we summarise the audit and provide our opinion on the Annual Financial Statement as at and for the year ended 31 December 2010.

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 Appendix 2 which includes an extract from ISSAI 4000.

III. Audit Opinion

Independent Auditors' Report

To the Municipal Assembly

Hani i Elezit Municipality, Kosovo

Pristina, 3 June 2011

We were engaged to audit the accompanying financial statements of Municipality of Hani i Elezit ("the Municipality"), which comprise the statement of cash receipts and payments for the year ended 31 December 2010, 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 Administrative Instruction No. 16/2010 *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 international standards issued by the International Organisation of Supreme Audit Instructions (INTOSAI). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about and 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1 The Municipality has not disclosed complete amounts in respect of property, plant and equipment in Note 27 to the financial statements. In addition, there are a number of deficiencies and uncertainties, which affect the Municipality's financial reporting of property, plant and equipment in the following ways:

- The Municipality has not maintained a comprehensive register of its property, plant and equipment.
- The Municipality has no detailed and comprehensive list of real estate property including ownership documentation of such property and information on the registration status in the Municipality's name in the local Real Estate Register or Court.

Due to the nature of the records and other deficiencies as described above, we were not able to determine which adjustments might be necessary to the financial information provided in the Municipality's financial statements.

2 The comparative informations for the year ended 31 December 2008 are not complete and accurate. In particular, the following was omitted or improperly disclosed in the financial statements:

- Payments from third parties, in Section 9 Statement of Cash Receipts and Payments, were not disclosed for the year ended 31 December 2008.

Qualified Opinion

In our opinion, except for the omission of the information described in paragraphs 1 and 2 of the basis of qualified opinion paragraphs, the financial statement present fairly in all material aspects the receipts and payments for the year ended 31 December 2010 in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Administrative Instruction No. 16/2010 *On Annual Reporting of Budget Organizations*.

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 payments from third parties, property, plant and equipment or outstanding invoices, it can not be used to produce comprehensive financial statements.
- 2 Although the Mayor and Chief Financial Officer had signed the Declaration regarding presentation of the financial statements, the Municipality was not able to deliver a final draft of financial statements in Serbian by the end of our audit.
- 3 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.
- 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 a formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

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IV. Status of Prior Years Recommendations

Our management letter, as at and for the year ended 31 December 2009, identified five main recommendations. One of these recommendations concerning wages and salaries has been fully addressed, while the remaining four recommendations have yet to be addressed:

- The financial statements should be prepared in compliance with the actual administrative instruction and IPSAS;
- A comprehensive list of property, plant and equipment should be maintained;
- 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
- An internal audit function and Audit Committee should be established.

Failure to fully address our given recommendations, has led us to have similar findings as in 2009.

V. Financial outcome compared to approved budget

The analysis of Actual Outcome in the Financial Statements compared the Approved Budget indicates:

Table 1: Overview of budget and actual spending

Description	Initial Budget	Reviewed Budget	Final Budget	2010 Actual	2009 Actual
Government Grant - Budget	1,127,000	1,160,000	1,160,000	1,151,000	1,022,000
Own Source Revenues	128,000	128,000	275,000	251,000	188,000
Domestic Donations	-	-	-	-	-
External Donations	-	-	27,000	27,000	10,000
Total of revenues and transfer of Donations	1,255,000	1,288,000	1,462,000	1,429,000	1,220,000
Wages and Salaries	736,000	756,000	756,000	748,000	647,000
Goods and Services	156,000	169,000	185,000	185,000	141,000
Utilities	29,000	29,000	31,000	31,000	22,000
Subsidies and Transfers	8,000	8,000	30,000	30,000	25,000
Capital Investments	326,000	325,000	460,000	435,000	385,000
Reserves	-	-	-	-	-
II. Total of Expenditures	1,255,000	1,288,000	1,462,000	1,429,000	1,220,000
Difference I-II	-	-	-	-	-

The budgeted amounts are extracted from the following sections within the Financial Statements as at and for the year ended 31 December 2010: Section 10 *Budget Execution Report*; and Section 17 Note 31 *Reconciliation between Original and Final Budget Appropriations*.

VI. Financial Statements

VI.1 Compliance regarding the external reporting

Requirements in LPFMA No. 03/L-048 and Administrative Instruction 16/2010 “AI 16/2010”.

- The Municipality has prepared the financial statements according to AI 16/2010 except for completeness and disclosures of property, plant and equipment in note 27 to the Financial Statements;
- The Financial Statements have been signed by the Chief Administrative Officer and Chief Financial Officer of the audited body;
- The Financial Statements was signed within the required time frame on 29 January 2010 and Submitted to Ministry of Economy and Finance (MEF);
- The Financial Statements were submitted only in the Albanian Language; and
- The Municipality has prepared and submitted regular quarterly reports to the Minister of MEF during 2010.

Recommendation 1

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.

The Municipality should also prepare financial statements in Serbian language.

VI.2 Information Quality

Findings

Our audit findings and recommendations throughout this document indicate that improvements need to be made in the quality of information received and presented by the Municipality.

Recommendation 2

Please see our recommendations throughout this document for advice on how quality of information can be improved.

