



STAR project

Guidelines on
Local Government Unit
Due Diligence

Glossary

A.U	Administrative Unit	ICG	Instructions of Central Government Institutions
ACP	Agency of Consumer Protection	IT	Information Technology
Agency	Agency on Inventory and Administration of Public Property at the Ministry of Interior	KKRT	National Council on Territory Regulation
ALL	Albanian lek	LGU	Local government unit
APP	Public Procurement Agency	MoF	Ministry of Finance of the Republic of Albania
CD	Compact Disc	No.	Number
CHUIA	Central Harmonization Unit of Internal Audit	Notes 1 to 13	Lists of additional information to be prepared by the LGU in relation to the financial due diligence
Cr	Credit	N/A	Not Applicable
DCM	Decision of the Council of Ministers of the Republic of Albania	NBV	Net book value
Dr	Debit	NIPT	Fiscal Number
Draft		OM	Omissions
Organic Law	Draft Law with amendments to the Organic Law	PM	Policy Modification
Financial statement	The completed financial statements as per Forms 1 to 11, according to the requirements of the Ministry of Finance of Albania and prepared by the LGU	PPE	Property plant and equipment
FS	Financial statement	RE	Reclassifications
FY	Financial year	T	Template
GoA	Government of Albania	Forms 1 to 11	The completed financial statements as per Forms 1 to 11, according to the requirements of the Ministry of Finance of Albania and prepared by the LGU
HR	Human Resources	TAR	Territorial and administrative reform
		VAT	Value Added Tax
		VKB	Decision of Municipal Council
		WIP	Work in progress

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Introduction

Background

The Government of Albania (GoA) has undertaken the territorial and administrative reform (TAR), which aims at the establishment of larger units of local governments, administering a larger, reorganised and consolidated territory.

The anticipated benefits of such comprehensive reform are multi-fold, with a final objective of TAR to strengthen the efficiency of local administration, further democratise and strengthen the governance in the territory and encourage economic efficiency through the creation of premises for an integrated planning in a more consolidated administrative space.

In support to this reform, the donor community has established a multi-donor fund under the management of UNDP Albania, known as “Support to Territorial and Administrative Reform” (STAR) project. The STAR project was designed with the intention to provide coherent technical, operational and logistic support to the reform process through the Minister of State for Local Issues (MSLI) - the central institution responsible for the development and implementation of the reform.

Further, a dedicated Amalgamation Team of MSLI is being created and a pilot approach is being taken on the design and development of amalgamation modalities to be applied at a national / full scale. Two representative groups of twelve local government units (LGUs) have been selected and they will constitute the future municipalities of Pogradec and Ura Vajgurore.

KPMG Albania Shpk (KPMG) was appointed to assist in fulfilling the main objectives of the transitional phase of designing and testing the amalgamation approach by conducting a comprehensive due diligence of the twelve pilot LGUs. On this basis, a coherent approach, instructions and templates for replicating the due diligence exercise at a national / full scale were developed. KPMG also conducted a Train the Trainers session for creating capacity to carry on the amalgamation process.

Amalgamation process and timeline

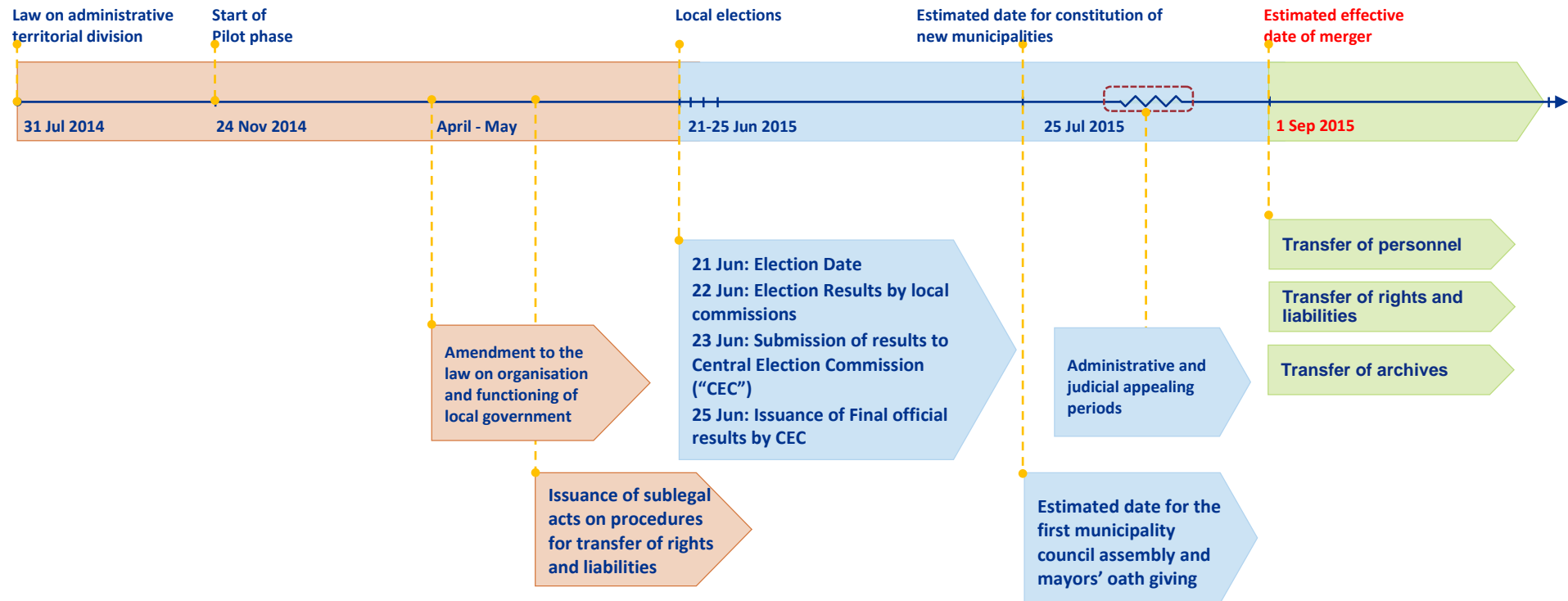
The amalgamation process is set out in the following legislation:

- Law no. 115/2014, dated 31.07.2014, on “Administrative-territorial division”, and
- Law no. 8652, dated 31.07.2000, on “Organisation and functioning of the local government units”
- Draft Law amending the Law no. 8652, dated 31.07.2000, on “Organisation and functioning of the local government units” approved recently by the Albanian parliament (but not effective yet).

In accordance with the effective legislation and the expected amendments:

- 373 existing local government units shall be consolidated into 61 new municipalities to be constituted after the local elections on 21 June 2015
- Each of the new municipalities shall be composed of several administrative units and shall represent an administrative-territorial unity.
- The existing local government units shall continue their functioning until the constitution of the representative and executive bodies of the new municipalities.
- The amalgamation should take the form of a legal effective merger; due to its complexity, the process will require further steps to finalise the new structures in practice.
- The legal effective merger shall correspond to the constitution date of every new municipality which may vary depending on the election process.
- The amalgamation process and timeline are illustrated in the figure overleaf.

Figure: Amalgamation process and timeline



Purpose of the Guidelines on Local Government Units Due Diligence

- Undertaking a comprehensive due diligence of the state of affairs of each existing LGU is an essential step for having a clear picture of the operations of the amalgamating local governments and the problems that must be addressed in each specific case.
 - The present Guidelines on Local Government Units Due Diligence (the Guidelines) will serve as a road map for:
 - performing the due diligence assignments
 - preparing the documents necessary for the legal effective merger and
 - outlining the next steps for completing the amalgamation smoothly in practice
 - A diverse set of tools have been created to facilitate the fulfillment of tasks, including policies, methodologies, questionnaires, instructions, data books and a comprehensive financial model. They span from planning and information gathering to uniform analyses and reporting.
 - The following documents necessary for the legal effective merger could be developed using the Guidelines:
 - List of fixed assets
 - List of economic inventory and materials
 - List of contracts with third parties
 - List of balances with debtors and creditors with reference to contracts
 - Inheritance Act reconciled with the Treasury
 - Revenues and expenses reconciliations
 - List of investment in subsidiaries
- List of employees
 - List of litigations
 - List of Investment Projects
 - IT and Communication systems inventory
 - Approved budget for 2015
- The following reports for the post-merger phase could also be prepared:
 - Stand-alone financial statements for each existing LGU as at the effective date of merger
 - Consolidated financial statements for the new municipality as at the effective date of merger
 - Valuation of fixed assets
 - Consolidation of operations
- For the completion of the amalgamation process legal acts are expected to be amended and sublegal acts to be issued to provide for the procedures for the transfer of rights and liabilities, personnel and archives. Therefore, the present Guidelines may have to be amended to fully reflect the new legal requirements.

Due Diligence approach

The guidance is divided into the following steps in a consecutive order:

Planning

During the planning step the due diligence teams should carefully plan and initiate data collection, tailoring supplied standard questionnaires and arranging site visits and interviews with respective LGU representatives.

Fieldwork and data collection

Fieldwork and data collection activities should focus on both quantitative and qualitative information gathering as per the questionnaires.

Teams have to ensure that the personnel at LGUs understand all information requirements and data provided is complete and correctly presented. Arrangements should allow for several rounds of information circulation and interviews.

Analysis and preparation for consolidation

As part of the analysis and preparation for consolidation step due diligence teams will standardise, reconcile and analyse the operational and financial data of the LGUs.

The aim is to prepare coherent stand-alone reports for each LGU, which will allow for seamless consolidation of both operations and financials of the municipality to be newly formed.

The work performed will also prepare LGUs for the transfer of rights and obligations.

Consolidation

During the consolidation step due diligence teams are expected to summarise data and provide overview of the organisation, operations and financials of the new municipality.

A critical aspect of the work is to identify and address significant potential risks following the merger.

Guidelines content

The content is organized in three sections as follows:

Operational Due Diligence	Financial Due Diligence
Organisation and structure	Financial performance
Personnel matters	Financial statements
Information and Technology	Notes to the financial statements
Communication systems	Budget
Archiving	
Asset Management	
Investment Projects	
Legal matters	
Appendices in electronic form	
1: Questionnaire for information	7: Financial Due Diligence Report template
2: Legal Framework	8: Guidance on valuation of fixed assets
3: Operations Databook	9: Consolidation Financial Model
4: Operational Due Diligence report template	10: Descriptions of Financial Model content
5: Individual Financial Model	11: Descriptions of Consolidation Financial Model content
6: Templates for Notes to the financial statement	

The Guidelines, including the appendices, are presented in a soft-copy on a CD, which is an integral part of this document. Due to their specifics, the appendices are presented in the soft-copy only









Operational due diligence

Operational due diligence




An overview of the operational due diligence process and the main activities to be followed during each step are presented below.

With a click on the icon you may go to the respective section.








Planning

-  Get acquainted with the *Legal Framework*
-  Understand the *Organisational Model*
-  Understand the legal requirements for personnel transfer
-  Understand the legal requirements for archiving
-  Understand the legal requirements for asset management
-  Tailor the *Questionnaire for information* and the *Operations Databook*
-  Present the *Questionnaire for information* and the *Operations Databook*
-  Organise site visits and schedule meetings in advance


Fieldwork and Data collection

-  Organisation and structure
-  Personnel matters
-  Information and technology
-  Communication
-  Archiving
-  Asset management
-  Investment projects
-  Legal matters

Analysis and preparation for consolidation

-  Organisation and structure
-  Personnel matters
-  Information and technology
-  Communication
-  Archiving
-  Asset management
-  Investment projects
-  Legal matters

Consolidation

-  Organisation and structure
-  Personnel matters
-  Information and technology
-  Communication
-  Archiving
-  Asset management
-  Investment projects
-  Legal matters

1 Planning

1.1 Get acquainted with the Legal Framework

A common legal framework for Public Services (the “Legal Framework”) has been created following a review of the existing legislation in relation to local government matters, including:

- Law No. 8652, dated 31.07.2000, on “Organisation and Functioning of Local Government”, as amended, (the “Organic Law”)
- Law No. 115/2014, dated 31.7.2014, on “Administrative-Territorial Division of Local Government Units in the Republic of Albania”
- 34 industry sector laws
- 5 decisions of the Council of Ministers (DCM)
- 2 instructions of Central Government Institutions (ICGs)

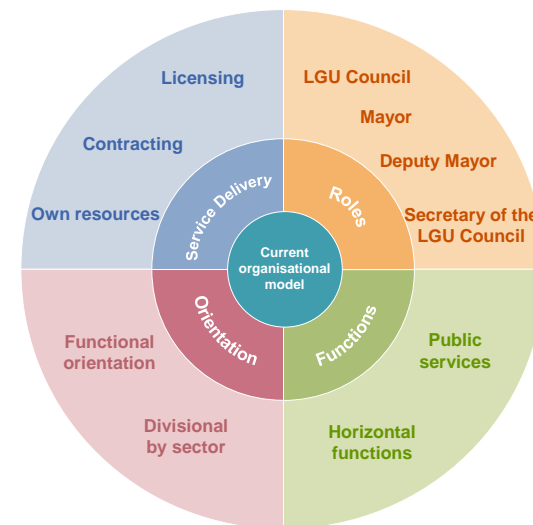
The Legal Framework is presented in Appendix 2

1.2 Understand the Organisational Model

Based on analyses performed during the pilot phase and best practices, an Organisational Model of the existing LGUs has been developed. Further, the drivers for change have been considered and the model adjusted to reflect the future required status of the LGUs.

The current organisational model consists of four elements: roles, functions, orientation and service delivery as shown in Figure 2. They will be analysed for each existing LGU organisation.

Figure 2: Current Organisational Model



Roles

The roles and their respective responsibilities are determined by the Legal Framework, and include:

- LGU Council
- Mayor
- Deputy Mayor
- Secretary to the LGU Council

Functions

The functions performed by the LGU are broadly classified as:

- Public Service Function, and
- Horizontal Functions

Further, the Organic Law defines the categories for provision of Public Service Functions to be own, shared and delegated.

Orientation

The orientation types widely used in the current organisational model are:

- Divisional by sector

The divisional orientation refers to public service sectors delivered to the community. For example, the LGU administrative structures are organised to provide infrastructure planning and development, veterinary service, civil protection and others.

The grouping of individual positions is oriented toward the whole delivery cycle of the specific service – from programme / common policies design to action plan and execution steps taken. Such structure enables clear accountability, improved coordination of activities, and builds expertise that helps to improve service delivery.

- Functional

The functional structure grouping of individual positions is based on common functions such as HR, Finance, Information Technology, etc.

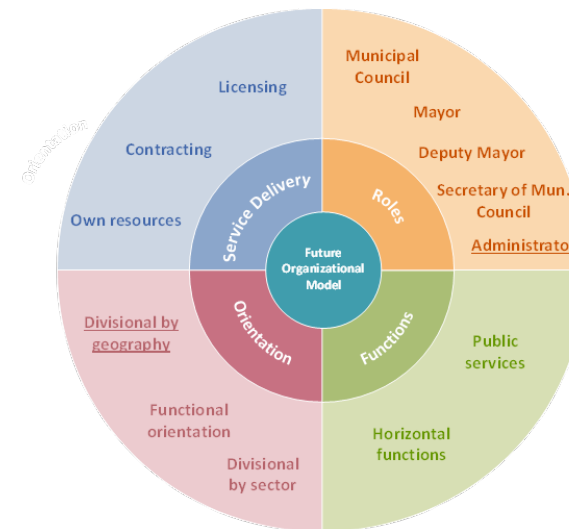
The work is divided by tasks which are more technically rather than business oriented within the functional area. Such a structure enables efficiency and process / policy standardisation and optimisation.

Service Delivery

In delivering its functions, the local government administration can use:

- Own resources in providing public services to the community and performing the horizontal functions
- Licensing private operators to deliver designated services (such as public transport)
- Contracting third parties or other public institutions

Figure 3: Future Organisational Model



The organisational model of the new municipalities and administrative units will be driven by the need for change to achieve the objectives of the amalgamation process. The changes are stipulated in the Draft Law which will amend the Organic Law (the “Draft Organic Law”), approved recently by the Albanian parliament (but not effective yet).

Following an analysis of their nature and impact, the Future Organisational Model has been established as shown in Figure 3.

Some of the changes will be implemented immediately, while others will need short to medium-term preparatory work.

Future roles

The changes in roles will be implemented with immediate effect.

- The LGU Council will continue with the existing competences. To help improve the efficiency of the new municipality, its responsibilities will change as follows:
 - Approving the level of salaries and bonuses for employees and other persons elected or appointed, in line with the legislation
 - When approving the budget and its amendments, it will also approve the maximum number of employees and municipal budgetary units
- The Mayor will continue with the existing competences. To help improve the effectiveness of the new municipality, the Mayor will assume new responsibilities, namely:
 - Approve the organisational structure of the new municipality and any accompanying internal regulations on the organisation of the activities of the municipal administration and of the municipality budgetary units
 - Appoint and discharge the administrators of the administrative units and neighbourhoods.
- The Administrator is a new role. The person is appointed and discharged by the Mayor and carries out the following responsibilities:
 - Run the administrative unit and report to the Mayor on its functioning
 - Identify and review instances of administrative contraventions
 - Has the right to delegate their competencies in relation to identification and reviewing of instances of administrative contraventions to other employees of the administrative unit
- The Deputy Mayor will continue with the existing competences. They will be elected by the Mayor.
- The Secretary of the LGU Council will continue with the existing competences. They will be elected by the LGU Council.

Future functions

- The functions to be performed by the new municipalities and administrative units are currently being reviewed by the Government. A new Law on Organisation and Functioning of Local Government, introducing new public service functions and superseding the existing Organic Law, is expected to be approved. Therefore, future changes to functions as described in the current organisational model are not considered in the due diligence report.

Future orientation

- Based on the analysis performed, there are no legal or business reasons to change the existing division by sectors and functional orientation of the organisational model in respect of Public Services and Horizontal Functions.
- The amalgamation process, however, introduces a major change in the relationships between the new municipality and the administrative units:
 - The administrative units are considered public service offices and enable provision of public services to the community at the same level regardless of territorial location
 - The organic structure of the administrative units are part of the organic structure of the new municipality
 - The administration of the administrative unit supports the activities of the new municipality
- This change brings a new dimension to the orientation of the organisational model, i.e. the division by geography

As a consequence, there is a need to implement a matrix organisation structure combining the elements of division by sector, division by geography and functional orientation.

It will be a more complex orientation requiring multiple reporting lines, aligning of objectives across divisions and functions, planning and utilising of combined resources, decision making, coordination and communication. To achieve a positive impact of the change, a detailed analysis and design of the new work processes and staff layers will have to be performed after the effective legal merger.

Future service delivery

- Consideration shall be given to how the work is executed and distributed in delivering the public services and horizontal functions. Such considerations would help in improving the effectiveness and efficiency of service delivery.
- Such decisions cannot be reached in the short-term and preparatory work is needed to analyse the processes, assess the human resources and infrastructure capacity, including the information and communication technology in place.
- To facilitate this thought process, we have developed three questions to be used as design principles:
 - Does the work require physical presence?
 - Is there any reason (legal, strategic) to centralise the execution of the function?
 - Is the work scalable through remote / central processing?
- Applying the above design principles for each function will trigger development of alternative organisational structures, which then should be refined and the most feasible one selected.

For more details please refer to section Organisation and Structure of the *Operations Databook*, presented in Appendix 3.

1.3 Understand the legal requirements for personnel transfer

As of the effective date of the legal merger, the competent bodies of the new municipalities should take actions with regard to transfer of personnel from the LGUs that shall cease to exist to the new municipalities. This transfer will make it necessary to restructure the internal organisation of the municipalities. Hence, it might be necessary to terminate relationships with personnel.

LGU personnel is divided in two categories: civil servants whose relationship is governed by Law no. 152/2013, dated 30.05.2013, on “Civil Servants” and employees whose relationship is governed by the Labour Code. Therefore,

different procedures should be followed by the competent bodies to reposition and terminate relationships with civil servants and employees.

In such cases, the provisions of Articles 105, 107, 143-145, 147 and 148 of the Labour Code are applicable for treatment of employees.

As regards civil servants, the provisions of the following legal and sub-legal acts shall be applicable:

- Article 50/1/6 and 7 of Law no152/2013, dated 30.05.2013, on “Civil Servants”, as amended
- DCM no. 118, dated 05.03.2014, on “Procedures for appointment, recruitment, management and termination of civil service relationships of high management level civil servants and members of TND”
- DCM no. 143, dated 12.03.2014, on “Procedures of recruitment, selection, probation period, parallel movement and promotion for civil servants of executive, middle and low management categories”

For more details please refer to the *Operations Databook*, presented in Appendix 3

The purpose of gathering data on personnel is to prepare a full inventory of LGUs personnel to be transferred to the new municipality at the legal effective date of merger. On this basis, the competent bodies of the new municipality will be able to analyse and assess the treatment of personnel (i.e repositioning or termination of relationships) after the adoption of the organisational structure, with the aim to increase efficiency and capacities to provide public services at the same level in the new municipality territory of jurisdiction.

1.4 Understand the legal requirements for archiving

The establishment, organisation and functioning of archives is governed by Law no. 9154, dated 06.11.2003, on “Archives” (the “Law”). This Law is applicable to all state institutions, including LGUs. In accordance with Article 15 of this Law, the General Directory of Archives has issued “Technical-professional and methodological norms of archiving service in the Republic of Albania” (“Archiving Methodology”). The Archiving Methodology sets out the detailed

procedures to be followed and actions to be taken by state institutions, including LGUs, in their daily activities as well as rules and procedures in cases of mergers of state institutions.

Pursuant to Article 23 of the Law, the LGUs need to have within their organisational structure an archiving service. Depending on the volume of documents created, each LGU needs to have the following functions: secretariat and archive, secretariat-archive or an employee assigned to carry out the service of secretariat-archive.

As regards the archive functions, each LGU must perform the following:

- Evidence the correspondence sent or received by the LGU
- Carry out the archiving processing, safeguard and serve the documents administered by them
- Deliver the documents in the state archives, within the deadlines determined by the Law.

In accordance with Article 43, the administrative documents are to be handed over to the respective state archives determined by the Law upon the elapse of 10 years after the date of their creation.

According to Article 44, the documents of local institutions must be handed over in the regional state archives directly by the institutions which have created them. This means that each LGU is individually responsible for handing over the documents to the state archive of the respective district.

Pursuant to Article 45, when the attributes of one state institution are legally transferred to another institution, the latter may administer the inherited documents up to the completion of deadlines provided by Article 43 of the Law. In addition, Article 24 of the Archiving Methodology is also applicable.

Article 51 of the Law provides that, in case of changes in the administrative-territorial organisation, the General Directory of Archives or regional state archives must be notified to decide on the further administration of the documents.

The purpose is to gather data on archiving practices to check compliance with legal requirements. Based on this, an analysis of the archiving practices will be

made and recommendations could be given on the preparatory actions to be taken in order to facilitate the transfer of archives in light of the amalgamation of the existing LGU with the new municipality.

1.5 Understand the legal requirements for asset management

The management of public assets by LGUs is governed by the Instruction of the Minister of Finance no. 30, dated 27.12.2011, on “Assets Management by Public Units”. It was issued in application of and based on Article 6/e of Law no. 10296, dated 08.07.2010, on “Financial Management and Control”.

The Law provides for the responsibility of the Minister of Finance to approve instructions and manuals related to the financial management and control in public units. Such instructions need to cover standard procedures on protection, documentation, circulation, sale and disposal of public assets. In addition, the Law sets out the direct responsibility of the heads of public units (in this case, the Mayors of LGUs) with regard to public asset management.

The Law and the abovementioned Instruction provide also the Mayors’ responsibility to approve specific rules and procedures for maintenance, protection and disposal of public assets as well as appointment of authorising officer.

The Instruction lays down detailed procedures on assets management as well as specific requirements on:

- Assets risk management
- Assets register
- Assets inventory

The Instruction prescribes the existence of objectives for use of assets, respective plans on which the objectives are based and control mechanism with regard to assets risk management.

Each LGU needs to create and update an accounting register of all assets it possesses or administers, including income generating public properties. The

authorising officer is responsible to appoint the executive employee for creation and maintenance of the Assets Register.

The LGU is also required to have separate registers for each of the owned leased properties, commercial companies where the LGU participates (i.e. own shares) and concessions/emphyteusis contracts.

As regard to the inventory of public assets, the Instruction provides that the inventory is made under the responsibilities and procedures approved in the Instruction and upon order/instruction approved by the LGU Mayors.

Each LGU is required to perform assets inventory at list once a year, carried out by a special commission consisting of at least three members and created by the LGU Mayor or an authorised officer of any level.

The disposal of the assets requires:

- A special commission for the evaluation of assets created upon the Mayor's order
- A special commission for the disposal of assets in use by the LGU, whose chairperson is appointed upon the Mayor's order

In some cases, the Mayor is entitled to create one commission for both inventory and evaluation of assets.

1.6 Tailor the Questionnaire for information and the Operations Databook

Use the *Questionnaire for information* presented within Appendix 1 and tailor it to the specific LGU.

Similarly, use the *Operations Databook* presented within Appendix 3 and tailor the information therein, if necessary.

1.7 Present the Questionnaire for information and the Operations Databook

The Questionnaire for information includes a detailed list of information to be presented by the LGU to the due diligence team.

The Operations Databook are empty templates for information to be provided in such format by the LGU.

This activity would ensure that the information would be gathered efficiently and in a timely manner.

The teams should provide detailed guidance into how the information is expected to be provided, ask for potential lack of information upfront and attempt to agree on a schedule for completion of the data gathering.

1.8 Organise site visits and schedule meetings in advance

Site visits and meetings with key personnel should be planned in advance in order to see all key areas covered.

Consider scheduling meetings in advance at minimum with the following personnel:

- Mayor(s) and/or Deputy Mayor(s)
- Heads of all administrative structures of the LGU
- Responsible person for Human Resources Responsible person for Legal
- Responsible person for Information Technology and Communication
- Responsible person for Archiving
- Responsible person for Asset Management
- Responsible persons Urban Planning
- Responsible person for Legal

2 Fieldwork and data collection

2.1 Organisation and structure

2.1.1 Administrative structures and responsibilities

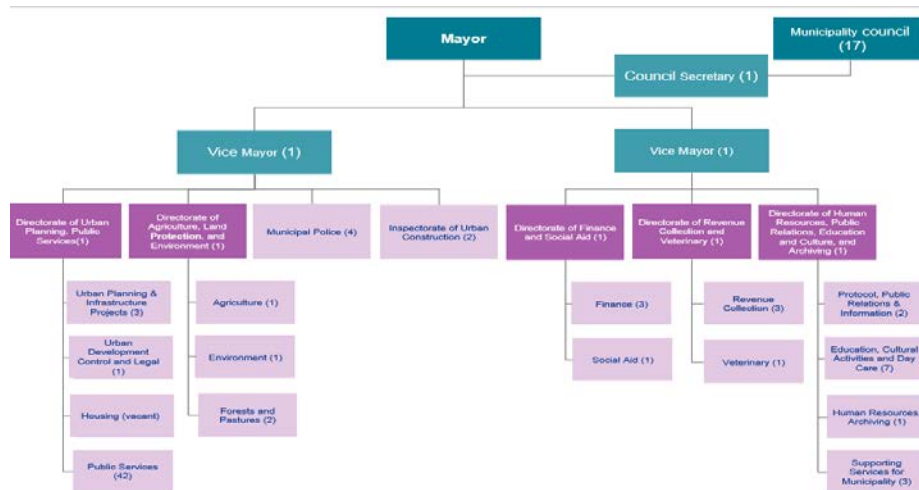
- Obtain the internal regulations on the organisation of the activities of the LGU administration, approved by the LGU Council, to understand the administrative structures and their responsibilities
- Obtain the Decision of the LGU Council on “Approval of the organic structure, number of employees and salaries of the LGU administration” for the current year
- Obtain the Staff Listing for the current year containing information on employees such as full names and positions
- Review administrative structure classification (directorate vs. lower units) per the requirements established by DCM no. 1619, dated 2.07.2008, on “Classification of functions, grouping of LGUs, in relation to salaries and identification of salary ceilings of LGU employees”, as amended by DCM no. 586, dated 17.07.2013, on “Amendments to DCM no. 1619”
- Conduct interviews with the Mayor(s) and/or Deputy Mayor(s), and Heads of the administrative structures of the LGU to understand the following:
 - The responsibilities of the relevant administrative structure
 - The number of employees under their management and supervision
- Complete the template on “Description of the Responsibilities of Administrative Structures” in Appendix 3. Identify the directorate, comprising administrative structures, number of people and description of the responsibilities of the relevant structures. See the example for illustration:

Example:

Directorate	Administrative Structure	No. of people	Description of responsibilities
Directorate of Finance and Social Aid (1)	Finance	3	<ul style="list-style-type: none"> ■ Compilation of the draft-budget for municipal council approval, and monitoring of budget execution; ■ Accounting and record – keeping of obligations arising from the organization’s activities and income generated from revenue sources as approved by the LGU council ■ Relations with Treasury: Periodic reporting and reconciliation with the designated treasury function of the Ministry of Finance; Compiles the support documentation and formally requests periodically, funding replenishment with the treasury function ■ Compilation and submission of annual financial statements in line with the regulatory requirements of the Ministry of Finance ■ Payroll Accounting ■ Executes payments to fulfil the municipality obligations
	Social Aid	1	<ul style="list-style-type: none"> ■ Administration of social aid files including (information collection, compilation of applications for social aid, verification of the claimant’s information in coordination with various government institutions such as Employment Office, Ownership Registration Office of Immovable Properties, etc) ■ Collaborates with different humanitarian and non for profit organizations

- Prepare the existing organisational structure (unless provided by the LGU) and incorporate the number of employees in each administrative structure. Refer to the template “Organisational Structure” in Appendix 3 and see the example below.

Example:



2.1.2 Availability of public services and horizontal functions

- As per the inventory list of employees and the semi-structured interviews, complete the two templates on “Availability of Public Services” and “Availability of Horizontal Functions” in Appendix 2. The completed templates will display the allocation of people executing the public services and horizontal functions in the LGU.
- Mark ‘n/a’ for the number of people on those functions where allocation of personnel has not been made. For people who perform more than one function, assess the approximate time allocation that the person spends on a designated function, per information received from interviews.
- Functions which are either contracted or licensed are also noted for the relevant function. For some contracted or licensed public services, the LGU

may have designed people to monitor the performance of the third party. The number of these people should be reflected as well, next to the word “Contracted” or “Licensed”.

- Also note that the number of people in the administrative structures might not always match the number of people allocated to the public service and horizontal functions described templates. The differences are due to the fact that the same person may carry out more than one function.

