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AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF HANI I
ELEZIT FOR THE YEAR ENDED 31 DECEMBER 2011

Pristina, June 2012

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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”), on behalf of the Office of the Auditor General for the year ended 31 December 2011.

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 7-9 of this document:

“In our opinion, except for the omission of the information described in the paragraph 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 2011 in accordance with the Cash Basis International Public Sector Accounting Standards (‘IPSAS’) for Financial Reporting Under the Cash Basis of Accounting and with Financial Regulation No. 07/2011 On Annual Reporting of Budget Organizations.”

The main message 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 30 to the financial statements. Only property, plant and equipment acquired during the years 2010 and 2011 are disclosed. As such, 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.

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 advise the Municipality to ensure:

- 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 3 for Management's comments to our recommendations and our responses 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 2011.

It is the responsibility of the Municipality to prepare financial statements in accordance with Financial Regulation 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 2011.

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 assessment of the Municipality. During that stage of the interim assessment we addressed the Municipality’s handling of recommendations given earlier and the quality of the interim financial statements. Based on this we have given advice to management. Our recommendations also included advice related to improvements for the financial statements to be in compliance with Financial Regulation 07/2011 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”.

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 2011;
- Determined whether the Municipality’s Annual Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting” and Financial Regulation 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, checking of documents, 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 2011.

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 1, which includes an extract from ISSAI 4000.

III. Audit Opinion

To Hani i Elezit Municipality

Pristina, 25 June 2012

We were engaged to audit the accompanying financial statements of Municipality of Hani Elezit (“the Municipality”), which comprise the statement of cash receipts and payments for the year ended 31 December 2011, 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 Regulation 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 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 qualified opinion.

Basis for Qualified Opinion

The Municipality has not disclosed complete amounts in respect of property, plant and equipment in Note 30 to the financial statements. Only property, plant and equipment acquired during the years 2010 and 2011 are disclosed. As such, 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.

Qualified Opinion

In our opinion, except for the omission of the information described in the basis of qualified opinion paragraph, the financial statement present fairly in all material aspects the receipts and payments for the year ended 31 December 2011 in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Financial Regulation No. 07/2011 *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 solely 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 did not submit a final draft of financial statements in Serbian by 31 January 2012.
- 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 2010, identified four main recommendations. All of them remain yet to be addressed, namely:

- The financial statements should be 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 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 in 2011, has led us to have similar findings as in 2010.

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 (000)	Reviewed Budget (000)	Final Budget (000)	2011 Actual (000)	2010 Actual (000)
Own Source Revenues	132	-	347	303	215
Domestic Donations	-	-	95	62	27
External Donations	-	-	-	-	-
Total of revenues and transfer of Donations	132	-	442	365	242
Wages and Salaries	952	-	1,021	1,008	748
Goods and Services	151	-	194	177	185
Utilities	30	-	34	34	31
Subsidies and Transfers	8	-	37	37	30
Capital Investments	397	-	666	564	435
Reserves	-	-	-	-	-
II. Total of Expenditures	1,538	-	1,952	1,820	1,429
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 2011: Section 13 *Budget Execution Report*.

Actual total revenues and own source revenue were lower than final budget by EUR 77 thousand due to realization own source revenues being lower by EUR 44 thousand, and the donations being lower by EUR 33 thousand.

Actual cash outflows from the treasury account were lower than final budget by EUR 132 thousand due to wages and salaries being lower by EUR 13 thousand, goods and services being lower by EUR 17 thousand, and capital expenditure being lower by EUR 102 thousand.

Initial budget was lower by EUR 310 thousand from the final budget due to a significant increase in the income from own source revenues and donations that were not planned at the beginning of the year. These changes are also supported by the assembly decision and mandated by the legal framework in Law 03/L-048

The unspent budget of the Municipality in 2011 is 5%.

VI. Financial Statements

VI.1 Compliance regarding the external reporting

Requirements in LPFMA No. 03/L-048 and No. 03/L-221 and Financial Regulation 07/2011 “AI 07/2011”.