VII. Budget Execution

VII.1 Revenues (including own source revenues)

Findings

- *Billing systems.* An automated billing system exists only for tax on property. The Municipality's billing for business licenses and rental income is not recorded. Instead only cash collections from such revenue streams are recorded.
- *Collection of revenues.* 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 neither report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis.
- *Reconciliation of Revenues.* There was no reconciliation between records kept by accounting, own source revenue officer and the operational departments up to 31 December 2010.
- *Revenue from business licenses.* The Municipality does not obtain from the Ministry of Trade and Industry the total number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses may not be charged.
- *Revenue from tax on property.* At the end of 2008, the Municipality established a property valuation committee, which identified a number of new properties representing approximately 40% of the total number of properties. No update was done to this list in 2009 and 2010. This list was used to charge tax on property for 2010.
- *Segregation of duties.* The tax on property department consists of only one person who was responsible for registration of new properties, preparation of relevant documents as well as entering new applicants in the automated billing system. Due to the lack of segregation of duties, errors may occur that are not corrected on a timely basis.
- *Weaknesses in the automated billing system.* 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.

Recommendation 3

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:

- 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.
- Perform regular reconciliations of the billing system and accounting software on a regular basis for all types of revenues. Any reconciling differences should be promptly followed up and cleared in a timely manner.
- 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.

VII.2 Expenditures

2.1 Purchases through Procurement

Findings

No findings to report in this area.

2.2 Other purchases

Findings

No findings to report in this area.

2.3 Remuneration (Wages and Salaries)

Findings

No findings to report in this area.

VII.3 Subsidies and Transfers

Findings

No findings to report in this area.

VII.4 Assets and Debts

4.1 Cash and cash equivalents

Findings

No findings to report.

4.2 Handling of receivables

Findings

No findings to report.

4.3 Capital and non capital assets

Findings

The Municipality has not maintained a comprehensive register of its property, plant and equipment up to 31 December 2010.

Furthermore, the Municipality has not prepared a detailed and comprehensive list of real estate property including documentation of the ownership of such property and information about registration status in the Municipality's name in the local Real Estate Register or at Court.

Although the Municipality established a registration and valuation committee in 2009, the registration and valuation of the assets by the Municipality has not started. The registration and valuation committee did not conclude any work and accordingly assets have not been registered or valued as at 31 December 2010.

No physical fixed asset count was performed for 2010, without such physical count we were not able to verify the physical existence of the assets.

Recommendation 4

We recommend the Mayor ensures that the Municipality considers the following:

- Maintain a comprehensive register of property, plant and equipment.
- Involve additional resources in the registration and valuation of the assets of the Municipality. Involvement of independent and certified appraisers is recommended as the best practice in such cases.
- Perform regular physical counts to ensure the existence of the assets and their condition and agree the results of the counts with the accounting records and the register.
- Make additional efforts in relation to confirming the ownership and registration of real estate.

4.4 Debts

The total of outstanding liabilities not paid to suppliers as at the end of 2010 was EUR 9,433. These liabilities are carried forward to be paid in 2011.

Findings

Section 13.1 of Administrative Instruction No.16/2010 on Annual Reporting of Budget Organizations states that: *“For all goods and services received, regardless of the economic category, budget organizations must pay for them by end of fiscal year – 31 December 2010”*. We noted that the Municipality has presented unpaid invoices related to goods and service in section 13, Note 25 of the Financial Statements for the year ending 31 December 2010.

Recommendation 5

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.

VIII. Management Control

VIII.1 Internal Control Systems

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, property, plant and equipment or outstanding invoices, it cannot be used to produce comprehensive financial statements for the year ended 31 December 2010.

As a consequence of the above weaknesses, the following was omitted or improperly disclosed in the financial statements as at 31 December 2010:

- Section 16, Note 27. 'Non-financial assets'

Recommendation 6

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.

VIII.2 Internal Audit

Findings

The Municipality has not established an Audit Committee and an Internal Audit function.

Recommendation 7

We recommend the Mayor ensures that the Municipality considers the establishment of an Internal Audit function and an Audit Committee with members having relevant expertise of financial reporting and internal controls. The Audit Committee should establish appropriate policies and procedures to ensure a high standard of corporate governance. The Audit Committee should review the current status and propose actions for improvement on the following:

- Municipality's accounting and financial reporting process;
- Assessment of internal control systems implemented by management;
- Internal and external audit processes;
- Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements; and
- Internal Audit plan and follow-up of Internal Audit findings.

IX. Overall conclusion on the Management of Municipality of Hani i Elezit

General conclusions

Please see audit opinion.

Overall Recommendation

- The financial statements should be prepared in compliance with the actual administrative instructions and IPSAS;
- A comprehensive list of property, plant and equipment should be maintained;
- 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
- Internal Audit function and Audit Committee should be established.

Annex 1 Municipality's comments and KPMG response

<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			The financial officer responsible for the preparation of the financial statements has not attended any training for the preparation of the financial statements, as not such training was organized by MEF. The Municipality has no translator for translation of financial statements in Serbo-Croatian language.	Municipality agrees with our recommendations.
<p><u>Recommendation 3:</u> 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</p>		X		We agree with you recommendations with regard to point one. We do not agree with the second point as we consider that we have all the registers for the debtors while all the other payment is performed as the service incurred. We have all the necessary controls in place in order to increase	Municipality partially agrees with our recommendations.