Example:

Public Services/Functions	No. of people
Infrastructure and public services	
Water supply	Contracted
Sewage	4.7
Drainage system and [flood] protection canals in the residential areas	4.7
Construction of local roads, sidewalks and squares	Contracted
Rehabilitation and maintenance of local roads, sidewalks and squares	2.2
Public lighting	1.3

Example:

Horizontal Functions	No. of people
Finance	4
Revenue Collection	4
Legal	0.6
Procurement	0.2

2.3 Personnel matters

- Obtain the completed “Inventory of Personnel Template” by the person responsible for Human Resources. Refer to the file *Operations Databook* in Appendix 3 for the relevant template to fill in the information for the LGU personnel.
- Ensure completeness and accuracy of the information provided in the Inventory of Personnel Template by:
 - Reviewing the Internal Regulation of the LGU approved by the LGU Council for the current year and Decision of the LGU Council on “Approval of the organic structure, number of employees and salaries of the LGU administration” for the current year
 - Interviewing the person responsible for Human Resources in order to finalise completion of the Inventory of the LGU’s personnel

See the example below as an illustration to fill in the “Inventory of personnel” template.

Example:

No	Name Surname	Job position	Sector	Starting date	Type of job contract	Education / Qualification	Protected categories
13 Council Members							
1	XXXX XXXX	Mayor		2003	Elected	University Degree in Business Administration / University Degree in Law	
2	XXXX XXXX	Council Secretary		2008	Fixed Term Contract	High School	
<i>Directorate of Finance</i>							
3	XXXX XXXX	Head of Finance	Sector on Finance	2003	Fixed Term Contract	University Economy / University Degree in Mathematics and Physics	
4	XXXX XXXX	Finance Inspector and Supervisor of Administration	Sector on Finance	2000	Civil Servant	University Economy / University Degree in Mathematics and Physics	Long term sick leave

2.4 Information and technology

2.4.1 Inventory of information systems, hardware and maintenance contracts

The purpose is to collect inventory of information systems implemented in the LGU, hardware installed, software licenses and other agreements and contracts in place, including the provision of software maintenance and IT support, through the following means:

- Obtain the completed inventory of IT systems by the person responsible for IT
- Inquire of IT personnel to understand the current information systems and technology infrastructure implemented in the LGU. In case the LGU lacks IT personnel, the interview can be held with the Head of the Finance Department, as they usually have inventory and contract information
- Obtain an inventory of the following items:
 - IT personnel head count and organisational structure
 - Information systems implemented in the LGU
 - License agreements for each software
 - Contracts and agreements in place for software maintenance
 - Hardware categories and quantity such as: personal computers, printers, servers, copy machines, etc.
 - Service contracts for hardware maintenance

Refer to Operations Databook in Appendix 3 to be used for the relevant template used for the inventory of information systems. See also the examples below as an illustration.

Example:

Objective	LGU
Softwares	Microsoft Package, Accounting software
License agreement(s)	
<i>Hardwares (in use)</i>	
computers (desktop)	xx
printers	xx
servers	xx
IT personnel Head count	xx
Hardware maintenance	

Example:

Software	Edition	Year	Licensed (Y/N)	Licensed Users	Authorized Re-Seller	Notes
Microsoft Office	2010	2010	Yes	4	PC-STORE	Only Microsoft Word
Microsoft Windows	7 Ultimate	2012	No	0	None	
Microsoft Windows	Server	2008	Yes	1	Infosoft	
AutoCAD		2008	No	0	None	
Kaspersky	Security for Business	2011	No	0	None	Installed in all computers

Example:

Hardware Device	Model	Year	Maintenance contract	Supported by Internal IT Staff	Authorized Re-Seller	Units	Notes
UPS	APC	2013	Yes	No	XYZ	1	Not working properly...
Router	Cisco 1921	2014	No	Yes	ABCD	1	Does not support all users in the municipality
Server	HP Proliant	2012	No	No	AXYZ	1	No back up of data installed
Printer	Xerox WorkCentre	2010	No	No	XYZ	1	No maintenance at all
Switch	D-Link	2009	No	Yes	XYZ	3	Do not cover all users

Example:

Staff	Degree	Year of employment	Years of Experience	Role	Training and Certificates	Notes
Arben Dezhurni	Computer Engineering	1	6	Head of IT	Training on Microsoft Office MOS Certificate Cisco CCNA	Maintains also printer Xerox due to lack of outsourced support
Manjola Borshi	Information Systems	3	3	Network Specialist	Cisco CCNA, CCNP	Maintains all networking hardware

2.4.2 Assessment of IT controls implemented in information systems and IT environment

This section is applicable when automated or semi-automated application controls are implemented in the software accounting information systems or other software data management systems.

The procedures to be executed are as follows:

- Obtain the documents, listed in the Information and Technology section from the *Appendix 1: Questionnaire for information*.
- Following the identification of the software accounting information systems, collaborate with LGU Finance department and the team responsible for financial due diligence in order to identify, if the system has implemented automated or semi-automated application controls for data processing and calculation
- List relevant automated and semi-automated application controls
- Upon verification of existence of automated or semi-automated controls review the documents required in section “General IT controls applicable items” (GITC Questionnaire) of the *Operations Databook*, presented in Appendix 3
- Run the “GITC Questionnaire” in order to test General IT Controls
- Document the results of General IT Controls review in the format provided

2.4.3 Test automated controls surrounding financial data management and generation of financial reports.

The procedures to be executed are as follows:

- Obtain the list of relevant automated or semi-automated application controls;
- In case there are no automated controls, this would not be applicable for the due diligence;

- Prepare and executed the appropriate review procedures to ensure correct design and operating effectiveness of the identified automated and/or semi-automated controls.

2.5 Communication Systems

2.5.1 Inventory of the telephony and internet contractual agreements in place at the LGU

- Obtain the completed checklist on the telephony and internet used by the LGU
- Through inquiry with IT Personnel or Head of Finance identify the service provider of the telephony and internet services.
- Built a list of telephony and internet service providers for the LGU.
- Assess geographical coverage of the telephony service for each LGU (local or national coverage).
- Obtain the contracts with the provider of the telephony and internet services.
- Fill in the template “Summary on communication systems” as shown below

Example

Objective	LGU
Telephony service	fix line/mobile line
Telephony/service providers for the LGU	national provider
Internet service	local internet service provider
Assess coverage of the telephony service for each LGU.	local coverage
Internal communication lines	verbal/hard copy

2.5.2 Get an understanding of internal communication methods applied at LGUs in scope i.e. communication tools, formal protocol memos, emails etc.

Through inquiry with Head of Finance/Legal/IT personnel get an understanding of the current internal communication methods

Example:

Objective	LGU
Telephony service	fix line/mobile line
Telephony/service providers for the LGU	national provider
Internet service	local internet service provider
Assess coverage of the telephony service for each LGU.	local coverage
Internal communication lines	verbal/hard copy

Example:

Subject	Number of offices having access to:	Number of offices needing access to:	Bandwidth	Type	Provider	Contract	Note
Internet	8	15	4 Mbps	DSL	XYZ	1 YEAR	No back-up line exists
Telephone	4	19	One line	Copper	Albtelcom	Unlimited	Phone bills are too high
Internet	8	15	4 Mbps	Fiber	XYZ	1 YEAR	Back-up line exists
Telephone	4	19	One line	VoIP	XYZ	1 YEAR	

2.6 Archiving

- Obtain the completed “Technical Requirements Checklist” template, by the person responsible for archive. Refer to the file *Operations Databook* in Appendix 3 for the relevant template
- Ensure completeness and accuracy of the information provided in Appendix 3: *Operations Databook* by:
 - Visiting the archiving premises and checking the existence of technical requirements
 - Reviewing registers and forms maintained in the LGU for the processing and serving the documents
 - Interviewing the person responsible for archive to see if the technical and methodological requirements for archiving are met and finalise the “Technical Requirements Checklist” template as shown in the example.

Example:

No	Technical requirements for the archive premises and documents maintenance methodology	Comments / Findings
Technical requirements premises		
1	Fire protection, shells protection from sun, dust and any other physical and biological agents	Yes
2	Secured doors and windows with a metallic net and automatik door closure	No
3	Cardboard folders for putting the documents, placed in metalik shells and painted against rust	Yes
4	Vertically oriented shells to the windows with a distance 40-60 cm from the wall and 80 cm from	Yes, but no distance from the
5	Presence of heaters or any other item that can cause fire present in the archive premise	No
6	Records on physical control of the archive kept from the secretary of the archive	Yes
7	Archive keys in 2 copies	Yes
8	One copy of the key closed in an envelope, preserved from the Head of LGU or the Deputy in charge of the archive service. Other copy kept in accordance with the rules applicable for other keys of other sectors in LGU	No
9	Safes, cup-boards, doors of the secretary and the archive ensured and stamped after the official working timetable	No
Archiving methodology requirements		
10	Documents structured as per organizational structure of the public institution. (e.g when the public institution has a hierarchy of organizational structure.) According to this scheme, all the documents that are found in the archive: - Firstly are classified (grouped) by year - Then, are classified based on structures (i.e. directorates, departments, branches, etc.) Note: When the organization has a two-tier structure (example: directorate and branches),	Yes

2.7 Asset management

- Obtain the completed “Asset Management Requirements Checklist” template, by the person responsible for asset management. Refer to *Appendix 3: Operations Databook* for the relevant template
- Ensure completeness and accuracy of the information provided in the “Asset Management Requirements Checklist” by:
 - Reviewing any available internal regulations and registers in the LGU with regard to asset management
 - Interviewing the person responsible for asset management in order to understand whether the asset management practices in the LGU are compliant with the legislation and finalise completion of the “Asset Management Requirements Checklist” template.

See the example below as an illustration how the “Asset Management Requirements Checklist” template should be filled in.

Example:

ASSET MANAGEMENT	Comment
Adopted rules and procedures on asset management	No
Adopted rules and procedures on asset management	No
Authorizing Officer	Head of the Municipality, Svrja Ormenaj
Executing Officer	Head of Finance, Marije Bizdari
Adopted plan, objectives and control mechanisms related to risk	No
Assets Accounting Register	Yes, in hard copy
Leased Properties Register	No
Owned Companies Register	No
Register of concession/emphyteusis contracts	N/a
Annual Assets Inventory	Yes
Assets Inventory Committee	Yes
Assets Evaluation Committee	Yes
Assets Disposal Committee	Yes

2.8 Investment projects

- Obtain the completed “Investment Projects” template, by the person responsible for Urban Planning. Refer to *Appendix 1 Operations Databook* for the relevant template.
- Ensure completeness and accuracy of the information provided in the “Investment Projects” template by interviewing the person responsible for Urban Planning.

See the example below as an illustration how the “Investment Projects” template should be filled in.

Example:

Project title	Current status of project implementation	Actual cost incurred Todate	Approved total estimated funding required for the investment
Rehabilitation of the yard fence and construction of the gym facilities of school "XXXX" , neighborhood "XXXX"	Not started. Contract agreement signed with the service provider	0	XXXX

2.9 Legal matters

2.9.1 Public service arrangements

The purpose is to prepare an inventory of all ongoing contracts between the LGU and third parties related to provision of public services. It will be part of the list of contracts with third parties to be transferred to the new municipality.

- Obtain the completed “Public Services Arrangements” template, by the LGU lawyer or responsible person. Refer to *Appendix 3: Operations Databook* for the relevant template.
- Ensure completeness and accuracy of the information provided in the “Public Services Arrangements” by:
 - Interviewing the lawyer or responsible person with regard to the information needed to be filled in the template
 - Obtaining and reviewing the respective contracts related to public services, to understand the specifics of each contract, in order to finalise the completion of the “Public Services Arrangements” template

See the example below as an illustration how the “Public Services Arrangements” template should be filled in.

Example:

Contract Title	Contracting Party	Contract Start Date	Contract End Date	Nature of Service / Goods	Payments Schedule (if given)	Potential Financial Liabilities arising from contract termination	Contract Value	Guarantees	LGU-s' pre-termination right
Entrepreneurship contract	XXX Shpk	9-Sep-14	No ending date is determined	Road reconstruction	N/A	N/A	N/A	N/A	Entitled for public interests reasons only.
Service contract	XXXX Studio	12-Jan-14	The ending date will be the completion of the project	Object supervision	N/A	N/A	XXXX	N/A	
Service contract	XXX XXX	27-Nov-14	28-Nov-14	Transportation of students and podium construction for the Liberation Day.	Within 30 days from receipt of the tax bill	N/A	N/A	N/A	
Service contract	XXX XXX	9-Aug-14	No ending date is determined	Commissioning of the facility	Within 30 days from receipt of the tax bill	N/A	XXXX	N/A	
Service contract	XXX XXX	9-Dec-14	The ending date will be the completion of the project	Object supervision	N/A	N/A	XXXX	N/A	
Entrepreneurship contract	XXXX shpk	12-Feb-14	2-Mar-15	Yard regulation and enclosure	Periodically as provided in the contract	N/A	XXXX	N/A	Entitled for public interests reasons only.

2.9.2 Legal proceedings

The purpose is to prepare an inventory of all legal proceeding where the LGU is party. It will be part of the list of all legal proceedings to be transferred to the new municipality.

- Obtain the completed “Legal proceedings” template, by the LGU lawyer or responsible person, consisting of all court cases where the LGU acts as defendant, plaintiff or third party. Refer to *Appendix 3: Operations Databook* for the relevant template.
- Ensure completeness and accuracy of the information provided in the “Legal Proceedings” template through:
 - Interviewing the LGU lawyer or responsible person on court cases for which a final judgment is issued and enforcement procedures, either voluntarily or compulsorily through bailiff, by or against the LGU have already initiated or its expecting to initiate
 - Obtaining and reviewing respective law suits/appeal/recourse and/or court decision if deemed necessary in order to finalise the completion of “Legal Proceedings” template

See the example below as an illustration how the “Legal Proceedings” template should be filled in.

Example:

No	Type of legal issue	Capacity of the LGU	Subject Matter	Ground of the proceeding	Value of the claim	Contestant party	Identification of the lawyer and legal firm representing the LGU	Status of the legal proceeding
1	Employment	Defendant	1.Proclamation of the invalidity of the Decision no.101, dated 10.03.2014 of the General Assembly of the Shareholders "Ujejeles" of 1000 and the Decision no.100 dated 10.03.2014 of the Supervisory Council of "Ujejeles" XXX. 2.Damage reward and payment of the salary for the unpaid period. 3.Confirmation of the security measure imposed by (CJ) District Court through judgement no.101 dated 10.03.2014	The plaintiff (full name) uses the General Assembly and "Ujejeles" joint stock company seeking the invalidity of the Decision that dismissed him from work, compensation of damage and payment of the salary for the unpaid period.	101 months of salary and 50% of the court expenses equal to ALL 100000.	Three full names provided in this case	Internal lawyer	1. (CJ) District Court has partially accepted the lawsuit. The Court decided the Defendant's obligation to compensate the Plaintiff with 100 months salary in total for immediate and unjustified termination of contract and for disregard of the procedure and deadline of termination of contract. 2. The Court dismissed the lawsuit for the rest of claims and for the claims of the plaintiffs (no full names) 100% of the court expenses) [ALL 1000] are charged to the Defendant and is ordered the dismissal of the security measure. 4. This Decision was appealed in the Appeal Court from "Ujejeles" 10000 and The General Assembly of the Company and we have no information regarding the continuation of the process.
2	Payment of oblig	Defendant	Proclamation of the nullity of the Administrative Act no.100101, dated 10.03.2014 with subject matter payment of obligation.	"1000" shpk and the LGU 10000 have concluded an entrepreneurship contract for public waste cleaning services. As a result of the audit performed from the State Supreme Audit resulted that "10000" shpk has caused an economic damage to the state due to the payment of an unperformed service. The administrative act provides the duty of the payment of obligation in the amount ALL 1000000. The plaintiff claims the nullity of the administrative act because the Defendant was not competent according to the law and the act is unlawful.	ALL 10000000	"1000" shpk	Internal lawyer	(CJ) Administrative First Instance Court. We have no information for the continuation of the proceedings

2.9.3 *Third party contracts*

The purpose is to prepare an inventory of all ongoing contracts concluded between the LGU and third parties such as lease contracts. This inventory list shall be part of the list of contract with third parties that shall be transferred to the New Municipality.

- Obtain the completed “Third party contracts” template, by the LGU lawyer or responsible person. Refer to *Appendix 3: Operations Databook* for the relevant template.
- Ensure for completeness and accuracy of the information provided in the “Third party contracts” by:
 - Obtaining and reviewing the respective contracts to understand the specifics of each contract, in case of uncertainties, in order to finalise the completion of the “Third party contracts” template

See the example below as an illustration how the “Third party contracts” template should be filled in.

Example:

Contract Title	Contracting Party	Contracting Start Date	Contract End Date	Nature of Service / Goods	Payments Schedule (if given)	Potential Financial Liabilities arising from contract termination	Contract Value	Guranatees	LGU-s' pre-termination right
Lease contract	XXXX shpk	XX.XX.2014	No ending date is determined	Technological vehicle	The price is paid daily when the vehicle is used	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Kiosk located at the bus station	The price is paid monthly	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Building	The price is paid monthly	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Building	The price is paid monthly	N/A	XXXX	N/A	N/A

3 Analysis and preparation for consolidation

3.1 Organisation and structure

Perform the analysis following the organisational model.

Roles

- Identify and summarise the responsibilities of the roles defined per the model in the existing organisation

Example:

Roles

All roles are being performed in Ura Vajgurore.

- LGU Council
 - The LGU Council consists of 17 members
 - Their responsibilities include: adoption of the statute of the LGU and the internal regulations of functioning of the Local Council; approval of the organisational and administrative structure of the commune and municipality and its budgetary institutions, as well as the number of their personnel, the criteria for qualifications, salaries and criteria for their compensation
- Mayor
 - The Mayor is in charge of a public administration of 84 employees, excluding the employee dealing with civil status matters, which is a delegated function and is administered by the central government.
 - The Mayor exercises all competencies for the carrying out of the functions of the LGU with the exception of those competencies that are exclusive to the Council.
 - The Mayor also exercises all rights and guarantees meeting all obligations of the local government due to its status of a legal entity.
- Deputy Mayor
 - The Mayor has appointed two Deputy Mayors
 - One of them assists with overseeing the administrative structures related to public services, whereas the other - to horizontal functions
- Secretary of the LGU Council
 - The Secretary of the LGU Council is appointed by the LGU Council.

Functions

- Provide the analysis on the public services and horizontal functions based on the information obtained.

Example:

Public Services Functions	No. of people
Infrastructure and public services	
-Water supply	Contracted
-Sewage	4.7
Drainage system and [flood] protection canals in the residential areas	4.7
Construction of local roads, sidewalks and squares	Contracted
Rehabilitation and maintenance of local roads, sidewalks and squares	2.2
Public lighting	1.3
Public transport	Licensed

Example:

Horizontal Functions	No. of people
Finance	4
Revenue Collection	4
Legal	0.6
Procurement	0.2
Institutional Relations	0.2
Human Resources	0.6

- Summarise the functions for which there are no human resources allocated to execute them. These functions should be addressed in designing the organisation of the new municipality.

Example:

- The information indicates functions for which there are no human resources allocated to execute them, such as:
 - Housing
 - Saving and promoting the local cultural and historic values, organisation of activities and management of relevant institutions
 - Orphanages, elderly homes
 - Small business development as well as carrying out of promotional activities, such as fairs and advertisement in public places
 - Performance of services in support of the local economic development, such as information, necessary structures and infrastructure
 - Priority health service and protection of public health
 - Social services on domestic violence
 - Social service on protection of children's rights

Orientation

- Conduct an analysis of the administrative structures of the organisational model of the LGU and identify any exceptions to the two orientation types:
 - Divisional by sectors for Public Services
 - Functional for the Horizontal Functions
- These exceptions should be addressed in designing the organisation of the new municipality.

Example:

- Two orientation types are used in the current organisational model in Ura Vajgurore:
 - Divisional by sectors for the Public Services, and
 - Functional for the Horizontal Functions
- However, the analysis reveals some exceptions:
 - Social Aid is under the Directorate of Finance
 - Veterinary is under the Directorate of Revenue Collection
 - Education, cultural activities and day care are under the Directorate of Human Resources
 - Legal is under the Directorate of Urban Planning, Development Control

Services delivery

- Summarise the analysis on functions executed by the LGU through its own people, contracted and licensed.

3.2 Personnel matters

- Provide a summary of the information provided in the “Inventory of personnel” template. This summary should contain information on type of relationship with personnel by describe the total number of civil servants, including specifications on those civil servants on probation period and employees. In addition, provide a summary on specific matters on personnel such as type of contracts used for employees by providing respective number, protected category of employees etc.
- Insert the completed table “Inventory of Personnel” as an Appendix to the report.
- Provide observations and respective recommendations in the tables down on the page.

Example:

2. Personnel matters

2.1.Objectives of the analysis

- The analysis on the personnel matters has the following main objectives:
 - Compiling an inventory of the existing LGU’s list of personnel as of year-end 2014 which contains information on generalities, job position of each employee, respective function/sector where each employee is assigned, initial date of work in LGU, type of relationship, and education and qualification
 - Observations and recommendations in light of the future organizational of the Municipality and its amalgamation with other three commune
- As per Staff listing for year 2014, total number of personnel, excluding the Mayor, is 86. Relationship with the personnel are governed by the Labor Code or Civil Service Law. More specifically, 72 individuals work under one year-term employment contracts and 13 individuals work under civil servant status, out of which two of them are under probation period.
- Details with regard to generalities, job position of each employee’s and respective function/sector where each employee is assigned, education and qualification, initial date of work are provided in Appendix table 4 – “Inventory of Employees”

2.2.Analyses and recommendations

Observations	Recommendations
<p>Transfer of personnel: Employees and Civil Servants</p> <ul style="list-style-type: none"> ■ Based on general principles, as at effective date of the merger (i.e. constitution of the new municipal bodies), existing personnel of LGU and personnel of other three LGUs shall be automatically considered as personnel of the new Municipality. The current Law on “the functioning and organization of the local government units” is silent as regards the transfer of employees and all rights and obligations deriving from employment contract due to the reorganization. ■ Considering the transfer of employees, major part of personnel are working under one year-term employment contracts. Under the article 140 of the Labor Code, in general, the employment contract should be concluded for indefinite term unless it is justified for objective reasons related to the nature of work 	<ul style="list-style-type: none"> ■ It would be recommendable respective amendments to the Law no. 8652, dated 31.07.2000, on “Functioning and organization of the local government”, on transfer of personnel to be adopted. In addition, it would be advisable issuance of respective sub-legal acts in order to regulate the details and facilitate the transfer procedure. ■ It would be recommendable, that as at effective date of merger, the competent bodies of the new Municipality to consider the requirements of Labor Code for conclusion of new employment contracts for indefinite-term with the New Municipality employees including the transferred employees from other three LGUs, where it is not justified the conclusion of fixed-term employment contracts

3.3 Information and technology

- Present the observations and recommendations based on the inventory of the IT business systems performed and assessment of the documented and information presented from the LGU for the items required in the questionnaire, e.g. IT hardware, security policies and disaster recovery, etc.

Example:

3. Information and Technology

3.1.Objectives of the analysis

- The analyses of the Information technology status of the LGU has the following main objectives:
 - Inventory of IT business systems, hardware, any license and other agreements and contracts in place including the provision of IT support;
 - Assessment of IT hardware maintenance
 - Assessment of the current status of information security practice, back up and disaster recovery procedures
- Use of information technology is limited to use of personal computers, printers and internet service. There is only Microsoft Office Package, over Microsoft Windows operating system, although the software is not licensed. There is no accounting software or other business systems implemented. In January 2015, Ura Vajurore LGU has hired an IT specialist whose duties are related to general maintenance of computers and printers, and limited maintenances of software systems.

Observation	Recommendation
<p>Information Security Policy</p> <ul style="list-style-type: none"> ■ LGU’s lack Information Security policies and procedures. There is no knowledge among LGU’s employees related to basic information security principles. 	<ul style="list-style-type: none"> ■ The future Municipality can consider commencing the design and implementation of Information Security policies and procedures on the relevant areas such as user access management and securing computer equipment (desktop, laptop operating systems password configurations).
<p>Access to Program and Data</p> <ul style="list-style-type: none"> ■ Computers are not managed through a centralized and standardized system that automates network management of user accounts’ data and security requirements. As such, enforcement of security rules and access management is not implemented. 	<ul style="list-style-type: none"> ■ The future Municipality can consider commencing the design and implementation of the common Active Directory based user management, storage and file sharing environment.
<p>Back up and Disaster Recovery</p> <ul style="list-style-type: none"> ■ There are no back-up and disaster recovery policies and procedures. Back-up of information is performed on ad-hoc basis as deemed appropriate by the information owner. Mainly flash drives or CDs are used as back-up media, which are then taken by the information owners outside of the LGU’s premises. 	<ul style="list-style-type: none"> ■ The future Municipality can consider commencing the design and implementation of back-up and disaster recovery policies and procedures taking into consideration the as-is status of the technology infrastructure.
<p>Hardware Inventory</p> <ul style="list-style-type: none"> ■ The LGUs do not maintain proper inventory of the hardware, software and licenses in use at their premises and there is lack of records on hardware technical specifications. 	<ul style="list-style-type: none"> ■ The current LGU should consider preparing an inventory of all IT equipment and software

3.4 Communication

- Present the observations and recommendations based on the inventory of the communication systems and methods implemented at the LGU.

Example:

4. Communication

4.1.Objectives of the analysis

- The assessment of the communication systems status of the LGU has the following main objectives:
 - Inventory of the telephony and internet contractual agreements in place
 - Understanding of internal communication methods applied at Ura Vajguore

- Ura Vajguore obtains contracted telephony and internet service by Albanian national provider, Albtelecom. With regard to internal communications, verbal or hard copy communication means are used for circulation of protocol memos, issued regulations, mayor directives, communications in between LGU departments and sectors

Observation	Recommendation
<p>Internal communication</p> <ul style="list-style-type: none"> ■ LGU lack of electronic communication methods. <p>In case when electronic communication means are needed, private and unsecured email accounts are used for exchange of Municipality information and data. Internal communication lines are verbal or hard copy documents traveling from one department to another for signature or department communications.</p>	<ul style="list-style-type: none"> ■ The future Municipality can consider commencing implementation of common communication infrastructure and internet access in order to support information sharing, common e-mail infrastructure, further implementation of document sharing and storage systems, business systems and centralized back-up infrastructure

3.5 Archiving

- Provide the analysis on archiving practices based on the information obtained
- Insert in the report the completed table on “Technical Requirements Checklist” below the summary
- Provide observation and respective recommendations, if any, in the tables down on the page

Example:

5. Archiving (continued)

5.2.Analysis and recommendations (continued)

Observations	Recommendations
<p>Lack of registers and inventory</p> <ul style="list-style-type: none"> ■ Many of the archiving registers are not kept. In addition, inventory of folders and forms are not completed. These forms would provide audit trail that inventory is performed. 	<ul style="list-style-type: none"> ■ It is recommendable to keep all required registers in order the processing, evidencing and transfer of documentation to be done in accordance with requirements of the Instruction on Archiving Methodology. ■ Performance of the technical-scientific processing and inventory of entire documentation maintained in the archive premises including the documents that are being processed in the LGU should be considered as well, in order to facilitate the re-organization of the new municipal archive. ■ In this regard, we would recommend adoption and issuance by the competent institutions (General Directory of Archives or Council of Ministers) the respective sub legal acts for ordering and instructing the LGU competent bodies to perform the processing and inventory of the documents kept and administered in their premises.
<p>Re-organization of archiving due to the merger</p> <ul style="list-style-type: none"> ■ As result of merger, municipal archiving volume shall be increased with documentation received from other three communes. As consequence, considering the volume of documents and the current spaces of archiving premises, re-organization of the new municipal archive and its maintenance in current premises might result very difficult. 	<ul style="list-style-type: none"> ■ Considering the requirement of the Law on Archiving, we would recommend the General Directorate of Archives to be notified before the effective date of merger, to determine the procedures on transfer of the documentation aiming the re-organization of the Municipal archive in the most effective way. ■ In addition, as temporary action, option of leaving the archive in the current premises of each commune that shall be merged might be considered as well, in case the merge of archiving might produce negative effects to public services. ■ Another necessary option, in our view, as post-merger action, in order to optimize archiving and services provided to public is the digitalization of archiving. In this regard, provisions of article 36 of the Law on "Archives" are applicable.

3.6 Asset management

- Provide the analysis on asset management practices based on the information obtained
- Insert in the report the completed table on “Asset Management Compliance Checklist” below the summary
- Provide observation and respective recommendations, if any, in the tables down on the page

Example:

6. Asset Management System

6.1.Objectives of the analysis

- The analysis on the asset management has the following main objectives:
 - Analysis on the status of the asset management issues based on the legal and technical requirements provided by the effective legal framework applicable to asset management.
 - Preparation of a checklist on compliance with legal framework on asset management.
- The Mayor is the Authorized Officer whilst the role of Executing Officer is handled by the Chief of Finance. Provisions of Instruction no.30 dated 27.12. 2011 on “Asset Management in public sector” as amended, are applied by the LGU as of year 2014, since no internal rules and procedures were adopted by the Mayor. However, certain requirements of the abovementioned Instruction related to assets risk management, specific assets registers and evaluation of assets are partially met.
- Head of Finance Department is responsible for maintenance of the LGU’s Assets Accounting Register whilst there no specific required register are maintained such as register on companies owned by the LGU and on leased properties. The Mayor issues by the end of each year specific order on assets inventory count which is followed by the performance of assets inventory count at the beginning of coming year. Special committees were created for inventory count, evaluation and disposal of assets. From the information obtained, the valuation of assets is performed only for assets that needs to be disposed, sold, put as collateral etc. Details with regard to the compliance with legal requirements on Asset Management are provided in the table 6 – “Asset Management Practices”, below

6.2.Analysis and recommendations

Observations	Recommendations
Lack of registers	
<ul style="list-style-type: none"> ■ No specific registers on owned companies and leased properties are not maintained in the LGU 	<ul style="list-style-type: none"> ■ It would be recommendable, that such registers to be maintained in accordance to the requirements of the Instruction No. 30, dated 27.12.2011, on “Assets management in public sector”.
Risk Management of Assets	
<ul style="list-style-type: none"> ■ Risk management plan, objectives and control mechanisms on asset management are not adopted 	<ul style="list-style-type: none"> ■ It would recommendable, that such plan, objectives and mechanism to be adopted by the future Municipality, in light also of the transfer of assets from three other existing LGUs.

3.7 Investment projects

- Insert the completed table on “Project Investments”

Example:

7. Investment projects

7.1. Analysis

- An inventory of ongoing projects being implemented in the LGU, has been performed. Please refer to Table 3 – “Investment Projects”, below:

Project title	Current status of project implementation	Actual cost incurred up to date	Approved total estimated funding required for the investment
Reconstruction of road: Turning Point from Pa-Ko to Kouizbalte	in process	outstanding request	145,535,260.00
Rehabilitation and fencing the surrounding area, construction of gym facility “Sikolla e Bashkuar” neighborhood ‘4 Shtator	Not started. Contract agreement signed with the service provider	0	27,847,439.00

3.9 Legal matters

3.9.1 Public service arrangements

- Insert the completed table on “Public Service Arrangements”

Example:

Contract Title	Contracting Party	Contract Start Date	Contract End Date	Nature of Service / Goods	Payments Schedule (if given)	Potential Financial Liabilities arising from contract termination	Contract Value	Guarantees	LGU-s' pre-termination right
Entrepreneurship contract	XXXX Shpk	9-Sep-14	No ending date is determined	Road reconstruction	N/A	N/A	N/A	N/A	Entitled for public interests reasons only.
Service contract	XXXX Studio	12-Jan-14	The ending date will be the completion of the project	Object supervision	N/A	N/A	XXXX	N/A	
Service contract	XXXX XXX	27-Nov-14	28-Nov-14	Transportation of students and podium construction for the Liberation Day.	Within 30 days from receipt of the tax bill	N/A	N/A	N/A	
Service contract	XXXX XXX	9-Aug-14	No ending date is determined	Commissioning of the facility	Within 30 days from receipt of the tax bill	N/A	XXXX	N/A	
Service contract	XXXX XXX	9-Dec-14	The ending date will be the completion of the project	Object supervision	N/A	N/A	XXXX	N/A	
Entrepreneurship contract	XXXX shpk	12-Feb-14	2-Mar-15	Yard regulation and enclosure	Periodically as provided in the contract	N/A	XXXX	N/A	Entitled for public interests reasons only.

