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AUDIT REPORT

**ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF
JUNIK 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 Junik (“Municipality”) for the year ended 31 December 2010.

Our audit was carried out in accordance with international auditing standards issued by the 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 and 8 of this document:

In our opinion, except for the omission of the information described in the paragraph of the basis of qualified opinion, the financial statements 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*.

The main message to the Mayor, which led to our qualification of the opinion, is:

- 1 The Municipality has not disclosed complete amounts in respect of property, plant and equipment in Note 27 to the financial statements. 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. These should be addressed to improve the Municipality’s performance.

In order to improve the functioning of the financial management system and internal controls, we advise 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 type of taxes is maintained;
- 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;
- The law no. 2003/17 'Public Procurement Law in Kosovo' (amended) is fully complied with; and
- An Audit Committee is established.

The Municipality's management was given the opportunity to provide comments on our findings presented in this report. Management has accepted our findings and conclusions presented in the audit findings report on financial statements as at and for the year ended 31 December 2010 and have pledged to make all efforts to address all recommendations given.

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 Junik 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 defined as an attestation of financial accounting, involving examination and evaluation of Financial Statements and other financial records and expression of opinions 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
- All 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 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 findings 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

Junik Municipality, Kosovo

Pristina, 03 June 2011

We were engaged to audit the accompanying financial statements of Municipality of Junik ("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 Note 27 to the financial statements, discloses the property, plant and equipment owned by the Municipality. However, 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 statements 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, their ability to prepare a reliable and accurate budget, to report an accurate collection ratio, and monitor the collection of own source revenues on a timely basis.
- 4 We identified a number of non-compliances with Law No. 2003/17 'Law on Public Procurement in Kosovo' (amended). Such non-compliance related to required procedures which were not performed and documented by the Municipality.

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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 preparation of financial statements, has been partially 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;
- We identified a number of non-compliances in the expenditure area, including non-compliances with Law No. 2003/17 'Law on Public Procurement in Kosovo' (amended), non-compliances in the areas of wages and salaries and other purchases. Such non-compliance related to required procedures which were not performed and documented by the Municipality.
- 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 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 to 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	969,000	1,297,000	1,297,000	1,289,000	778,000
Own Source Revenues	43,000	43,000	131,000	78,000	71,000
Domestic Donations	-	-	-	-	-
External Donations	-	10,000	10,000	-	-
I. Total of revenues and transfer of Donations	1,012,000	1,350,000	1,438,000	1,367,000	849,000
Wages and Salaries	573,000	609,000	609,000	603,000	489,000
Goods and Services	151,000	132,000	132,000	132,000	102,000
Utilities	31,000	33,000	33,000	31,000	19,000
Subsidies and Transfers	4,000	4,000	4,000	4,000	4,000
Capital Investments	253,000	572,000	660,000	597,000	235,000
Reserves	-	-	-	-	-
II. Total of Expenditures	1,012,000	1,350,000	1,438,000	1,367,000	849,000
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.

- The Municipality has prepared the financial statements according to AI 16/2010, except for completeness of 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 were signed within the required time frame on 29/01/2009 and Submitted to the 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 MEF during 2010.

Recommendation 1

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 the 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 in the Financial Statements 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. For other categories of revenues for which the billing system is required, it is not applied. Instead only cash collections from such revenue streams are recorded.
- *Collection of revenues.* Except for taxes on property and business licenses, the Municipality management does not maintain separate and appropriate sub ledgers or lists of all its debtors from various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, or to follow up the collection of the own source revenues on a timely basis.
- *Revenue from business licenses.* The Municipality does not obtain from the Ministry of Trade and Industry the total updated number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses might not get charged.
- *Registration of revenues in Free Balance.* The Municipality recorded EUR 6 thousand of revenues from Administration, Urbanism, Geodesy and Cadastre departments under the wrong economic code of revenues. As a result, an amount of EUR 6 thousand was presented in the incorrect category in Notes 12 and 12.1.
- *Reconciliation of Revenues.* During the year 2010, there was no reconciliation between records kept by own source revenue officer and operational departments (Administration, Urbanism, Geodesy and Cadastre), for administrative taxes and taxes for changing the destination of land.
- *Revenue collected as cash on hand:* In certain instances during 2010, own source revenues collected from the health department and the administrative office were not deposited in the bank account immediately as required by regulation no 2003/17.
- *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 the implementation of proper control procedures on cash collections.