- The Municipality has prepared the financial statements according to AI 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 2012 and Submitted to Ministry of Finance (MF);
- The Financial Statements were submitted only in the Albanian Language; and
- The Municipality has prepared and submitted regular quarterly reports to MF during 2011.

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 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.
- *Reconciliation of Revenues.* There was no reconciliation between records kept by accounting, own source revenue officer and the operational departments up to 31 December 2011.
- *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.* During the year 2011 the Municipality updated their listing of registered properties. However, this updated list will not be applied until the year 2012. Instead, during the year 2011 the Municipality charged tax on property based on a listing that had not been updated since 2009.
- *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.

- Ensure property tax is charged based on the most up to date list.
- Ensure proper segregation of duties in the property tax department.

VI.3 Expenditures

3.1 Purchases through Procurement

Findings

No findings to report in this area.

3.2 Other purchases

Findings

No findings to report in this area.

3.3 Remuneration (Wages and Salaries)

Findings

No findings to report in this area.

VI.4 Subsidies and Transfers

Findings

No findings to report in this area.

VI.5 Assets and Debts

5.1 Cash and cash equivalents

Findings

No findings to report.

5.2 Handling of receivables

Findings

No findings to report.

5.3 Capital and non capital assets

Findings

The Municipality has not maintained a comprehensive register of its property, plant and equipment up to 31 December 2011.

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 purchased before 2010 have not been registered or valued as at 31 December 2011.

No physical fixed asset count was performed for 2011, 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.

5.4 Debts

The total of outstanding liabilities not paid to suppliers as at the end of 2011 was EUR 34 thousand. These liabilities are carried forward to be paid in 2012.

Findings

In accordance with Law No. LPFMA 03/L-048, Article 39.1, the 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 that many of the invoices presented have been outstanding for more than 30 days as at the yer-end.

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.

5.5 Current reporting and timeliness in the overall budget process

Fullfillment of current external reporting obligations as well as 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 also submitted to MF on time;

Findings

No other findings to report in this area.

VII. Management Control

VII.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 solely be used to produce comprehensive financial statements for the year ended 31 December 2011.

The following was omitted or improperly disclosed in the financial statements as at 31 December 2011:

- Note 30. '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.

VII.2 Audit Committee and 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.

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

General conclusions

As discussed within this report, improvements need to be made in the areas of revenues, payment of obligations within the required timeframe, measurement of capital and non-capital assets, internal audit and audit committee.

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.

Appendix 1 Different types of Audit Opinions applied by KPMG in the Annual Audit Report 2011

(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.

Appendix II: Prior year recommendations

<u>Audit Component</u>	<u>Recommendation given</u>	<u>Recommendation fully implemented</u>	<u>Partly addressed</u>	<u>Not addressed</u>
4. Financial statements	The financial statements should be prepared in compliance with the administrative instruction and IPSAS		This issue was partially addressed. The financial statements in Serbian language were not prepared and the entity lacks full disclosure of property plant and equipment	
7.4 Capital and non capital assets	A comprehensive list of property, plant and equipment is maintained			This issue was not addressed during 2011.
7.1 Revenues	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		The municipality has bought accounting software at the end of 2011. They have asked the Ministry of Finance to install this software in the Municipality network, in order to become functional.	
8.2 Internal Audit	An internal audit function and Audit Committee should be established.			No, improvements have been made.

Appendix III 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. The Municipality should also prepare financial statements in Serbian language.</p>		X		<p>The Municipality has prepared the financial statements according to the Financial Rule Regulation 07/2011, excluding the disclosure of property, plant and equipment in note 27 of the Financial Statements, for the reason that we did not have an officer for the registration of assets.</p> <p>The financial statements are not prepared in the Serbian language, because we do not have an officer that would translate in the Serbian language.</p>	The Municipality has agreed with our findings
<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</p>		X		We do not agree with this point because we consider that the Municipality has all the registered debtors, whereas, other payments are done when the service occurs.	The Municipality has partially agreed with our findings