Legal proceedings

- Insert the completed table on “Legal Proceedings”

Example:

No	Type of legal issue	Capacity of the LGU	Subject Matter	Ground of the proceeding	Value of the claim	Contestant party	Identification of the lawyer and legal firm representing the LGU	Status of the legal proceeding
1	Employment	Defendant	1.Proclamation of the invalidity of the Decision no.001 dated 0000/2014 of the General Assembly of the Shareholder "Upeliler" of 0000 and the Decision no.001 dated 0000/2014 of the Supervisory Council of "Upeliler" 0000. 2.Litigation award and payment of the salary for the unpaid period. 3.Litigation on the security measure imposed by (LGU) District Court through judgement no.001 dated 0000/2014	The plaintiff (full name) over the General Assembly and "Upeliler" joint stock company seeking the invalidity of the Decision that dismissed him from work, compensation of damage and payment of the salary for the unpaid period.	100 months of salary and 50% of the court expenses equates ALL 00000.	five full names provided in this case	Internal lawyer	1. (Cg) District Court has partially accepted the lawsuit. The Court decided the Defendant's obligation to compensate the Plaintiff with 100 month salary in total for immediate and unjustified termination of contract and/or damage of the procedure and deadline of termination of contract. 2. The Court dismissed the lawsuit for the rest of claims and for the claims of the plaintiff (two full names) 100% of the court expenses (ALL 0000) are charged to the Defendant and it ordered the dismissal of the security measure. 3. The Defendant was appointed as the appeal's defendant. "Upeliler" 0000 and the General Assembly of the Company and we have no information regarding the continuation of the process.
2	Payment of oblig	Defendant	Proclamation of the nullity of the Administrative Act no.000001, dated 000001/2014 with subject matter payment of obligation.	0000" shpk and the LGU 00000 have concluded an entrepreneurship contract for public usage dealing services. As a result of the audit performed from the State Supreme Audit resulted that "00000" shpk has caused an economic damage to the state due to the payment of an unperformed service. The administrative act provided the duty of the payment of obligation in the amount ALL 0000000. The plaintiff claims the nullity of the administrative act because the Defendant was not competent according to the law and the act is invalid.	ALL 00000000	"00000" shpk	Internal lawyer	(Cg) Administrative First Instance Court. We have no information for the continuation of the proceedings

Third party contracts

- Insert the completed table on “Third Party Contracts”

Example:

Contract Title	Contracting Party	Contracting Start Date	Contract End Date	Nature of Service / Goods	Payments Schedule (if given)	Potential Financial Liabilities arising from contract termination	Contract Value	Guarantees	LGU-s' pre-termination right
Lease contract	XXXX shpk	XX.XX.2014	No ending date is determined	Technological vehicle	The price is paid daily when the vehicle is used	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Kiosk located at the bus station	The price is paid monthly	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Building	The price is paid monthly	N/A	XXXX	N/A	N/A
Lease contract	Full name	XX.XX.2014	XX.XX.2015	Building	The price is paid monthly	N/A	XXXX	N/A	N/A

4 Consolidation

4.1 Organisation and structure

4.1.1 Future Organisational Model

- The four elements of the future organisational model shall be analysed in light of the amalgamation of the existing LGUs
- Observations and recommendations will be addressed in designing the organisation of the new municipality

Roles

- Summarise the roles performed in the existing LGUs to be amalgamated using the template “Roles in the existing LGUs” presented in Appendix 3. Note that the description of their existing responsibilities are prescribed in the Operational Due Diligence Report Template, in Appendix 4.

Example:

Role	Ura Vajgurore	Poshnje	Kutalli	Cukalat
LGU Council	✓	✓	✓	✓
Mayor	✓	✓	✓	✓
Deputy Mayor	✓		✓	
Secretary of the LGU Council	✓	✓	✓	✓

- Summarise the changes to the roles and the new roles in the new municipality using the template “Future Roles in the New Municipality” in Appendix 3. Note that the summary of changes in the responsibilities of the roles is described in Future Roles under section 1.2 “Understand the Organisational Model”, further above.

Example

Role	Ura Vajgurore			
New Municipality	Ura Vajgurore			
Municipal Council	✓			
Mayor	✓			
Deputy Mayor	✓			
Secretary of the Municipal Council	✓			
Administrative unit	Ura Vajgurore	Poshnje	Kutalli	Cukalat
Administrator	✓	✓	✓	✓

- Make observations and recommendations to be considered by the new municipality on the roles:

Example:

Observations	Recommendations
Roles – Mayor	
<ul style="list-style-type: none"> ■ The Mayor will be responsible to determine the organisational structure and the internal regulation of the New Municipality and the budgetary units of dependence. The organisational structure presents the subordination and grouping of individual roles and administrative structures of the New Municipality. The New Municipality comprises the Administrative Units of Ura Vajgurore, Poshnje, Kutalli, and Cukalat. ■ This new responsibility of Mayor, makes this role even more critical in light of the constitution of the New Municipality and its mission to exercise public services, govern and serve the community and the territories under its administration. ■ In determining the organisational structure, the Mayor will be overall responsible to raise the necessary capacities in the organization to administer the public service 	<ul style="list-style-type: none"> ■ Measures should be taken to ensure that public services will continue to be normally delivered to the community. ■ Furthermore, preparatory work is necessary to analyse the processes, assess the human resource and infrastructure capacity to improve the effectiveness and efficiency in execution of the functions. ■ The preparatory work should take into consideration the necessity for the standardization of the execution of functions across the community and territory administered by the New Municipality with its Administrative Units. ■ In light of the above, coordination and liaising with the process stakeholders (i.e. the Mayor, Administrator, the head of the administrative structure responsible for a public service sector) might become necessary to accomplish

Functions

- Summarise the standardized data on public services and horizontal functions executed in the existing LGUs using the template “Public Services in the existing LGUs to be amalgamated” provided in Appendix 3. There are certain functions that are not being executed by at least one of the existing LGUs. This matter should be addressed in designing the organisation of the new municipality.

Example:

Public Services	Ura Vajgurore	Poshnje	Kutalli	Cukalat	Amalgamated:
Infrastructure and public services					
Water supply;	Contracted	Contracted and 15.4 (Note 1)	12	n/a	27.4
Sewage;	4.7	n/a	n/a	n/a	4.7
Drainage system and [flood] protection canals in the residential areas;	4.7	n/a	n/a	n/a	4.7
Construction of local roads, sidewalks and squares;	Contracted	Contracted	Contracted	Contracted	Contracted
Rehabilitation and maintenance of local roads, sidewalks and squares;	2.2	n/a	3.2	Contracted	5.4
Public lighting;	1.3	1.3	1.2	n/a	3.8
Public transport	Licensed	Licensed	Licensed	Licensed	Licensed
Cemeteries and funeral services;	3.2	1.3	n/a	n/a	4.5
City/village decoration;	3.2	n/a	n/a	n/a	3.2
Parks and public spaces;	3.2	n/a	1.2	n/a	4.4
Horizontal Functions	Ura Vajgurore	Poshnje	Kutalli	Cukalat	Amalgamated:
Finance	4	3	3	2.4	12.4
Revenue Collection	4	4	3	1	12
Legal	0.6	0.3	0.6	n/a	1.5
Procurement	0.2	0.1	0.2	n/a	0.5
Institutional Relations	0.2	0.1	0.2	n/a	0.5
Human Resources	0.6	0.5	n/a	0.2	1.3

- Make observations and recommendations to be considered by the new municipality on the functions

Example:

Observations	Recommendations
<p>Functions - Certain functions not being executed by the existing LGU</p> <ul style="list-style-type: none"> Certain public services are not currently being executed by one or more existing LGUs. Refer to tables 3 and 4 in section 2 'Organisation and Structure' for the public services in the four LGUs together with the human resources allocated to fulfill these functions. These functions are noted as 'n/a' in instances where no human resources have been allocated to execute them. Note that the current allocation of human resources in executing these functions does not necessarily represent a most effective manner in executing these functions. 	<p>Required functions:</p> <ul style="list-style-type: none"> The New Municipality can consider whether to establish and build capacity in its organisational structure to execute in the future also functions for which there is no allocation of human resources at present. Such action would enable the New Municipality to be fully compliant with the legal requirements on local government functions and responsibilities. Consideration to proceed with such actions, should be based on comprehensive preparatory work comprising of, but not limited to: <ul style="list-style-type: none"> an analysis of the prioritization that each of these functions represent for the community; Assessment of the human resources and infrastructure capacity in place should be also taken into account. Assessment of the effective delivery of services at the lowest permissible costs (i.e. efficiency) is subject to a comprehensive e analysis

Orientation

- Summarise the exceptions from analysis on the two orientation types used in the current organisational model of the existing LGUs. This matter should be addressed in designing the organisation of the new municipality
- Identify the list of positions held in the existing LGUs, whose reporting is likely to change, in light of the future matrix organisation structure
- Make observations and recommendations to be considered by the new municipality on the orientation

Example

Observations	Recommendations
<p>Orientation – Mixed orientation of certain administrative structures (divisional by sector and functional)</p> <ul style="list-style-type: none"> • The administrative structures below of the existing LGUs have a mixed orientation between the divisional by sector and horizontal. <ul style="list-style-type: none"> <u>Ura Vajurore</u> <ul style="list-style-type: none"> - Social Aid is under the Directorate of Finance - Veterinary is under the Directorate of Revenue Collection - Education, cultural activities and day care are under the Directorate of Human Resources - Legal is under Directorate of Urban Planning, Development Control <u>Poshije</u> <ul style="list-style-type: none"> - Social Aid is under the Directorate of Finance 	<p>Specialization:</p> <ul style="list-style-type: none"> • The activities for which a single individual is held accountable should be similar. Similar functions should be appropriately grouped around key competences and reporting lines. <p>Specialization of administrative structures in a particular public service sector or functional group may produce more effective service in designing the new work processes and staff layers, in the New Municipality.</p>
<p>Orientation – Management positions</p> <ul style="list-style-type: none"> • In light of the future matrix organization structure, the New Municipality of Ura Vajurore will carry future administrative structures whose responsibilities will encompass the four Administrative Units. • Meanwhile, the responsibilities of a number of management positions in the structures of the existing LGUs, are subject to change, as a result of the amalgamation of four existing LGUs. • A non-exhaustive list of positions held at the existing LGUs, whose reporting is likely to change are presented in section 2 'Organisation and Structure'. 	<ul style="list-style-type: none"> • It is likely that the reporting of supervisory / management positions held in the four existing LGUs will have a primary reporting line to the administrative structures of the New Municipality. Simultaneously they will have a secondary reporting line to the respective Administrators • Adequate and comprehensive action steps should be taken by upper management of the New Municipality to ensure a smooth process of reporting changes that are likely to occur for certain positions in the organisation. • Oversight mechanisms on well-defined accountabilities should be in place to monitor that the reporting lines are aligning objectives and coordinating activities in executing the relevant functions.
<p>Orientation – Positions executing public services</p> <ul style="list-style-type: none"> • With the introduction of Administrative Units as public service offices and in light of the legal requirement for public services to continue to be normally delivered to the community (article 70 of Law on 'Organisation and Functioning of Local Government'), an assessment on the physical presence in these locations of the positions executing public services, becomes necessary. 	<ul style="list-style-type: none"> • Measures should be taken by the New Municipality to ensure that public services will continue to be normally delivered to the community. Therefore, it is reasonable to recommend that the positions executing public services in the existing LGUs to continue executing their tasks related to service delivery.

Service delivery

- Summarise the analysis on functions executed by the LGU through its own people, contracted and licensed
- Make observations and recommendations to be considered by the new municipality on the orientation

Example

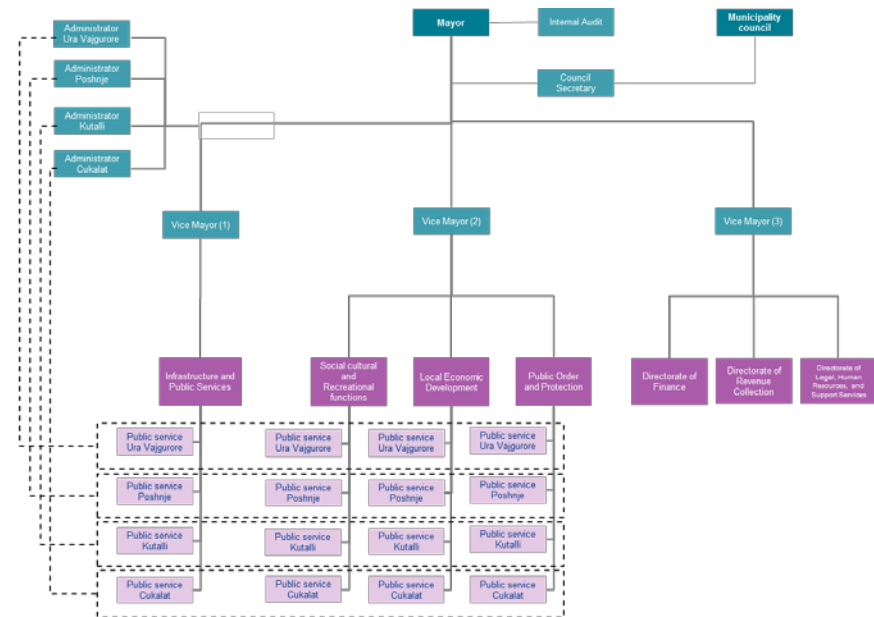
Observations	Recommendations
<p>Service Delivery</p> <ul style="list-style-type: none"> • As described in the future organisational model in the 'Guidelines on Local Government Unit Due Diligence', decisions for changes on service delivery cannot be reached in the short-term. <p>Preparatory work is needed to analyse the processes, assess the human resource and infrastructure capacity, including the information – communication – technology in place. Therefore, it is reasonable to assess that such changes to take place in a medium – term.</p> • To facilitate this thought process, we have developed three questions below to be used as design principles: <ol style="list-style-type: none"> 1. Does the work require physical presence? 2. Is there any reason (legal, strategic) to centralize the execution of the function? 3. Is the work scalable through remote / central processing? • Note that the illustrative answers provided to these design principles (see table 5 in section 2 'Organisation and Structure'), have been given without consideration of future strategic decisions to be taken by the New Municipality in changing the service delivery (design principle 2). • Per the illustrative responses on the horizontal functions, they appear to be subject to change. <p>Having a functional orientation, horizontal functions carry out procedures and deliverables that are technical oriented in the relevant functional area (such as Finance, Legal, etc.).</p> 	<p><u>Public Services</u></p> <ul style="list-style-type: none"> • As noted in the recommendation above, the positions executing public services in the existing LGUs can continue executing their tasks related to service delivery. It is reasonable that in response to the first design principle, these positions to remain physically present. <p>The way the public services will be delivered in the future, is subject to strategic objectives and preparatory work with an analysis on how these functions are executed. This analysis will help in improving the effectiveness and efficiency of service delivery.</p> <p><u>Horizontal Functions</u></p> <ul style="list-style-type: none"> • Certain horizontal functions can be subject to change in the future. More specifically, the following functions appear subject to physical relocation, centralization in the execution of the function and remote / central processing: <ul style="list-style-type: none"> - Finance (Assuming that Administrative Units will not be determined as budgetary institutions of dependence to the Municipality) - Legal - Procurement - Institutional relations - Human resources - Archiving - Internal Audit

4.1.2 Future Organisational structure

Building on the future organisational model and best practices, we have developed a possible future organisational structure with the following characteristics:

- A matrix organisational structure combining the elements of division by sector, geography and functional orientation.
- Public services administrative structures from the Administrative units will have a primary reporting line to the respective administrative structures of the new Municipality
- Simultaneously they will have a secondary reporting line to the administrators
- Due to the complexity and larger scale it assumes there would be three deputy mayors with the following division of responsibilities:
 - Infrastructure and public services
 - Social, cultural and recreational functions, local economic development, and public order and protection
 - Finance, Revenue collection and other horizontal functions
- Internal audit function will report directly to the mayor

An illustration of the possible future organisational structure is presented below and is also included in Appendix 3:



In developing the organisational structure of the new Municipality, please observe the following

- Consistent with strategic direction: support the vision and strategic priorities of the amalgamated LGU
- Form follows function: the organizational structure should ensure quality public service delivery
- Accountability: there should be clear, well-defined accountabilities and decision-making authorities
- Span of control – Span of control should be as broad as possible without sacrificing efficiency. However, there is a limit to the number of positions

one person can effectively be responsible for. Spans of control should ensure proper performance monitoring and employee feedback (one person should generally manage not more than 10 employees)

- Specialization: the activities for which a single individual is held accountable should be similar. Similar functions should be appropriately grouped around key competences and reporting lines.
- Layers of supervision: the number of levels of authority should be held to a minimum (from top to bottom)
- Decision-making: the organisation design should facilitate effective and timely decision-making in support of day to day operations.
- Communication: communication is effective and efficient along reporting lines and service delivery.
- Coordination approach – Applicable especially for the newly established Administrators who will be responsible for running the regional units within the different public service and horizontal directorates. Clear rules and procedures should be developed in order to distinguish between the sectoral (functional) and the administrative responsibilities and lines of accountability.
- Spatial separation – The organizational design of the amalgamated LGU should appropriately reflect the separate and subordinate status of the regional administrative units (separate actions in separate locations).
- Future growth and change – The organizational structure should be flexible and adaptable to future growth and public service needs

4.2 Personnel matters

- Provide a summarised analysis on the personnel of the new municipality based on the analysis provided for each existing LGUs. This analysis should contain information on total number of personnel, type of relationships with personnel by describing the total number of civil servants, including specifications on those civil servants in probation period and employees. Provide summary on specific matters such as type of contracts used for employees, respective number, protected category of employees etc.
- Insert the four “Inventory of Personnel” templates as Appendix to the consolidated report.

4.3 Information and technology

- Insert the consolidated “Inventory of IT business systems” template. Refer to “Operational consolidated Due Diligence Templates” in Appendix 3, for the relevant template used for the consolidated “Inventory of information systems”. See also the example below as an illustration
- Provide a summarised analysis of the IT business systems of the new municipality based on the information and analysis for each existing LGUs

Example

Objective of assesment	Ura Vajgurore	Poshnje	Cukalat	Kutalli
Softwares	Microsoft Office Package	Microsoft Office Package	Microsoft Office Package	Microsoft Office Package
License agreement(s)	no licence agreement	no licence agreement	no licence agreement	no licence agreement
<i>Hardwares (in use)</i>				
computers (desktop)	15	10	2	12
printers	15	10	4	7
servers	0	2	0	0
IT personnel Head count	1	0	0	0
Hardware maintenance	outsourced/ January 2015 hired IT personnel	outsourced for hardware maintenance	outsourced for hardware maintenance	outsourced for hardware maintenance

4.4 Communication

- Provide a summarised inventory of the internal communication methods implemented at the LGUs based on the information collected.
- Provide a summary of observation and respective recommendations in light of the consolidation.

Example

Objective of assesment	Ura Vajgurore	Poshnje	Cukalat	Kutalli
Telephony service	fix line/mobile line	fix line/mobile line	mobile line only	mobile line only
Telephony/service providers for the LGU	national provider	national provider	n/a	n/a
Internet service	Albtelecom (national) internet service provider	local service provider	local service provider	local service provider
Assess coverage of the telephony service for each LGU.	n/a	n/a	n/a	n/a
Internal communication lines	verbal/hard copy	verbal/hard copy	verbal/hard copy	verbal/hard copy

4.5 Archiving

- Provide a summarised analysis on archiving practices based on the analysis for each existing LGUs.
- Insert in the report the consolidated “Technical Requirements Checklist” below the summary. Refer to “Operational consolidated Due Diligence Templates” in Appendix 3, for the relevant template used for the consolidated “Technical Requirements Checklist”. See also the example below as an illustration.
- Provide summary of observations and respective recommendations in light of the consolidation, the table down on the page.

Technical requirements for the archive premises and documents maintenance methodology	<u>Ura Vajgurore</u>	<u>Poshnje</u>	<u>Kutalli</u>	<u>Cukalat</u>
Fire protection, shells protection from sun, dust and any other physical and biological agents	Yes	No	No	No
Secured doors and windows with a metallic net and automatic door closure	No	No	No	No
Cardboard folders for putting the documents, placed in metallic shells and painted against rust	Yes	Yes	No	No
Vertically oriented shells to the windows with a distance 40-60 cm from the wall and 80 cm from each other	Yes, but no distance from the wall	Yes, but no distance from the wall	No	No
Presence of heaters or any other item that can cause fire present in the archive premise	No	Yes	n/a	No

4.6 Asset management

- Provide a summarised analysis on archiving practices based on the analysis for each existing LGUs and Tec.
- Insert in the report the consolidated “Asset Management Compliance Checklist” below the summary. Refer to “Operational consolidated Due Diligence Templates” in Appendix 3, for the relevant template used for the consolidated “Asset Management Compliance Checklist”.
- Provide summary of observations and respective recommendations in light of the consolidation

4.7 Investment projects

- Insert consolidated table “Project Investments”. Refer to the file “Operational consolidated Due Diligence Templates” in Appendix 3, for the relevant template used for the consolidated table “Project Investments”.

4.8 Legal matters

4.8.1 Public service arrangements

- Insert the consolidated table on “Public Service Arrangements”.

4.8.2 Legal proceedings

- Insert the consolidated tables on “Legal Proceedings”.

4.8.3 Legal proceedings

- Insert the consolidated table on “Third parties contracts”.





Financial due diligence

Financial due diligence



An overview of the financial due diligence process and the main activities to be followed during each step are presented below.

With a click on the icon you may go to the respective section.






Planning

-  Get acquainted with the Reporting Framework
-  Tailor the *Questionnaire for information* and *Templates for Notes to the Financial statements* for the LGU
-  Present the *Questionnaire for information* including the templates to the LGU
-  Organize the site visits and schedule meetings in advance






Fieldwork and Data collection

-  Obtain data as per Questionnaire and ensure for completeness and accuracy
-  Ensure performance of the prescribed procedures for Assets, Liabilities, Income and Expenses

Analysis and preparation for consolidation

-  Prepare stand-alone financial statements for each LGU based on collected data
-  Input data into the Financial Model
-  Perform accounting adjustments, reflect them into the restated figures and check for coherence
-  Analyse the financial statements
-  Prepare documents for transfer of rights and obligations

Consolidation

-  Summarise stand-alone fixed asset registers and proceed with valuation
-  Reflect valuation results in stand-alone financial statements and the Financial Model
-  Completion of the Consolidation Financial Model
-  Analyse the consolidated financial standing
-  Point out significant potential risks for the new municipality following the merger

5 Planning

5.1 Get acquainted with the Reporting Framework

The reporting framework has been created following a review of the existing legislation in relation to reporting:

- Law No 9936 dated 26.6.2008, ‘On management of budgetary system in the Republic of Albania’,
- Instruction 29 dated 24.12.2013 “ For closing procedures of budget annual accounts for 2013”, and
- Instruction No.14 dated 28.12.2006 on ‘Preparing and presenting the financial statements of budgetary institutions at all levels’.
- Instruction No.26 dated 26.12.2007 on few changes to the Instruction No.14 dated 28.12.2006
- Instruction No.28 dated 18.12.2014 “For closing procedures of budget annual accounts for 2014”

Read and get acquainted with the law and instructions presented above.

5.2 Tailor the *Questionnaire for information and Templates for Notes to the financial statements*

Use the *Questionnaire for information* presented within Appendix 1 and tailor it to the specific LGU.

Similarly use the *Templates for Notes to the financial statements* presented within Appendix 6 and tailor them if necessary.

5.3 Present the Questionnaire for information including the Templates for Notes to the financial statements

The *Questionnaire for information*, presented in Appendix 1, includes detailed list of information to be presented by the LGU to the due diligence team.

The *Templates for Notes to the financial statement*, presented in Appendix 6, are empty templates for financial information to be provided in the such format by the LGU

This activity would ensure that the information would be gathered efficiently and in a timely manner.

The teams should provide detailed guidance into how the information is expected to be provided, ask for potential lack of information upfront and attempt to agree on a schedule for completion of the data gathering.

5.4 Organize the site visits and schedule meetings in advance.

Site visits with the key personnel should be planned in advance in order to see all key areas covered.

Consider scheduling meetings in advance at minimum with the following personnel:

- Mayor and Deputy mayor
- Head of Finance Directorate and other finance personnel
- Head of Revenue Collection Directorate
- Responsible person for budgeting
- Responsible person for fixed assets, if available
- Representative from Urbanism regarding work-in-progress projects

6 Fieldwork and Data collection

6.1 Obtain data as per *Questionnaire for information and ensure for completeness and accuracy*

At this stage, the team should conduct the site visits and attend scheduled meetings with key personnel. The team should ensure once again that the personnel at LGUs understand all requirements as per *Appendix 1: Questionnaire for information*.

Collect the data as per *Appendix 1: Questionnaire for information* and ensure data provided is complete and correctly presented.

Based on the information gathered the team should perform the prescribed analysis and procedures as explained in the following sections.

6.2 Perform the prescribed procedures for Assets, Liabilities, Income and Expenses

Below is presented a list of suggested procedures for respective captions of financial statements that needs to be considered when performing the due diligence on the selected LGUs.

Budget

Obtain the approved budget for FY 2015

Through inquiries understand the overall budgeting process including the participants in the process and also who approves the budget

Obtain analysis of budget vs. actual and discuss and comment on the differences

Obtain budget revisions for 2013 and 2014 and discuss and comment on the reasons for the revisions

Fixed assets

Through inquiry understand the current procedures and comment on the compliance with the regulatory requirements

Obtain any written procedures for the recording, keeping, maintaining and performing an inventory of fixed assets

Inquire the responsible person regarding the valuation policy, depreciation policy, impairment testing

Inquire the responsible person regarding the supporting documents for the recorded fixed assets e.g. whether the largest assets are supported with proper documentation, where is the documentation kept and etc.

Inquire whether the LGU performs annual (or other periodical) inventory counts of the fixed assets and obtain the reports for the inventory counts for 2014

Obtain the list of fixed assets that have been transferred from the central government, obtain the respective documentation and support for these assets

Obtain the completed register of fixed assets (template provided along with the *Appendix 1: Questionnaire for information*)

Check the applied depreciation policy (inquiry and recalculation) and comment whether the appropriate useful lives have been applied.

Reconcile cost and depreciation additions during the year with information in F4, F8, and N12

Inventory

Obtain the completed template *N2 List of inventory*, provided to the LGU with the *Appendix 6: Templates for Notes to the financial statements*.

Reconcile the balance as per completed *N2 List of inventory* and the inventory balances presented in *F1 Statement of Assets*. Understand and comment on the differences.

Reconcile the increase/ (decrease) in inventory during the year with account 841 or 842 in F3-1/2

Reconcile the increase/ (decrease) in inventory during the year with T8

Debtors and other receivables

Obtain the detailed list of debtors as presented in *Appendix 6: Templates for Notes to the financial statements*.

Reconcile the information provided with *N3 Receivables from Employees* and *N4 Different debtors*

Reconciliation of the breakdown to the trial balance / accounting books and the financial statements

Analyse the content and the structure of these items, describe the largest items, and comment on the accounting policy and compliance with relevant regulation.

Cash balance

Obtain the signed inheritance act prepared by the LGU according to *N5 Inheritance Act of Appendix 6: Templates for Notes to the financial statements*.

Creditors, loans and borrowings

Obtain the detailed list of creditors presented in the *Appendix 6: Templates for Notes to the financial statements* provided to the LGU along with the *Questionnaire for information*, which should include a list of all invoices which have been received by the LGU, that have not been paid and/or not being recorded (as at the latest available date)

Request the LGU to identify overdue payments by analysing the invoice data and the payment data and estimate necessary penalties

Obtain the breakdown of all loans and borrowings, including the details presented in the *Appendix 6: Templates for Notes to the financial statements* provided to the LGU.

Request a repayment schedule for all loans, borrowings and leases (as at the latest available date)

Request a list of all "active" projects - the tender procedure has finished, are undergoing, and for which not all liabilities are settled (as at the latest available date)

Analyses of liabilities for 2014 and based on the walkthrough and the inquiry of the responsible persons understand whether there are liabilities which are not recorded.

Based on the contracts for loans and leases understand whether there are liabilities which are not recorded

Based on the analysis of the liabilities understand the classification of the short term and long term contracts. In case there is no such classification propose procedures for classification of the short vs. long term liabilities.

Reconcile the creditors with information in *N12 Reconciliation of FS with Treasury*

Expenses

Obtain the monthly reconciliations (cumulative) with Treasury for year-end 2014 as provided in *N7 Expense Reconciliation*, included in *Appendix 6: Templates for Notes to the financial statements*.

Check whether the reconciliations were properly reviewed and approved

Discuss any differences identified during the reconciliations with the representatives from LGU and the Regional Treasury Department

Reconcile the breakdown of expenses as per the reconciliation with Treasury to the trial balance / accounting books and the financial statements

Analyse the major items of expenses (including their structure/content)

Reconcile the *N12 Reconciliation of FS with Treasury*

Revenues

Obtain the monthly reconciliations (cumulative) with Treasury for year-end 2014, prepared by the LGU as requested in *N8 Revenue reconciliation*, included in *Appendix 6: Templates for Notes to the financial statements*.

Check whether the reconciliations were properly reviewed and approved.

Discuss any differences identified during the reconciliations with the representatives from LGU and the Regional Treasury Department

Reconcile the breakdown of revenues as per the reconciliation with Treasury to the trial balance / accounting books and the financial statements

Investment in subsidiaries

Obtain the completed template for Investment in Subsidiaries, provided along with the *Appendix 6: Templates for Notes to the financial statements*.

Reconcile the breakdown provided in the template, to the trial balance / accounting books and the financial statements

Grants from foreign donors

Obtain a breakdown of the grants from foreign donors, prepared by the LGU as per *N11 Donor Grants*, included in *Appendix 6: Templates for Notes to the financial statements*

Reconciliation of the breakdown to the trial balance / accounting books and the financial statements

Analyse and comment on the accounting policy and compliance with MoF instructions.

Reconciliation of capital grants to *F4* and *F8*, and reconciliation of current grants from foreign donors to *F3/2*.

7 Analysis and preparation for consolidation

7.1 Obtain stand-alone financial statements for each LGU based on collected data

Obtain the completed set of financial statements for the year ending 31 December 2014, in both electronic and paper format.