VII.2 Expenditures

2.1 Purchases through Procurement

Findings

- For procurement procedure no: 636/10/014/121 for supply of automobiles, the tender evaluation criteria was set as “most economically favorable operator”, whereas the winning operator was determined based on the lowest price and no other criteria were assessed.
- For procurement procedure no: 636/10/012/521; 636 10 022 431; 636 10 016 521; 636 10 027 221; 636 10 032 521; 636 10 046 121; 636 10 028 521; and 636/10/011/121 the Guarantee for the Execution of the Contract was not requested from the Procurement Department, although based on Article 60 of the Law on Procurement, the Contracting Authority must seek to guarantee the performance of the work for projects with medium and large value.
- The declaration under OATH was not signed in the following case: 636/10/014/121.

Recommendation 4

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.

2.2 Other purchases

Findings

No findings to report in this area.

2.3 Remunerations (Wages and Salaries)

Findings

From our sample of personnel files, we noted that the performance evaluation reports were missing in the files of the following three employees (Initials: BG, SP and DK).

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.

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 has established a registration and valuation committee in 2010, 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 the year 2010, without such physical count we were not be able to verify the physical existence of the assets.

Recommendation 6

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

Findings

No findings to report in this area.

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, although the Municipality was able to present payments from third parties in the financial statements based on manual records maintained from them, the following was omitted or improperly disclosed in the financial statements as at 31 December 2010:

- Section 15, Note 27. 'Non-financial assets'

Recommendation 7

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 Audit Committee

Findings

The Municipality has not established an Audit Committee Audit function.

Recommendation 8

We recommend the Mayor ensures that the Municipality considers the establishment of 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; and
- Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements;

IX. Overall conclusion on the Management of Municipality of Junik

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;
- Improvements should be made to controls over expenses and payments to ensure strict compliance with laws and local regulatory requirements;
- An Audit Committee should be established.

Annex 1 Municipality of Junik management comments and KPMG response

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 1:</u></p> <p>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			<p>The Municipality is aware that the financial statements do not present all the transactions, but the Municipality has no control over this as the Government of Kosovo has made changes to the budgetary line items, which have caused changes to the budget tables in the Municipality of Junik financial statements.</p>	<p>The Municipality has agreed with our findings.</p>
<p><u>Recommendations 3:</u></p> <p>We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on billing and revenue. Improvement of the procedures related to such systems would enable management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out. 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, 		X		<p>The Municipality has no response because the recommendation is too general and does not provide enough suggestions on which the Municipality may act to impact the advanced billing system, setting and monitoring of revenue, because the tax on property is a unique system under direct control by the MEF - Department of Property on Tax. For the rest of the Municipality’s own source revenues, there is no available software that could provide higher precision.</p> <p>Planning for these revenues is based on preliminary analysis of income in accordance with tax regulations, charges and municipal fines and economic development trends of the Municipality.</p>	<p>The Municipality has partially agreed with our findings.</p>

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 3 (continued):</u></p> <p>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.</p> <ul style="list-style-type: none"> • 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 the implementation of proper control procedures on cash collections. 					

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 4, 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>Regarding the procurement of bids, the evaluation report and declaration under oath could have been missed, but these are required in all cases as no contract can be signed without them.</p> <p>We accept your finding about lack of performance guarantee, but usually the performance guarantee is only required for large value tenders because for small value tenders the Municipality encounters problems with economic operators who are discouraged to apply by the performance guarantee. As such, exceptions are made in such cases.</p>	The Municipality has partially agreed with our findings.
<p><u>Recommendations 6:</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>Real estates, in the Office of Urban Planning, Geodesy and Cadastre database exists for the municipal real estate assets and the change of ownership or misuse of property can not occur without passing through required legal procedures and in these cases management supervises the eventual transfer to any other owner.</p> <p>The Municipality acknowledges that the non-movable properties are not part of the financial statements because those properties are not valued in monetary value in the absence of professional capacity and material.</p>	The Municipality has partially agreed with our findings.