<p>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:</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. • Perform regular reconciliations of the billing system and accounting software on a regular basis for all types of revenues. Any reconciling differences should be promptly followed up and cleared in a timely manner. • 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>the collectability of the revenues but we you have to consider that the due inherited from Kacaniku Municipality was large.</p> <p>We partially agree with point three of your recommendation.</p> <p>With regard to point four we still do not have such list as we do not have a code within the Ministry of Trade and Industry as all the businesses are evidenced on the list of Kacaniku Municipality. We issue invoices to all these business that pertain to our Municipality and they have the right to complain in cases their business is not active in order to delete them from this list when they present all the necessary evidence.</p> <p>With regard to tax on property we do not have enough staff employed in this department in order to update the list with the new properties to be taxed. Regarding the tax on property software we would like to mention that this is software used by all the Municipalities.</p>	
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<ul style="list-style-type: none"> • Ensure the implementation of proper control procedures on cash collections. 					
<p><u>Recommendation 4:</u></p> <p>We recommend the Mayor ensures that the Municipality considers the following:</p> <ul style="list-style-type: none"> • Maintain a comprehensive register of PPE. • Involve additional resources in the registration and valuation of the assets of the Municipality. Involvement of independent and certified appraisers is recommended as the best practice in such cases. • Perform regular physical counts to ensure the existence of the assets and their condition and agree the results of the counts with the accounting records and the register. • Make additional efforts in relation to confirming the ownership and registration of real estate. 	X			<p>With regard to the first point we agree with your recommendations and hope that with a new structuring of the job positions, we will establish a commission which will count and record all the assets during 2011.</p> <p>With regards to point two, we had not completely separated the cadastre office from Kacaniku Municipality and all information had to be required from them. Since June 2010, such issues were resolved and all the information exists within our Municipality. Based on this information and the commission that will be established, we will be able to have a complete list with valued assets as at 31 December 2011.</p> <p>With regards to point three we agree with your recommendations and will establish a commission to perform the asset count.</p> <p>With regards to point four we hope to have soon a comprehensive list of Municipalities assets, which will make easier the count of assets and valuation of assets.</p>	Municipality agrees with our recommendations.
<p><u>Recommendation 5</u></p> <p>We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly</p>	X			We have disclosed in section 13 of the financial statements all the unpaid invoices due to the fact that several invoices of December 2010 were received later and several invoices for goods	Municipality agrees with our recommendations.

<p>comply with laws and local regulatory requirements.</p>				<p>and services that were not paid on time due to insufficient funds.</p>	
<p><u>Recommendation 6</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. With regards to the completeness of third party payments, we would recommend that the Municipality gather information from various Ministries that have recorded such payments.</p>	<p>X</p>			<p>The financial officer responsible for the preparation of the financial statements has not attended any training for the preparation of the financial statements, as no such training was organized by MEF.</p>	<p>Municipality agrees with our recommendations.</p>

<p><u>Recommendation 7</u></p> <p>We recommend the Mayor ensures that the Municipality considers the establishment of an Internal Audit function and an Audit Committee with members having relevant expertise of financial reporting and internal controls. The Audit Committee should establish appropriate policies and procedures to ensure a high standard of corporate governance. The Audit Committee should review the current status and propose actions for improvement on the following:</p> <ul style="list-style-type: none"> • Municipality’s accounting and financial reporting process; • Assessment of internal control systems implemented by management; • Internal and external audit processes; • Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements; • Internal Audit plan and follow-up of Internal Audit findings. 	X			<p>During 2010 we were not allowed by MEF to increase the number of employees and were unable to establish these two functions within the Municipality.</p>	<p>Municipality agrees with our recommendations.</p>
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Annex 2 Different types of Audit Opinions applied by KPMG in the Annual Audit Report 2010

(Extract from ISSAI 4000)

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 judgment, 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.

Hani i Elezit Municipality

Financial Statements

as at and for the year ended 31 December 2010

(with independent auditors' report on financial statements thereon)

II. DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS

To: **Lulzim Ismajli, Director of Treasury**

From: **Permanent Secretary (Chief Executive Officer) and Chief Financial Officer**

In our opinion, the attached consolidated financial statements and the notes to these statements for the year ended on 31 December 2010 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 No. 03/L-048 and Law no 03/L-221 on amendments to the LPFMA and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo General Budget financial statements of the budget organizations for the year ended on 31 December 2010.

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 Kosovo Consolidated Budget 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 2010.

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.

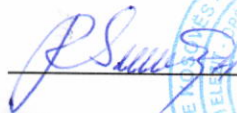
There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto.

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

In our opinion, the attached consolidated financial statements give a true and fair presentation of the finances and financial transactions for the year ended on 31 December 2010 of Municipality of Hani i Elezit.

Date: 31 May 2011

Signature and stamp:



Chief Administrative Officer

Date: 31 May 2011

Signature and stamp:



Chief Financial Officer



Hani i Elezit Municipality
Section 9. Statement of Cash Receipts and Payments
for the year ended 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2010			2009			2008		
		Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties
		Kosovo Consolidated budget ('KCB')	OSR		KCB	OSR		KCB	OSR	
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Receipts										
General Fund Appropriations	2	1,151	251	-	1,022	188	-	780	66	-
Special Purpose Fund Appropriations		-	-	-	-	-	-	-	-	-
Designated Donor Grants	3	-	27	-	10	-	-	70	-	-
Other Receipts	4	-	-	378	-	-	371	-	-	-
Total receipts		1,151	278	378	1,032	188	371	850	66	-
Payments										
<i>Operations</i>										
Wages and Salaries	5	748	-	-	645	2	-	492	-	-
Goods and Services	6	169	16	-	141	-	-	146	-	-
Utilities	7	29	2	-	22	-	-	28	-	-
		946	18	-	808	2	-	666	-	-
<i>Transfers</i>										
Transfers and Subsidies	8	8	22	-	8	17	-	8	-	-
<i>Capital Expenditures</i>										
Property Plant and Equipment	9	197	238	-	216	169	371	176	66	-
Other Payments	10	-	-	378	-	-	-	-	-	-
Total payments		1,151	278	378	1,032	188	371	850	66	-