Obtain the trial balances, and reconcile to the financial statements for 2014 (if available)

Compare and ensure that electronic version is the same with the one signed by the LGU and the Treasury representatives.

Analyse the composition of the financial statements (which reports and statements are included as part of the financial statements) and check whether it is in compliance with the financial format as prescribed by MoF.

Through inquiries understand based on which documents the financial statements have been prepared (trial balance, other excel reports, accounting books etc.)

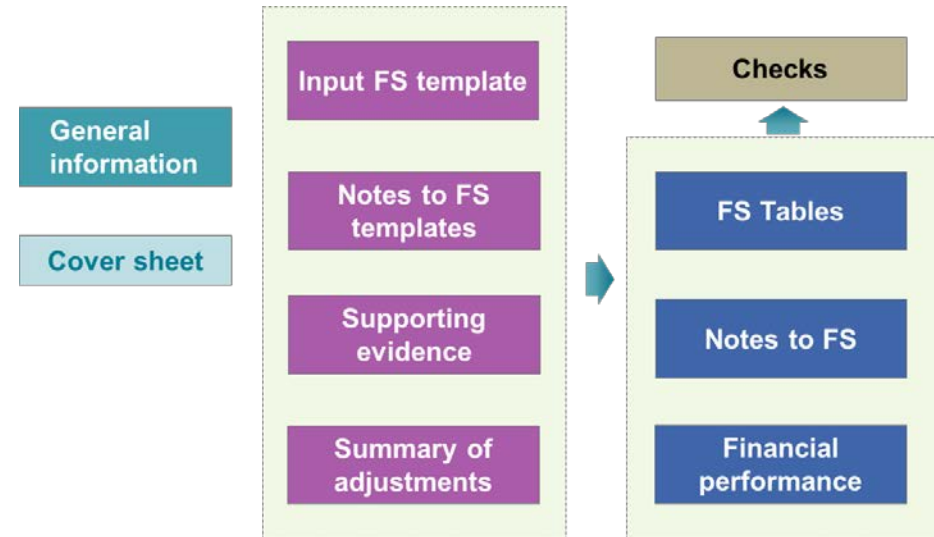
7.2 Input data into the Financial Model

In this section the data obtained from the LGU would be transferred into the Financial Model to facilitate the analysis and reporting, and to point out reconciliation errors and areas for further enquiry.

The Financial Model is excel based tool aimed at facilitating the data gathering, reconciliation and reporting for the financial due diligence. It contains pre-formatted tables for reporting of the Financial statements and the Notes to the financial statements. Further, an automatic reconciliation has been prepared to check for general consistency of different sources of data, i.e. Financial statements, Notes to the financial statements, other gathered evidence. Upon completion of the data gathering, the teams should prepare accounting adjustments (if any) and reflect them on the impacted Financial statements. Except for the adjustments, all data input cells in the LGU FS Form sheet, the Notes 1 to 12 and the input sheets in the Evidence provided section are painted

in yellow to ease the users in filling in data in the correct cells. A summary description of sheets and content of the Financial model are presented in *Appendix 10: Descriptions of Financial Model content*

An illustration on the flow of information in the Financial model is presented below:



Data input into the General Information and the FS Form sheets.

General information

In this section, the user should complete information in the yellow cells only (Column H). In section 1.1 General of the Financial Model are included the Project name, the name of the LGU subject to the due diligence, the name of the persons preparing the checklist and the name of the approver and date of approval for project management purposes. The name of the LGU set in this section would be automatically populated in the reporting tables, as well as in other sections of the model.

Section 1.1 General of the Financial Model is followed by input cells for dates of the site visits (Section 1.2 Site visits).

Section 1.3 Interviewed personnel is completed with the names of the persons interviewed at the LGU visits.

Example:

Project STAR XXX General information Reconciliation error	
1 General information	
1.1 General	
Project name	name Project STAR
Local government unit	name XXX
Checklist prepared by:	name Imelda Taraj
	name Klementina Shehu
	name
	name
Checklist approved by:	name XXX
	date
1.2 Site visits	
Dates of site visits:	
Visit 1	date 11-Dec-14
Visit 2	date 13-Dec-14
Visit 3	date 7-Jan-15
Visit 4	date 8-Jan-15
Visit 5	date 9-Jan-15
Visit 6	date 15-Jan-15
Visit 7	date 16-Jan-15
Visit 8	date 21-Jan-15
Visit 9	date
Visit 10	date

Example:

Project STAR XXX General information Reconciliation error	
1.2 Site visits	
Dates of site visits:	
Visit 1	date 11-Dec-14
Visit 2	date 13-Dec-14
Visit 3	date 7-Jan-15
Visit 4	date 8-Jan-15
Visit 5	date 9-Jan-15
Visit 6	date 15-Jan-15
Visit 7	date 16-Jan-15
Visit 8	date 21-Jan-15
Visit 9	date
Visit 10	date
1.3 Interviewed personnel	
Name	Position
Marje Bizdani	Finance Director
Raimonda Shuka	Vice Mayor
Nuriana Xhelali	Director of Revenue Directory

In section 1.4 *Financial periods* are filled in the reporting dates of the financial information presented in the Due Diligence report. In cell *H63* should be included the reporting date of the current reporting period, while in *H64* should be included the beginning period date of the current reporting period, i.e. 30 June 2015 and 1 January 2015 if the reporting period is the first 6 months of 2015.

In cell *H66* should be included the reporting date of the previous reporting period, for example 31 December 2014, following the example given above.

In Section 1.5 *Presentation* the reporting currency should be chosen, i.e. in thousands, in million, in billions, by entering the respective number in cell *H70* – for example enter 1000, if you want to present your data in thousands, or 1000000, in case you want to present in millions.

Example:

1.4 Financial periods / Periudhat financiare

Template timeline

Current reporting period end	date	30 Jun 15
Current reporting period beginning	date	1 Jan 15
Months in current reporting period	months	6
Corresponding period	date	31 Dec 14

1.5 Presentation / Prezentimi

Presentation currency	ALL	1 000
Presentation currency text	text	(Amounts in ALL'000, unless otherwise stated)

Transfer data to Financial statement form

Go to sheet *LGU's FS 2014 Form*. In this sheet is inputted the data obtained from the FS Template received from the LGU. Data is filled in the empty yellow boxes in columns E to N, depending on the template. The user should not add or delete any columns or rows or adjust specific cells, which are containing preset data, i.e. names, periods, accounting numbers, cells containing formulas, etc.

Example:

Nr.	Account number	EMERTIMI I LLOGARIVE TE AKTIVIT	Closed exercise	Previous exercise
1	12	Rezultate te mbartura(saldo debitore)		
2	A	AKTIVE TE QENDRUESHME	-	-
3	20, 230	I.Te pa trupezuara	-	-
4	201	Prime te emisionit dhe rimbursimit te huave		
5	202	Studime dhe kerkime		
6	203	Koncesione, patenta,licenca e tjera ngjashme		
7	209	Amortizimi i aktiveve qendrushme te pa trupezuara(-)		
8	230	Shpenzime per ritjen e aktiv.qendr.patrupezuara		
9	21,23,24,28	II.Akt.Qendr.te Trupezuara	-	-
10	210	Toka,troje,Terene		
11	211	Pyje,Kullota Plantacione		
12	212	Ndertime e Konstruksione		
13	213	Rruge,rrjete,vepra ujore		
14	214	Instalime teknike,makineri,paisje,vegla pune		
15	215	Mfjete transporti		
16	216	Rezerva shtetore		
17	217	Kafshe pune e prodhimi		
18	218	Inventar ekonomik		
19	219	Amortizimi aktiv.Qendr.te trupezuara(-)		
20	231	Shpenzime proces per ritjen e AQT		

Transfer data to the evidence received

Following the *LGU's FS 2014 Form* sheet, to the right are left sheets for include the copies of the supporting documentation, either direct extracts in excel or scanned copies in PDF.

Using the automatic reconciliation tool

There is a built-in automatic function on several sheets which allow for automatic reconciliation of the specific item and the financial statements (refer to sheet *Checks*). To use it simply paste the extracts as provided by the client, or write in a cell the total amount as per supporting documentation, select the cell with the total amount to be reconciled and press the grey button (containing instruction) at the top of the sheet. The amount selected should appear in the blue ribbon under the title *Macro*. The selected amount would appear automatically in the corresponding reconciliation in sheet *Checks*.

Example:

	A	B	C	D	E	F	G	H	I	J
1	Project STAR									
2	xxx									
3	Depreciation FA									
4	All checks ok									
5	Paste PBC below:									
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										

Populating notes to the financial statement

Notes are prepared to provide further detail into key sections of the financial statements. The notes should have been provided along with the *Appendix 1: Questionnaire for information* to be completed by the LGU representatives.

As obtained, the notes to the financial statements, i.e. *sheets N1-N13*, are transferred to the model manually. For description and methodology on how to transfer the Notes to the financial statement into the Financial model, refer to 3.3

Control check for financial statements

General description

The *Checks* sheet has pre-set reconciliation between the tables in sheets *F1-F11*, the notes to the financial statements in sheets *N1-N13* and the supporting documentation in the Evidence received section in the model. The pre-set reconciliations would serve the user in general guidance on where possible misstatements exist and would assist the user in identifying and correcting the mistakes. It should be noted that some mistakes may appear due to incorrect data provided by the LGU and would not necessarily relate to incorrect completion of the financial model.

The user should not modify the reconciliations within the check list.

Guidance on checking financial statements

In this section the user would assess if the information is transferred correctly from the LGU financial statement template to the model.

Since the model allows the user to have automatic checking depending on the availability of information, the first step in using the automatic checks would be setting the reporting date. In case the user obtains information for 2014 in Forms 1 to 3, however the rest of the tables (F4 to F9) are completed with information regarding the previous reporting period, say FY 2013, then the leading reconciliations would be for FY 2013. The user would receive

information in the blue ribbon at the top of each sheet on errors – either “All checks ok” or “Reconciliation error”.

Go to sheet *Checks* and assess if the supporting documentation reference date is set correctly (Cell E7). For example, if the information in Forms 4 to 9 and the notes refer to the current reporting period, say 30 June 2015, the user should type 30 Jun 2015 in cell E7.

The next step would be to review on the amount of reconciliation error in cell I9. Even if the reconciliation error is 0, the user should confirm that the sums of the elements in the individual checks correspond to the ones in the financial statements and the data provided by the LGU. For example the user should observe if the amount of total assets quoted row 16 corresponds to the total amount as per sheet F1 and as per the financial statement template provided by the LGU. This should be done for all items to confirm the consistent input in the model.

Example:

	Restated	31-Dec-14	31-Dec-13
Evidenca mbeshtetese i referohet	12/31/2014		
Mastercheck	-	-	-
1.1 Bilanci			
T2	0	0	0
T1	0	0	0
Check	-	-	-
Fondet e veta - T8	0	0	0
Aktivet neto - periudha e tanishme - T1-T2	0	0	0
Check	-	-	-
Aktivet e qendrushme - T6	0	0	0
Amortizimi - T7	0	0	0
Investimet - T4	0	0	0
Vlera neto kontabel e aktiveve te qendrushme - T1	0	0	0
Check	-	-	-
Fondet e thesarti - T5	0	0	0
Foncet e thesarit - T1	0	0	0

Automatic population of the FS templates

This section explains how the automatic population of *Forms 1-11* is performed.

Automatic population of FS Template

The Tables in sheets *F1-F11* are automatically populated with the historical information as at current and previous reporting period dates. The user should only confirm if data is correctly presented and should not modify formulas or input data into the tables.

The Restated columns, where present in the tables, should be completed manually with the identified adjustments/restatements. For more information, refer to Section 3.4. The Notes to the financial statement, i.e. sheets *NI-N13*, are not populated automatically and the user should complete the required information in those sheets manually.

Example:

Project STAR			
XXX			
Balance Sheet - Statement of assets (Template 1)			
Reconciliation error			

XXX
Balance Sheet - Statement of assets (Template 1)
for the year ended 31 Dec 2013
(Amounts in ALL '000, unless otherwise stated)

Account No	Number	Assets	Notes	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2013
1	12	Brought forward results		-	-	-
2	A	Non Current Assets		-	384,058	384,058
3	20, 230	I. Intangible Assets		-	1,315	1,315
4	201	Amounts to be remitted and loan reimbursements		-	-	-
5	202	Studies and research	T6, N1	-	1,672	1,672
6	203	Concessions, license, other similar licenses		-	-	-
7	209	Amortization of current intangible assets (-)	T7, N1	-	(357)	(357)
8	230	Expenses for increase of current intangible assets		-	-	-
9	21,23, 24,28	II. Tangible Assets		-	382,743	382,743
10	210	Land		-	-	-
11	211	Forests, Pasture, Plantation	T6, N1	-	3,274	3,274
12	212	Building and Constructions	T6, N1	-	129,362	129,362

Automatic population of sheet Checks

Automatic population of sheet Checks

The *Checks* sheet is prepared automatically when all data is inputted into the respective locations within the model. It should serve as a general guidance on completeness and consistency of the input data, however the user should address critically all data presented for completeness and correctness.

The user is expected to refer to the *sheet Checks* at completion of each stage to assess the correctness of the work performed.

The user should not modify the reconciliations within the check list.

Example:

Project STAR			
XXX			
Checks			
Reconciliation error			
		0	1
		31 Dec-14	31 Dec-13
Supporting documentation	31 Dec 13		
Mastercheck	5,816,601	1,542,866,954	5,816,601
1 Checks - Templates 1-9			
1.1 Balance sheet			
T2		0	472,611,676
T1		0	472,611,676
Check		-	-
Own funds - T8		404,512,150	404,512,150
Net assets - current period - T1-T2		0	404,512,150
Check		404,512,150	-
Fixed assets - T6		364,867,356	364,867,356
Depreciation - T7		(58,313,749)	(58,313,749)
Investments - T4		77,504,030	77,504,030
NBV of fixed assets - T1		0	384,057,637
Check		384,057,637	-
Treasury funds - T5		15,600,295	15,600,295
Treasury funds - T1		0	15,600,301

Analyse the evidence obtained to support the completeness and accuracy of Financial Statements

This section explains the basic methodology to consult when analysing the evidence obtained as part of data collection and also provides guidance on how to complete the respective notes and link to the figures presented in the financial statements of the LGU.

The methodology included in this section is based on the suggested procedures described in section 2.2 and it follows the requirements set in the following instructions issued by the Ministry of Finance (“MoF”):

- Directive No.14 dated 28.12.2006 on ‘Preparing and presenting the financial statements of budgetary institutions at all levels’ (hereafter “Directive 14”)
- Directive No.26 dated 26.12.2007 on few changes to the Directive No.14 dated 28.12.2006. Based on our analysis of the accounting and record keeping practices of the Municipality, as well as taking into consideration the above requirements, we have proposed specific adjustments to the FY 2013 financial statements (hereafter “Directive 26”).

The completed notes to the financial statements will be copied to the Due Diligence report, described in section 4. Refer to section 3.6 for a detailed guidance on how to copy these notes.

N1 Fixed assets register

Navigate to sheet N1. Depending on the information provided by LGU, add as many rows between row 17 and row 21 as necessary to fit the data provided. Select the top rows and then extend the selection to include all the rows up to the “Total” row. Press Ctrl+D to populate the formulas across the new rows. Data should be filled in columns B to F, H, and columns Q to T and column V. The user should confirm that the summation formula in the final row sums all the rows containing data in column V.

In the columns *X to AA*, are presented the categories of assets with the respective code, the respective depreciation method and depreciation rate which are set in Directive No.14 dated 28.12.2006, refer to *section II, chapter 1, page 4, paragraph 3*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of fixed assets and fixed assets balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Both intangible and tangible fixed assets are presented at cost in the financial statements, *Form 1 Statement of Assets* and *Form 6 Statement of Fixed Assets’ Balance and Changes during the year*, in group accounts 20 and 21,23,24,28 respectively.

Accumulated amortization is presented in account number 209 in Form 1, while accumulated depreciation is presented in account number 219.

Changes of accumulated depreciation and amortization are presented in *Form 7 Statement of Fixed Assets'* depreciation.

As per Directive 14, work-in-progress projects are presented under account 230 and 231 for Intangible Fixed Assets and Tangible respectively. As soon as the projects are completed, they are transferred to respective fixed assets account.

From the pilot phase, we understand that LGUs do not keep records of the stage of transfer of individual assets, the ownership to which was entrusted to the LGU by the Council of Ministers. It was represented by the LGU officials that major part of the assets subject to transfer are recorded on the LGU financial statements.

In appendix 4, it is presented a short guidance regarding the valuation of assets transferred by the central government that the LGUs should consider when valuing these assets.

N2 List of inventory

Navigate to *sheet N2*. Depending on the information provided by LGU, add as many rows between row 17 and row 22 as necessary to fit the data provided. Select the top rows and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *C to F* and columns *H and I*. The user should confirm that the summation formula in the final row sums all the rows containing data in column *I*.

Next the user should check if the information reconciles with the financial statements, table 1 statement of assets, accounts 31-39. *Sheet Checks* provides a pre-set reconciliation of the total amount of inventory balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Example:

Project STAR
 Municipality of Pogradec
 Notes to the Financial Statements
 Reconciliation error

[Back to main index](#)

Municipality of Pogradec
 Notes to the Financial Statements
 for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 201 - 208
 Supporting evidence: Fixed Assets Register

Asset description	Category	Category or Location	Purchase date	Rate	Date	Unit	Unit price	Accumulated Depreciation			
								Cost	depreciation as at 1 Jan 2013	for year 2013	NBV as at 31 Dec 2013
studime adheqemsi shk kamps i pise	Studies and rescan	9		10.0%		-	-	209	-	-	-
studime adheqemsi Pivri i kapacit	Studies and rescan	9		10.0%		-	-	96	-	-	-
studime per adheqemsi	Studies and rescan	9		10.0%		-	-	99	-	-	-
Studime varescat e popullit	Studies and rescan	9		10.0%		-	-	198	-	-	-
studime braps i ligjimit	Studies and rescan	9		10.0%		-	-	200	-	-	-
Studime varescat e popullit	Studies and rescan	9		10.0%		-	-	800	-	-	-
studime adheqemsi nivelen i qytetit	Studies and rescan	9		10.0%		-	-	194	-	-	-
				10.0%		-	-	144	-	-	-

At the year end, the difference between total inventory of the current year and the previous year is presented under account 63 in *Form 3-1 Statement of Expenses*. If the total inventory is larger in the current year, then the balance in account 63 should be negative, and the opposite. For more refer to Directive 14 *section II, chapter 2, page 6, paragraph 4*.

At the end of the year, in order to prevent the impact of changes in inventory to the year's result, as per directive 14, LGUs need to make adjustments using account 8423 or 841 and transfer the impact to base fund using the accounts 1011 and 1012. For more details refer to *section II, chapter 3, page 12, paragraph 1* of Directive 14.

Example:

No	Item description	Location	No of items	Cost per item	Balance as at 31 Dec 2013
			1	2	3 = 1 x 2
1	Makine llogaritse	A.Topalli	1	2	2
2	Disqe dokumentari/20000	Erjon Vesho	5	20	100
3	Disqe dokumentar/50000	Erjon Vesho	4	50	200
4	Tabele pecikllas/93600	Erjon Vesho	2	47	94
5	Tabele pecikllas/19200	Erjon Vesho	1	19	19
6	Tabele informacioni/1200	Erjon Vesho	42	1	50
7	Stativ/12000	Erjon Vesho	3	12	36
8	Platin odiziv/1080	Erjon Vesho	1	1	1
9	Tapet/8000	Klotilda Neziri	1	8	8
10	Printim banderole/9500	Arben Braho	3	10	29

N3 Receivables from employees, prepayments and penalties

Navigate to *sheet N3*. Depending on the information provided by LGU, add as many rows between row 27 and row 88 as necessary to fit the data provided. Select the top rows (row 27) and then extend the selection to include all the rows up to the "Total" row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *C,D* and columns *I to L*, starting from row 27. The user should confirm that the summation formula in the final row sums all the rows containing data in column L.

Summarized data should be presented in rows 17-21 and be linked to the data in the table below.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of receivables from employees' balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Review the breakdown received and presented under this note, understand the nature of these receivables and discuss the aging with the representatives of the LGU in relation to the ability to collect.

Regarding the accounting policy for receivables and also impairment policy, refer to *Note 4 Different debtors*.

Example:

Account number:	423
Supporting evidence:	Receivables from employees, prepayments and penalties
Debtor	
Overpayments to suppliers:	
TRIMA SHELIDHUA*	185
TELSON SHPK	395
TRIMA KOLA SHPK*	408
Overpayments to employees pre 2007	212
2007-2010	41
Total	1,249

N4 Different debtors

Navigate to *sheet N4*. Depending on the information provided by LGU, add as many rows between row 16 and row 36 as necessary to fit the data provided. Select the top rows (row 16) and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *C, D* and columns *I to L*, starting from row 16. The user should confirm that the summation formula in the final row sums all the rows containing data in column *L*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of different debtors balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Review the breakdown received and presented under this note, understand the nature of these receivables and discuss the aging with the representatives of the LGU in relation to the ability to collect.

Currently there are no instructions from MoF in relation to impairment of assets. If new instructions are issued, consult their requirements and assess any potential adjustments to be reflected in the restated 2014 figures.

Although Statement of Revenues is prepared on cash basis, as required by the Law No 9936/26.6.2008, ‘On management of budgetary system in the Republic of Albania’, the LGUs are still required to recognize receivables balances and present in their statement of assets.

The instructions in Directive 14 and Directive 26, do not clearly specify were to account for on credit side.

If new instructions or further clarifications are issued, consult their requirements and assess any potential adjustments to be reflected in the restated 2014 figures.

This is applicable to all receivable balances recognized including those presented in note 3 and note 4.

Example:

No	Debtor	Originating date	Balance as at 1 Jan 2013	Additional charge for the year	Payments during the year	Balance as at 31 Dec 2013	Balance as at 1 Jan 2013	Additional charge for the year	Payments during the year	Balance as at 31 Dec 2013
1	Mangalina Cane Pogradec		-	-	-	757				756,895
2	Rajmond Mato Pogradec		-	-	-	45				45,000
3	'Arbona " sh.p.k		-	-	-	428				428,405
4	Maksi Jaselli		-	-	-	32				31,600
5	Debitor Firma Zhebro		-	-	-	444				443,648
6	Debitor Firma KREK Albert Xhemx		-	-	-	1,788				1,787,672
7	"Eneal"Sh.P.K		-	-	-	56				55,980
8	Diana Trajani		-	-	-	8				8,209
9	Oresti Samsuri		-	-	-	6				6,469
10	Arben Oshafi		-	-	-	7				7,339

N5 Inheritance act

Navigate to *sheet N5*. Data should be filled in the blank cells in columns *Q, R, U, V, Y and Z*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of inherited balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Inheritance act is signed between the LGU and the Treasury at the end of each year, confirming the movements in cash.

In more details, this note will provide evidence on the cash balance brought forward from the previous year and also the cash balance at year end, presented in table Statement of Asset under account 520, which is carried forward to the next year. It also provides movements of cash held as guarantee for completion of work, presented in table 2 Statement of Funds and Liabilities under account no 466.

Opening and closing cash balances as per inheritance act should also be reconciled with table 5 Statement of Cash Flows.

Example:

Project STAR
 Supporting evidence to be provided by the LGU
 Reconciliation error

Municipality of Cita Valgeran
 Reconciliation evidence to be provided by the LGU
 For the year ended 31 Dec 2013
 (AMOUNTS IN ALL NUMBERS UNLESS OTHERWISE STATED)

Account number: 520
 Supporting evidence: Inheritance Act - from 2012 to 2013

Description	Inherited from 2012			Budget for 2012			Total revenue for 2012 and Used during 2012			Balance to be carried forward 2013	Inherited from 2012			Budget for 2013			Total revenue for 2012 and Used during 2013			Balance to be carried forward 2014
	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0		Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	Chapter 0	
Grant plus revenue from 2012	8,020	-	8,020	-	-	-	8,020	-	-	8,020	-	-	-	-	-	-	-	-	-	8,020,438
Competition grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budgeted grant for 2013	-	-	-	24,431	-	24,431	24,431	-	-	24,431	-	-	-	24,431,119	-	-	-	-	-	24,431,119
Realised revenue	-	-	-	27,320	-	27,320	24,201	-	3,117	27,320,510	-	-	-	27,320,510	-	-	-	-	-	27,320,510
Revenue from "ALASUDAP"	893	-	893	101	-	101	694	-	694	893,234	-	-	-	100,940	-	-	-	-	-	893,783
Other	8,914	-	8,914	81,860	-	81,860	61,376	-	48,722	82,882	-	-	-	81,860,227	-	-	-	-	-	82,712,278
Balance - chapter 0	-	-	-	-	-	-	-	-	-	32,892	-	-	-	81,860,227	-	-	-	-	-	32,892,213
2% Contingent Guarantee	-	3,194	3,194	-	-	-	3,194	245	2,949	3,193,899	-	-	-	3,193,899	-	-	-	-	-	245,110
Special income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,949,774
Sponsorships	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance - chapter 0	-	3,194	3,194	-	-	-	3,194	245	2,949	3,193,899	-	-	-	3,193,899	-	-	-	-	-	245,110
Total	-	11,914	11,914	81,860	-	81,860	61,376	-	48,722	82,882	-	-	-	81,860,227	-	-	-	-	-	82,712,278

N6 Creditors

Navigate to *sheet N6*. Depending on the information provided by LGU, add as many rows between row 17 and row 300 as necessary to fit the data provided. Select the top rows (row 17) and then extend the selection to include all the rows up to the "Total" row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *C to H* and columns *M to O*, starting from row 17. The user should confirm that the summation formula in the final row sums all the rows containing data in column *L*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of creditors' balances as per *sheet F2*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Review the breakdown received and presented under this note, understand the nature of these payables and discuss the reason why they haven't already been paid.

In relation to the invoices that are overdue in respect to payment date, discuss with the LGU and request them to review the respective contract's terms and conditions, along with issued invoices and request the LGU to estimate the potential penalties that may be incurred due to the fact that payment is still due. Review the estimated penalties and assess the need to recognize record and present a provision in table 2 Statement of funds and liabilities.

Currently there are no instructions from MoF in relation to recognition, measurement and presentation of provisions. If new instructions are issued, consult their requirements and assess any potential adjustments to be reflected in the restated 2014 figures.

N7 Expense reconciliation

Navigate to *sheet N7*. Data should be filled in columns *M, N and Q*, starting from row 19.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of expenses as per *sheet NI2 Rec. of FS with Treasury and F3-1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

This note presents the reconciliation with treasury on cash basis it should reconcile to the signed reconciliation forms.

Refer to *Note 12* for reconciliation between expenses on cash basis presented in *Note 7* and expenses presented in *F3-1 Statement of Expense* on accrual basis.

Example:

Project STAR
Municipality of Ura Vajuroro
Supporting evidence to be provided by the LGU
Reconciliation error

[Back to main index](#)

Municipality of Ura Vajuroro
Supporting evidence to be provided by the LGU
for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account number: 401 - 408
Supporting evidence: Detailed list of outstanding invoices

No.	Creditor	NIFT (fiscal number)	Invoice no	Originating date	Payment date	Overdue (Yes/No)	Amount as per invoice/contract	Estimated penalties (if applicable)	Balance as at 31 Dec 2013	Amount as per invoice/contract	Estimated penalties (if applicable)	Balance as at 31 Dec 2013
1	Heldia Shqip	K21819004E	72077258	26/11/2010			20	0	20	20,000	0	20,000
2	Heldia Shqip	K21819004E	72077268	12/09/2010			15	0	15	15,000	0	15,000
3	Urna Makamice e Nafise	J82918500C	71392834	21/09/2011			24	0	24	24,000	0	24,000
4	Utility Cost	J61924007D	87428851	31/01/2012			2,016	0	2,016	2,016	0	2,016
5	Utility Cost	J61924007D	87428852	29/02/2012			8,568	0	8,568	8,568	0	8,568
6	Utility Cost	J61924007D	87428853	31/03/2012			4,432	0	4,432	4,432	0	4,432
7	Utility Cost	J61924007D	87428854	30/04/2012			6,3	0	6,3	6,300	0	6,300
8	Utility Cost	J61924007D	87428856	31/05/2012			3,108	0	3,108	3,108	0	3,108
9	Utility Cost	J61924007D	87432123	30/08/2012			6,488	0	6,488	6,488	0	6,488
10	Utility Cost	J61924007D	87432204	31/07/2012			246	0	246	246	0	246
11	Utility Cost	J61924007D	87428856	31/07/2012			5,04	0	5,04	5,040	0	5,040

Example:

Project STAR
Supporting evidence to be provided by the LGU
Reconciliation error

[Back to main index](#)

xxx
Supporting evidence to be provided by the LGU
for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account number: Statement of expenses
Supporting evidence: Expenses reconciliation between Treasury and LGU bank book

Group/Description	Balance as per Treasury			Balance as per LGU's supporting	Difference	Balance as per Treasury			Balance as per LGU's supporting	Difference
	Chapter 01	Chapter 05	Total Balance			Chapter 01	Chapter 05	Total Balance		
	1	2	3=1+2			4	5	6=4+5		
600 Salaries, bonuses	6,139	97,865	104,004	104,004	-	6,139,130	97,864,870	104,004,000	104,004,005	(5)
601 health and social insurance contributions	237	15,580	15,818	15,817	0	237,330	15,580,170	15,817,500	15,817,497	3
602 Other goods and services	592	65,913	66,505	66,506	0	592,440	65,913,430	66,505,870	66,505,760	110
603 Subsidies	-	-	-	-	-	-	-	-	-	-
604 Current interest transfers	-	3,230	3,230	3,230	-	-	3,229,950	3,229,950	3,229,950	-
605 Current transfers with outsiders	-	-	-	-	-	-	-	-	-	-
606 Transfers family/ bodies and other individuals	214,559	440	214,999	214,999	-	214,558,790	440,000	214,998,790	214,998,790	-
650 Bond interest rates and direct loans	-	-	-	-	-	-	-	-	-	-
651 Borrowing costs related to loans	-	2,351	2,351	2,351	-	-	2,351,060	2,351,060	2,351,064	(4)

N8 Revenue reconciliation

Navigate to *sheet N8*. Data should be filled in columns *M,N and P* starting from row 16.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of revenue as per *sheet F3-2*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

This note reconciles revenue as per Treasury report and *Form 3-2 Statement of Revenues*.

This template includes the reconciliation of the following:

- Total revenue received at bank, which should reconcile to *accounts 700-719 in F3-2*;
- Other transfers from the government budget - chapter 7, which should reconcile to *accounts 720 in F3-2*.
- The revenue that is collected by the LGU but it pertains to the government budget; therefore it is transferred to the budget at the end of the year, which should reconcile to *account 8420 in F3-1*.