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 7</u></p> <p>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			<p>The Municipality is aware that the financial statements do not present all the transactions, but the Municipality has no control over this as the Government of Kosovo has made changes to the budgetary line items, which have caused changes to the budget tables in the Municipality of Junik financial statements.</p>	<p>The Municipality has agreed with our findings.</p>
<p><u>Recommendations 8</u></p> <p>We recommend the Mayor ensures that the Municipality considers the establishment of 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> <p>Municipality’s accounting and financial reporting process; Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements;</p>	X			<p>The Municipality accepts your finding about lack of an audit committee. Since we are in the process of undergoing consolidation and due to lack of capacity, we have been unable to establish such a committee. The Municipality will consider your recommendation in the future.</p>	<p>The Municipality has agreed with our findings.</p>

Annex 2 Different types of Audit Opinions applied by KPMG in the Annual Audit Report 2010

Different forms of Audit Opinions applied by the Office of Auditor General in the Annual Audit Report 2009

(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.

Municipality of Junik

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 Junik.

Date: 31 May 2011

Signature and stamp:

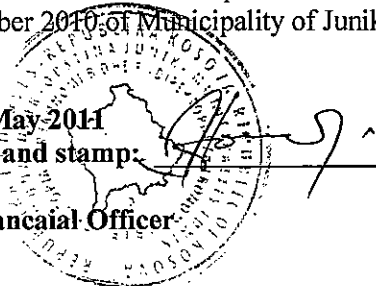
Chief Administrative Officer



Date: 31 May 2011

Signature and stamp:

Chief Financial Officer



Municipality of Junik
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	1,289	78	-	778	71	-	624	21	-
Special Purpose Fund Appropriations		-	-	-	-	-	-	-	-	-
Designated Donor Grants	3	-	-	-	-	-	-	-	-	-
Other Receipts	4	-	-	239	-	-	320	-	-	30
Total receipts		1,289	78	239	778	71	320	624	21	30
Payments										
<i>Operations</i>										
Wages and Salaries	5	603	-	-	486	3	-	356	-	-
Goods and Services	6	132	-	-	102	-	-	131	-	-
Utilities	7	31	-	-	19	-	-	13	-	-
		766	-	-	607	3	-	500	-	-
<i>Transfers</i>										
Transfers and Subsidies	8	-	4	-	-	4	-	-	1	-
<i>Capital Expenditures</i>										
Property Plant and Equipment	9	523	74	-	171	64	300	124	20	-
Other Payments	10	-	-	239	-	-	20	-	-	30
Total payments		1,289	78	239	778	71	320	624	21	30

Municipality of Junik
Section 10. Budget Execution Report
for the year ended 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

		2010				2009	2008
	Notes	Original Budget (Appropriation) A EUR '000	Final Budget (Appropriation) B EUR '000	Payments C EUR '000	Variance D=C-B EUR '000	Payments E EUR '000	Payments F EUR '000
Cash inflows into Treasury account							
Taxation	11	-	-	-	-	-	-
General fund		969	1,297	1,289	(8)	778	624
Own Source Revenues 2010	12, 29	43	72	28	(44)	71	21
Own Source Revenues 2009	12, 29		59	50	(9)		
Grants and Aid	13	-	-	-	-	-	-
Capital receipts	14	-	-	-	-	-	-
Privatisation Fund	15	-	-	-	-	-	-
Other	16	-	10	-	(10)	-	-
Total Receipts collected for KCB		1,012	1,438	1,367	(71)	849	645
Cash outflows from Treasury account							
Wages and Salaries	17	573	609	603	(6)	489	356
Goods and Services	18	151	132	132	-	102	132
Utilities	19	31	33	31	(2)	19	12
Transfers and Subsidies	20	4	4	4	-	4	1
Capital Expenditures	21	253	660	597	(63)	235	144
Privatization Fund	22	-	-	-	-	-	-
Other	23	-	-	-	-	-	-
Total Payments made from KCB through STA		1,012	1,438	1,367	(71)	849	645

Municipality of Junik

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 Junik ('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-105
- The Reviewed Budget is approved by Law No. 03/L-167
- 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.