<p>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:</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 				<p>We have made a request at the Ministry of Finance for the installation of the software in the Government network in order for that to function in the Municipality network.</p>	
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<p>is especially important where a high volume of transactions is executed.</p> <p>Ensure property tax is charged based on the most up to date list.</p> <p>Ensure proper segregation of duties in the property tax department.</p>					
<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>We have established a commission, but they could not complete the comprehensive and summarized registration of the property plant and equipments until the final date and we hope to finish during 2012.</p> <p>We hope to create a basis on which data will be reflected for all assets of the Municipality and we will have the opportunity to have the physical count of these assets.</p>	<p>The Municipality has agreed with our findings</p>
<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 comply with laws and local regulatory requirements.</p>	X			<p>We have presented in article 15 in the financial statements all the unpaid invoices of the budget organization, part of them were due to lack of budget and other invoices of December, one was capital project, which happened in the middle of December when the contract was</p>	<p>The Municipality has partially agreed with our finding</p>

				signed and at the time we did not have the funds therefore it was not paid.	
<p><u>Recommendation 6</u></p> <p>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 responsible officer for the preparation of the financial statements was not involved in the preparation of the financial statements because the MF did not contact us.	The Municipality has partially agreed with our finding

<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>With a shortage of staff and the restriction of employees disabled us from having a (functional) internal auditor for the reason that we could not increase the number of employees, this remains to be realized in the future.</p>	<p>The Municipality has agreed with our comments</p>
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Republika e Kosovës
Republika Kosova-Republic of Kosovo

KOMUNA HANI I ELEZIT
OPSTINA HANI ELEZIT
MUNICIPALITY OF HANI ELEZIT

Financial Statements

As at and for the year ended 31 December 2011

Hani Elezit, 2012

Section 11. DECLARATION REGARDING THE PRESENTATION OF FINANCIAL STATEMENTS

For: **Lulzim Ismajli, 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 2011 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 2011.

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 2011.

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 2011 of Municipality of Hani Elezit.

Date:

Signature and stamp:
Rufki Suma
Chief Executive Officer



Date:

Signature and stamp:
Shabi Rexhallari
Chief Financial Officer



Municipality of Hani Elezit
Section 12. Statement of Cash Receipts and Payments
for the year ended 31 December 2011

	Notes	2011		2010		2009	
		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
Receipts							
Government Grant	2	1,438	-	1,151	-	1,022	-
Own Source Revenues	3	320	-	251	-	188	-
Fund designated for specific purpose		-	-	-	-	-	-
Designated Donor Grants	4	62	-	27	-	10	-
Borrowed Funds	5	-	-	-	-	-	-
Other receipts	6	-	497	-	378	-	371
Total		1,820	497	1,429	378	1,220	371
Payments							
<i>Operations</i>							
Wages and Salaries	7	1,008	-	748	-	647	-
Goods and Services	8	177	-	185	-	141	-
Utilities	9	34	-	31	-	22	-
		1,219	-	964	-	810	-
<i>Transfers</i>							
Transfers and subsidies	10	37	-	30	-	25	-
Capital expenditures		-	-	-	-	-	-
Property, Plant and Equipment	11	564	497	435	-	385	371
Other payments	12	-	-	-	378	-	-
Return of Loan	13	-	-	-	-	-	-
Total		1820	497	1,429	378	1,220	371

Municipality of Hani Elezit
Section 13. Budget Execution Report
for the year ended 31 December 2011

	Note	2011				2010	2009
		Original Budget (Appropriation) A	Original Budget (Appropriation) B	Payments C	Variance D=C-B	Payments E	Payments F
		€'000	€'000	€'000	€'000	€'000	€'000
Cash inflows from Treasury account							
Taxation	14	-	-	-	-	-	
Owns Source Revenues	15	132	347	303	(44)	215	
Donations	16	-	95	62	(33)	27	
Capital Receipts	17	-	-	-	-	-	
Privatization Fund	18	-	-	-	-	-	
Borrowings	19	-	-	-	-	-	
Other	20	-	-	-	-	-	
Total Receipts collected for KCB		132	442	365	(77)	242	226
Cash outflows from Treasury accounts							
Wages and Salary	21	952	1,021	1,008	(13)	748	
Goods and Services	22	151	194	177	(17)	185	
Utilities	23	30	34	34	-	31	
Transfers and Subsidies	24	8	37	37	-	30	
Capital expenditures	25	397	666	564	(102)	435	
Privatization Fund	26	-	-	-	-	-	
Return of Borrowings		-	-	-	-	-	
Other	27	-	-	-	-	-	
Total Payments made from KCB through STA		1,538	1,952	1,820	(132)	1,429	1,220

The *General Fund* amounts totaling EUR 1,406 thousand for original budget, EUR 1,449 thousand for final budget and EUR 1,447 thousand for 2011 realisation (2010: EUR 1,151 thousand; 2009: EUR 1,022 thousand) 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*.