Example:

Project STAR
 xxx
 Supporting evidence to be provided by the LGU
 Reconciliation error

xxx
 Supporting evidence to be provided by the LGU
 For the year ended 31 Dec 2013
 (Amounts in ALL 000, unless otherwise stated)

Account number: Statement of revenue
 Supporting evidence: Revenue reconciliation with Treasury

Créd	Tit	Articl		Total revenue received at bank - reconcile to accounts 700-719 in T3-2	Transfers IN from the budget (chapter 7) - reconcile to accounts 720 in T1	Total revenue	Transfers OUT to the budget (Reconcile to acc 8420 in T3-1)	Total revenue share of the institution
700	7002	7002100	Local fee on small business	28,117	-	28,117	-	28,117
702	7020	7020200	Tax on buildings	15,508	-	15,508	-	15,508
702	7029	7029200	Fee for the transfer of the right of ownership of imovable property	9,713	-	9,713	-	9,713
703	7035	7035002	Local fee for use of public space	3,377	-	3,377	-	3,377
703	7035	7035003	Local fee from the impact of infrastructure and new constructions and legalization	4,280	-	4,280	-	4,280
703	7035	7035005		275	-	275	-	275
703	7035	7035007	Local fee on livestock slaughter	305	-	305	-	305
703	7035	7035008	Local fee on advertise	1,339	-	1,339	-	1,339

N9 Subsidiaries

Navigate to *sheet N9*. Depending on the information provided by LGU, add as many rows between row 17 and row 19 as necessary to fit the data provided. Select the top rows (row 17) and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *B to I* and columns *O to R*, starting from row 17. The user should confirm that the summation formula in the final row sums all the rows containing data in column *R*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of subsidiaries balances as per *sheet F1*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Currently there are no instructions from Ministry of Finance (“MoF”) on how to account for Investments in Subsidiaries and it is not clear whether a value for the investments (e.g. in water waste entities) should appear in the assets and how the value should be measured.

If new instructions or further clarifications are issued, consult their requirements and assess any potential adjustments to be reflected in the restated 2014 figures.

Example:

Project STAR
 xxx
 Supporting evidence to be provided by the LGU
 Reconciliation error

xxx
 Supporting evidence to be provided by the LGU
 For the year ended 31 Dec 2013
 (Amounts in ALL 000, unless otherwise stated)

Supporting evidence: Investment in Subsidiaries

Subsidiaries	Year of establishment	Year of acquisition (if applicable)	% of ownership	Total equity	Share of Municipality	Impairment	Carrying value of investment as at 31 Dec 2013		Share of Municipality	Impairment	Carrying value of investment as at 31 Dec 2013
							Total equity	Share of Municipality			
x	n/a	n/a	71.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
x	n/a	n/a	14.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total investment in subsidiaries											

N10 Loans and borrowings

Navigate to *sheet N10*. Depending on the information provided by LGU, add as many rows between row 17 and row 19 as necessary to fit the data provided. Select the top rows (row 17) and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *B to I* and columns *O to R*, starting from row 17. The user should confirm that the summation formula in the final row sums all the rows containing data in column R.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of loans and borrowings balances as per *sheet F2*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Example:

Project STAR
 Supporting evidence to be provided by the LGU
 (Amounts in ALL 000, unless otherwise stated)

Supporting evidence: Loans and borrowings

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Comments	Total outstanding liability as at 31 Dec 2013				Total outstanding liability as at 31 Dec 2014			
								Outstanding principal	Accrued interest	Current portion	Non-current portion	Outstanding principal	Accrued interest	Current portion	Non-current portion
Bank loan nr 2009473	ProCredit Bank	18,000,000	05.10.2010	This loan can only be used for capital investments. The borrower is obliged to pre-pay the bank payments. The amount of the total loan is ALL 210,000,000, which can be drawn in several tranches. The first disbursement is ALL 18,000,000	Variable value Treasury bills 12 months + 1%	Ons source revenues from taxes of the Municipality. The borrower is also obliged to pledge the unconditional grant from the NGF. The bank has priority over the collateral. (Lit trued)		14,100	-	1,331	12,308	14,098,391	-	1,331,404	
Bank loan nr 20030266	ProCredit Bank	18,000,000	25.02.2011	An installment of the initial contract on the disbursement of the second part of the loan.	Variable value Treasury bills 12 months + 1%	Ons source revenues from taxes of the Municipality. The borrower is also obliged to pledge the unconditional grant from the NGF. The bank has priority over the collateral. (Lit trued)		14,102	-	1,395	12,306	14,101,706	-	1,395,255	
Total loans and borrowings								28,202	-	2,726	24,614	28,200,097	-	2,726,659	

N11 Donor grants

Navigate to *sheet N11*. Depending on the information provided by LGU, add as many rows between row 17 and row 19 as necessary to fit the data provided. Select the top rows (row 17) and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *B to I* and columns *N to P*, starting from row 17. The user should confirm that the summation formula in the final row sums all the rows containing data in column R.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of donor grants as per *sheet F3-2*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

Special care should be taken to reconcile the *N11* with information in *F3-2* and *F8*.

Example:

Project STAR
 Supporting evidence to be provided by the LGU
 (Amounts in ALL 000, unless otherwise stated)

Supporting evidence: Donor Grants

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Comments	Total outstanding liability as at 31 Dec 2014			Total outstanding liability as at 31 Dec 2014		
								Outstanding principal	Accrued interest	Total	Outstanding principal	Accrued interest	Total
								0	0	0	0	0	0
Total grants								0	0	0	-	-	-

N12 Rec. of FS to Treasury

Navigate to *sheet N12*. Depending on the information provided by LGU, add as many rows between row 17 and row 19 as necessary to fit the data provided. Select the top rows (row 17) and then extend the selection to include all the rows up to the “Total” row. Press *Ctrl+D* to populate the formulas across the new rows. Data should be filled in columns *B to I* and columns *N to P*, starting from row 17. The user should confirm that the summation formula in the final row sums all the rows containing data in column *R*.

Next the user should check if the information reconciles with the financial statements. *Sheet Checks* provides a pre-set reconciliation of the total amount of expenses as per *sheet N7*.

In case of differences, the user should follow up with the LGU as to the nature of the error.

The template presented in this note, reconciles expenses on cash basis presented in note 7 (and treasury report) and expenses presented in *F3-1 Statement of Expense* on accrual basis. It is also applicable to capital expenditures.

This reconciliation template was suggested by Star team, to assist the LGUs in correctly accounting for accruals and ensure completeness of liabilities and expenses.

Liabilities in this template are split into Outstanding Liabilities and Unsettled Invoices. Refer to Directive 28, dated 18.12.2014, for more details on the above.

Example:

Group	Description	Balances paid during the year, as per Treasury Report	Outstanding Liabilities (as per Directive 28, dated 18.12.2014)			Unsettled invoices (as per Directive 28, dated 18.12.2014)			Calculated Capital Expenditures and Other expenses at year end	Balances as per FI for Capital Expenditures, and as per FS-1 for other expenses	Difference (should be nil)		
			At the beginning of the year	At the end of the year	Increase (Decrease)	At the beginning of the year	At the end of the year	Increase (Decrease)					
		1	2	3	4	5	6	7	8	9	10	11	12
Capital Expenditure													
202	Studies and research												
203	Concessions, licenses, other similar licenses												
230	Expenses for increase of current intangible assets												

N13 Template for trial balance

This template contains the full list of accounts as per approved chart of accounts by the Ministry of Finance, and could be used as a Trial Balance by the LGUs.

7.3 Perform accounting adjustments, reflect them into the restated figures and check for coherence

Navigate to the sheet Summary of adjustments. In this sheet are presented in a table all envisaged adjustments that have been identified during the process, along with supporting explanations, accounting operations, type of adjustment and the corresponding financial statement to be affected by it.

Adjustments may arise due to erroneous interpretation of the guidance on completion of the financial statements or due to inconsistent application of the guidance. In both cases, the user should propose adjustments in order to meet the guidance on financial reporting for the identified misstatements.

The user should prepare detailed description of the misstatements identified and include them at the beginning of each section in the table in column C. Following the description, the user should prepare accounting entries regarding the adjusting entry for the identified misstatement using Debit and Credit accounts and include the amounts (in reporting currency) in columns F and H. In column E the user should fill in the type of adjustment as per description. In Column J are filled in the names of the affected financial statements.

Following the detailed description of the misstatement and adjusting entries in the table, the user should apply the adjustments in the corresponding statements in the financial model. Sheets *F1, F2, F3-1, F3-2 and F8* contain “Restated” sections in which the user would insert the adjustments. It is advised to use formulas to equate the unaffected figures from the unadjusted column, i.e. if assets are not affected, write a formula to equal the assets of the restated statement to the assets of the non-restated one. For the accounts which are affected by adjustments, the user should prepare a formula using the unadjusted balance and then subtracting the adjustment as per sheet *Summary of adjustments*.

At each adjusting entry the user should revisit the *Checks* sheet and observe the reconciliations in the “Restated” column to assess if the statements affect the coherence of the statements. In case the adjustments affects the coherence of the statements, the user should correct the restatement or reassess the adjusting entry.

Example:

xxx
Table 2: Summary of adjustments
for the year ended 31 Dec 2014
(Amounts in ALL'000, unless otherwise stated)

N ^o	Accounts and description	Type of Adjustments:			Impacted statement
		- Policy Modifications ("PM")	- Reclassifications ("RE")	- Omissions ("OM")	
		Debit	Credit		
1	In relation to year and liabilities, the requirement of Directive 14 dated 28 Dec 2006, to present these balances as receivables in the statement of assets and also as expected income in Statement of Revenue, are in conflict with the law no 9936, dated 26-Jun-2008. Therefore we propose the following adjustment				
	Debit 7206 Expected financing from budget	362,195		T3/2	
	Credit 4542 Other operations with the government (debtor)		58,344	T1	
	Credit 481 Expenses to distribute in several exercises		309,748	T1	
	Debit 1010 Status of base fund (balancing figure impacting the base fund)	5,897		T8	
	Debit 85 Result from Functioning in Liabilities	6,061		T2	
	Credit 85 Result from Functioning in Statement of Expenses		6,061	T3/1	
	Debit 85 Result from Functioning in Statement of Revenue	289		T3/2	
	Credit 85 Result from Functioning in Assets		289	T1	
	Debit 85 Result from Functioning in Assets	244,776		T1	
	Credit 85 Result from Functioning in Statement of Revenue		244,776	T3/2	

Review checks for coherence and enquire the LGU with regard to reconciliation errors, if any

Go to sheet *Checks*. In this sheet are pre-set basic reconciliations to track for consistency of the information. The user should follow the reconciling difference and investigate to the nature of the error – whether it is a result of incorrect input of data or inconsistencies in the data as provided by the LGU.

In case the inconsistencies are related to the quality of information as provided by the LGU, the team should follow up further with the LGU’s representatives.

Copying Forms to report

Select the respective Form in the Financial model starting from the cell containing “(Amounts in ALL’000, unless otherwise stated)”. Ensure you have selected only the data you need, i.e. omit unnecessary columns, show/hide columns with the desired language/undesired language.

Copy the Form and paste it in the respective section in the Due diligence report. At the top right-hand side of the table right-click the grey selection box and from the drop down menu go to *AutoFit* and select *AutoFit* to window (for visual description, refer to the figures presented after the section).

Select the top rows containing column headings, right-click on the selection and go to *Table Properties*. In the *Row* tab select the option “Repeat as a header row at the top of each page”. This should allow the table to have column headings across other pages automatically (for visual description, refer to the figures presented after the section).

Check for consistency of the content in the Due diligence report and the financial model, and if necessary delete the table and repeat the steps.

Here follow detailed examples on how to format the tables.

Example on selecting the table in word:

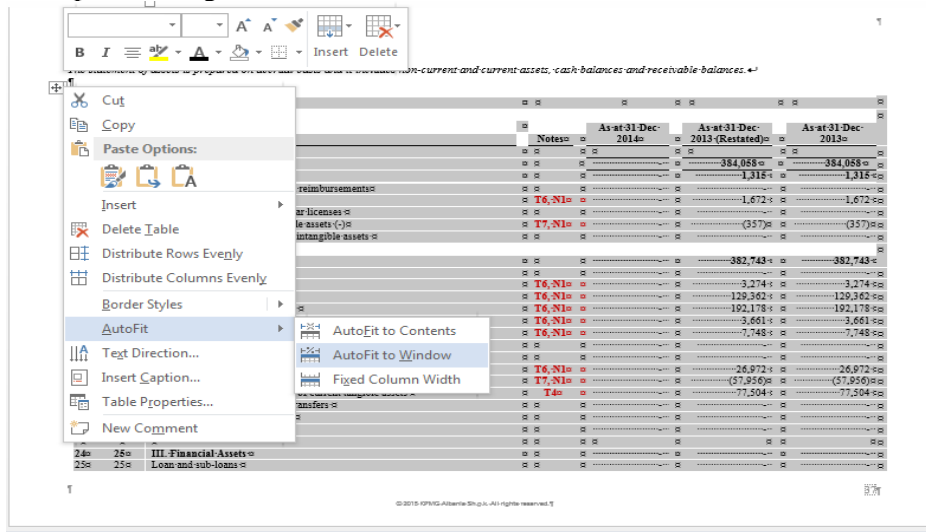
Table 1: Balance Sheet - Statement of Assets

The statement of assets is prepared on accrual basis and it includes non-current and current assets, cash balances and receivable balances.

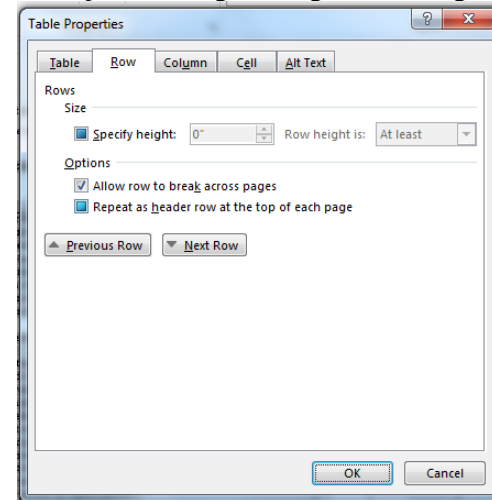
(Amounts in ALL'000, unless otherwise stated)

Account No.	Assets	Notes	As at 31-Dec-2014	As at 31-Dec-2013 (Restated)	As at 31-Dec-2013
10	120 Brought forward results				
20	A Non-Current Assets			384,058	384,058
30	20,230 I-Intangible Assets			1,315	1,315
40	201 Amounts to be remitted and loan reimbursements				
50	202 Studies and research	T6, N10		1,672	1,672
60	203 Concessions, license, other similar licenses				
70	209 Amortization of current intangible assets (-)	T7, N10		(357)	(357)
80	230 Expenses for increase of current intangible assets				
21,23					
90	242 II- Tangible Assets			382,743	382,743
100	210 Land				
110	211 Forests, Pasture, Plantations	T6, N10		3,274	3,274
120	212 Building and Constructions	T6, N10		129,362	129,362
130	213 Roads, networks, water facilities	T6, N10		192,178	192,178
140	214 Technical installation, machinery, equipment, working tools	T6, N10		3,661	3,661
150	215 Transport vehicles	T6, N10		7,748	7,748
160	216 Government Reserve				
170	217 Working and production animals				
180	218 Economic Inventory	T6, N10		26,972	26,972
190	219 Depreciation of tangible assets	T7, N10		(57,956)	(57,956)
200	231 Expenses in process for increase of current tangible assets	T40		77,504	77,504
210	232 Expenses in process for capital transfers				

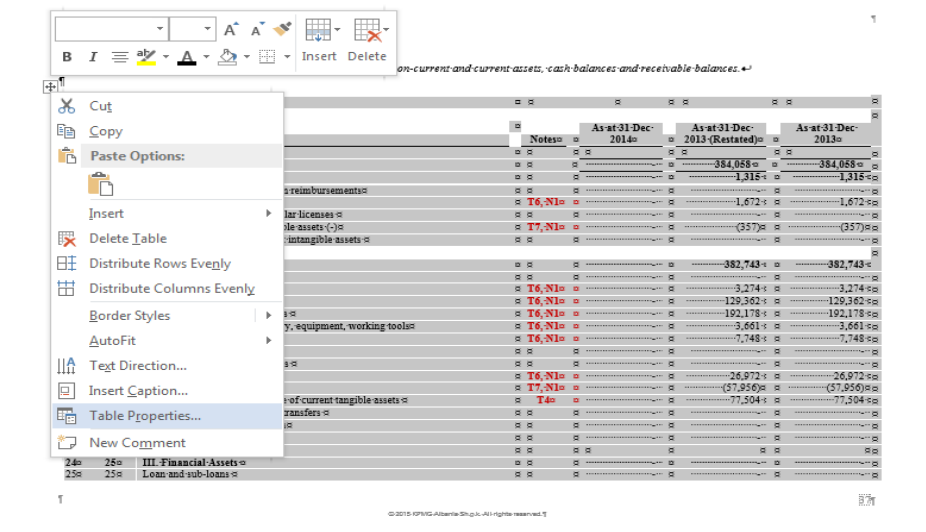
Example on using auto-fit:



Example on using making the heading rows repeat across the pages:



Example on selecting Table properties:



7.4 Analyse the financial statement

This step provides detailed guidance in completing the due diligence report template, provided in Appendix 7.

Recent Financial performance

On the left side of the page, copy the table from sheet “Financial performance” within the Financial Model.

In the empty section to the right, prepare an analysis on the sources of funds, outlining the main sources and their participation.

As per the table populated in the financial model, the sources of funds are split in the following four categories:

- Conditional government grant
- Unconditional government grant
- Own source revenues
- Participation of institution in national taxes

On the next page, prepare an analysis on how the LGU has spent its funds during the financial year. The following main categories of expenses are presented on the table:

- Capital investments
- Wages and salaries
- Goods and services
- Subsidies and transfers

Example:

1 Finance function and performance

Source: LGU financial statements for FY 2013

1.1 Recent financial performance

	Notes	As at 31 Dec 2013
Sources of funds		
Conditional government grant	T3.2	42,641
Unconditional government grant	T3.2	24,431
Own source revenues	T3.2	22,351
Participation of institution in national taxes	T3.2	5,491
Uses of funds		94,914
Expenditure		
Wages and salaries	X7	37,465
Goods and services	X7	13,917
Subsidies and transfers	X7	39,679
Capital investments		-
Payments from 5% completion guarantee	X5	245
Other Transfers of Cash		716
Revenue allocated to government / Deposit to the budget	T5	413
Unused conditional grant	T5	303
Remaining cash carried forward		2,893

Sources of funds:

- Municipality of LGU X (“the Municipality”, “the LGU”) had total sources and uses of funds of approximately ALL 95 million in FY 2013. Table 1 to the left represent the cash receipts from various sources, the cash spent during the year, transfers with the Central Government, and the remaining cash balance to be carried forward to FY 2014.
- The LGU has two main sources of revenues, namely own source revenue (local taxes and fees) and government grants. In 2013, the revenues from local taxes and fees amounted to 24% of total revenues.
- The LGU is almost entirely relying on funding by the Central Government. Government grants (amounting to 71% of total revenues) are two main types:
 - conditional, which is provided for specific transfers to various parties, and it is expected to be used in accordance with directives issued by the government; and
 - unconditional, where the Municipality has full discretion with respect to spending, yet within the approved budget.
- The remaining ALL 5.5 million of revenues represent a portion of nationally collected vehicles registration taxes allocated to LGU X.
- Further detail on revenues is presented in Table 3-1: *Statement of Revenues*.

- Several control weaknesses were identified during process walkthroughs

Identified weaknesses in accounting processes

In this section, summarize all the findings noted from the analysis on the financial statements and the supporting notes. This section should be completed

Present the findings in the following categories:

- Unclear MoF instructions regarding reporting and budgeting

Present in this section the analysis of issues identified related to unclear instructions for reporting and budgeting, if any.

- The financial statements are not supported by comprehensive sets of data

Present in this section the analysis of issues identified related to record keeping and supporting documentation, if any.

Example:

Example:

1.3 Identified weaknesses in accounting processes

Unclear MoF instructions regarding reporting and budgeting

Conflicting instructions regarding cash vs. accrual basis of accounting

- According to Directive 14/2006, the LGUs are instructed to record a revenue item (account number 7206) for the amount of government funds to be received for payment of unpaid expenses from the budget of the following year. This requirement conflicts with Law 9936/2008, according to which all revenues are to be recorded and presented under cash basis in the income statement.

Artificial reconciliation of cash to operating results

- The LGU performs reconciliation of the operating results to cash, which is an inherited practice from the universal application of cash basis of accounting with respect to revenues and expenses. The continuation of such reconciliation practices after the accrual basis was applied to expenses leads to erroneous records and artificial reconciliation.

Artificial completion of the Statement of movements in equity/own funds

- The LGU was not able to complete the statement of movements in equity/own funds in a coherent and consistent manner. Moreover, the totals as per the Statement of movements in equity/own funds would not reconcile to the balance sheet amount of Own funds.
- There is lack of clear instructions for completing each of the line items included in the Statement. For instance, there is no clear distinction of the nature of accounts 12 (Carried result) and account 85 (Result), and there are no instructions as to what should be recorded under these accounts.

Lack of a uniform budget template

- The instructions on preparation of budget by the LGUs are contained in Directive No.2 dated 06.02.2012, 'On Standard Procedures for Execution of the Budget' and Law No. 8652 dated 31.7.2000 on 'The Organization and functioning of local government for preparation of the budget'.

- However, the instructions are not complemented by a universally accepted template, thus the LGUs prepare their budgets in a discretionary format. The latter is not comparable to the format of financial statements reporting which causes difficulties to track actual vs. budget performance on an on-going basis, as well as at year end.

Actual vs. budget performance in FY 2013

- The LGU did not have an approved budget for FY 2013. The municipal council of LGU X did not manage to approve the budget within required timeline, due to various political reasons.
- Since there was no approved budget, as per the article 37 of the law number 9936 on 'Managing the Budgetary System of the Republic of Albania', the Mayor of LGU X, authorized expenses up to 1/12 of the actual figures for 2012 for each month of 2013.

The financial statements are not supported by comprehensive sets of data

Lack of proper fixed assets register

- The LGU does not keep a proper fixed assets register. We have been presented with partial fixed assets summary tables, where depreciation charge was calculated on category basis only. The information disclosed for individual assets included the year that the asset was put into use, and initial cost.
- The LGU does not keep records of the stage of transfer of individual assets, the ownership to which was entrusted to LGU X by the Council of Ministers. It was represented by the LGU officials that some of the assets subject to transfer are recorded on the LGU financial statements.
- The LGU should initiate actions regarding fixed assets as soon as practical, in order to facilitate the merger process.
 - Perform inventory stock-take and compile comprehensive fixed assets registers, and
 - Expedite the three-stage transfer process.

- Subsequent to the merger, the LGU should consider the valuation of assets transferred by the central government.

Lack of inventory book

- The LGU does not keep an electronic inventory book. Movements in and out of the warehouse (purchases and expensed items) are kept in a hard copy journal. We have been presented with the summary protocol from inventory count at year end.
- The lack of proper inventory book presents a risk to the controls exercised with respect to inventory. A sample template of an inventory book is presented as Note 2.

Several control weaknesses were identified during process walkthroughs

Lack of LGU control on tax revenue from businesses

- All the revenues collected from businesses are paid directly to the Treasury account and no internal supporting documents are held at the LGU. By the end of each month, the Treasury sends in a Monthly Revenue Report, from which the Finance Directory makes the accounting entries for the revenues collected from businesses. Therefore, the LGU has no control over the collection for this part of revenues.

Risk of mistakes related to salary payments

- The payroll information sent to Treasury for purposes of ordering salary payments contain only the name and surname of the employees, resulting in a risk that the salary amount is not transferred to the bank account of the right person, due to repetition of names among Municipality personnel.

No interim information on the expenses for salary, health and social security

- The salary, health and social security expenses are recorded in the relevant expense account only at year end, when the financial statements are prepared.

Deviations from accrual basis of accounting for expenses and payables

- For regular operating expenses that do not go through a formal procurement process, the event that gives rise to accounting for the respective expense is the receiving of the invoice. If the invoice is not received before preparing the financial statements at year end, there is no estimation of the amount and no presentation of an accrual for the transaction in the financial statements.

Financial statements

This section of the due diligence report presents the financial statements *Forms 1 to 11* of the LGU, including the approach, the proposed adjustments and separate analysis of each of the tables.

Every adjustment made and presented in the restated figures should be explained in each section, including the cause of the error requiring an adjustments and how this adjustment impacts the various tables of the financial statements.

Approach to presentation

Describe the approach to presentation of Financial Statements, including the references to the legislation requirements. Consider referring to the following laws and directives:

- Law No 9936 dated 26.6.2008, ‘On management of budgetary system in the Republic of Albania’,
- Directive 29 dated 24.12.2013 “ For closing procedures of budget annual accounts for 2013”, and
- Directive No.14 dated 28.12.2006 on ‘Preparing and presenting the financial statements of budgetary institutions at all levels’.
- Directive No.26 dated 26.12.2007 on few changes to the Directive No.14 dated 28.12.2006. Based on our analysis of the accounting and record keeping practices of the Municipality, as well as taking into consideration the above requirements, we have proposed specific adjustments to the FY 2013 financial statements.

In this section, copy the “Summary of adjustments” table from the financial model, which should contain the following types of adjustments:

- Policy Modification ("PM"), where we have observed inconsistent or erroneous application of the policies and instructions;
- Reclassifications ("RE"), where we have identified misclassifications between the different categories and accounts; and
- Omissions ("OM"), where we have identified transactions which have not been recorded on the financial statements at all.

Note that these adjustments should be reflected below in the restated figures of the respective financial statement *Forms 1 to 11*.

Example:

1.4 Financial statements FY 2013 / FY 2014

Approach to presentation

- The financial statements of the Municipality of LGU X are presented in the standard Tables as per the instructions of the Ministry of Finance. These are presented in Tables 1-11.
- Based on analyses of the LGU financial statements, certain adjustments to the latter are proposed. These adjustments are summarized in Table II below. The adjustments are also reflected in the Restated financial statements, which are presented along with the original ones in Tables 1-11.
- The proposed adjustments are related to:
 - Policy Modification ("PM"), where we have observed inconsistent or erroneous application of the policies and instructions;
 - Reclassifications ("RE"), where we have identified misclassifications between the different categories and accounts; and
 - Omissions ("OM"), where we have identified transactions which have not been recorded on the financial statements at all.

- In addition, we have proposed supplementing the standard templates with additional Notes to the financial statements, which are presented in Notes 1-XX. We have performed our analysis taking into consideration the requirements of:
 - Law No 9936 dated 26.6.2008, ‘On management of budgetary system in the Republic of Albania’,
 - Directive 29 dated 24.12.2013 “ For closing procedures of budget annual accounts for 2013”, and
 - Directive No.14 dated 28.12.2006 on ‘Preparing and presenting the financial statements of budgetary institutions at all levels’.
 - Directive No 26 dated 26.12.2007 on few changes to the Directive No.14 dated 28.12.2006. Based on our analysis of the accounting and record keeping practices of the Municipality, as well as taking into consideration the above requirements, we have proposed specific adjustments to the FY 2013 financial statements.
- It should be noted that our work is not an audit engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed. We cannot engage in confirmation of the completeness of the financial statements and of them being free of errors and misstatements.

No	Description of adjustment	Type of Adjustment	Debit	Credit	Impacted Tables
1	In relation to year end balances, the requirement to of Directive 14 dated 28-Dec-2006, to present these balances as receivables in the statement of assets and also as expected income in Statement of Revenue, are in conflict with the law no 9936, dated 26-Jun-2008. Therefore we propose the following adjustment	PM			
	Debit 7206 Expected financing from budget		45,992		T3.2
	Credit 4542 Other operations with the government (debtor)			45,992	T1

Form 1: Balance Sheet - Statement of Assets

The Statement of Assets, prepared on accrual basis, presents the assets of the LGU including non-current and current assets, cash balances and receivable balances, mainly in relation to taxes and tariffs charged to various businesses and citizens.

Copy the Balance Sheet - Statement of Assets table from the Financial Model *sheet F1*, to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 1, pages 13-14*.

Example:

Table 1: Balance Sheet - Statement of Assets						
<i>The statement of assets is prepared on accrual basis and it includes non-current and current assets, cash balances and receivable balances.</i>						
<i>(Amounts in ALL '000, unless otherwise stated)</i>						
Account No	Number	Assets	Notes	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2013
1	12	Brought forward results		-	-	-
2	A	Non Current Assets		-	384,058	384,058
3	20, 230	I. Intangible Assets		-	1,315	1,315
4	201	Amounts to be refunded and loan reimbursements		-	-	-
5	202	Studies and research	T6, N1	-	1,672	1,672
6	203	Concessions, license, other similar licenses		-	-	-
7	209	Amortization of current intangible assets (-)	T7, N1	-	(357)	(357)
8	230	Expenses for increase of current intangible assets		-	-	-
9	21, 23			-	-	-
10	24, 28	II. Tangible Assets		-	382,743	382,743
11	210	Land		-	-	-
12	211	Forests, Pasture, Plantation	T6, N1	-	3,274	3,274
12	212	Building and Constructions	T6, N1	-	129,362	129,362
13	213	Roads, networks, water facilities	T6, N1	-	192,178	192,178
14	214	Technical installment, machinery, equipment, working tools	T6, N1	-	3,661	3,661
15	215	Transport vehicles	T6, N1	-	7,748	7,748
16	216	Government reserve		-	-	-
17	217	Working and production animals		-	-	-
18	218	Economic Inventory	T6, N1	-	26,972	26,972
19	219	Depreciation of tangible assets	T7, N1	-	(57,956)	(57,956)
20	231	Expenses in process for increase of current tangible assets	T4	-	77,504	77,504
21	232	Expenses in process for capital transfers		-	-	-
22	24	Damaged current tangible assets		-	-	-
23	28	Assignments		-	-	-
24	28	III. Financial Assets		-	-	-
25	25	Loan and sub-loans		-	-	-

Form 2: Balance Sheet - Statement of Fund and Liabilities

The Statement of Fund and Liabilities, prepared on accrual basis, presents the own funds and liabilities of the LGU. The year-on-year movements on the Municipality's own funds, are presented in more details in Form 8 – Statement of Changes in Funds

Copy the Statement of Fund and Liabilities table from the Financial Model *sheet F2*, to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 2, pages 15-17*. For detailed instructions on few specific accounts about own fund and capital grants, refer to Directive 14 *section II, chapter 2, pages 4-6*.

Example:

Table 2: Balance Sheet - Statement of Fund and Liabilities						
<i>Statement of Fund and Liabilities is prepared on accrual basis and presents the own funds and liabilities of the Municipality.</i>						
<i>(Amounts in ALL '000, unless otherwise stated)</i>						
Account No	Number	Liabilities	Notes	As at 31 Dec 14	As at 31 Dec 2013 (Restated)	As at 31 Dec 13
1	A	OWN FUNDS		-	391,861	391,861
2	10	I. Own funds		-	379,209	391,861
3	101	Base funds	T8	-	301,705	391,861
4	105	Capital internal grants		-	-	-
5	106	Capital foreigner grants		-	77,504	-
6	107	Current assets in use		-	-	-
7	109	Reserves from revaluation of current assets		-	-	-
8	11	II. Other own funds		-	-	-
9	111	Reserve funds		-	-	-
10	115	Assignments from the year results for investments		-	-	-
11	116	Revenues from selling of current assets		-	-	-
12	12	III. Carried result		-	12,652	-
13	13	IV. Exceptional subsidiaries (-)		-	-	-
14	14	V. Participation of the institution in investing for third parties		-	-	-
15	15	VI. Forecasted amounts for disasters and expenses		-	-	-
16	B	LIABILITIES		-	48,901	68,100
17	16, 17, 18	I. Long-term debts		-	-	-
18	16	Internal borrowing and similar		-	-	-
19	17	Borrowing out of the country		-	-	-

Form 3-1: Statement of Expenses

Statement of Expenses is prepared on accrual basis, as required by the Law No 9936/26.6.2008, 'On management of budgetary system in the Republic of Albania'.