Hani i Elezit Municipality
Section 10. Budget Execution Report
for the year ended 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

		<u>2010</u>				<u>2009</u>	<u>2008</u>
		Original Budget (Appropriation)	Final Budget (Appropriation)	Payments	Variance D=C-B	Payments	Payments
		A	B	C	D=C-B	E	F
<u>Notes</u>		<u>EUR '000</u>	<u>EUR '000</u>	<u>EUR '000</u>	<u>EUR '000</u>	<u>EUR '000</u>	<u>EUR '000</u>
Cash inflows into Treasury account							
Taxation	11	-	-	-	-	-	-
General fund		1,127	1,160	1,151	(9)	1,022	780
Own Source Revenues 2010	12, 29	128	215	111	(104)	77	66
Own Source Revenues 2009	12, 29	-	140	140	-	111	-
Grants and Aid	13	-	27	27	-	10	70
Capital receipts	14	-	-	-	-	-	-
Other	16	-	-	-	-	-	-
Total Receipts collected for KCB		1,255	1,542	1,429	(113)	1,220	916
Cash outflows from Treasury account							
Wages and Salaries	17	736	756	748	(8)	647	492
Goods and Services	18	156	185	185	-	141	146
Utilities	19	29	31	31	-	22	28
Transfers and Subsidies	20	8	41	30	(11)	25	8
Capital Expenditures	21	326	529	435	(94)	385	242
Privatization Fund	22	-	-	-	-	-	-
Other	23	-	-	-	-	-	-
Total Payments made from KCB through STA		1,255	1,542	1,429	(113)	1,220	916

Hani i Elezit Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

1. Accounting Policies

a) 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. 16/2010 *On Annual Reporting Of Budget Organizations*.

The accounting policies have been applied consistently throughout the period.

b) Reporting entity

The financial statements are for a public sector entity: Municipality of Hani i Elezit ('the Municipality').

The Municipality does not operate its own bank account. The Government operates a centralized treasury function which administers cash expenditures incurred by the Municipality during the financial year. This function is referred to as the "Treasury Single Account" or "TSA". Payments made on this account in respect of the Municipality are disclosed in the Treasury Account column in the Statement of Cash Receipts and Payments and other financial statements.

c) 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 the third parties do not constitute cash receipts or payments of the Municipality but do benefit the Municipality. The Municipality presents separately by source the payments in the Statement of Cash Receipts and Payments and other financial statements.

d) Reporting currency

The reporting currency is Euro.

e) Receipts and payments

Receipts (Revenues) are recognized once they come under the control of the Government. This means cash which is transferred to the Treasury Account with Central Bank of Kosovo ('CBK'), cash held in commercial bank accounts awaiting transfer to the CBK Treasury account and cash collected by officers of the Municipality awaiting transfer to the CBK Treasury Account.

Payments (Expenditures) are recognized once they are paid from the Kosovo Consolidated Fund ('KCF') bank account.

f) Transfers

Amounts are transferred to eligible recipients in accordance with the operating mandate and authority of the Municipality.

g) Budgets

The information presented under the original, reviewed and final budgets is publicly available and the primary source of information is as follows:

- The Original Budget is approved by the Law No. 03/L-177
- The Reviewed Budget is approved by Law No. 03/L-218
- The Final Budget is included in the Kosovo Financial Management Information System and is also published as part of the consolidated financial statements of the Government of Kosovo.

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

2. General Fund Appropriations

Economic classification	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Wages and Salaries	748	-	748	647	491
Goods and Services	169	16	185	141	147
Utilities	29	2	31	22	28
Subsidies and Transfers	8	22	30	25	8
Capital Outlays	197	211	408	375	172
Total	1,151	251	1,402	1,210	846

3. Designated Donor Grants

	2010	2009	2008
	EUR '000	EUR '000	EUR '000
Wages and Salaries	-	-	-
Goods and Services	-	-	-
Utilities	-	-	-
Subsidies and Transfers	-	-	-
Capital Outlays	27	10	70
Total	27	10	70

4. Other Receipts

Other receipts during the year 2010 represent payments from third parties for capital investments, road construction and other capital structures. The total by third party is detailed below:

	2010	2009	2008
	EUR '000	EUR '000	EUR '000
Ministry of Local Government			
Administration	136	134	-
Caritas Luxemburg	-	20	-
Community Development Initiatives	217	217	-
USAID	25	-	-
Total	378	371	-

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

5. Wages and Salaries

Description	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Payments from KCF					
Net salaries	650	-	650	528	409
Personal Income Tax	24	-	24	21	21
Employer pension contribution	36	-	36	31	23
Employee pension contribution	36	-	36	31	23
Payments for Unions 0.10% to 0.50%	2	-	2	1	1
Overtime payments	-	-	-	-	-
Daily payments for Parliament and committee members	-	-	-	35	15
	748	-	748	647	492
Payment from Grants					
Full time salaries	-	-	-	-	-
Overtime wages	-	-	-	-	-
Contracted payments	-	-	-	-	-
	-	-	-	-	-
Total	748	-	748	647	492