Municipality of Hani Elezit

Section 15-20. Notes to the financial statements

31 December 2011

(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 Hani Elezit ('the Municipality'). The financial statements are prepared according to the Law for the management of Public Finance and Responsibility (03/L-048 and 03/L-211). The Municipality of Hani Elezit 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 Hani Elezit. The payments are reported in the column *Payment by Third Parties* in the Statement of Cash Receipt and Payments.

1.4 Treasury Single Accounts

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

1.5 Return of expenses from last year

The funds returned to KCB from the 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 2012 and approved by Shabi Raxhallari.

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 2 General Fund Appropriation

Economic classification	2011 €'000	2010 €'000	2009 €'000
Wages and Salaries	993	748	645
Goods and Services	146	169	141
Utilities	30	29	22
Subsidies and transfers	8	8	8
Capital Outlays	261	197	206
	1,438	1,151	1,022

Note 3 Own Source Revenue

Economic classification	2011 €'000	2010 €'000	2009 €'000
Wages and Salaries	15	-	2
Goods and Services	19	16	-
Utilities	5	2	-
Subsidies and transfers	28	22	17
Capital Outlays	253	211	169
Total	320	251	188

Note 4 Designated Donor Grants

Economic classification	2011 €'000	2010 €'000	2009 €'000
Wages and Salaries	-	-	-
Goods and Services	12	-	-
Utilities	-	-	-
Subsidies and transfers	-	-	-
Capital Outlays	50	27	10
Total	62	27	10

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 5 Borrowed Fund

Lender	2011 €'000	2010 €'000	2009 €'000
	-	-	-
	-	-	-
	-	-	-
There are no borrowed funds during 2011	-	-	-

Note 6 Other Receipts

Economic Classification	2011 €'000	2010 € '000	2009 €'000
Ministry of Local Government	100	136	134
Caritas Luxemburg	-	-	20
Community Development Initiatives	-	217	217
USAID	-	25	-
European Commission	267	-	-
Ministry of labour and social welfare	130	-	-
Total	497	378	371

Note 7 Wages and Salaries

Description	2011				2010	2009
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Payments						
Net Salaries	855	15	-	870	650	528
Payments to unions -0.10% to 0.50%	2	-	-	2	2	1
Overtime payments	-	-	-	-	-	-
Part time payments	-	-	-	-	-	-
Night-shift salaries	-	-	-	-	-	-
Net salary for maternity leave	-	-	-	-	-	-
Daily payments for Assembly and committee members	-	-	-	-	-	35
Contracted payments	-	-	-	-	-	-
Personal Income Tax	40	-	-	40	24	21
Employer pension contribution	48	-	-	48	36	31
Employee pension contribution	48	-	-	48	36	31
Court decisions	-	-	-	-	-	-
Total Payments	993	15	-	1,008	748	647

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 8 Goods and Services

Description	2011				2010	2009
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Payments from KCF						
Travel expenses	7	-	-	7	14	4
Telecommunication expenses	6	-	-	6	4	4
Contractual expenses	21	2	-	23	27	17
Furniture and equipment	5	5	-	10	8	1
Equipment for IT <1000	4	-	9	13	-	-
Other Expenses	10	-	-	10	44	55
Supply for office	19	-	3	22	-	-
Fuel Expenses	40	6	-	46	46	32
Advances	-	-	-	-	-	-
Other equipment	-	-	-	-	-	-
Lack of cash in Cash Box	-	-	-	-	-	-
Maintenance	18	6	-	24	18	13
Marketing and Advertising	-	-	-	-	2	3
Representation expenses	16	-	-	16	22	12
Court Decisions	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Service of debt	-	-	-	-	-	-
Total	146	19	12	177	185	141