Copy the Statement of Expenses table from the Financial Model sheet *F3-1* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 3, pages 17-18*.

Example:

Table 3-1: Statement of Expenses

Statement of Expenses is prepared on accrual basis, as required by the Law No 9936/26.6.2008, 'On management of budgetary system in the Republic of Albania'

(Amounts in ALL'000, unless otherwise stated)

No	Account Number	Description of Expenses	Notes	FY 2014	FY 2013 (Restated)	FY 2013
				1	2	2
1	Klasa 6	A. Expenses for exploitation/usage		-	127,779	127,181
2	60	I. Current expenses		-	127,480	127,480
3	600	Salaries, bonuses		-	31,802	31,802
4	6001	Salaries		-	29,694	29,694
5	6002	Temporary salaries		-	-	-
6	6003	Bonuses		-	2,108	2,108
7	6009	Other personal expenses		-	-	-
8	601	health and social insurance contributions		-	4,971	4,971
9	6010	Insurance contributions		-	3,331	3,331
10	6011	Health insurance		-	1,641	1,641
11	602	Other goods and services		-	49,273	49,273
12	6020	stationary		-	2,016	2,016
13	6021	Special services		-	5,046	5,046
14	6022	Services from third party		-	21,753	21,753
15	6023	Transport expenses		-	4,514	4,514
16	6024	Travel expenses		-	28	28
17	6025	Ordinary maintenance expenses		-	5,953	5,953
18	6026	Rent expenses		-	-	-
19	6027	Expenses for legal liability for compensation		-	-	-
20	6028	Borrowing costs related to loans		-	-	-
21	6029	Other operating expenses		-	9,965	9,965

Form 3-2: Statement of revenues

Statement of Revenues is prepared on cash basis, as required by the Law No 9936/26.6.2008, 'On management of budgetary system in the Republic of Albania'.

Copy the Statement of revenues table from the Financial Model sheet *F3-2* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 4, pages 19-21*. For detailed instructions on few specific revenue accounts, refer to Directive 14 *section II, chapter 2, pages 7-9*.

Example:

Table 3-2: Statement of Revenues

Statement of Revenues is prepared on cash basis, as required by the Law No 9936/26.6.2008, 'On management of budgetary system in the Republic of Albania'

(Amounts in ALL'000, unless otherwise stated)

No	Account Number	Description of Revenues	Notes	FY 2014	FY 2013 (Restated)	FY 2013
				1	2	2
1	Klasa 7	A. REVENUES		-	94,914	140,866
2	70	I. TAX INCOMES		-	14,293	14,293
3	700	a) on revenues, profit, and equity revenue		-	4,772	4,772
4	7000	personal income tax		-	-	-
5	7001	income tax		-	-	-
6	7002	small business tax		-	4,772	4,772
7	7009	other tax		-	-	-
8	702	b) Property tax		-	4,453	4,453
9	7020	on immovable property		-	2,240	-
10	7021	sales of immovable property		-	-	2,240
11	7029	other on property		-	2,213	2,213
12	708	c) tax upon goods and services in the country		-	5,068	5,068
13	7030	VAT		-	-	-
14	7031	Special taxes		-	-	-
15	7032	tax upon specific services		-	-	-
16	7033	tax upon goods usage and activity permission		-	-	-
17	7035	local tax on goods usage and activity permission		-	5,068	5,068
18	704	d) tax upon commercial and international transactions		-	-	-
19	7040	duties on import goods		-	-	-
20	7041	duties on export goods		-	-	-
21	7042	custom tariff and post service		-	-	-
22	7049	other tax upon international commercial transport		-	-	-
23	705	e) road tax		-	-	-
24	708	f) other national tax		-	-	-
25	709	g) penalty interest		-	-	-
26	76	II. SOCIAL AND HEALTH INSURANCE		-	-	-
27	750	from employees		-	-	-

Form 4: Funds and Expenses Related to Investments

Funds and expenses related to investments present all capital expenditure items under construction that are not completed and transferred to Fixed Assets yet.

Copy the Funds and Expenses Related to Investments table from the Financial Model sheet *F4* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapters 5-6, pages 22-23 and Directive 26, pages 3-4*

For detailed instructions on few specific accounts about own fund and capital grants, refer to Directive 14 *section II, chapter 2, pages 4-6*.

Example:

Table 4: Funds and expenses related to investments

Funds and expenses related to investments present all capital expenditure items under construction that are not completed and transferred to Fixed Assets yet.

(Amounts in ALL'000, unless otherwise stated)

No	Account Number	Description	Opening balance 1 Jan 2013	Transaction during the year		Closing balance 31 Dec 2013
				Debit	Credit	
			c	d	e	f
a	I	SOURCE OF FUNDS				
1	106	Internal capital grants	77,504	2,035	2,035	77,504
2	1050	from the same government level	77,504	2,035	2,035	77,504
3	1051	from other Government levels	26,272	-	-	26,272
4	1052	third parties contribution for investments	51,232	-	-	51,232
5	1059	internal grants in nature	-	2,035	2,035	-
6	106	Foreigner Capital grants	-	-	-	-
7	1060	From foreigner governments	-	-	-	-
8	1061	from international institutions	-	-	-	-
9	1069	foreigner grants in nature	-	-	-	-
10	11	Capital grants for investments to third parties	-	-	-	-
11	145	Internal grants, participation capital in investments for third parties	-	-	-	-
12	146	Foreigner grants, participation capital in investments for third parties	-	-	-	-
13	11	Other own funds	-	-	-	-
14	111	reserve funds	-	-	-	-
15	115	Fund allocation for investments from result of the year	-	-	-	-
16	116	Revenues from tangible assets sales	-	-	-	-

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Form 5: Statement of Cash Flows

Statement of Cash Flows presents the cash movement during the year, including the opening cash balance, brought forward from the previous year and the cash balance at year end, carried forward to the next year.

Copy the Statement of Cash Flows table from the Financial Model sheet *F5* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 7, pages 23-24*.

Example:

Table 5: Statement of Cash Flows

Statement of Cash Flows presents the cash movement during the year, including the opening cash balance, brought forward from the previous year and the cash balance at year end, carried forward to the next year.

(Amounts in ALL'000, unless otherwise stated)

No	Description	Notes	Treasury balance		Bank liquidity	
			Debit	Credit	Debit	Credit
			c	d	e	f
a	I. OPENING BALANCE	N5	12,708	-	-	-
2	II. RECEIVABLES "CASH"		94,914	-	-	-
3	1. Funds from budget		67,072	-	-	-
4	actual budget funds (Budget with changes)	T3-2	67,072	-	-	-
5	capital budget funds (Budget with changes)		-	-	-	-
6	2. Incomes and revenues during the year in "Cash"		27,842	-	-	-
7	Tax revenues in "Cash"	N8	27,842	-	-	-
8	Social and health insurance in "Cash"		-	-	-	-
9	Non tax revenues "Cash"		-	-	-	-
10	Interact incomes "Cash"		-	-	-	-
11	Sponsorships, grants and other revenues "cash"		-	-	-	-
12	loans and different lending		-	-	-	-
13	entry from storage "Cash"		-	-	-	-
14	III. PAYMENTS OF THE YEAR "CASH"	N7	-	91,306	-	-
15	1. payment from the budget for actual expenses		-	42,338	-	-
16	2. payments from the budget for capital expenses		-	-	-	-
17	3. payments from revenues for actual expenses		-	48,722	-	-
18	4. payments from revenues from capital expenses		-	-	-	-
19	5. payments from storage		-	245	-	-
20	6. Other payments		-	-	-	-

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Form 6: Statement of Fixed Assets' Balance and Changes during the year

This Statement of Fixed Assets' Balance and Changes during the year presents all the changes to tangible and intangible non-currents assets during the year, measured at cost.

Copy the Statement of Fixed Assets' Balance and Changes during the year table from the Financial Model sheet *F6* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 8, page 24*.

Example:

Table 6: Statement of Fixed Assets' Balance and Changes during the year

Statement of Fixed Assets' Balance and Changes during the year presents all the changes to tangible and intangible non-currents assets during the year, measured at cost.

(Amounts in ALL'000, unless otherwise stated)

Acc. No.	Description	Opening balance	Additions during the year				Decrease during the year			Closing balance			
			Transfers				Sales	Write off	Other decr.				
a	b	1	2	3	4	5				6	7	8	9
1	I. INTAGIBLE	1,672	-	-	-	-	-	-	-	-	-	-	1,672
2	201 Amounts to be remitted and loan reimbursements	-	-	-	-	-	-	-	-	-	-	-	-
3	202 Studies and research	1,672	-	-	-	-	-	-	-	-	-	-	1,672
4	203 Concessions, license, other similar licenses	-	-	-	-	-	-	-	-	-	-	-	-
4/1	230 Expenses for increase of current intangible assets	-	-	-	-	-	-	-	-	-	-	-	-

Form 7: Statement of Fixed Assets' depreciation

This statement presents all the changes during the year to accumulated depreciation of tangible and intangible non-currents assets, including the depreciation charges for the respective additions and disposals.

Copy the Statement of Fixed Assets' depreciation table from the Financial Model sheet *F7* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 9, pages 24-25*.

Example:

Table 7: Statement of Fixed Assets' depreciation

This statement presents all the changes during the year to accumulated depreciation of tangible and intangible non-currents assets, including the depreciation charges for the respective additions and disposals.

(Amounts in ALL'000, unless otherwise stated)

Acc. No.	Description	Opening accumulated depreciation 1 Jan 13	Additions during the year			Decrease during the year			Closing accumulated depreciation 31 Dec 13				
			Depreciation charge for the year	Other additions	Total	Sales	Write off	Other decrease					
a	b	1							2	3	4	5	6
1	209 I. INTAGIBLE	211	-	146	-	146	-	-	-	-	-	-	357
2	219 II. TANGIBLE	54,782	-	5,042	-	5,042	-	1,868	-	1,868	-	-	57,956
TOTAL (I + II)		54,993	-	5,188	-	5,188	-	1,868	-	1,868	-	-	63,314

Comments:

The balances of accumulated depreciation and amortization presented in the table above, are reconciled to the figures presented in table 1 Statement of Assets.

Form 8: Statement of Changes in Fund

The Statement of Changes in Fund presents all the fixed assets additions, disposals, and depreciation charge for the year and all other changes that impact the LGU's fund.

Copy the Statement of Changes in Fund table from the Financial Model sheet F8 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 10, page 25.*

Example:

Table 8: Statement of Changes in Fund

The Statement of Changes in Fund presents all the fixed assets additions, disposals, and depreciation charge for the year and all other changes that impact the LGU's fund.

(Amounts in ALL '000, unless otherwise stated)

No	Account Number	Description	Restated			Opening balance 1 Jan 13	Period movements			Closing balance 31 Dec 13		
			Opening balance 1 Jan 13		Debit		Credit	Closing balance 31 Dec 13				
			Credit	Debit				Credit	Credit		Debit	
			1	2	3	4=1+3-2	1	2	3	4=1+3-2		
1	101	BASE FUND	305,030	7,710	4,385	-	301,705	392,048	1,868	1,681	-	391,861
2	1010	Status of base fund	305,030	2,222	2,350	-	305,157	392,048	-	-	-	392,048
3	1011	Additions base fund	-	-	2,035	-	2,035	-	-	1,681	-	1,681
4	1012	Decrease base fund	-	299	-	-	-299	-	1,868	-	-	-1,868
5	1013	Decrease from tangible assets consume	-	5,188	-	-	(5,188)	-	-	-	-	-
6	1014	Decrease from selling tangible assets	-	-	-	-	-	-	-	-	-	-
7	1015	Decrease from written off assets	-	-	-	-	-	-	-	-	-	-
8	1016	decrease from transferring tangible assets	-	-	-	-	-	-	-	-	-	-
9	109	DIFFERENCE IN TANGIBLE ASSETS REVALUATION	-	-	-	-	-	-	-	-	-	-

Form 9: Statement of number of employees and personnel expenses

This statement presents information about number of employees per different positions, with respective salary and other related expenses.

Copy the Statement of number of employees and personnel expenses table from the Financial model sheet F9 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

For detailed instructions on completing this table, refer to Directive 14 *section III, chapter 11, pages 25-26.*

Example:

Table 9: Statement of number of employees and personnel expenses

This statement presents information about number of employees per different positions, with respective salary and other related expenses.

(Amounts in ALL '000, unless otherwise stated)

No	Categories	Annual average number of employees	Turnover of employees during the year		Number of employees at year end	Salaries and contributions					
			New employees	Leavers		Total salaries	Additional rewards	Immediate social assistance	Social and health insurance	Other rewards	Income tax
a	Total number of employees (1+2+3+4+5+6)	81	2	2	81	29,694	-	-	8,282	2,108	-
1	Directors	2	-	-	2	1,740	-	-	485	-	-
2	High level education specialist	13	1	1	13	7,238	-	-	2,019	-	-
3	Technical	-	-	-	-	-	-	-	-	-	-
4	Ordinary officers	24	1	1	24	9,265	-	-	2,585	-	-
5	Employes	42	-	-	42	11,451	-	-	3,192	-	-
6	Temporary employees	-	-	-	-	-	-	-	-	2,108	-

Notes to the financial statements

Notes to the financial statement are presented in the Appendices section of the due diligence report. Below follows a detailed instruction on completion of this section of the report.

Note 1: Fixed assets register

Fixed assets register presents detailed information of the fixed assets of the LGU, including the following:

- Historical cost, presented in *F1 Statement of Assets* and *F6 Statement of Fixed Assets' Balance and Changes* during the year
- Accumulated depreciation, presented in *F1 Statement of Assets* and *F7: Statement of Fixed Assets' depreciation*
- Depreciation charge for the year, presented in *F7: Statement of Fixed Assets' depreciation*

Copy the Fixed assets register table from the Financial Model sheet *NI* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

A Appendices

A.1 Notes to the financial statements

The note presents a detailed breakdown of fixed assets and depreciation.

Note 1: Fixed assets register [template]

(Amounts in ALL'000, unless otherwise stated)

Account numbers: 201 - 208
Supporting evidence: Fixed Assets Register

Asset description	Category	Category code	Location	Purchase date	Depreciation rate	Date	Unit	Unit Price	Cost	Accumulated depreciation as at		NBV as at
										1 Jan 2013	Depreciation for year 2013	
xxx		4			0.25	May-13	-	-	1	-	0	-
xxx					#N/A		-	-	-	-	-	-
xxx					#N/A		-	-	-	-	-	-
xxx					#N/A		-	-	-	-	-	-
...							-	-	-	-	-	-
Total							-	-	-	-	-	384,058

Comments:

We were not provided with a completed detailed Fixed Assets Register. A sample template of a fixed asset register is presented above.

Note 2: List of inventory

List of inventory presents a breakdown of the inventory balances of the LGU, presented in *F1 Statement of Assets*

Copy the List of inventory table from the Financial Model sheet N2 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 2: List of inventory [template]

*The note presents a detailed breakdown of inventory balances
(Amounts in ALL'000, unless otherwise stated)*

Account number:	31 and 32				
Supporting evidence:	Detailed listing of materials and inventory objects				
No	Item description	Location	No of items <i>1</i>	Cost per item <i>2</i>	Balance as at 31 Dec 2013 <i>3 = 1 x 2</i>
1				-	-
2				-	-
3				-	-
4				-	-
5				-	-
...				-	-
Total					6,754

Comments:

We were not provided with a completed detailed List of inventory. A sample template of an inventory list is presented above.

Note 3: Receivables from employees, prepayments and penalties

Receivables from employees, prepayment and penalties presents the breakdown of these receivables balances of the LGU, presented in *F1 Statement of Assets*

Copy the breakdown of these receivables from the Financial Model sheet N3 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 3: Receivables from employees, prepayments and penalties

The note presents a detailed breakdown of the receivables balances from employees, prepayments and penalties.

(Amounts in ALL'000, unless otherwise stated)

Account number: 423

Supporting evidence: Receivables from employees, prepayments and penalties

No	Debtor	Originating date	Balance as at 1 Jan 2013	Additional charge for the year	Payments during the year	Balance as at 31 Dec 2013
1	Name 1					408
2	Name 2					395
3	Name 3					185
4	Name 4					128
5	Name 5					40
6	Name 6					22
7	Name 7					10
8	Name 8					8
9	Name 9					7
10	Name 10					2
	Other					37
Total						1,240

Comments:

The list of receivables from employees, prepayment and penalties, is summarized and presented on no-name basis, showing the balance of the largest 10 items. Detailed list, including names of debtors, is available in electronic form.

The receivables presented above are overpayments identified by the State Auditors during their review in years and they can split in two groups:

- Overpayments for suppliers, which were identified as a difference between the amounts paid according to the procurement procedures and the work completed or service delivered assessed by the auditors.
- Overpayments to employees, mainly teachers and this was assessed when reviewed the working days, qualifications and all rewards made to the employees."

Some of these receivables may be old, the LGU might consider impairing these assets however there are no clear instructions on the process and accounting treatment of assets impairment.

Note 4: Different debtors

List of debtors presents the breakdown of debtors' balances of the LGU

Copy the Different debtors table from the Financial Model sheet N4 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 4: List of debtors

The note presents a detailed breakdown of debtors and corresponding balances.

(Amounts in ALL'000, unless otherwise stated)

Account number: 468
Supporting evidence: Detailed list of debtors

No	Debtor	Originating date	Balance as at 1 Jan 2013	Additional charge for the year	Payments during the year	Balance as at 31 Dec 2013
1	Name 1					4,131
2	Name 2		1,858	1,044	181	2,721
3	Name 3		1,105	725	301	1,530
4	Name 4		834	502	123	1,263
5	Name 5		997	323	73	1,248
6	Name 6		1,009	611	552	1,068
7	Name 7		1,000			1,000
8	Name 8		528	388	165	750
9	Name 9		533	246	206	573
10	Name 10		552	112	98	566
	Other					2,952
	Total					17,802

Comments:

The list of receivables relating to the local tax and tariff obligation for business and individuals, is summarized and presented on no-name basis, showing the balance of the largest 10 items. Detailed list, including names of debtors, is available in electronic form.

Some of these receivables may be old, the LGU might consider impairing these assets however there are no clear instructions on the process and accounting treatment of assets impairment.

Note 5: Inheritance Act

Inheritance act presents the breakdown of inherited balances of the LGU, and is a document that is prepared at year end and is signed by both LGU and the Treasury.

Copy the Inheritance Act table from the Financial Model sheet N5 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 5: Inheritance Act

The note presents inheritance act reconciliation

(Amounts in ALL'000, unless otherwise stated)

Account number: 520
Supporting evidence: Inheritance Act - from 2012 to 2013

Description	Inherited from 2012			Budget for 2013			Total revenue for 2012 and 2013	Used during 2013	Balance to be carried forward
	Grant plus revenue (Chapter 5)	Chapter 6	Total for 2012	Chapter 5	Chapter 6	Total for 2013			
	2	3	4=2+3	5	6	7=5+6	8=4+7	9	10=8-9
Grant plus revenue b/f from 2012	8,920	-	8,920	-	-	-	8,920	-	8,920
Competitive grants	-	-	-	-	-	-	-	-	-
Budgeted grant for 2013	-	-	-	24,431	-	24,431	24,431	24,431	-
Realized revenue	-	-	-	-	-	-	-	-	-
Participation of institutions	-	-	-	27,329	-	27,329	27,329	24,291	3,037
Revenue from "ALUIZMI"	593	-	593	101	-	101	694	-	694
Other	-	-	-	-	-	-	-	-	-
Balance - chapter 5	9,514	-	9,514	51,860	-	51,860	61,374	48,722	12,652
5% Completion Guarantee	-	3,194	3,194	-	-	-	3,194	245	2,949
Internal sources	-	-	-	-	-	-	-	-	-
Sponsorships	-	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance - chapter 6	-	3,194	3,194	-	-	-	3,194	245	2,949
Total	9,514	3,194	12,708	51,860	-	51,860	64,568	48,967	15,600

Comments:

The balance of cash carried forward for 2014 is ALL 15.6 m, where ALL 2.9 m relate to capital investments guarantees.

Note 6: Detailed list of outstanding creditor invoices

Detailed list of outstanding creditor invoices presents a breakdown of outstanding payable balances of the LGU.

Copy the Detailed list of outstanding creditor invoices table from the Financial Model sheet *N6* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 6: Detailed list of outstanding creditor invoices

The note presents a detailed listing of outstanding creditors as per invoice

(Amounts in ALL '000, unless otherwise stated)

Account number: 401 - 408

Supporting evidence: Detailed list of outstanding invoices

No	Creditor	Originating date	Payment date	Overdue (Yes/No)	Amount as per invoice/contract	Estimated penalties (if applicable)	Balance as at 31 Dec 2013
1	Name 1	17/07/2012			3,106		3,106
2	Name 2				4,214		4,214
3	Name 3	27/06/2013			916		916
4	Name 4				767		767
5	Name 5				767		767
6	Name 6	31/10/2013			767		767
7	Name 7				748		748
8	Name 8				739		739
9	Name 9				739		739
10	Name 10	23/12/2013			733		733
	Other						19,586
	Total						38,083

Comments:

The list of payables, is summarized and presented on no-name basis, showing the balance of the largest 10 items. Detailed list, including names of creditors, is available in electronic form.

Significant part of payables recorded on the accounts 401-408 and 467 originate from periods prior to 2013. Part of these payables might be overdue and the LGU might incur penalty interest related to the late payments. We were not provided with information regarding the amount of the overdue payables and the potential penalty interest that might be incurred by the LGU.

Note 7: Expenses reconciliation [cash basis; Treasury vs. LGU bank book

Expenses reconciliation presents the reconciliation between the Treasury information and the bank book of the LGU.

Copy the Expenses reconciliation table from the Financial Model sheet *N7* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 7: Expenses reconciliation [cash basis; Treasury vs. LGU bank book]

The note present a reconciliation of expenses between Treasury and LGU bank book

(Amounts in ALL '000, unless otherwise stated)

Account number:

Statement of expenses

Supporting evidence:

Expenses reconciliation between Treasury and LGU bank book

Group	Description	Balance as per Treasury			Balance as per LGU's supporting documents	Difference
		Chapter 01	Chapter 05	Total Balance		
		1	2	3=1+2	4	5=3-4
600	Salaries, bonuses	2,639	29,906	32,544	-	32,544
601	health and social insurance contributions	91	4,920	4,920	-	4,920
602	Other goods and services	332	13,586	13,917	-	13,917
603	Subsidies	-	-	-	-	-
604	Current interani transfers	-	275	275	-	275
605	Current transfers with outsiders	-	-	-	-	-
606	Transfers family budges and other individuals	39,276	128	39,404	-	39,404
650	Bond interest rates and direct loans	-	-	-	-	-
651	Borrowing costs related to loans	-	-	-	-	-
652	Other interest on government securities	-	-	-	-	-
656	foreign exchange expenses	-	-	-	-	-
660	Interest on loans from Foreign Governments	-	-	-	-	-
661	Interest on financing from international organizations	-	-	-	-	-
662	Interest on other foreign loans	-	-	-	-	-
	Total	42,338	48,722	91,061	-	91,061

Comments:

No difference note in reconciliation of expenses between Treasury and the LGU accounting records.

Note 8: Revenue reconciliation

Revenue reconciliation presents the reconciliation of revenue between Treasury and the LGU.

Copy the Revenue reconciliation table from the Financial Model sheet *N8* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 8: Revenue reconciliation

The note present a revenue reconciliation

(Amounts in ALL'000, unless otherwise stated)

Account number: Statement of revenue
Supporting evidence: Revenue reconciliation with Treasury

Group	Title	Article	Description	Total revenue received at bank - reconcile to accounts *90-719 in T3-2	Transfers IN from the budget (chapter 7) - reconcile to accounts *20 in T3-2	Total revenue	Transfers OUT to the budget (Reconcile to acc 8420 in T3-1)	Total revenue share of the institution
700	7002	7002100	Local fee on small business	4,757	-	4,757	-	4,757
700	7002	7002200	Simplified tax on profits	15	-	15	-	15
702	7020	7020100	Tax on agricultural land	-	-	2,213	-	2,213
702	7020	7020200	Tax on buildings	2,240	-	2,240	-	2,240
702	7029	7029200	Fee for the transfer of the right of ownership of immovable property	-	-	-	-	-
703	7035	7035001	Local fee on business registration	150	-	150	-	150
703	7035	7035002	Local fee for use of public space	68	-	68	-	68
703	7035	7035003	Local fee from the impact of infrastructure and new constructions and legalization	100	-	100	-	100
703	7035	7035007	Local fee on livestock slaughter	237	-	237	-	237
703	7035	7035008	Local fee on advertising	270	-	270	-	270
703	7035	7035009	Local fee on billboards	52	-	52	-	52
703	7035	7035013	Green local tax	1,058	-	1,058	-	1,058
703	7035	7035099	Other unclassified fees and tariffs on local units	3,134	-	3,134	-	3,134
710	7109	7109100	Income from rentals of agricultural land	-	-	-	-	-
710	7109	7109200	Income from rentals of land	563	-	563	394	169
710	7109	7109600	Income from rentals of buildings	30	-	30	-	30
711	7110	7110105	Administrative tariffs	-	-	-	-	-
711	7110	7110106	Tariffs for transportation permits	435	-	435	-	435
711	7110	7110501	Tariffs for Cleaning and Hygiene	6,129	-	6,129	-	6,129

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Note 9: Subsidiaries

This note presents breakdown and other detail of investments in subsidiaries including the carrying value of these investments at year end,

Copy the Subsidiaries table from the Financial Model sheet *N9* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 9: Subsidiaries

The note present a breakdown of subsidiaries

(Amounts in ALL'000, unless otherwise stated)

Supporting evidence: Investment in Subsidiaries

Subsidiaries	Year of establishment	Year of acquisition (if applicable)	% of ownership	Total equity	Share of Municipality	Impairment	Carrying value of investment as at 31 Dec 2013
Ujesjelles Ura Vajgurore sha	2003	2003	54.6%	12,320	6,727	n/a	6,727
Total investment in subsidiaries				12,320	6,727		6,727

Comments:

The subsidiary Ujesjelles Ura Vajgurore sha is not subject to the requirements for consolidation in the financial statements of Ura Vajgurore.

There are no instructions from Ministry of Finance on how to account for Investments in Subsidiaries and it is not clear whether a value for the investments (e.g. in water waste entities) should appear in the assets and how the value should be measured.

Note 10: Loans and borrowings

Loans and borrowings note presents detailed information about each loan or borrowing that the LGU has an outstanding liability for.

Copy the Loans and borrowings table from the Financial Model sheet *N10* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Note 11: Donor grants

Donor grants presents a breakdown of outstanding grants balances of the LGU.

Copy Donor grants table from the Financial Model sheet *N11* to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

Example:

Note 10: Loans and borrowings

*The note presents a breakdown and description of LGU's loans and borrowings
(Amounts in ALL '000, unless otherwise stated)*

Supporting evidence:

Loans and borrowings

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Covenants	Total outstanding liability as at 31 Dec 2013			
								Outstanding principal	Accrued interest	Current portion	Non-current portion
Total loans and borrowings								_____			

Comments:

According to the representation of the Finance director of the LGU does not have any loans and borrowings.

Example:

Note 11: Donor Grants

*The note presents a breakdown of donor grants
(Amounts in ALL '000, unless otherwise stated)*

Supporting evidence:

Donor Grants

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Covenants	Total outstanding liability as at 31 Dec 2013		
								Outstanding principal	Accrued interest (if applicable)	Total
Total grants								_____		

Comments:

According to the representation of the Finance director of the LGU does not have any donor grants.

Budget FY 2015

This section presents the budget as prepared by the LGU.

Copy the Budget table from the Financial Model sheet Budget FY 2015 to this section of the report.

Below the table in the grey box area in the report, comment about any deviations to accounting policies, errors and any differences identified when comparing to supporting documentation.

7.5 Prepare documents for transfer of rights and obligations

At this stage, the user should use the information gathered to prepare the required information as per the agreed procedure for transfer of rights and obligations from the LGU to the new Municipality. The *Notes to the financial statements, presented in Appendix 6 and completed by the LGU*, should be considered as a relevant source of information in this respect.

Example:

Budget FY 2015

The note present a budget for FY 2015 as provided by the LGU

(Amounts in ALL 000, unless otherwise stated)

Supporting evidence:

Municipality Budget division for 2015 is presented below:

No	Denotation	Total ALL	From Grant	Revenues
1	Municipality Administration	32,678	11,100	21,578
	Salaries fund 600	21,420	7,500	15,920
	Social insurance 601	3,400	2,000	1,400
	Operating expenses,602	7,858	1,600	6,258
2	Kindergarten	3,682	3,382	300
	Salaries fund 600	2,142	2,142	-
	Social insurance 601	340	340	-
	Operating expenses 602	1,200	900	300
3	Public service sector	33,273	12,618	20,655
	Salaries fund 600	15,150	8,863	6,287
	Social insurance 601	2,080	1,340	740
	Operating expenses 602	18,043	2,410	15,633
4	Greenery expenses	2,750	-	2,750
	Salaries fund 600	1,750	-	1,750
	Social insurance 601	300	-	300
	Operating expenses 602	700	-	700
5	Educational operating expenses 602	3,000	1,400	1,600
6	Scholarship expenses 606	970	-	970
7	Culture operating expenses 602	1,120	200	920
8	Councillors	2,140	-	2,140
9	Irrigation and drainage	1,700	200	1,500
10	Civil Contingency Fund	300	-	300
11	Reserve Fund	900	-	900
12	Assistance Fund for families in need	500	-	500
15	District annual fee	16,590	-	1,659
14	Annual quotas for taxes	80	-	80

8 Consolidation

8.1 Summarise stand-alone fixed asset registers and proceed with valuation

At this stage all individual lists of fixed assets prepared by the individual LGUs are to be summarized and prepared for handling to the valuation teams. The process of summarizing the lists should reflect the anticipated new structure and the new municipality.

The lists of fixed assets should contain information as at 31 December 2014 as suggested in the “Summary of expected documents, reports and deliverables for LGU due diligence” in the beginning of the present guidelines. Note that 31 December 2014 is an indicative date and another date can be decided subject to amendments of legal and sublegal acts to be issued on the Amalgamation process.

Indicative valuation methodology guidance is presented in Appendix 8. These process can be applied either on a central level (for all LGUs) or at local level by each LGU.

8.2 Reflect valuation results in stand-alone financial statements and the Financial model

Once valuation results become available, these need to be reflected in the stand-alone financial statements of the LGUs.

As a first step the values of the fixed assets lists have to be adjusted to bring asset values in line with valuation results.