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

6. Goods and Services

Description	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Payments from KCF					
Travel expenses	14	-	14	4	11
Telecommunication services	4	-	4	4	4
Contractual services	24	3	27	17	10
Compensations for attending trials	-	-	-	-	-
Furniture and equipment	8	-	8	1	27
Other expenditures	43	1	44	55	10
Fuel	38	8	46	32	45
Advances	-	-	-	-	-
Financial services	-	-	-	-	1
Maintenance and repair	18	-	18	13	25
Rent	-	-	-	-	-
Marketing expenditures	2	-	2	3	1
Representation expenditures	18	4	22	12	12
	169	16	185	141	146
Payment from Grants					
Travel expenses	-	-	-	-	-
Telecommunication services	-	-	-	-	-
Contractual services	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Other expenditures	-	-	-	-	-
Fuel	-	-	-	-	-
Advances	-	-	-	-	-
Financial services	-	-	-	-	-
Maintenance and repair	-	-	-	-	-
Rent	-	-	-	-	-
Marketing expenditures	-	-	-	-	-
Representation expenditures	-	-	-	-	-
	-	-	-	-	-
Total	169	16	185	141	146

7. Utilities

Description	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Utilities paid from the KCF	29	2	31	22	28
Utilities paid from Grants	-	-	-	-	-
Total	29	2	31	22	28

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

8. Transfers and Subsidies

Description	2010		2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000
Payments from KCF				
Subsidies	-	-	-	-
Subsidies for public entities	5	-	5	3
Subsidies for non-public entities	-	1	1	-
Payments for individual beneficiaries	3	13	16	5
Base pensions	-	-	-	-
Disabled pensions	-	-	-	-
Pensions or social assistance	-	-	-	-
Payments for war invalids	-	-	-	-
Payments for war victims families	-	8	8	-
Trepca provisional pensions	-	-	-	-
	8	22	30	25
Payment from Grants				
Subsidies	-	-	-	-
Subsidies for public entities	-	-	-	-
Subsidies for non-public entities	-	-	-	-
Payments for individual beneficiaries	-	-	-	-
	-	-	-	-
Total	8	22	30	8

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

9. Property, Plant and Equipment

Description	2010		2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000
Payments from KCF				
Buildings	17	-	17	18
Land expropriation	-	23	23	-
Road construction	57	11	68	59
Sidewalks	-	20	20	-
Waste and water system	46	10	56	73
Water supply system	28	99	127	-
Energy, generation, transfer, and supply	1	-	1	11
Machinery	-	-	-	27
IT equipment	6	-	6	-
Other capitals	42	48	90	187
	197	211	408	375
Payment from Grants				
Buildings	-	20	20	-
Road construction	-	7	7	10
Waste and water system	-	-	-	-
Water supply system	-	-	-	-
	-	27	27	10
Total	197	238	435	385

10. Other Payments

Description	Donator	2010
		Amount EUR '000
Water and waste system in Paldenica village	Ministry of Local Government Administration	136
Water supply "Dinca"	Community Development Initiatives	217
Purchase for equipment for the Municipality	USAID	25
Total		378

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

11. Taxation

Description	Note	2010	2009	2008	% of	% of
		Original Budget EUR '000	EUR '000	EUR '000	total 2010	difference From 2009
Customs	12.1	-	-	-	-	-
Tax Administration	12.2	-	-	-	-	-
Other tax	12.3	-	-	-	-	-
Total		-	-	-	-	-

12. Own source revenues

Description	2010	2009	2008	% of	% of
	EUR '000	EUR '000	EUR '000	2010 total	Difference from 2009
Income from tax on property	54	65	53	25%	-17%
Administrative Tax revenues 12.1	30	28	25	14%	7%
Penalties-fines revenues	15	15	13	7%	0%
Licenses revenues	100	103	20	47%	-3%
Professional services licenses revenues	-	-	-	0%	0%
Professional services licenses on use of forests	-	-	-	0%	0%
Contributions revenues	-	-	-	0%	0%
Sale of Services revenue	-	-	-	0%	0%
Participation revenues	3	3	3	1%	0%
Inspection revenues	-	1	1	0%	-100%
Civil aviation revenues	-	-	-	0%	0%
Bank interest revenues	-	-	-	0%	0%
Insurance policy revenues	-	-	-	0%	0%
Land usage revenues	13	1	2	6%	1200%
Other receipts	-	-	3	0%	0%
Total	215	216	120	100%	0%
Own source revenue carried forward from previous year	140	112	58		

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

12.1 Own source revenues – Administrative tax

Description	2010 EUR '000	2009 EUR '000	2008 EUR '000
Vehicle Registration Fee	13	13	10
Driving Licences Fees	-	-	-
Travel Document Fee	-	-	-
Tender Participation Fee	1	1	1
Road Fee	-	-	-
Marriage Certificate	1	1	1
Other Certificate	15	10	8
Document Authentication	-	1	-
Court Fee	-	-	-
Court Fee Return	-	2	5
Total	30	28	25

13. Grants and Assistance

Description	2010 EUR '000	2009 EUR '000	2008 EUR '000
Krivenik village participation	-	-	30
Seciste village participation	-	-	40
Prroi i Rezhances participation	-	10	-
Sh.F. „K.Diturise” participation	20	-	-
LOGOS participation	7	-	-
Total	27	10	70

14. Capital receipts

Asset Type	Profit from Sale		
	2010 EUR '000	2009 EUR '000	2008 EUR '000
Infrastructure	-	-	-
Manufacturing	-	-	-
Site and Equipment	-	-	-
Total	-	-	-

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

15. Privatization fund

POE	Profit from Privatization		
	2010 EUR '000	2009 EUR '000	2008 EUR '000
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
Total	-	-	-

16. Other

Receipt type	2010 EUR '000	2009 EUR '000	2008 EUR '000
Lottery games deposit	-	-	-
Regulatory committee deposit	-	-	-
ADD deposits	-	-	-
Special Chamber deposit	-	-	-
Total	-	-	-

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

The lower actual payments compared to final budget for wages and salaries is due to nonpayment of IT maintenance and lower salaries paid to assembly members from those planned.