Municipality of Junik
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	OSR	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Wages and Salaries	603	-	603	489	356
Goods and Services	132	-	132	102	132
Utilities	31	-	31	19	12
Subsidies and Transfers	-	4	4	4	1
Capital Outlays	523	74	597	235	124
Total	1,289	78	1,367	849	645

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	-	-	-
Total	-	-	-

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	40	300	-
Heritage without Borders	7	20	30
Ministry of Agriculture, Forest and rural			
Development	32	-	-
K.U.R - Hidrodrini	160	-	-
Total	239	320	30

Municipality of Junik
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	EUR '000	EUR '000
Payments from KCF					
Net salaries	524	-	524	425	305
Personal Income Tax	20	-	20	16	14
Employer pension contribution	29	-	29	23	17
Employee pension contribution	29	-	29	23	17
Payments for Unions 0.10% to 0.50%	1	-	1	2	1
Overtime payments	-	-	-	-	2
Daily payments for Parliament and committee members	-	-	-	-	-
	603	-	603	489	356
Payment from Grants					
Full time salaries	-	-	-	-	-
Overtime wages	-	-	-	-	-
Contracted payments	-	-	-	-	-
	-	-	-	-	-
Total	603	-	603	489	356

Municipality of Junik
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	OSR		
	EUR '000	EUR '000	EUR '000	EUR '000
Payments from KCF				
Travel expenses inside country	1	-	1	1
Travel expenses abroad	7	-	7	3
Internet expenses	-	-	-	1
Telephone expenses	5	-	5	3
Postal services	-	-	-	-
Other contractual services	-	-	-	3
Printing services	-	-	-	-
Technical services	1	-	1	-
Part time contractual services	13	-	13	4
Membership expenses	1	-	1	-
Furniture (below Eur 1000)	-	-	-	7
Medical specialized supplies <1000	-	-	-	-
Traffic supplies <1000	1	-	1	-
Other supplies <1000	2	-	2	5
Copy machine	-	-	-	-
Other supplies 1000-5000	-	-	-	-
Office supply	14	-	14	14
Expenses for changes in Statute	-	-	-	-
Medical supply	9	-	9	7
Cleaning supply	3	-	3	3
Clothing	2	-	2	-
Funeral expenses	-	-	-	-
Oil for central heater	5	-	5	2
Wood	9	-	9	6
Generator fuel	2	-	2	2
Vehicle fuel	10	-	10	6
Registration and insurance of vehicles	3	-	3	3
Vehicle maintenance	5	-	5	4
Building maintenance	6	-	6	1
Road infrastructure maintenance	1	-	1	-
IT maintenance	1	-	1	-
Furniture and equipment maintenance	2	-	2	1
Rent for buildings	14	-	14	13
Marketing and Advertising	7	-	7	7
Publications	-	-	-	-
Representation expenses	8	-	8	5
	132	-	132	102
Payment from Grants				
Travel expenses	-	-	-	-
Telecommunication services	-	-	-	-
Contractual services	-	-	-	-
Representation expenditures	-	-	-	-
	-	-	-	-
Total	132	-	132	102
				131

Municipality of Junik
Section 11. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

7. Utilities

Description	2010			2009	2008
	KCB	OSR	Total	EUR	EUR
	EUR '000	EUR '000	EUR '000	'000	'000
Utilities paid from the KCF	31	-	31	19	13
Utilities paid from Grants	-	-	-	-	-
Total	31	-	31	19	13

8. Transfers and Subsidies

Description	2010			2009	2008
	KCB	OSR	Total	EUR	EUR
	EUR '000	EUR '000	EUR '000	'000	'000
Payments from KCF					
Subsidies	-	-	-	-	-
Subsidies for public entities	-	4	4	4	1
Subsidies for non-public entities	-	-	-	-	-
Payments for individual beneficiaries	-	-	-	-	-
Base pensions	-	-	-	-	-
Disabled pensions	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-
Payments for war invalids	-	-	-	-	-
Payments for war victims families	-	-	-	-	-
Trepca provisional pensions	-	-	-	-	-
	-	4	4	4	1
Payment from Grants					
Subsidies	-	-	-	-	-
Subsidies for public entities	-	-	-	-	-
Subsidies for non-public entities	-	-	-	-	-
Payments for individual beneficiaries	-	-	-	-	-
	-	-	-	-	-
Total	-	4	4	4	1