Note 9 Utilities

Description	2011				2010	2009
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Electricity	22	-	-	22	25	16
Water	-	-	-	-	-	-
Waste	2	4	-	6	-	-
Telephone	6	-	-	6	6	6
Total	30	4	-	34	31	22

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 10 Transfers and Subsidies

Description	2011				2010	2009
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Payments						
Subsidies for public entities	1	-	-	1	5	3
Subsidies for cultural entities	-	-	-	-	-	-
Subsidies for non-public entities	-	4	-	4	1	1
Transfers for other governments	-	-	-	-	-	-
Payments for individual beneficiaries	2	21	-	23	16	21
Base pensions	-	-	-	-	-	-
Disabled pensions	-	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-	-
Pensions of TMK	-	-	-	-	-	-
Pensions of I category (family members)	-	-	-	-	-	-
Pensions of II category (family members)	-	-	-	-	-	-
Payments for war invalids	-	-	-	-	-	-
Payments for civil invalids	-	-	-	-	-	-
Payments for war victims families	5	4	-	9	8	-
Trepca provisional pensions	-	-	-	-	-	-
Court Decisions	-	-	-	-	-	-
Total	8	29		37	30	25

Note 11 Property, Plant, and Equipment

Description	2011				2010	2009
	KCB €'000	OSR €'000	DDG €'000	Total €'000	€'000	€'000
Payments						
Buildings	7	5	20	32	37	18
Land	-	8	-	8	23	-
Road construction	108	74	-	182	75	69
Pavement of roads	31	16	-	47	20	-
Waste and water system	32	29	-	61	56	73
Water supply system	10	-	-	10	127	-
Energy, generation, transfer, and supply	-	7	-	7	1	11
Equipment over EUR 1,000	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Machinery	19	23	-	42	-	27
Other capital	46	68	31	145	90	187
Equipment for IT	8	2	-	10	6	-
Other Equipment	-	20	-	20	-	-
Total	261	202	51	564	435	385

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 12 Other payments

There were no other payments during the year 2011 (EUR 378 thousand in 2010, Nil in 2009).

Note 13 Return of loans

Description	2011	2010	2009
	€'000	€'000	€'000
Lender 1	-	-	-
Lender 2	-	-	-
Lender 3	-	-	-
Total	-	-	-

Note 14 Taxation

Description	Note	2011	2010	2009	% of total 2011	% change from 2010
		€'000	€'000	€'000		
Tax Revenues 1		-	-	-	%	%
Tax Revenues 2		-	-	-	%	%
Tax Revenues 3		-	-	-	%	%
Total		-	-	-	0%	%

Note: The table relates only to taxes related to Customs and Tax Administration of Kosovo ("TAK")

Note 15 Own source revenues

Description	Note	2011	2010	2009	% of total 2011	% change from 2010
		€'000	€'000	€'000		
Tax on property		70	54	65	23%	30%
Income from Administrative tax		39	30	28	13%	30%
Revenue from fines and penalties		16	15	15	5%	7%
Revenue from fines and penalties 2		-	-	-	0%	0%
Revenues from licenses		95	100	103	31%	-5%
Usage of public property		17	-	-	6%	1700%
Revenues from sale of services and assets		-	-	-	0%	62%
Revenues from inspections		3	-	1	1%	300%
Revenues from participation		5	3	3	2%	67%
Change in the land destinations		48	13	1	16%	269%
Fees for accreditation		-	-	-	0%	0%
Tax on construction licenses		10	-	-	3%	1000%
Other revenues		-	-	-	0%	0%
Total own source revenues 2011		303	215	216	100%	41%

Own source revenues presented in Section 13, for the years 2009 and 2010 have been restated from EUR 188 thousand and EUR 251 thousand respectively, to EUR 216 thousand and EUR 215 thousand respectively.

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

A change was made to the presentation in the current year 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 the years 2009 and 2010 amounted to negative EUR 28 thousand and EUR 36 thousand respectively.