The total adjustment by category of fixed assets has to be reflected in the individual accounts in the Summary of adjustments in the stand-alone financial model of the LGUs.

Navigate to the sheet Summary of adjustments. In this sheet are presented in a table all envisaged adjustments that have been identified during the process,

along with supporting explanations, accounting operations, type of adjustment and the corresponding financial statement to be affected by it.

The user should clearly indicate that the adjustments to respective accounts in fixed assets and own funds aim to reflect the valuation results and include such a section in the table in column C. Following the description, the user should prepare accounting entries regarding the adjusting entries using Debit and Credit accounts and include the amounts (in reporting currency) in columns F and H. In column E the user should fill in the type of adjustment as per description. In Column J are filled in the names of the affected financial statements.

Following the detailed description of the adjusting entries in the table, the user should apply the adjustments in the corresponding statements in the financial model. Sheets 1, 2 and 8 contain “Restated” sections in which the user would insert the adjustments. It is advised to use formulas to equate the unaffected figures from the unadjusted column, i.e. if assets are not affected, write a formula to equal the assets of the restated statement to the assets of the non-restated one. For the accounts which are affected by adjustments, the user should prepare a formula using the unadjusted balance and then subtracting the adjustment as per sheet “Summary of adjustments”.

At each adjusting entry the user should revisit the *Checks* sheet and observe the reconciliations in the “Restated” column to assess if the statements affect the coherence of the statements. In case the adjustments affects the coherence of the statements, the user should correct the restatement or reassess the adjusting entry.

The end result of this activity is that the stand-alone financial statement of the LGUs and the respective Financial Models would now reflect values of fixed assets and will be ready for consolidation.

8.3 Completion of the Consolidation Financial model

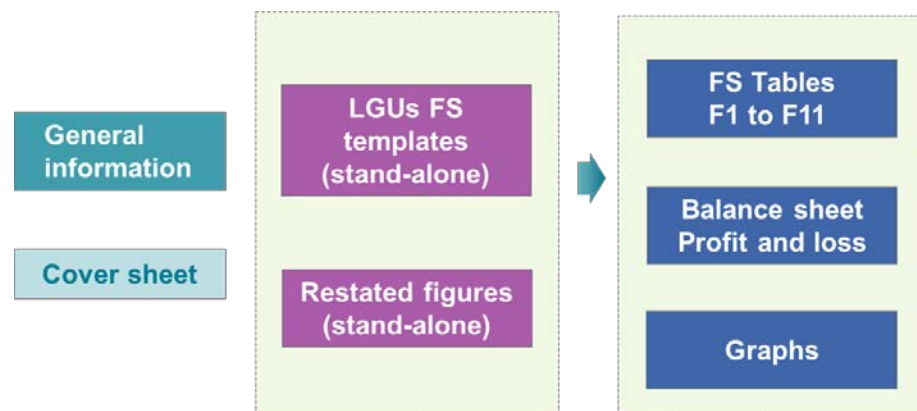
The Consolidation Financial Model to facilitate the aggregation of data, analysis and reporting.

The Consolidation Financial Model is excel based tool aimed at facilitating the data aggregation between the individual LGUs to provide consolidated data. The tool is further designed to facilitate transfer of adjusting entries and report writing and analysis. The Consolidation Financial model is completed in three steps:

- Transfer of stand-alone LGU FS templates from stand-alone Financial models of the LGUs
- Transfer adjusted figures
- Prepare graphs for report

A description of the additional content of the Consolidaiton Financial Model is presented in Appendix 11

An illustration on the flow of information in the Financial model is presented below:



Transfer of stand-alone LGU FS templates from stand-alone Financial models of the LGUs

A Consolidation Financial Model

General information

In this section, the user should complete information in the yellow cells only (Column H). In section 1.1 *General* of the Consolidation Financial Model are included the Project name, the name of the LGU subject to the due diligence, the name of the persons preparing the checklist and the name of the approver and date of approval for project management purposes. The name of the LGU set in this section would be automatically populated in the reporting tables, as well as in other sections of the model.

Example

Project STAR XXX General information Reconciliation error	
1 General information	
1.1 General	
Project name	name Project STAR
Local government unit	name XXX
Checklist prepared by:	name Imelda Taraj
	name Klementina Shehu
	name
	name
Checklist approved by:	name xxx
	date
1.2 Site visits	
Dates of site visits:	
Visit 1	date 11-Dec-14
Visit 2	date 13-Dec-14
Visit 3	date 7-Jan-15
Visit 4	date 8-Jan-15
Visit 5	date 9-Jan-15
Visit #	date 15-Jan-15

Transfer completed stand-alone financial statements from the individual Financial model to the Consolidation Financial model

Copy the LGU FS Forms from the stand-alone Financial model to the Consolidation Financial model. All sheets should be transferred after sheet *Forms* → in the Consolidation Financial model.

Transferred correctly, the information from the individual LGU FS Form would be consolidated in sheets *F1 to F11*

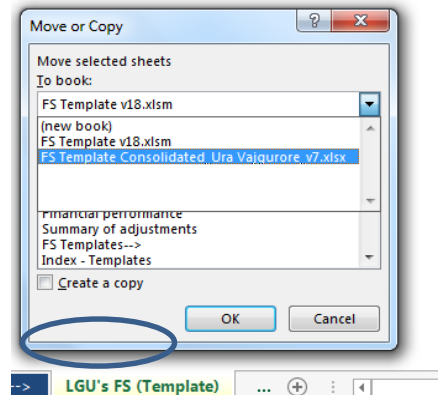
To copy a whole sheet to another workbook, i.e. sheet LGU FS Template to a section in the Consolidation Financial model, you need to have both files open – the stand-alone model and the consolidation model. Then in the stand-alone model go to the *LGU FS form* sheet and right-click on the name of the sheet and choose *Move or copy* from the pop-up menu.

Example:

Template nr.1				
ASSETS 2014 (in ALL)				
Nr.	Account number	EMERTIMI I LLOGARIVE TE AKTIVIT	Closed exercise	Previous exercise
1	12	Rezultate te mbartura(saldo debitore)		
2	A	AKTIVE TE QENDRUESHME	-	-
3	20.230	ITe pa trupezuara	-	-
4	201	Prime te emisionit dhe rimbursimit te huave		
5	202	Studime dhe kerkime		
6	203	Koncensione, patenta, licenca e tjera ngjashme		
7	209	Amortizimi i aktiveve qendrueshme te pa trupezuara(-)		
8	230	Shpenzime per rritjen e aktiv. qendr. pa trupezuara		
9	21.23.24.28	IT Akt. Qendru. te Trupezuara	-	-
10	210	Toka, toje, Terene		
11	211	Prje, Kullota Plantacione		
12	212	Ndertime e Konstruksione		
13	213	Rruge, rrjete, vepra ujore		
14	214	Instalime tekniko, makineri, pajisje, vegla pune		
15	215	Mjete transporti		
16	216	Rezerva shtetore		
17	217	Kafsha pune e prodhimi		
18	218	Inventar ekonomik		
19	219	Amortizimi aktiv Qendr. te trupezuara(-)		
20	231	Shpenzime proces per rritjen e AQT		

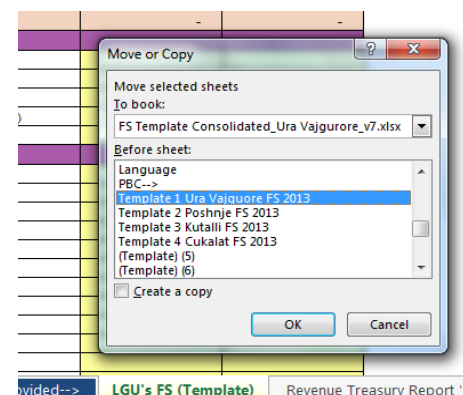
From the pop-up window choose the desired destination workbook, i.e. Consolidation Financial model and click in the *Create a copy* box

Example:



From the list below, choose the location where to put the sheet into the destination workbook - for the Consolidation Financial model always choose to place the sheet after sheet *Forms* →.

Example:



In the Consolidation Financial model the financial information of all LGU FS Forms moved after the Forms--> sheet would be consolidated into the Forms 1 to 11

Nr.	Account number	EMERTIMI I LLOGARIVE TE AKTIVIT	Asset Accounts Title	Closed exercise
1	12	Rezultate te mbartur(saldo debitore)	Carried results	
2	A	AKTIVE TE QENDRUESHME	Long-term Assets	384,057,637
3	20, 230	I.Te pa trupezuar	I.Intangible	1,314,716
4	201	Prime te emisionit dhe rimbursimit te huave	Amounts to be remitted and loan reimbursements	
5	202	Studime dhe kerkime	Studies and research	1,671,985
6	203	Koncisione, patenta, licenca e tjera ngjashme	Concessions, license, other similar licenses	
7	209	Amortizimi i aktiveve qendrushme te pa trupezuar(-)	Amortization of current intangible assets (-)	(357,269)
8	230	Shpenzime per rritjen e aktiv. qendr. patrupezuar	Expenses for increase of current intangible assets	
9	21,23,24,28	II. Akt. Qendr. te Trupezuar	II. Tangible Assets	382,742,921
10	210	Toke, troje, Terene	Land	
11	211	Pyje, Kullota, Plantacione	Forests, Pasture, Plantation	3,274,252
12	212	Ndertime e Konstruksione	Building and Constructions	129,362,035
13	213	Rruge, rrjete, vepra ujore	Roads, networks, water facilities	192,178,377
14	214	Instalime teknike, makineri, pajisje, vegla pune	Technical installment, machinery, equipments, working tools	3,661,459
15	215	Mjete transporti	Transport vehicles	7,747,600
16	216	Rezerva shtetore	Government reserve	-
17	217	Kafshe pune e prodhimi	Working and production animals	-
18	218	Inventar ekonomik	Economic Inventory	26,971,648
19	219	Amortizimi aktiv. Qendr. te trupezuar(-)	Depreciation of tangible assets	(57,936,480)

Upon completion of the transfer of the LGU FS form from the stand-alone Financial model to the Consolidation Financial model, the user should observe in sheets F1-F11, Balance sheet and PnL if the numbers appear correct and complete.

Transfer adjusted figures

The adjustments of the individual financial statements should be prepared before you transfer data to the Consolidation Financial model.

Data is transferred by copying data from sheets *F1, F2, F3-1, F3-2 and F8* from the *Restated* sections in the respective sheets and pasting it as values in the provided sections in the sheets *Restated* → section of the Consolidation Financial model.

Restated figures from *F1* of the stand-alone financial statement should be copied and pasted to *F1 restated* in the Consolidation Financial model.

Restated figures from *F2* of the stand-alone financial statement should be copied and pasted to *F2 restated* in the Consolidation Financial model.

Restated figures from *F3-1* of the stand-alone financial statement should be copied and pasted to *F3-1 restated* in the Consolidation Financial model.

Restated figures from *F3-2* of the stand-alone financial statement should be copied and pasted to *F3-2 restated* in the Consolidation Financial model.

Restated figures from *F8* of the stand-alone financial statement should be copied and pasted to *F8 restated* in the Consolidation Financial model.

Completing sheet F1 restated, F2 restated, F3-1 restated and F3-2 restated

In the respective sheet select all data in column N, starting from cell N13 until the last available data row. Right click on the selection and choose *Copy*.

Example:

The screenshot shows an Excel spreadsheet with a context menu open over cell N13. The formula bar displays the formula $=N14+N20+N35$. The spreadsheet content includes a header for 'Ura Vajguore' and a table with columns for 'Shëni me shpjeguese', 'Më 31 Dec 2013 Riparaqitur', 'Më 31 Dec 2013', 'Më 31 Dec 2012', and 'Më 31 Dec 2012 Riparaqitur'. The table lists various assets and liabilities, such as 'Rezultate te mbartura(saldo debitore)', 'AKTIVE TE QENDRUESHME', and 'II.Akt.Qendr.te Trupezuara'.

Navigate to the respective sheet in the *Forms* → section of the Consolidation Financial model. Starting from row 13 in column F paste the data as values.

In Row 9 above the paste area is left an empty cell, painted in yellow to write in the name of the LGU, for which you are pasting data below. Be careful to input the name of the LGU above the corresponding data as this is linked to the *Analysis* section in the Consolidation Financial model

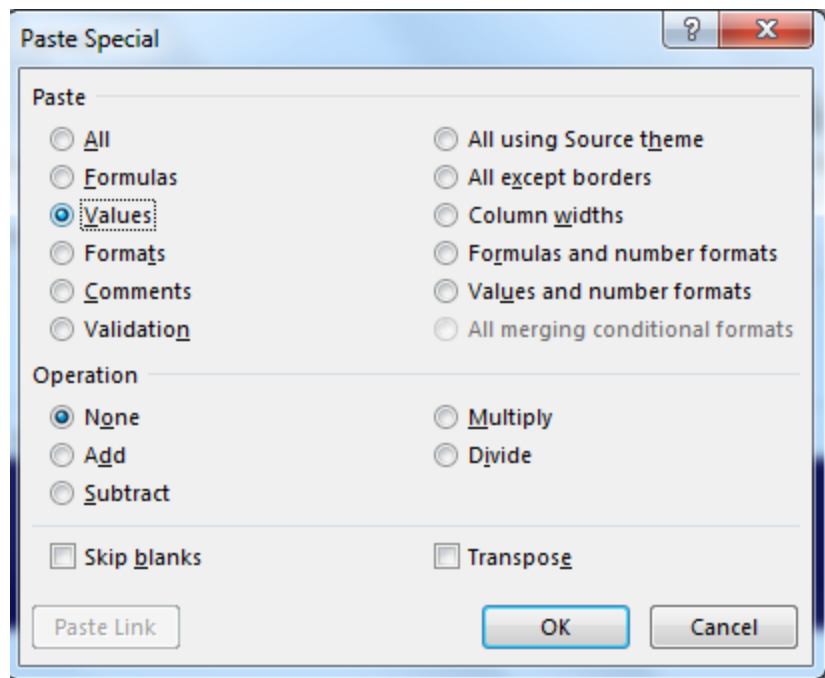
Example

The screenshot shows an Excel spreadsheet with a yellow highlighted cell in row 9, column F. The spreadsheet content includes a header for 'Municipality of Ura Vajguore' and a table with columns for 'Numri i logarisë', 'EMERTIMI I LLOGARIVE TE AKTIVIT', and four columns for 'Më 31 dhjetor' (2013 and 2012, restated and original). The table lists various assets and liabilities, such as 'Rezultate te mbartura(saldo debitore)', 'AKTIVE TE QENDRUESHME', and 'II.Akt.Qendr.te Trupezuara'.

You can paste as values by right-clicking on the destination cell, and choosing *Paste Special* option from the drop-down menu and choosing *Values* and clicking the OK button.

Another way to paste as values is to choose the destination cell and use the shortcut combination Ctrl + Alt +V, which will also return the option menu presented below

Example:



Completing sheet F8 restated

In the respective sheet select all data between columns T to Y (Restated section), cells T16 to Y37. Right click on the selection and choose *Copy*.

Navigate to the respective sheet in the *Forms* → section of the Consolidation Financial model. Starting from row 16 in column F paste the data as values.

In Row 9 above the paste area is left an empty cell, painted in yellow to write in the name of the LGU, for which you are pasting data below. Be careful to input the name of the LGU above the corresponding data as this is linked to the *Analysis* section in the Consolidation Financial model.

For instruction on how to paste as values, follow the instructions from the previous section

Example

	A	B	C	E	F	G	H	I	J	K	L	M
1	Project STAR											
2	Municipality of Ura Vajurore											
3	Pasqyra e lëvizjes së fondeve (Formati 8)											
4												
5												
6												
7	Municipality of Ura Vajurore											
8	Pasqyra e lëvizjes së fondeve (Formati 8)											
9	Për vitin e mbylltur më 31 dhjetor 2013											
10	(Shumat në ALL'000, nëse nuk shprehet ndryshe)											
11												
12												
13	Numërimi i lloga EMERTIMI											
14												
15	a	b	c	Riparqitur		Balanca hapëse 1 janar 2013		Balancat mbyllëse 31 dhjetor 2013		Balanca hapëse 1 janar 2014		
16	1	101	FONDE BAZE	Kredia	Debia	Kredia	Kredia	Debia	Kredia	Kredia	Kredia	
17	2	1010	Fondi bazë gjendje	1	2	3	4=1+3-2	5	6	7	8	
18	3	1011	Shtesa fondit bazë									
19	4	1012	Pakësimet të fondit bazë									
20	5	1013	Pakësim nga konsumi i aktiveve qendrore									
21	6	1014	Pakësim nga shitja e aktiveve të qendrore									
22	7	1015	Pakësim nga nxjerrja jashtë përdorimit e AQ									
23	8	1016	Pakësim nga transferatat e AQ									
24	9	109	DIFERENCA RIVLERSIMI AQ									
25	10	105,107,11	FONDI I BRENDESHEM									
26	11	105	Grantet brendshme kapitale									
27	12	107	Vlera të caktuara në përdorim									
				305,030,068	7,709,942	4,384,952	301,705,078	2,222,432	2,349,658	305,157,294	271,009	
				305,030,068	-	2,035,294	301,705,078	-	2,035,294	305,157,294	271,009	
				-	299,056	-	301,705,078	-	(299,056)	305,157,294	271,009	
				-	5,188,454	-	301,705,078	-	(5,188,454)	305,157,294	271,009	
				-	-	-	301,705,078	-	-	305,157,294	271,009	
				-	-	-	301,705,078	-	-	305,157,294	271,009	
				-	-	-	301,705,078	-	-	305,157,294	271,009	
				90,273,277	51,243,162	17,824,667	56,854,782	2,035,294	2,035,294	77,504,030	4,697	
				77,504,030	-	-	77,504,030	-	-	-	-	
				-	-	-	-	-	-	-	-	

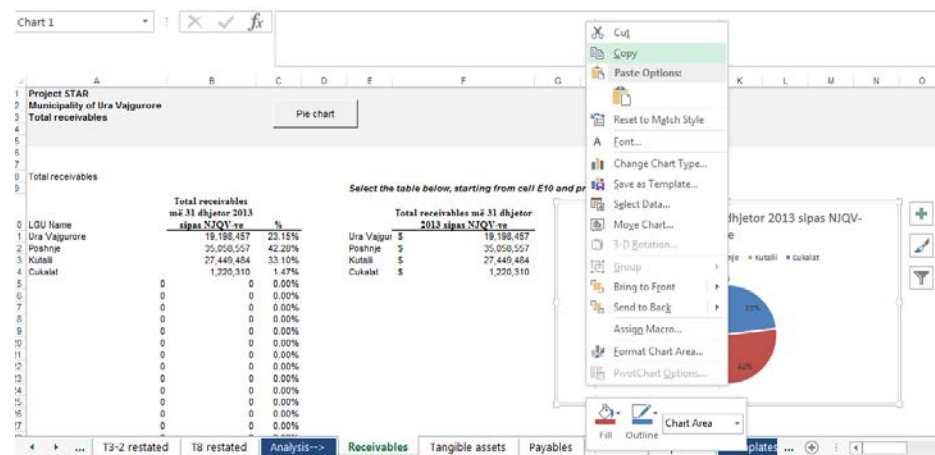
Prepare graphs for report

In this section the user should prepare graphs which present consolidated figures on LGU basis. In the *Analysis* section of the Consolidation Financial model, there are five sheets which summarise data:

- Receivables
- Tangible assets
- Payables
- Revenue
- Expenses

In this section, the user should prepare pie charts based on the pre-set information in columns E and F. Starting from cell E10, the user should select all cells in column E and F, which contain data and then should press the grey button in the blue ribbon *Pie chart*. A graph would be generated automatically and the user should copy it to the due diligence report. Copying can be done by right-clicking on the graph and selecting *Copy* from the drop-down menu.

Example:



8.4 Analyse the consolidated financial standing

steps to copy and paste it in the respective section of the Consolidated due diligence report.

Transfer tables to the Consolidated Financial Due diligence report

Aggregated financial statements

In the Consolidation Financial model, navigate to the sheet *Balance sheet*. Select the table with the respective reporting periods' data

Example

Nu më r	Numri r	EMERTIMI	Shëni me shpjeg uese	Vit ushtrimor 2013 Riparaqitur	Vit ushtrimor 2013	Vit ushtrimor 2012	Vit ushtrimor 2013 Riparaqitur
1	A		A K T I V E	1,541,080	1,458,458	1,367,565	1,541,080,076
2	I		AKTIVE QARKULLUESE (1 - 3)	136,628	190,316	146,383	136,627,985
3	Klasa 5	1. Arka, Banka dhe Diponibilitete		34,933	34,933	33,536	34,933,408
13	Klasa 4	2. Llogari te Arketueshme		82,927	136,615	94,126	82,926,808
19	Klasa 3	3. llogaritë e gjendjes se inventarit		18,768	18,768	18,721	18,767,770
20	II	AKTIVE JO QARKULLUESE (1 - 4)		1,402,019	1,268,709	1,221,182	1,402,018,566
21	40	23 1 Investime		136,310	136,310	126,676	136,309,744
22	44	25,26 2 Aktive Financiare		-	-	-	-
23	47	21,24,28 3 Aktive te Qendrushme te trupazuara		1,259,575	1,123,265	1,087,102	1,259,674,802
24	60	20 4. Aktive te Qendrushme te pa trupazuara		6,134	6,134	7,404	6,134,020

Copy the selected table and paste it in the respective section of the report. Then navigate to the sheet *PnL* in the Consolidation Financial model and repeat the

Analysis

Navigate to the *Analysis* section of the Consolidation Financial model. There are 5 sheets containing breakdowns of balances, revenues and expenses by LGU. Confirm if all LGU data is present and correct. If there are discrepancies, there could be errors in the transfer of Restated figures.

After confirming all data is complete and correct, the user should follow the instructions to copy the tables and paste them in the respective sections in the Consolidation due diligence report.

While pasting, the user can use the *Paste as picture* option which appears when right-clicking on the destination page in the report. This would ease the sizing and formatting of the graphs.

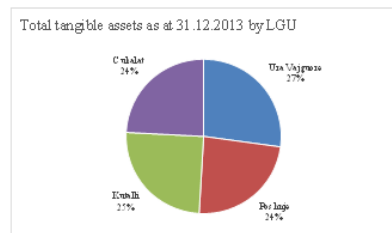
In the respective section the user should comment and analyse on the major balances.

Example:

Tangible assets

As at 31 December 2013 the tangible assets represent 79.5% of the total assets of the newly formed LGU, or ALL 1,123,265 thousand. Based on their cost value, the largest groups of tangible assets are the construction works (31%) and the roads, networks, water facilities (59%).

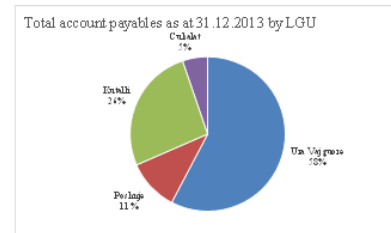
In terms of location and their cost value, the assets are relatively evenly distributed among the four LGUs, each having approximately 25%.



Accounts payable

The most significant item of the liabilities is the account payable, which amount to ALL 98,596 thousand. These mainly consists of unpaid expenses for services and capital expenditures (72%) and salaries and social contributions (17%).

The largest part of these payables originate from the Municipality of Ura Vajguore (58%), followed by Kutalli (26%), Poshnje (11%) and Cukalat (5%).



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Appendices

Forms 1 to 11

The financial statements contained in sheets *F1* to *F11* should be transferred to the Appendices section on the Consolidated due diligence report. The tables can be copied and pasted using the same steps as described in the previous section.

8.5 Point out significant potential risks for the new municipality following the merger

There are various sources of potential risks to the new municipality. The user should start the analysis with an overview of the accounts payables.

Different LGUs might have large balances of outstanding accounts payables due to insufficient historical financing or inadequate tax collection results.

Moreover, overdue accounts payable may pose a threat of significant penalties, which could impact the new municipality. It is, therefore, essential that large outstanding balances are identified and analysed. The analysis should also include recommendations on addressing accounts payable issues and, if applicable, timeline for resolving of the issues.

Users should also perform analysis of sources and uses of funds based on the indicative historical aggregation.

Such an analysis will reveal if LGUs, now part of the new municipality, have followed the Ministry of Finance requirements for uses of funds. It will also show if the structure of expenses for some of the LGUs is unsustainable and needs to be revised.

An analysis of consolidated revenues will present the structure and sufficiency of own source revenue and grants (both conditional and unconditional).

A relative analysis of own source revenues for the LGUs for the historical period will indicate the tax collection performance of the individual LGUs and will streamline improvement initiatives and efforts of the new municipality. The analysis should clearly indicate underperformers and should investigate, to the extent possible, the reasons for the tax collection underperformance.

Appendices on a soft copy

Below is presented a list of appendices provided in soft copy on a CD which should be considered an integral part of this guideline.

Appendix 1: Questionnaire for information

Appendix 2: Legal Framework

Appendix 3: Operations Databook

Appendix 4: Operational Due Diligence report template

Appendix 5: Individual Financial Model

Appendix 6: Templates for Notes to the financial statement

Appendix 7: Financial Due Diligence Report template

Appendix 8: Guidance on valuation of fixed assets

Appendix 9: Consolidation Financial Model

Appendices on hard copy

Appendix 10: Descriptions of Financial Model content

Detailed description of workbook content

Below you can find a brief description of the sheets, contained in the Financial model.

General background

The sheet includes space to be filled in regarding the project name, municipality name, names of the people who prepared the check list and names of the people who approved the checklist. Further, the sheet contains cells to be filled in with the exact dates of site visits, interviewed personnel (name and position), the dates of the financial information included in the following templates (the current reporting periods' beginning and closing dates as well as the corresponding reporting period date). Further below can be set the report's presentation currency (i.e. in thousands, millions, billions, etc.)

General information / Te dhenat e pergjithshme		English		Shqip	
All checks ok					
1. General information / Te dhenat e pergjithshme					
1.1 General / E pergjithshme					
Emri i projektit	Project name	emri	name	xxx	
Njësia e qeverisjes lokale	Local government unit	emri	name	xxx	
Pregatitur nga:	Checklist prepared by:	emri	name	xxx	
		emri	name		
		emri	name		
		emri	name		
Approvuar nga:	Checklist approved by:	emri	name		
		data	date		
1.2 Site visits / Vizitat ne terren					
Vizitat ne terren	Dates of site visits:				
Vizita 1	Visit 1	data	date		
Vizita 2	Visit 2	data	date		
Vizita 3	Visit 3	data	date		
Vizita 4	Visit 4	data	date		

Financial performance

The sheet contains a table summarizing sources and uses of funds for the LGU for the two reporting

xxx
xxx
Summary of the financial performance
All checks ok

xxx
Summary of the financial performance
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

	Notes	As at 30 Jun 2015	As at 31 Dec 2014
Sources of funds		-	-
Unconditional government grant	T3/2	-	-
Conditional government grant	T3/2	-	-
Own source revenues	T3/2	-	-
taxes	T3/2	-	-
Uses of funds		-	-
<i>Expenditure</i>		-	-
Wages and salaries	N7	-	-
Goods and services	N7	-	-
Subsidies and transfers	N7	-	-
Payments from 5% completion guarantee	N5	-	-

Summary of adjustments

Summary of adjustments summarizes all identified misstatements and provides explanation as to the rationale behind the adjustment. The user would link the identified

xxx
xxx
Summary of adjustments
All checks ok

xxx
Summary of adjustments
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No	Accounts and description	Type of Adjustments: - Policy Modification ("PM") - Reclassifications ("RE") - Omissions ("OM")	Debit	Credit	Impacted statements
1	In relation to year end liabilities, the requirement to of Directive 14 dated 28-Dec-2006, to present these balances as receivables in the statement of assets and also as expected income in Statement of Revenue, are in conflict with the law no 9936, dated 26-Jun-2008. Therefore we propose the following adjustment	PM			
	Debit 7206 Expected financing from budget		-		T3/2
	Credit 4342 Other operations with the government (debtor)			-	T1
	Debit 85 Result from Functioning in Liabilities		-		T2
	Credit 85 Result from Functioning in Statement of Expenses			-	T3/1
	Debit 85 Result from Functioning in Assets		-		T1

Index – Templates

The Index sheet contains a list of all sheets contained in this section of the model – i.e. Table 1-11. The individual items in the list are links to the respective sheet and can be used to navigate the user to the desired sheet by clicking on the specific.

Project STAR XXX Index of Financial Statements Templates (as per Directive 26 dated 26.12.2007) Reconciliation error			
	Ref	Statements' name in Albanian	Statements' name in English
Template 1	T1	Balanci Kontabel - Aktiv	Balance Sheet - Statement of Assets
Template 2	T2	Balanci Kontabel - Pasiv	Balance Sheet - Statement of Fund and Liabilities
Template 3/1	T3-1	Pasqyra e Shpenzimeve	Statement of Expenses
Template 3/2	T3-2	Pasqyra e te Ardhurave	Statement of Revenues
Template 4	T4	Burimet dhe shpenzimet lidhur me investimet	Funds and expenses related to investments
Template 5	T5	Pasqyra mbi levizjen Cash	Statement of Cash Flows
Template 6	T6	Pasqyra mbi qendrimin dhe ndryshimet ne Pasqyra e amortizimit te aktiveve te qendrueshme	Statement of Fixed Assets' depreciation
Template 7	T7	Pasqyra e levizjes se fondeve	Statement of Changes in Fund
Template 8	T8	Pasqyre mbi numrin e punoniesve dhe fondin e Pasqyre Permbledhese e Konsoliduar e Gjendies Financiare	Statement of number of employees and personnel expenses
Template 9	T9	Pasqyre Permbledhese e Konsoliduar e Gjendies Financiare	Consolidated Statement of Financial Position
Template 10	T10 (Cons)	Pasqyre Permbledhese e Konsoliduar te ardhurave dhe shpenzimeve te funksionimit	Consolidated Statement of Revenues and Expenses
Template 11	T11 (Cons)		

Checks

The sheet contains reconciliation between the different elements in the templates, the notes and the evidence provided. Depending on the available information, the user can choose the reporting date to which the checks are applied by writing the date in cell E7.

Project STAR XXX Checks Reconciliation error			
	31-Dec-13	0	1
Supporting documentation	31 Dec 13		
Mastercheck	5,816,601	1,542,866,954	5,816,601
1 Checks - Templates 1-9			
1.1 Balance sheet			
T2	0		472,611,676
T1	0		472,611,676
Check	-		-
Own funds - T8	404,512,150		404,512,150
Net assets - current period - T1-T2	0		404,512,150
Check	404,512,150		-
Fixed assets - T6	364,867,356		364,867,356
Depreciation - T7	(58,313,749)		(58,313,749)
Investments - T4	77,504,030		77,504,030
NBV of fixed assets - T1	0		384,057,637
Check	384,057,637		-
Treasury funds - T5	15,600,295		15,600,295
Treasury funds - T1	0		15,600,301

Sheet T1-T11

The sheets T1 to T11 contain formatted tables with the financial statements and contain data as per the FS template, prepared by the LGU. These sheets are populated automatically upon completion of the procedures for inputting data into the model

Sheet T1

Sheet T1 contains Table 1 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL. In the column labeled *Evidence provided reference* the user can use links to other sheets with supporting information regarding the financial statements item.