Municipality of Junik
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	EUR '000	EUR '000
Payments from KCF					
Other structure	48	10	58	64	94
Buildings	-	4	4	2	-
Road construction	112	48	160	152	42
IT equipment	-	-	-	10	-
Waste and water system	308	-	308	-	-
Water supply system	13	6	19	-	-
Energy, generation, transfer, and supply	16	6	22	-	8
Machinery	-	-	-	7	-
Vehicles	22	-	22	-	-
Other capitals	4	-	4	-	-
	523	74	597	235	144
Payment from Grants					
Buildings	-	-	-	-	-
Road construction	-	-	-	-	-
Waste and water system	-	-	-	-	-
Water supply system	-	-	-	-	-
	-	-	-	-	-
Total	523	74	597	235	144

10. Other Payments

Investor	Description of payments	2010 EUR'000	2009 EUR'000	2008 EUR'000
Ministry of Local Government	Regulation of the courtyard of the Municipal Administration building	40	300	-
Cultural Heritage without borders	Restoration of the Tower in Junik	7	20	30
MAFRD	Construction of dams of the Erenik river	32	-	-
K.U.R. Hidrodrini	Repair of the water supply system in the Municipality of Junik	160	-	-
Total		239	320	30

Municipality of Junik
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	11.1	-	-	-	-	-
Tax Administration	11.2	-	-	-	-	-
Other tax	11.3	-	-	-	-	-
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	28	20	20	39	40
Administrative Tax revenues 12.1	22	21	20	31	5
Revenue from business licenses	2	-	-	3	-
Change of destination of Land's purpose	7	3	-	10	133
Health participations	7	5	5	10	40
Revenue from court penalties	1	-	1	1	-
Revenue from traffic penalties	2	1	-	3	100
Revenue from tax on forest usage	3	6	5	4	(50)
Total	72	56	51	100	29
Own source revenue carried forward from previous year	59	73	43	82	(19)

Municipality of Junik
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	7	6	8
Tax on birth certificates	2	3	2
Tax on marriage certificates	1	2	2
Administrative tax on request	6	5	5
Tender Participation Fee	2	1	-
Tax on death certificates	-	-	-
Other Administrative Taxes	1	4	4
Tax for verification of documents	3	-	-
Court Fee Return	-	-	-
Total	22	21	21

13. Grants and Assistance

Description	2010 EUR '000	2009 EUR '000	2008 EUR '000
Grant 1	-	-	-
Grant 2	-	-	-
Grant 3	-	-	-
Total	-	-	-

14. Capital receipts

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

Municipality of Junik
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	2009	2008
	EUR '000	EUR '000	EUR '000
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
Total	-	-	-

16. Other

Receipt type	2010	2009	2008
	EUR '000	EUR '000	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 difference by EUR 6 thousands of actual payments for 2010 compared with the final budget is because in the program of primary and secondary education by the initial budgeting are planned funds for maternity leave of employees, and this surplus was not allowed to be carried in another program as an expense.

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

There was no difference between payments and final budget for goods and services.

19. Difference between payments and final budget for utilities

The difference between payments and the final budget in terms of municipal expenditure category is EUR 2,259 which represents surpluses in all operating programs.

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

There was no difference between payments and final budget for transfers and subsidies.

Municipality of Junik
Section 11. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

21. Difference between payments and final budget for capital expenditure

The decrease by EUR 63 thousands in actual payments compared with final budget, results from exceeding of payments for projects which were planned for realization in 2010 and some other payments which are not fully implemented yet. These funds are almost entirely generated from own source revenues and will be transferred for expenditure in the next year.

22. Difference between payments and final budget for privatization fund

There were no differences in this category.

23. Difference between payments and final budget for other payments

There were no budgeted or actual other payments in 2010.

Municipality of Junik

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

Section 13.