Note 16 Grants and Assistance

Donor	Project	Description	2011 €'000	2010 €'000	2009 €'000
Swiss Government	Investing in infrastructure	83389	22	-	-
UN- Habitat	Support the spatial planning of the Municipality	96006	31	-	-
World Bank	IT equipmet for secondary school	96701	8	-	-
UNOPS	Support in population census		1		
Contribution from the Community	SHF "K.Diturise"		-	20	-
Contribution from the Community			-	-	10
LOGOS-i			-	7	-
Total grants provided by donors			62	27	10

Note 17 Capital receipts

Asset Type	Profit from Sale		
	2011 €'000	2010 €'000	2009 €'000
Land	-	-	-
Buildings	-	-	-
Infrastructure	-	-	-
Machinery	-	-	-
Equipment	-	-	-
Transport vehicles	-	-	-
Other	-	-	-
Total	-	-	-

Note 18 Privatization fund

POE	Profit from Privatization		
	2011 €'000	2010 €'000	2009 €'000

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
Total	-	-	-

Note 19 Borrowings

Description	2011 €'000	2010 €'000	2009 €'000
Lender 1	-	-	-
Lender 2	-	-	-
Lender 3	-	-	-
Lender 4	-	-	-
Lender 5	-	-	-
Total	-	-	-

Note 20 Other

Receipt type	2011 €'000	2010 €'000	2009 €'000
Lottery games deposit	-	-	-
Regulatory committee deposit	-	-	-
Ministry of Justice deposit	-	-	-
Other deposit	-	-	-
Total	-	-	-

Notes 21 to 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 were lower than anticipated by EUR 13 thousand. This is due to lower than anticipated number of employees at the beginning of the year, as well as at the end of the year.

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(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 17 thousand due to a variety of items including spending in the Health department being lower by EUR 3 thousand. During the year 2011, several donations were not received until November and December 2011, while the deadline for goods and services commitments was 25 November 2011. As such, the Municipality did not have sufficient time to commit and spend the amounts, which resulted in lower than anticipated goods and services actual expenditure.

23. Difference between payments and final budget for utilities

There are no differences in this economic category.

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

There are no differences in this economic category.

25. Difference between payments and final budget for capital expenditure

Capital expenditures was lower by EUR 102 thousand. One of the reasons is due to the late timing of receipt of donations (November and December 2011) and the deadline for capital expenditure being 5 November 2011. The remaining reason is due to fewer than expected capital projects.

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.

Note 28 Reporting obligations under the LPFMA

Summary		2011
Economic category	Description	€'000
13610	Building of roads	27
14310	Official lunch	2
14220	Official gazette	1
13780	Fuel	3
13250	Telephone expenses	1
Total		34

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices

Invoice Date	Invoice Number	Economic Number	Term of payment	Supplier	Description	Reason for unpaid invoice	€'000
9-Feb-11	11-2010-02-1171	13610	0	n.d.t europrinty	Furniture for office	Lack of contract	0.18
31-Sep-2011	011-09/2011	13780	0	N.P.T Alba Oil	Fuel for vehicle	Lack of budget	1.88
31-Sep-2011	010-09/2011	13780	0	N.P.T. Alba Oil	Fuel for vehicle	Lack of budget	0.67
27-Dec-11	138-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.23
22-Dec-11	135-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.07
14-Dec-11	130-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
16-Dec-11	131-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.06
16-Dec-11	132-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.01
6-Dec-11	127-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.04
6-Dec-11	128-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.01
28-Nov-11	3240/11	14220	0	Kosova Sot	Gazeta Zyrtare	Delay of invoice	0.12
30-Nov-11	2011/773	14220	0	Info Press	Gazeta Zyrtare	Delay of invoice	0.15
30-Sep-11	2011/686	14220	0	Info Press	Gazeta Zyrtare	Delay of invoice	0.17
30-Oct-11	2011/719	14220	0	Info Press	Gazeta Zyrtare	Delay of invoice	0.24
31-Aug-11	2011/570	14220	0	Info Press	Gazeta Zyrtare	Delay of invoice	0.19
3-Dec-11	125-12/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.06
30-Nov-11	123-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03
30-Nov-11	122-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
26-Nov-11	121-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.07
23-Nov-11	1120-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03