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

No differences.

19. Difference between payments and final budget for utilities

No differences.

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

No differences.

21. Difference between payments and final budget for capital expenditure

The lower actual payments compared to final budget for capital investments is related to:

- selection of lower offers for capital investments in comparison with budgeted amounts
- 2010 capital expenditure final budgeted amounts from own source revenue that were not utilized in the year 2010 will be carried forward to the year 2011.

Hani i Elezit Municipality

Section 11. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

22. Difference between payments and final budget for privatization fund

There were no budgeted or actual payments for the privatization fund in 2010.

23. Difference between payments and final budget for other payments

There were no budgeted or actual other payments in 2010.

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 12.

24. Reporting obligations under the LPFMA

No	Number of employees by department	Number of employees as per Budget Law 03/L-105	Actual number of employees at the beginning of 2010		Actual number of employees at the end of 2010	
			Full time employees	Part time employees	Full time employees	Part time employees
1	Administration	47	47	-	47	-
2	Education	123	123	-	123	-
3	Health	31	31	-	31	-
	Total	201	201	-	201	-

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations)

a. KFMIS Data

No	Purchase Order No	Purchase Order Amount	Economic Code	Description	Vendor	Amount Paid in EUR	Amount Received (Goods Received)	Amount not paid in EUR
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b. Other liabilities

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
1	28.12.2010	4944	14310	March 2011	Expres	Official lunch	Insufficient funds	0.315
2	24.12.2010	109-12/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.049
3	17.12.2010	108-12/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.095
4	12.12.2010	107-12/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.048
5	24.11.2010	105-11/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.022
6	20.11.2010	98-11/2010	14310	March 2011	Piceria Alba	Official lunch.	Insufficient funds	0.015
7	21.11.2010	99-11/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.020

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
8	23.11.2010	100-11/2010	14310	March 2011	Piceria Alba	Official lunch	Insufficient funds	0.043
9	29.11.2010	1111	14210	March 2011	Zeri GB SHPK	Advertisement	Insufficient funds	0.052
10	30.12.2010	1240	14210	March 2011	Zeri GB SHPK	Advertisement	Insufficient funds	0.052
11	31.12.2010	12556/10	14210	March 2011	Interpress.com	Advertisement	Insufficient funds	0.116
12	08.12.2010	12216/10	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.139
13	28.11.2010	12100/10	14210	March 2011	Interpress.com	Advertisement	Insufficient funds	0.116
14	08.09.2010	11290/10	14210	March 2011	Interpress.com	Advertisement	Insufficient funds	0.093
15	30.11.2010	2010/1419	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.008
16	30.09.2010	2010/1217	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.153
17	31.10.2010	2010/1296	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.136
18	31.08.2010	2010/1042	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.272
19	11.01.2011	2011/22	14210	March 2011	Infopres	Advertisement	Insufficient funds	0.080
20	05.01.2011	012/2010	13460	March 2011	Auto Taxi S.Axhami	Other contractual services	Insufficient funds	0.602
21	31.12.2010	022-12/2010	13780	March 2011	Alba Oil	Fuel for vehicles	Insufficient funds	1.338
22	31.12.2010	025-12.2010	13780	March 2011	Alba Oil	Fuel for vehicles	Insufficient funds	0.892
23	20.11.2010	979749	N/A	March 2011	Erb-Medikus	Vaccination of dogs against rabies	Insufficient funds	0.000
24	20.12.2010	001/2010	13460	March 2011	Sh.Gj.Syri i Shqiponjes	Other contractual services	Insufficient funds	0.594

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
25	01.12.2010	242494692011	13250	March 2011	PTK - Vala	Phone expenses - Primary School "Ilaz Thaqi"	Insufficient funds	0.029
26	01.12.2010	243228442	13250	March 2011	PTK - Vala	Phone expenses - Primary School "Keshtjella e Diturise"	Insufficient funds	0.017
27	01.12.2010	242494702011	13250	March 2011	PTK - Vala	Phone expenses - High School "Dardania"	Insufficient funds	0.024
28	01.12.2010	243149792011	13250	March 2011	PTK - Vala	Phone Expenses - Education administration	Insufficient funds	0.023
29	01.12.2010	242494712011	13250	March 2011	PTK - Vala	Phone expenses - Firemen	Insufficient funds	0.018
30	01.12.2010	243179642011	13250	March 2011	PTK - Vala	Phone expenses - Municipality Hani i Elezit	Insufficient funds	0.016
31	01.12.2010	243105782011	13250	March 2011	PTK - Vala	Administration	Insufficient funds	0.429
32	01.12.2010	dfe-2001977	13210	March 2011	KEK	Electricity - Firemen	Insufficient funds	0.230
33	01.12.2010	dfe-9004379	13210	March 2011	KEK	Electricity - Culture centre	Insufficient funds	0.371
34	01.12.2010	dfe-9013494	13210	March 2011	KEK	Electricity - Youth centre	Insufficient funds	0.003
35	01.12.2010	dfe-9004301	13210	March 2011	KEK	Electricity - Main Municipal office	Insufficient funds	0.337