25. Statement of Outstanding Invoices (Liabilities)

No	Date of invoice	Number of invoice	Economic code	Vendor	Description	Reason for unpaid invoice	Amount in EUR'000
1	03.12.2010	052/12	n/a	Zeri	Official newspaper	Closing of payment period in KFMIS	0.036
2	01.11.2010	528	n/a	Besina	Vehicle maintenance	Closing of payment period in KFMIS	0.163
3	30.11.2010	1150	n/a	Zeri	Advertisement expense	Closing of payment period in KFMIS	0.139
4	30.12.2010	40330	n/a	Atlantida	Contractual services	Closing of payment period in KFMIS	0.83
5	05.01.2010	40544	n/a	Atlantida	Contractual services	Closing of payment period in KFMIS	0.733
6	03.12.2010	pa nr.	n/a	H. Krasniqi	Travel expense	Closing of payment period in KFMIS	0.167
7	08.12.2010	pa nr.	n/a	K. Komunal	Local community office	Closing of payment period in KFMIS	0.25
8	22.12.2010	pa nr.	n/a	K. Komunal	KPF Assembly	Closing of payment period in KFMIS	0.15
9	29.12.2010	pa nr.	n/a	K. Komunal	Municipal Assembly	Closing of payment period in KFMIS	1.75
10	12.01.2011	20	n/a	Besina	Vehicle maintenance	Closing of payment period in KFMIS	0.232
11	06.01.2011	243209422011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.017
12	06.01.2011	242510272011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.008
13	06.01.2011	2.42489E+11	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.018

Municipality of Junik

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

(Amounts in thousands of EUR, unless otherwise stated)

25. Statement of Outstanding Invoices							
(Liabilities)							
No	Date of invoice	Number of invoice	Economic code	Vendor	Description	Reason for unpaid invoice	Amount in EUR'000
14	06.01.2011	242537602011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.001
15	06.01.2010	242497812011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.012
16	06.01.2010	243016362011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.008
17	06.01.2011	243008132011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.011
18	06.01.2011	243034832011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.024
19	06.01.2011	243039992011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.011
20	06.01.2011	243160252011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.018
21	06.01.2011	242903882011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.015
22	06.01.2011	242903872011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.028
23	06.01.2011	243202572011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.043
24	06.01.2011	243155222011	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.026
25	06.01.2011	2000798	n/a	KEK	Shpenzimet e rrymes	Closing of payment period in KFMIS	0.068
26	06.01.2011	9031121	n/a	KEK	Electricity Expenses	Closing of payment period in KFMIS	0.132
27	12.01.2011	40513	n/a	PTK	Telephone Expenses	Closing of payment period in KFMIS	0.236
28	02.01.2011	2030017	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.003
29	02.01.2011	2030003	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.39
30	02.01.2011	2030004	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.004
31	02.01.2011	2030007	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.006
32	02.01.2011	2030009	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.007

Municipality of Junik

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

(Amounts in thousands of EUR, unless otherwise stated)

25. Statement of Outstanding Invoices (Liabilities)

No	Date of invoice	Number of invoice	Economic code	Vendor	Description	Reason for unpaid invoice	Amount in EUR'000
33	02.01.2011	2030011	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.223
34	02.01.2011	2030012	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.006
35	02.01.2011	2030013	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.008
36	02.01.2011	2030014	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.082
37	02.01.2011	2030015	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.005
38	02.01.2011	2030016	n/a	Hidrodrini	Water Expenses	Closing of payment period in KFMIS	0.015
39	17.01.2011	1950	n/a	Zem Zem	Derivate per vetura	Closing of payment period in KFMIS	1.198
40	17.01.2011	1949	n/a	Zem Zem	Derivate per vetura	Closing of payment period in KFMIS	0.112
41	22.12.2010	40807	n/a	OJQ Jeta	Represenation expense	Closing of payment period in KFMIS	0.856
42	22.12.2010	14060	n/a	Besina	Vehicle maintenance	Closing of payment period in KFMIS	0.221
43	20.12.2010	14059	n/a	Besina	Vehicle maintenance	Closing of payment period in KFMIS	0.14
44	16.12.2010	14058	n/a	Besina	Vehicle maintenance	Closing of payment period in KFMIS	0.273
45	13.12.2010	14057	n/a	Besina	Generator maintenance	Closing of payment period in KFMIS	0.086
46	31.12.2010	1946	n/a	OJQ Jeta	Representation expense	Closing of payment period in KFMIS	0.055
Total							8.816

Municipality of Junik

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	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Total	-	-	-