Project STAR
XXX
Balance Sheet - Statement of assets (Template 1)
Reconciliation error

Back to main index

XXX
Balance Sheet - Statement of assets (Template 1)
for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account No.	Assets	Notes	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	PBC Reference
1	12 Brought forward results		-	-	-	-	-	-	
2	A Non Current Assets		-	384,058	-	384,058	384,057,637	384,057,637	
20, 230	I. Intangible Assets		-	1,316	-	1,314,716	1,314,716		
4	201 Amounts to be refunded and loan reimbursements		-	-	-	-	-		
5	202 Studies and research	16, N1	-	1,672	-	1,671,985	1,671,985	N1 Fixed Assets Register	
6	203 Concessions, licenses, other similar licenses		-	-	-	-	-		
7	209 Amortization of current intangible assets (-)	17, N1	-	(357)	-	(357,269)	(357,269)	N1 Fixed Assets Register	
8	210 Expenses for increase of current intangible assets		-	-	-	-	-		
21, 23	II. Tangible Assets		-	382,743	-	382,742,921	382,742,921		
10	210 Land		-	-	-	-	-		
11	211 Forests, Pastures, Plantations	16, N1	-	3,274	-	3,274,232	3,274,232	N1 Fixed Assets Register	
12	212 Building and Constructions	16, N1	-	138,962	-	138,962,055	138,962,055	N1 Fixed Assets Register	
18	213 Roads, networks, water facilities	16, N1	-	192,178	-	192,178,577	192,178,577	N1 Fixed Assets Register	

Sheet T2

Sheet T2 contains Table 2 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL. In the column labeled *Evidence provided reference* the user can use links to other sheets with supporting information regarding the financial statements item.

Project STAR
XXX
Balance Sheet - Statement of fund and liabilities (Template 2)
Reconciliation error

Back to main index

XXX
Balance Sheet - Statement of fund and liabilities (Template 2)
for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account No.	Liabilities	Notes	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	As at 31 Dec 2014	As at 31 Dec 2013 (Restated)	PBC Reference
1	A OWN FUNDS		-	391,861	-	391,861	391,860,629	391,860,629	
2	10 I. Own funds		-	379,209	-	391,861	379,209,108	391,860,629	
3	101 Base funds	18	-	301,705	-	391,861	301,705,078	391,860,629	10 Statement of changes in funds
4	102 Capital internal grants		-	-	-	-	77,504,030		
5	104 Capital foreigner grants		-	-	-	-	-		
6	107 Current assets in use		-	-	-	-	-		
7	109 Reserves from revaluation of current assets		-	-	-	-	-		
8	11 II. Other own funds		-	-	-	-	-		
9	111 Reserve funds		-	-	-	-	-		
10	112 Assignments from the year results for investments		-	-	-	-	-		
11	114 Revenues from selling of current assets		-	-	-	-	-		
12	12 III. Carried results		-	12,652	-	-	12,651,521	-	
13	13 IV. Exceptional subsidiaries (-)		-	-	-	-	-		

Sheet T3-1

Sheet T3-1 contains Table 3-1 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

XXX
XXX
Statement of expenses (Template 3/1)
All checks ok

XXX
Statement of expenses (Template 3/1)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No.	Acc. No.	PERSHKRIMI I SHPENZIMEVE TE USHTRIMIT	Description of Expenses	Notes	YTD 2015 Restated 1	YTD 2015 2	FY 2014 2
1	Klasa 6 A. SHPENZIMET SHFRYTYEZIMI (I - III)		A. Expenses for exploitation/usage		-	-	-
2	60 I. Shpenzime Korrente		I. Current expenses		-	-	-
3	600 Paga,shperblime e te tjera personeli		Salaries, bonuses		-	-	-
4	6001 Paga, personeli i perhershem		Salaries		-	-	-
5	6002 Paga, personeli i perkohshem		Temporary salaries		-	-	-
6	6003 Shperblime		Bonuses		-	-	-
7	6009 Shpenzime tjera personeli		Other personal expenses		-	-	-
8	601 Kontrib. te sig. shoq. e shendets.		health and social insurance contributions		-	-	-
9	6010 Kontribute per sigurimet shoqerore		Insurance contributions		-	-	-
10	6011 Kontribute per sigurimet shendetesore		Health insurance		-	-	-
11	602 Mallra dhe sherbime te tjera		Other goods and services		-	-	-
12	6020 Materiale zyre e te perqithshme		stationary		-	-	-
13	6021 Materiale dhe sherbime speciale		Special services		-	-	-
14	6022 Sherbime nga te trete		Services from third party		-	-	-
15	6023 Shpenzime transporti		Transport expenses		-	-	-

Sheet T3-2

Sheet T3-2 contains Table 3-2 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of revenues (Template 3/2)
All checks ok

xxx
Statement of revenues (Template 3/2)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No	Acc. No.	Description of Revenues	Notes	YTD 2015	YTD 2015	FY 2014
				Restated	2	2
a	b	c		1	2	2
1	Klasa 7	A. TE ARDHURA TE SHFRYTEZIMIT(I - VI)		-	-	-
2	70	I. TE ARDHURA TAFIMORE(a+b+c+d+e+f+g)		-	-	-
3	700	a) Mbi te ardhurat,fitimin e ardh.kapitale		-	-	-
4	7000	- Tatim mbi te ardhurat personale		-	-	-
5	7001	- Tatim mbi fitimin		-	-	-
6	7002	- Taksa e tatim mbi biznesin e vogel		-	-	-
7	7009	- Tjera tatime		-	-	-
8	702	b) Tatime mbi pasurine		-	-	-
9	7020	- Mbi pasurine e pa lujteshme		-	-	-
10	7021	- Mbi shitjen e pasurise se palujteshme		-	-	-
11	7029	- Te tjera mbi pasurine		-	-	-
12	703	c) Tatime mbi mallrat e sherbimet brenda vendit		-	-	-
13	7030	- Tatimi mbi Vleren e Shtuar(TVSH)		-	-	-
14	7031	- Alkoha		-	-	-
14	7039	- Tjera mbi shitesime specifike		-	-	-

Sheet T4

Sheet T4 contains Table 4 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Funds and expenses related to investments (Template 4)
All checks ok

xxx
Funds and expenses related to investments (Template 4)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account No	Description	Opening balance Jan 2015	Transaction during the year		Closing balance 30 Jun 2015
			Debit	Credit	
a	b	c	d	e	f
1	I SOURCE OF FUNDS	-	-	-	-
2	105 Internal capital grants	-	-	-	-
3	1050 from the same government level	-	-	-	-
4	1051 from other Government levels	-	-	-	-
5	1052 third parties contribution for investments	-	-	-	-
6	1059 internal grants in nature	-	-	-	-
7	106 Foreigner Capital grants	-	-	-	-
8	1060 From foreigner governments	-	-	-	-
9	1061 from international institutions	-	-	-	-
10	1069 foreigner grants in nature	-	-	-	-
11	14 Capital grants for investments to third parties	-	-	-	-
12	145 Internal grants participation capital investments for third parties	-	-	-	-

Sheet T5

Sheet T5 contains Table 5 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of cash flows (Template 5)
All checks ok

xxx
Statement of cash flows (Template 5)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No	Description	Notes	Treasury balance		Bank liquidity	
			Debit	Credit	Debit	Credit
a	b		c	d	e	f
1	I. OPENING BALANCE	N6	-	-	-	-
2	II. RECEIVABLES "CASH"		-	-	-	-
3	1. Funds from budget		-	-	-	-
4	actual budget funds (Budget with changes)	T3-2	-	-	-	-
5	capital budget funds (Budget with changes)		-	-	-	-
6	2. Incomes and revenues during the year in		-	-	-	-
7	Tax revenues in "Cash"	N8	-	-	-	-
8	Social and health insurance in "Cash"		-	-	-	-
9	Non tax revenues "Cash"		-	-	-	-
10	Interact incomes "Cash"		-	-	-	-
11	Sponsorships, grants and other revenues "cash"		-	-	-	-
12	loans and different lending		-	-	-	-
13	entry from storage "Cash"		-	-	-	-
14	III. PAYMENTS OF THE YEAR "CASH"	N7	-	-	-	-

Sheet T6

Sheet T6 contains Table 6 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of Fixed Assets' Balance and Changes during the year (Template 6)
All checks ok

xxx
Statement of Fixed Assets' Balance and Changes during the year (Template 6)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No	Description	1	Additions during the year			Total	Decrease during the year			Total	Closing balance
			Transfers	Out	In		Movements	Sales	Write off		
a	b	c	d	e	f	g	h	i	j	k	l
1	I. INTANGIBLE	-	-	-	-	-	-	-	-	-	-
	Amounts to be remitted and loan	-	-	-	-	-	-	-	-	-	-
2	201 reimbursements	-	-	-	-	-	-	-	-	-	-
3	202 Studies and research	-	-	-	-	-	-	-	-	-	-
4	203 Concessions, license, other similar licenses	-	-	-	-	-	-	-	-	-	-
	Expenses for increase of current intangible	-	-	-	-	-	-	-	-	-	-
4/1	230 assets	-	-	-	-	-	-	-	-	-	-
5	II. TANGIBLE	-	-	-	-	-	-	-	-	-	-
6	210 Land	-	-	-	-	-	-	-	-	-	-

Sheet 7

Sheet T7 contains Table 7 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of Fixed Assets' depreciation (Template 7)
All checks ok

xxx
Statement of Fixed Assets' depreciation (Template 7)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Acc. No.	Description	Opening accumulated depreciation 1 Jan 2015	Decrease???						Closing accumulated depreciation 30 Jun 2015
			Additions during the year			Decrease during the year			
			Depreciation charge for the year	Other additions	Total	Sales	Write off	Other decr.	
1	2	3	4	5	6	7	8	9	
1	209 I. INTANGIBLE	-	-	-	-	-	-	-	-
2	219 II. TANGIBLE	-	-	-	-	-	-	-	-
	TOTAL (I + II)	-	-	-	-	-	-	-	-

Sheet 8

Sheet T8 contains Table 8 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of changes in fund (Template 8)
All checks ok

xxx
Statement of changes in fund (Template 8)
for the year ended 30 Jun 2018
(Amounts in ALL'000, unless otherwise stated)

No.	Acc. No.	Description	Restated				Restated			
			Opening balance 1 Jan 2018	Period movements		Closing balance 30 Jun 2018	Opening balance 1 Jan 2018	Period movements		Closing balance 30 Jun 2018
			Credit 1	Debit 2	Credit 3	Credit 4=1+3-2	Credit 1	Debit 2	Credit 3	Credit 4=1+3-2
1	101	BASE FUND	-	-	-	-	-	-	-	-
2	1010	Status of base fund	-	-	-	-	-	-	-	-
3	1011	Additions base fund	-	-	-	-	-	-	-	-
4	1012	Decrease base fund	-	-	-	-	-	-	-	-
5	1013	Decrease from tangible assets consumed	-	-	-	-	-	-	-	-
6	1014	Decrease from selling tangible assets	-	-	-	-	-	-	-	-
7	1015	Decrease from	-	-	-	-	-	-	-	-
8	1016	decrease from transferring tangible assets	-	-	-	-	-	-	-	-
9	109	REVALUATION	-	-	-	-	-	-	-	-
	105,107,11,12	DIFFERENCE IN TANGIBLE ASSETS	-	-	-	-	-	-	-	-
10	131,145,15,16	INTERNAL FUND	-	-	-	-	-	-	-	-

Sheet T9

Sheet T9 contains Table 9 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Statement of number of employees and personnel expenses (Template 9)
All checks ok

[Back to main Index](#)

xxx
Statement of number of employees and personnel expenses (Template 9)
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

No.	Categories	Annual average number of employees	Turnover of employees during the year		Number of employees at year end	Salaries and contributions								
			New employees	Leavers		Total salaries	Additional rewards	Social assistance	Social and health insurance	Other rewards	Income tax			
												1	2	3
a	Total number of employees (1+2+3+4+5+6)	-	-	-	-	-	-	-	-	-	-	-	-	-
1	Directors	-	-	-	-	-	-	-	-	-	-	-	-	-
2	specialist	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Technical	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Ordinary officers	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Employees	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Temporary employees	-	-	-	-	-	-	-	-	-	-	-	-	-

Sheet T10

Sheet *T10* contains Table 10 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
 xxx
 Consolidated Statement of Financial Position (Template 10)
 All checks ok

Back to

xxx
 Consolidated Statement of Financial Position (Template 10)
 for the year ended 30 Jun 2015
 (Amounts in ALL'000, unless otherwise stated)

No	Acc. No.	Description	Notes	YTD 2015	FY 2014 Restated	FY 2014
1	2	3		4	5	6
1	A	Assets		-	-	-
2	I	Current Assets		-	-	-
3	Klasa 5	1. Petty- Cash, Banks, and Funds		-	-	-
4	50	Securities settlement		-	-	-
5	511	Receivables		-	-	-
6	512	Bank accounts		-	-	-
7	520	Disposables		-	-	-
8	531	Petty-cash		-	-	-
9	532	Other amounts		-	-	-
10	54	accreditation and prepayments		-	-	-
11	56	Accounts in Lending Institutions		-	-	-

Table 11

Sheet *T11* contains Table 11 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
 xxx
 Consolidated Statement of Revenues and Expenses (Template 11)
 All checks ok

Back to

xxx
 Consolidated Statement of Revenues and Expenses (Template 11)
 for the year ended 30 Jun 2015
 (Amounts in ALL'000, unless otherwise stated)

No	Acc. No.	Description	Notes	YTD 2015	FY 2014 Restated	FY 2014
1	2	3		4	5	6
1	A	TOTAL REVENUES		-	-	-
2	70,750,71	I. REVENUES AND CONTRIBUTES		-	-	-
3	70	1. Tax revenues upon		-	-	-
4	700	Revenues, profit and capital incomes		-	-	-
5	702	Wealth tax		-	-	-
6	703	tax upon goods and services within the country		-	-	-
7	704	tax on retail and international transactions		-	-	-
8	705	Road tax		-	-	-
9	708	other taxes		-	-	-
10	709	Kamat vonesa		-	-	-

Index – Notes to FS

The Index sheet contains a list of all sheets contained in this section of the model – i.e. Notes 1-13. The individual items in the list are links to the respective sheet and can be used to navigate the user to the desired sheet by clicking on the specific item.

xxx
xxx
Index of Financial Statements Templates (as per Directive 26 dated 26.12.2007)
All checks ok

	Ref	Statements' name in Albanian	Statements' name in English
Note 1	N1		Fixed assets register
Note 2	N2		List of inventory
Note 3	N3		Receivables from employees
Note 4	N4		Different debtors
Note 5	N5		Inheritance act
Note 6	N6		Creditors
Note 7	N7		Expense reconciliation
Note 8	N8		Revenue reconciliation
Note 9	N9		Subsidiaries
Note 10	N10		Loans and borrowings
Note 11	N11		Donor grants
Note 12	N12		Rec. of FS with Treasury
Note 13	N13		Template for trial balance

Sheet N1 – N13

The sheets N1 to N13 are templates, that are provided to the LGU to complete and inserted back to the Financial model. The information contained in those templates serve the purpose to provide further detail into key financial statement items and is supposed to reconcile with the information in the financial statements (Sheets T1-T11).

Sheet N1 Fixed assets register

Sheet *N1* contains Note 1 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Notes to the Financial Statements
All checks ok

[Back to main Index](#)

xxx
Notes to the Financial Statements
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 201 - 208
Supporting evidence: Fixed Assets Register

Asset description	Category	Category code	Location	Purchase date	Depreciation rate	Year	Month	Unit	Unit price	Cost	Opening accumulated depreciation 1 Jan 2015	Depreciation for 2015	NBV as at 30 Jun 2015
xxx		1			0.01	5-May-14				-	-	-	-
xxx		2			0.01	1-Apr-13				-	-	-	-
xxx					#N/A					-	-	-	-
xxx					#N/A					-	-	-	-
...										-	-	-	-
Total													

Sheet N2 List of inventory

Sheet N2 contains Note 2 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Supporting evidence to be provided by the LGU
All checks ok

Back to main Index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 31 and 32
Supporting evidence: Detailed listing of materials and inventory objects

No	Item description	Location	No of items	Cost per item	Closing balance 30 Jun 2015	Cost per item	Closing balance 30 Jun 2015
			1	2	3 = 1 x 2	2	3 = 1 x 2
1							
2							
3							
4							
5							
...							
Total							

Sheet N3 Receivables from employees, prepayments and penalties

Sheet N3 contains Note 3 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Supporting evidence to be provided by the LGU
All checks ok

Back to main Index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 423
Supporting evidence: Të arkëtueshme nga punonjësit, parapagimet dhe dënimet

Debtor	Originating date	Opening balance Jan 2015	Additional charge for the year	Payments during the year	Closing balance 30 Jun 2015	Opening balance Jan 2015	Additional charge for the year	Payments during the year	Closing balance 30 Jun 2015
Overpayments to suppliers:	Pre 2006								
	Pre 2006								
	Pre 2006								
Overpayments to employees pre 2007	Pre 2007								
Overpayments of employees after 2007 and before 2010	2007-2010								
Total									

Sheet N4 Different debtors

Sheet N4 contains Note 4 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Supporting evidence to be provided by the LGU
All checks ok

Back to main Index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 428
Supporting evidence: Detailed list of debtors

No	Debtor	Originating date	Opening balance Jan 2015	Additional charge for the year	Payments during the year	Closing balance 30 Jun 2015	Opening balance Jan 2015	Additional charge for the year	Payments during the year	Closing balance 30 Jun 2015
1	...									
2	...									
3	...									
4	...									
5	...									
6	...									
7	...									
8	...									
9	...									
10	...									
11	...									
12	...									

Sheet N5 Inheritance act

Sheet N5 contains Note 5 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Supporting evidence to be provided by the LGU
All checks ok

Back to main Index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: 520
Supporting evidence: Inheritance Act - from 2014 to 2015

Description	Inherited from 2013			Budget for 2014			Total revenue 2013 and 2014			Used during 2015	Balance to be carried forward
	Chapter 5	Chapter 6	Total	Chapter 5	Chapter 6	Total	Chapter 5	Chapter 6	Total		
Granti dhe të ardhurat e trashëguara nga viti 2012											
Granti konkurrues											
Granti nga Buxheti për 2013											
Të ardhurat e realizuara											
Pjesëmarrja e institucioneve											
Të ardhurat nga ALUJZENI											
Të tjera											

Sheet N6 Creditors

Sheet N6 contains Note 6 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

Project STAR
Municipality of Ura Vajurore
Supporting evidence to be provided by the LGU
Reconciliation error

Back to main index

Municipality of Ura Vajurore
Supporting evidence to be provided by the LGU
for the year ended 31 Dec 2013
(Amounts in ALL'000, unless otherwise stated)

Account number: 401 - 408
Supporting evidence: Detailed list of outstanding invoices

No	Creditor	NIPT (Fiscal number)	Invoice no	Originating date	Payment date	Overdue (Yes/No)	Amount as per invoice/contract	Estimated penalties (if applicable)	Balance as at 31 Dec 2013	Amount as per invoice/contract	Estimated penalties (if applicable)	Balance as at 31 Dec 2013
1	Hëlda Shpk	K21819004E	72077258	26/11/2010			20	0	20	20,000	0	20,000
2	Hëlda Shpk	K21819004E	72077268	12/09/2010			15	0	15	15,000	0	15,000
3	Uzina Metalike e Naftes	J83916500U	71592834	21/09/2011			24	0	24	24,000	0	24,000
4	Utility Cost	J61924007N	87428851	31/01/2012			2,016	0	2,016	2,016	0	2,016
5	Utility Cost	J61924007N	87428852	29/02/2012			8,568	0	8,568	8,568	0	8,568
6	Utility Cost	J61924007N	87428853	31/03/2012			4,452	0	4,452	4,452	0	4,452
7	Utility Cost	J61924007N	87428854	30/04/2012			6,3	0	6,3	6,300	0	6,300
8	Utility Cost	J61924007N	87428856	31/05/2012			3,108	0	3,108	3,108	0	3,108
9	Utility Cost	J61924007N	87432123	30/06/2012			6,468	0	6,468	6,468	0	6,468
10	Utility Cost	J61924007N	87432204	31/07/2012			0,246	0	0,246	246	0	246
11	Utility Cost	J61924007N	87428856	31/07/2012			5,04	0	5,04	5,040	0	5,040

Sheet N7 Expense reconciliation

Sheet N7 contains Note 7 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
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Supporting evidence to be provided by the LGU
All checks ok

Back to main index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: Statement of expenses
Supporting evidence: Expenses reconciliation between Treasury and LGU bank book

Account numbers: Statement of expenses
Supporting evidence: Expenses reconciliation between Treasury and LGU bank book

Group Description	Balance as per Treasury			Balance as per LGU's supporting	Difference +	Balance as per Treasury			Balance as per LGU's supporting	Difference +
	Chapter 01	Chapter 05	Total Balance			Chapter 01	Chapter 05	Total Balance		
	1	2	3=1+2	4	5=3-4	1	2	3=1+2	4	5=3-4
600 Salaries, bonuses	-	-	-	-	-	-	-	-	-	-
601 health and social insurance contributions	-	-	-	-	-	-	-	-	-	-
602 Other goods and services	-	-	-	-	-	-	-	-	-	-
603 Subsidies	-	-	-	-	-	-	-	-	-	-
604 Current interest transfers	-	-	-	-	-	-	-	-	-	-
605 Current transfers with residents	-	-	-	-	-	-	-	-	-	-
606 Transfers family budgets and other individuals	-	-	-	-	-	-	-	-	-	-
650 Bond interest rates and direct loans	-	-	-	-	-	-	-	-	-	-
651 Borrowing costs related to loans	-	-	-	-	-	-	-	-	-	-
652 Other interest on government securities	-	-	-	-	-	-	-	-	-	-
656 foreign exchange expenses	-	-	-	-	-	-	-	-	-	-

Sheet N8 Revenue reconciliation

Sheet N8 contains Note 8 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

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Supporting evidence to be provided by the LGU
All checks ok

Back to main index

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Account numbers: Statement of revenue
Supporting evidence: Revenue reconciliation with Treasury

Grid	Tid	Artid	Description	received at bank - reconcile to accounts 700-719 (T3-2)	Transfers IN from the budget (chapter 7) - reconcile to accounts 720 in T3-2	Total revenue	Transfers OUT to the budget (Reconcile to accounts 8420 in T3-1)	Total revenue share of the institution
700	7002	7002100	Local fee on small business	-	-	-	-	-
700	7002	7002200	Simplified tax on profits	-	-	-	-	-
702	7020	7020100	Tax on agricultural land	-	-	-	-	-
702	7030	7030300	Tax on buildings	-	-	-	-	-
702	7029	7029200	Fee for the transfer of the right of ownership of immovable property	-	-	-	-	-
703	7035	7035001	Local fee on business registration	-	-	-	-	-
703	7035	7035002	Local fee for use of public space	-	-	-	-	-
703	7035	7035003	Local fee from the impact of infrastructure and new constructions and legalization	-	-	-	-	-
703	7035	7035007	Local fee on livestock slaughter	-	-	-	-	-
703	7035	7035008	Local fee on advertising	-	-	-	-	-
703	7035	7035009	Local fee on billboards	-	-	-	-	-
703	7035	7035013	Green local tax	-	-	-	-	-

Sheet N9 Subsidiaries

Sheet N9 contains Note 9 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

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xxx
Supporting evidence to be provided by the LGU
All checks ok

Supporting evidence: Investment in Subsidiaries

Subsidiaries	Year of establishment	Year of acquisition (if applicable)	% of ownership	Total equity	Share of		Carrying value of investment as at 30 Jun 2015
					Municipality	Impairment	
Total investment in subsidiaries							

Sheet N10 Loans and borrowings

Sheet N10 contains Note 10 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

xxx
xxx
Supporting evidence to be provided by the LGU
All checks ok

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Supporting evidence: Loans and borrowings

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Covenants	Total outstanding liability as at 30 Jun 2015			
								Outstanding principal	Accrued interest	Current portion	Non-current portion
Total loans and borrowings											

Sheet N11 Donor grants

Sheet N11 contains Note 11 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

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xxx
Supporting evidence to be provided by the LGU
All checks ok

xxx
Supporting evidence to be provided by the LGU
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Supporting evidence: Donor Grants

Type of facility	Financing institution	Facility amount	Contract date	Term of contract	Interest rate	Collateral	Covenants	Total outstanding liability as at 31 Dec 2014		
								Outstanding principal	Accrued interest	Total
Total grants										

Sheet N12 Rec. of FS to Treasury

Sheet N12 contains Note 1 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL.

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xxx
Reconciliation of Capital Expenditures and Other Expenses in the Financial Statements with Treasury
All checks ok

xxx
Reconciliation of Capital Expenditures and Other Expenses in the Financial Statements with Treasury
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Group	Description	Balances paid during the year, as per Treasury Report	Outstanding Liabilities (as per Directive 25, dated 18.12.2014)		Unsettled invoices (as per Directive 25, dated 18.12.2014)		Calculated Capital Expenditures and Other expenses at year end	Balances as per TI for Capital Expenditures	Difference (sheet 11)
			At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year			
Capital Expenditure									
202	Studies and research								
203	Concessions, licenses, other similar licenses								
230	Expenses for increase of current intangible assets								
210	Land								
211	Forests, Pasture, Plantation								

Sheet N13 Template for trial balance

Sheet N13 contains Note 1 in English and Albanian, as well as data in reporting number format as well as in original number format, i.e. in ALL. This template is only for illustrative purposes, to show the LGUs an example of a Trial Balance.

xxx
xxx
Template for Trial Balance
All checks ok

xxx
Template for Trial Balance
for the year ended 30 Jun 2015
(Amounts in ALL'000, unless otherwise stated)

Class	Sub class	Article	Unit article	Analysis	TYPE	P E K S H K K I M I (Albanian Description)	Currency	Opening balance		Movement during the year		Closing balance	
								Debit	Credit	Debit	Credit	Debit	Credit
1						FONDE TE VETALJUA DHE DITIMET E NGAJHIME AFATGJATE							
1	10				F	FONDE TE VETA							
1	10	101			F	FONDE BAZZ							
1	10	101	1010	1010000	F	Fondi baze							
1	10	101	1011	1011000	F	Shites te fundit baze							
1	10	101	1012	1012000	F	Paksimet te fundit baze							
1	10	101	1013	1013000	F	Konsumi i aktiviteve te qendroshme							
1	10	101	1014		F	Paksimet nga shitesja Mlletrove te Qendroshme							
1	10	101	1014	1014001	F	Paksimet, shitesja prima emisioni te rimbursimit te huave							
1	10	101	1014	1014002	F	Paksimet, shitesja studime e keshicime							
1	10	101	1014	1014003	F	Paksimet, shitesja Kercemoret, patentat, siçmenia e tjera							
1	10	101	1014	1014004	F	Paksimet, shitesja per tarracat e troje							
1	10	101	1014	1014005	F	Paksimet, shitesja per pyje e plantacione							

Appendix 11: Descriptions of Consolidation Financial Model content

The Consolidation Financial Model follows the same general structure as the Financial Model. There are two more section

- Restated
- Analysis

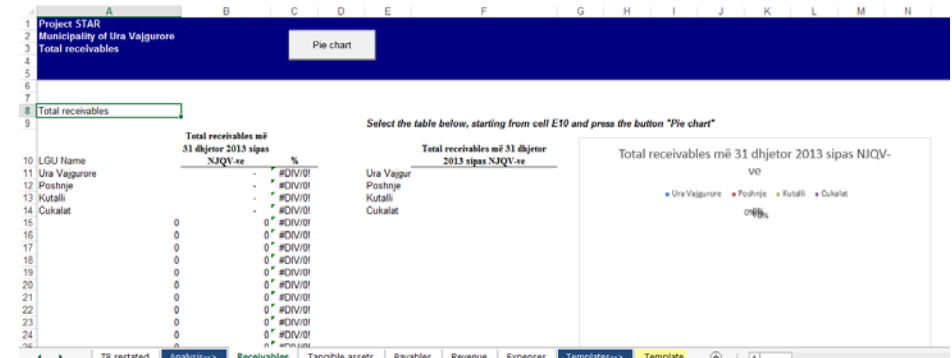
Restated

In this section are presented sheets in which should be inserted restated data from the prepared Financial model of the LGUs.

Numër	Numri I llogarisë	EMERTIMI I LLOGARIVE TE AKTIVIT	Ura Vajguore	Poshnje	Kutalli	Cukalat
1	12	Rezultate te mbartura(saldo debitore)				
2	A	AKTIVE TE QENDRUESHME				
3	20, 230	I.Te pa trupezuara				
4	201	Prime te emisionit dhe rimbursimit te huave				
5	202	Studime dhe kerkime				
6	203	Koncesione, patenta,licenca e tjera ngjashme				
7	209	Amortizimi i aktiveve qendrushme te pa trupezuara(-)				
8	230	Shpenzime per rritjen e aktiv.qendr.trupezuara				
9	1,23,24,28	II.Akt.Qendr.te Trupezuara				
10	210	Toka,troje,Terene				
11	211	Pyje,Kullota Plantacione				
12	212	Ndertime e Konstruksione				
13	213	Rruge,rrjeta,vepra ujore				
14	214	Instalime teknike,makineri,pajise,vegla pune				
15	215	Mjete transporti				
16	216	Rezerva shitore				
17	217	Kafshe pune e prodhimi				
18	218	Inventar ekonomik				
19	219	Amortizimi aktiv.Qendr.te trupezuara(-)				

Analysis

In this section are presented five sheets in which summary data is automatically presented by LGU. The user should use the built-in tool to prepare graphs for the report



Disclaimer

The content of this file is strictly confidential. This file has been prepared on the basis of the Contract between UNDP, Albania and KPMG Albania Shpk, dated 24 November 2014 ("Contract").

It is for the benefit and information of UNDP, Albania in regard to the contemplated regional reform of Albania only and it should not be quoted or referred to or copied or disclosed, in whole or in part, without our prior written consent, except as may be provided in the Contract.

This file represents guidelines on LGU due diligence, due diligence report templates, and a draft financial model. As you are aware we are still in the process of developing the model and we have not finalized with the undertaken detailed testing of the model or the quality assurance review. You need to bear in mind that you should not place reliance on the output information of this draft deliverable. This applies to the copy of the financial model appended to this letter and any future draft copies of the model that we agree to release to you.

The outputs may well change, a) as the model is refined and b) if any miscalculations are corrected. We would appreciate feedback on any odd results that you find but do bear in mind that any areas for improvement may be quite subtle. It is your responsibility to satisfy yourselves that the Model has been constructed in such a way as to materially meet your objectives.

It should be noted that it is not practicable to test a computer model to an extent whereby it can be guaranteed that all errors have been detected. The input data used in running the Model are solely your responsibility. Our responsibility is to assist you in building the Model based on your inputs and specifications. We cannot be held responsible for the use to which the output data is put. Our work is limited to the matters set out in our Contract and accordingly we do not provide any confirmation of the commercial merits, technical feasibility, compliance with applicable legislation, the factual accuracy of the input data or the validity that may be used to derive assumptions, or the interpretation of documentation in arriving at assumptions and input data.