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
36	01.12.2010	dfe-9027858	13210	March 2011	KEK	Electricity - water pump	Insufficient funds	0.397
37	01.12.2010	dfe-9021339	13210	March 2011	KEK	Electricity - public lightening	Insufficient funds	0.500
38	01.12.2010	dfe-9004356	13210	March 2011	KEK	Electricity - Primary School "Keshtjella e diturise"	Insufficient funds	0.043
39	01.12.2010	dfe-9004328	13210	March 2011	KEK	Electricity - Primary School "Ilaz Thaqi"	Insufficient funds	0.047
40	01.12.2010	dfe-9004371	13210	March 2011	KEK	Electricity - "Veli Ballazhi"	Insufficient funds	0.003
41	01.12.2010	dfe-9004367	13210	March 2011	KEK	Electricity - "Veli Ballazhi-Rezhanc"	Insufficient funds	0.003
42	01.12.2010	dfe-2001311	13210	March 2011	KEK	Electricity - Primary School "Ilaz Thaqi-Krivenik"	Insufficient funds	0.009
43	01.12.2010	dfe-9013495	13210	March 2011	KEK	Electricity - High School "Dardania"	Insufficient funds	0.308
44	01.12.2010	dfe-9004520	13210	March 2011	KEK	Electricity - Primary School "Ilaz Thaqi-Pustenik"	Insufficient funds	0.003

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
45	01.12.2010	5/1	13330	March 2011	PTK - Vala	Mail expenses	Insufficient funds	0.516
46	01.11.2010	100119035648/191	13320	March 2011	PTK - Vala	Mayor phone expenses	Insufficient funds	0.076
47	01.12.2010	100119035648/193	13320	March 2011	PTK - Vala	Mayor phone expenses	Insufficient funds	0.046
						Phone Expense - Health		
48	01.12.2010	243189842011	13250	March 2011	PTK - Vala	administration	Insufficient funds	0.081
45	01.12.2010	5/1	13330	March 2011	PTK - Vala	Mail expenses	Insufficient funds	0.516
46	01.11.2010	100119035648/191	13320	March 2011	PTK - Vala	Mayor phone expenses	Insufficient funds	0.076
47	01.12.2010	100119035648/193	13320	March 2011	PTK - Vala	Mayor phone expenses	Insufficient funds	0.046
						Phone Expense - Health		
48	01.12.2010	243189842011	13250	March 2011	PTK - Vala	administration	Insufficient funds	0.081
							Total	8.781

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 14.

26. Statement of Unjustified Advances and Loans

Issuance Date	CPO No.	Purpose	2010 EUR '000
Total			

Section 15.

27. Summary of Non-Financial Assets Possessed by Budget Organizations

Assets Classification	2010 EUR '000	2009 EUR '000	2008 EUR '000
Land	23	-	-
Buildings	56	-	-
Road Construction	40	-	-
Sewerage	56	-	-
Other capital	57	-	-
Water supply	127	-	-
Sidewalk	45	-	-
Camera instalation	3	-	-
Total	407	-	-

ID Category	Category	2010 EUR '000
Total		

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

28. Receivables (used for revenue collecting organizations)

Invoice Date	UNIREF	Economic Code	Description	Due Date	Debtor	Amount
N/A	N/A	4011	Tax on property	31.12.2010	Tax payers	120
N/A	N/A	5006	Business licenses	31.12.2010	Businesses	122
N/A	N/A	50407	Rent	31.12.2010	Lessors	14

29. Summary of Carried Forward Own Source Revenues

	2010 EUR '000	2009 EUR '000	2008 EUR '000
Own Source Revenues carried forward from the previous year	140	112	58
Own Source Revenues received this year in accordance with Note 12	215	216	120
Available total for appropriation in the current year	355	328	178
Wages and Salaries	-	2	-
Goods and Services	16	-	-
Utilities	2	-	-
Transfers and subsidies	22	17	-
Capital Outlays	211	169	66
Other	-	-	-
Total paid in 2010	251	188	66
Carried forward amount	104	140	112

Hani i Elezit Municipality

Section 12 to 17. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 17

31. Reconciliation between Original and Final Budget Appropriations

Appropriation Category	Authorized reconciliations by Law on Public Financial Management and Accountability ('LPFMA')					Final Budget Appropriation KFMIS EUR '000	Adjustment from Original Budget EUR '000
	Original Budget Appropriation Law on Appropriations EUR '000	Changes pursuant to Sec.29 Law 03/L-048 EUR '000	Changes pursuant to Sec.30 Law 03/L-048 EUR '000	Changes pursuant to Sec.31 Law 03/L-048 EUR '000	ORS Changes EUR '000		
Inflows							
General Grant	1,127	-	-	33	-	1,160	3%
Own source Revenues 2010	128	-	-	-	87	215	68%
Own source Revenues 2009	-	-	-	-	140	140	100%
Grants and Aid	-	-	-	-	27	27	100%
Capital Receipts	-	-	-	-	-	-	0%
Privatization fund	-	-	-	-	-	-	0%
	1,255	-	-	33	254	1,542	23%
Outflows							
Wages and Salaries	736	-	-	20	-	756	3%
Goods and Services	156	-	-	13	16	185	19%
Utilities	29	-	-	-	2	31	7%
Transfers and Subsidies	8	-	-	-	33	41	413%
Capital Expenditures	326	-	-	-	203	529	62%
Privatization Fund	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	0%
Total	1,255	-	-	33	254	1,542	23%

Hani i Elezit Municipality

Section 12 to 18. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Budget Execution Report