ID Category	Category	2010 EUR '000
-	-	-
-	-	-
-	-	-
Total		-

Municipality of Junik

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
16.03.2010		50019	Tax on business activities	31.12.2010	N.N. Shala	0.20
12.03.2010		50019	Tax on business activities	31.12.2010	D.P.T. Gjocaj	0.10
12.03.2010		50019	Tax on business activities	31.12.2010	N.T. ARL.S.GJ	0.07
16.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH Albesa	0.10
16.03.2010		50019	Tax on business activities	31.12.2010	N.T.H. Delfini	0.10
12.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH. Rinija	0.16
12.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH.P Union	0.20
12.03.2010		50019	Tax on business activities	31.12.2010	D.P.Z. Sofra	0.10
12.03.2010		50019	Tax on business activities	31.12.2010	N.P.T. Ardi j	0.10
24.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH. Besina	0.08
24.03.2010		50019	Tax on business activities	31.12.2010	D.P.T. Kuqi	0.06
19.03.2010		50019	Tax on business activities	31.12.2010	D.P.H. jeta	0.10
19.03.2010		50019	Tax on business activities	31.12.2010	D.P.T Loni	0.07
19.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH Bashkimi	0.08
19.03.2010		50019	Tax on business activities	31.12.2010	N.T.Sh. Junik city	0.15
19.03.2010		50019	Tax on business activities	31.12.2010	D.P.Z. Sofra	0.10
12.04.2010		50019	Tax on business activities	31.12.2010	D.P.Z. Frizer "Goni"	0.05
19.03.2010		50019	Tax on business activities	31.12.2010	N.T.P. "Tujaha"	0.05
19.03.2010		50019	Tax on business activities	31.12.2010	D.P.T.Shqiponja	0.02
19.03.2010		50019	Tax on business activities	31.12.2010	Shehu-P-D-T	0.11
19.03.2010		50019	Tax on business activities	31.12.2010	D.P.T. Juniku-S	0.08
12.04.2010		50019	Tax on business activities	31.12.2010	N.P.T.Sh.P. Tofaj	0.16
16.03.2010		50019	Tax on business activities	31.12.2010	N.T. Burimi - M	0.05
16.03.2010		50019	Tax on business activities	31.12.2010	N .T .P Gresa	0.05
16.03.2010		50019	Tax on business activities	31.12.2010	N.T.P Miroci	0.04
12.03.2010		50019	Tax on business activities	31.12.2010	N.T.SH.Goni	0.07
16.03.2010		50019	Tax on business activities	31.12.2010	N.T Zem-Zem	0.10
12.04.2010		50019	Tax on business activities	31.12.2010	Euro Best	0.15
12.04.2010		50019	Tax on business activities	31.12.2010	N.P.H. "Ereniku"	0.08
12.05.2010		50019	Tax on business activities	31.12.2010	N.T.P "Gurra"	0.06
Total						2.83

Municipality of Junik

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

(Amounts in thousands of EUR, unless otherwise stated)

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	59	73	43
Own Source Revenues received this year in accordance with Note 12	72	56	51
Available total for appropriation in the current year	131	129	94
Wages and Salaries	-	4	-
Goods and Services	-	-	-
Utilities	-	-	-
Transfers and subsidies	4	4	1
Capital Outlays	74	64	20
Other	-	-	-
Total paid in 2010	78	71	21
Carried forward amount	53	59	73

Section 16.

30. Contingent Liabilities

Contingency Liability Type	Reason for Liabilities	2010 EUR '000	2009 EUR '000	2008 EUR '000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
Total		-	-	-

Municipality of Junik

Section 12 to 18. 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	969	-	(6)	334	-	1,297	34%
Own source Revenues 2010	43	-	-	-	29	72	67%
Own source Revenues 2009	-	-	-	-	59	59	0%
Grants and Aid	-	-	-	-	-	-	0%
Capital Receipts	-	-	-	-	-	-	0%
Privatization fund	-	-	-	10	-	10	0%
	1,012	-	(6)	344	74	1,438	41%
Outflows							
Wages and Salaries	573	-	-	36	-	609	6%
Goods and Services	151	(11)	(6)	(2)	-	132	(5)%
Utilities	31	2	-	-	-	33	0%
Transfers and Subsidies	4	-	-	-	-	4	0%
Capital Expenditures	253	9	-	310	88	660	157%
Privatization Fund	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	0%
Total	1,012	-	(6)	344	74	1,438	41%