Municipality of Hani Elezit
Section 15-20. Notes to the financial statements
31 December 2011

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices (Liabilities)

Invoice Date	Invoice Number	Economic Number	Term of payment	Supplier	Description	Reason for unpaid invoice	€'000
11-Nov-11	114-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
12-Nov-11	115-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
17-Nov-11	115-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
12-Oct-11	88-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03
10-Oct-11	87-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
9-Nov-11	113-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.05
8-Nov-11	111-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
18-Oct-11	93-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.04
12-Oct-11	88-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03
10-Oct-11	87-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
16-Sep-11	80-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03
15-Sep-11	79-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.10
29-Aug-11	68-08/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.08
6-Sep-11	72-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.07
8-Sep-11	73-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.05
9-Sep-11	76-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.06
13-Sep-11	78-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.08
7-Sep-11	75-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03

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Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices (Liabilities)

Invoice Date	Invoice Number	Economic Number	Term of payment	Supplier	Description	Reason for unpaid invoice	€'000
29-Sep-11	83-09/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.04
18-Oct-11	94-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.03
18-Oct-11	95-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.06
26-Oct-11	98-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.09
27-Oct-11	99-10/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.09
28-Oct-11	102-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.04
3-Nov-11	107-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.16
3-Nov-11	106-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.01
3-Nov-11	105-11/2011	14310	0	Piceria Alba	Official lunch	Lack of budget	0.02
31-Dec-11	3536/11	14220	0	Kosova Sot	Public information	Delay of invoice	0.12
31-Dec-11	024-12/2011	13780	0	Alba Oil	Fuel for vehicles	Delay of invoice	0.09
26-Dec-11	2218	14310	0	K.P Express	Official lunch	Delay of invoice	0.16
31-Dec-11	140-12/2011	14310	0	Piceria Alba	Official lunch	Delay of invoice	0.03
31-Dec-11	141-12/2011	14310	0	Piceria Alba	Official lunch	Delay of invoice	0.12
14-Nov-11	114/11	14010	0	N.T.SH Besa	Maintenance of vehicle	Delay of invoice	0.57
15-Nov-11	54/11	14210	0	Zyra e kryeministrit	Gazeta Zyrtare	Delay of invoice	0.02
		0	0	Eskavatory Comp	Building of roads	Delay of invoice	26.49
6-Dec-11	266220582011	13250	0	PTK-Vala	Telephone expenses	Delay of invoice	0.36
2-Nov-11	264715802011	13250	0	PTK-Vala	Telephone expenses	Delay of invoice	0.35

TOTAL

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(Amounts in thousands of EUR, unless otherwise stated)

Note 29: Contingent Liabilities

Contingency Liability Type	Reason for Liabilities	Exact or estimated value		
		2011	2010	2009
		€'000	€'000	€'000
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
Total		-	-	-

Section 16 Disclosure of Property, Plant and Equipment

Note 30: Summary of non-financial capital assets (worth over 1000 Euros) in possession of a budget organization

Assets Classification	2011	2010	2009
	€'000	€'000	€'000
Building	33	56	-
Land	-	23	-
Equipment and inventory	-	-	-
Infrastructure-roads	101	40	-
Infrastructure	39	-	-
Sewer	68	56	-
Water	9	127	-
Sidewalk	-	45	-
Equipment	40	-	-
Machinery	21	-	-
Transport vehicles	21	-	-
Camera installation	-	3	-
Other	-	57	-
Total	332	407	-

Note:

1) Source of information is the property registry with value greater than 1,000 Euro in KFMIS

Note 31: Summary of non-financial assets valued under 1000 Euros with life of more than one year

Non-capital assets (valued less than 1000 Euro)

Assets Classification	2011	2010	2009
	€'000	€'000	€'000
Equipment and furniture	9	-	-
Total	9	-	-

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(Amounts in thousands of EUR, unless otherwise stated)