Description		Original Budget Law Nr 03/L-105	Final Budget KFMIS	Payments	Progress in %	Progress in %
A		b	c	d	e=(d-b)/b	f= (d-c)/c
Total Payments	1+2+3+4	1,255	1,542	1,429	14%	-7%
Payments from the General Grant	1	1,127	1,160	1,151	2%	-1%
Wages and Salaries		736	756	748	2%	-1%
Goods and Services		156	169	169	8%	0%
Utilities		29	29	29	0%	0%
Subsidies and Transfers		8	8	8	0%	0%
Capital Investments		198	198	197	-1%	-1%
Payments from Own Source Revenues of 2010	2	128	215	111	-13%	-48%
Wages and Salaries		-	-	-	0%	0%
Goods and Services		-	16	16	100%	0%
Utilities		-	2	2	100%	0%
Subsidies and Transfers		-	13	2	100%	-85%
Capital Investments		128	184	91	-29%	-51%
Payments from Own Source Revenues carried Forward from 2009	3	-	140	140	100%	0%
Wages and Salaries		-	-	-	0%	0%
Goods and Services		-	-	-	0%	0%
Utilities		-	-	-	0%	0%
Subsidies and Transfers		-	20	20	100%	0%
Capital Investments		-	120	120	100%	0%
Payments from the pre-assigned Grant	4	-	27	27	100%	0%
Wages and Salaries		-	-	-	0%	0%
Goods and Services		-	-	-	0%	0%
Utilities		-	-	-	0%	0%
Subsidies and Transfers		-	-	-	0%	0%
Capital Investments		-	27	27	100%	0%

Hani i Elezit Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Report of Payments under Programs

		Mayor's office	Assembly	Administration	Budget and finance	Urbanism	Health	Performance Health	Education	Total
Total Payments	1+2+3+4	87	46	131	35	455	161	43	472	1,429
Payments from the General Grant	1	61	46	125	35	216	158	43	467	1,151
Wages and salaries		29	46	59	31	28	123	32	400	748
Goods and services		24	-	51	4	7	29	11	43	169
Utilities		-	-	15	-	-	6	-	8	29
Subsidies and transfers		8	-	-	-	-	-	-	-	8
Capital Investments		-	-	-	-	181	-	-	16	197
Payments from Own Source Revenues of 2010	2	6	-	6	-	92	3	-	5	111
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		4	-	4	-	-	3	-	5	16
Utilities		-	-	2	-	-	-	-	-	2
Subsidies and transfers		2	-	-	-	-	-	-	-	2
Capital Investments		-	-	-	-	92	-	-	-	91
Payments from Own Source Revenues of 2009	3	20	-	-	-	120	-	-	-	140
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-
Subsidies and transfers		20	-	-	-	-	-	-	-	20
Capital Investments		-	-	-	-	120	-	-	-	120
Grants	4	-	-	-	-	27	-	-	-	27
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-
Subsidies and transfers		-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	27	-	-	-	27

Hani i Elezit Municipality

Section 12 to 18. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Report of Receipts under Programs

Description	Code	Administration	Budget and finance	Urban planning	Health	Total
Tax on property	40110	-	54	-	-	54
Tax pn demolation	50010	-	-	3	-	3
Birth certificated	50013	2	-	-	-	2
Marrige certificates	50014	1	-	-	-	1
Death certificates	50015	-	-	-	-	-
Other certificates	50016	6	-	-	-	6
Tax for verification of documents	50017	-	-	-	-	-
Administrative taxes	50019	2	-	-	-	2
Tender bidding taxes	50020	-	1	-	-	1
Medical certificates	50024	-	-	-	1	1
Use of land taxes	50405	-	-	13	-	13
Health participations	50409	-	-	-	2	2
Vehicle registartion tax	50001	-	15	-	-	15
Construction licenses	50009	-	-	9	-	9
Licences for selling on municipality property	50202	-	-	-	-	-
License for indivisual activites	50201	-	31	-	-	31
Fees and penalties	50501	-	-	-	-	-
Sanitary inspection	50507	-	-	-	-	-
Other bussiness licenses	50290	-	60	-	-	60
Trafic penalties	N/A	13	-	-	-	13
Court penalties	N/A	1	-	-	-	1
Penalties from Forest Agency	N/A	1	-	-	-	1
Total		26	161	25	3	215

Hani i Elezit Municipality

Section 12 to 18. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Payments from the General Fund ('KCF') and Own Source Revenue ('OSR')

	Economic classification					Total
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	
Social protection	-	-	-	-	-	-
General public services	224	-	16	30	392	662
Defense	-	106	-	-	-	106
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	124	32	7	-	-	163
Education	400	47	8	-	16	471
TOTAL	748	185	31	30	408	1,402

Payments from Designated Grants

	Economic classification					Total
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	
Social protection	-	-	-	-	27	27
General public services	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	-	-	-	-	-	-
Education	-	-	-	-	-	-
TOTAL	-	-	-	-	27	27

Hani i Elezit Municipality

Section 12 to 18. Notes to the financial statements 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 18, Law No 03/L-221.

Report on taken and proposed actions on findings and recommendations of the Auditor General for year 2009

No	Recommendation or finding	Taken or proposed action	Deadline for implementation	Effect
1	Financial Statements	No findings for 2010 financial statements	For 2010 FS	N/A
2	Property management	No actions taken.	Up to 31 December 2011	N/A
3	Revenues	We still do not have appropriate software	Ongoing	N/A
4	Expenses	We have improved internal controls	Ongoing	N/A
5	Internal Audit	No internal audit function established.	Ongoing	N/A