Municipality of Junik

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	Final Budget	Payments	Progress	Progress
		Law Nr 03/L-105 EUR'000	KFMIS EUR'000	EUR'000	in %	in %
A		b	C	d	e=(d-b)/b	f= (d-c)/c
Total Payments	1+2+3+4	1,012	1,438	1,367	35	(5)
Payments from the General Grant	1	969	1297	1,289	33	(1)
Wages and Salaries		573	609	603	5	(1)
Goods and Services		151	132	132	(13)	-
Utilities		31	33	31	-	(6)
Subsidies and Transfers		-	-	-	-	-
Capital Investments		214	523	523	144	-
Payments from Own Source Revenues of 2010	2	43	72	28	(35)	(61)
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		4	4	4	-	-
Capital Investments		39	68	24	(38)	(65)
Payments from Own Source Revenues carried Forward from 2009	3	-	59	50	-	-
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	59	50	-	(15)
Payments from the pre-assigned Grant	4	-	10	-	-	(100)
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	10	-	-	(100)

Municipality of Junik

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	Public Services	Urbanism	Health	Education	Total
Total Payments	1+2+3+4	49	46	111	40	409	256	140	316	1,367
Payments from the General Grant	1	45	46	111	40	403	188	140	316	1,289
Wages and salaries		31	45	59	35	35	25	102	271	603
Goods and services		13	1	44	4	10	4	32	24	132
Utilities		1	-	8	1	5	-	6	10	31
Subsidies and transfers		-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	353	159	-	11	523
Payments from Own Source Revenues of 2010	2	4	-	-	-	6	18	-	-	28
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-
Subsidies and transfers		4	-	-	-	-	-	-	-	4
Capital Investments		-	-	-	-	6	18	-	-	24
Payments from Own Source Revenues of 2009	3	-	-	-	-	-	50	-	-	50
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-
Subsidies and transfers		-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	-	50	-	-	50
Grants	4	-	-	-	-	-	-	-	-	-
Wages and salaries		-	-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-
Subsidies and transfers		-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	-	-	-	-	-

Municipality of Junik

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
Health participations	50409	-	-	-	7	7
Tax on property	40110	-	28	-	-	28
Administrative tax on request	50019	-	6	-	-	6
Tax for verification of documents	50017	3	-	-	-	3
Other Administrative Taxes	50016	1	-	-	-	1
Marrige certificates	50014	1	-	-	-	1
Birth certificated	50013	2	-	-	-	2
Death certificates	50015	-	-	-	-	-
Tender Participation Fee	50020	2	-	-	-	2
Change of destination of Land's purpose	50012	-	-	7	-	7
Vehicle registartion tax	50001	-	7	-	-	7
Tax on operating license	50205	-	-	-	-	-
Revenue from court penalties	50101	-	1	-	-	1
Revenue from traffic penalties	50102	-	2	-	-	2
Revenue from tax on forest usage	50103	-	3	-	-	3
Revenue from business license	50204	-	2	-	-	2
Tax on construction licenses	50009	-	-	-	-	-
Tax on demolishing tax	50010	-	-	-	-	-
Inheritance registration tax	50011	-	-	-	-	-
Totali		9	49	7	7	72

Municipality of Junik

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	
Functional classification						
Social protection	6	-	-	-	-	6
General public services	170	76	15	4	586	851
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	35	-	-	-	-	35
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	25	-	-	-	-	25
Health	96	32	6	-	-	134
Recreation, Culture and Religion	-	-	-	-	-	-
Education	271	24	10	-	11	316
TOTAL	603	132	31	4	597	1,367

Payments from Designated Grants

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

Municipality of Junik

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

(Amounts in thousands of EUR, unless otherwise stated)

Article 12. Staff Numbers

No	Number of employees by department	Number of employees as per Budget Law 03/L-105	Actual number of employees in the beginning of 2010		Actual number of employees in the end of 2010	
			Full time employees	Part time employees	Full time employees	Part time employees
1	Mayor office	5	5	-	6	-
2	Administration	14	14	-	19	-
3	Budget and finance	8	8	-	10	-
4	Public services	9	9	-	9	-
5	Urbanism	5	5	-	7	-
6	Health	25	25	-	26	-
7	Education	80	80	5	80	4
	Total	146	146	5	157	4

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	Registration of PPE	The establishment of the commission responsible for this task and commencing data gathering.	June 2011	The establishment of the data base for assets
2	Third party funding	The gathering of the respective documentation and contracts	March 2011	A true picture of the evidence