Note 32: Summary of inventory at end of period

Inventory			
Asset Classification	2011	2010	2009
	€'000	€'000	€'000
Inventory	-	-	-
Total	-	-	-

Note 33: Unjustified Loans and advances

Issue Date	No of CPO	Purpose	2011
			€'000
Total			-

Note 34 Receivables (applies to organizations that collect revenue)

Economic Code	Description	2011
		€'000
40110	Revenues from property	281
50006	Business annual fee	169
Total		450

Section 17 Note 35 Summary of Carried Forward Own Source Revenues

		2011	2010	2009
		€'000	€'000	€'000
	Own source revenues carried over from last year	105	140	112
<i>Plus</i>	Own Source Revenues received this year by Note 15	303	215	216
	Total available for sharing in the current year	408	355	328
<i>Minus</i>	The amount spent in the current year	(320)	(251)	(188)
	The amount left for transfer	88	105	140

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(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 EUR '000	Adjustment from Original Budget
	Initial budget disposal of (Law on Budget)	Changed according to article 29 Law nr. 03/L-048	Changed according to article 30 Law nr. 03/L-048	Changes according to article 31 Law nr. 03/L-048	Changes of owns source revenue	Changes for donor grants defined	Changes for other sources of finance		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	EUR '000	
Revenues									
Tax	-	-	-	-	-	-	-	-	0.00%
Own source revenues	132	-	105	-	110	-	-	347	62%
Designated donor grants	-	-	-	-	-	95	-	95	0.00%
Capital receipts	-	-	-	-	-	-	-	-	0.00%
Privatization funds	-	-	-	-	-	-	-	-	0.00%
Other	-	-	-	-	-	-	-	-	0.00%
	132	-	105	-	110	95	-	442	7%
Expenses	952	-	25	44	-	-	-	1,021	7%
Wages and Salaries	151	-	-	-	31	12	-	194	22%
Goods and services	30	-	-	-	4	-	-	34	12%
Public services	8	-	24	-	5	-	-	37	78%
Transfers and subsidies	397	-	56	-	69	83	-	605	34%
Capital expenditures	-	-	-	-	-	-	-	-	7%
Privatization funds	-	-	-	-	-	-	-	-	0.00%
Other	1,538	-	55	-	221	95	-	1,891	6.50%

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Section 19. Number of employees

Department	Total full time & part time no. of employees	Actual no. of employees in the beginning of 2011		Actual number of employees at the end of 2011	
		Full time	Part Time	Full time	Part Time
Office of the Mayor	6	5	-	6	-
Administration and Personnel	17	20	-	17	-
Budget and Finance	8	8	-	8	-
Public Service and Emergency	8	7	-	8	-
Municipal Office of Community	1	-	-	1	-
Economic Development Planning	2	-	-	2	-
Urbanization and Environment Planning	10	13	-	13	-
Total of Municipal Administration	52	53	-	55	-
Health and Social Welfare	34	29	-	33	-
Education Science and Culture	125	116	-	118	-
Total	211	195	-	206	-

Municipality of Hani Elezit
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Section 20.

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

No	Recommendations or findings	Taken or proposed actions	Deadline for implementation	Effect
1	Financial statements to be prepared in accordance with the current administrative guidelines and IPSAS	The financial statements for the year ended 2011 have been prepared according to the Administrative Instruction Nr.07/2011, and Treasury Manual, Volume 3.	For Financial Statement of 2011	Fair reflection of the Financial Statements under IPSAS and AI
2	To maintain a comprehensive list for property, plant and equipment	A commission has been established with a decision nr. 02/556/2011 dated 23.12.2011	The process of property registration is still going, and it is expected to end by June 2012.	Creation of a comprehensive list of Municipality assets.
3	Undertake implementation of an automated billing system for all types of income, the reconciliation of data is held in account with the Revenue Officer or operational departments and take measures to increase revenue collection from tax differences.	A software for accounting/bookkeeping has been purchased at the end of 2011	We have sent a request to the Ministry of Finance for the installation of the software with the Government line in order to function in the Municipality network.	The correct situation of all the revenues
4	Establish a function for internal auditing and Auditing Committee	The internal auditing committee has not been established	Ongoing	N/A