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# **A Glance of Public Internal Financial Control in Albania**

Durres, June 2023



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- I. PIFC relevant requirements
- II. Strategic documents and legislative framework for Internal Control and Internal Audit
- III. Administrative capacities
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- V. Plans for further development



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## I. PIFC relevant requirements

- Albania is aiming to implement the public internal financial control system, throughout its public sector, in line with EU good practices and internationally recognized frameworks and standards;
- Albania is adhering to COSO Framework, INTOSAI Framework as the internationally accepted reference for internal control systems and International Professional Practices Framework (IPPF) which includes internationally accepted standards for internal auditing;
- The strategic vision, concretized through the adoption and implementation of the regulatory framework and the best practices in the field of internal control, is to ensure the further development of the PIFC system, as a tool that should be used by the managers and staff for responsible, successful and transparent management of public funds.



# How are we organized

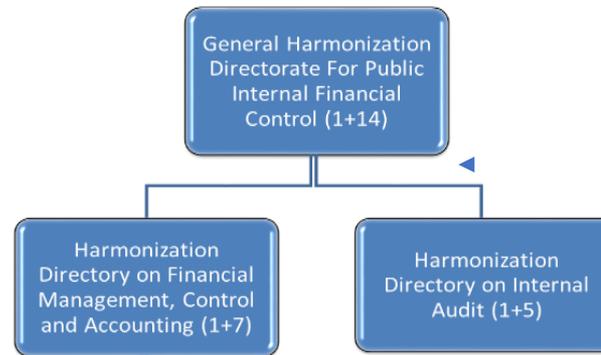
Prime Minister Office /Council of Ministers



Ministry of Finance and Economy



PIFC Board





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# Cooperation



## Domestic interaction

- Public units
- IA Units
- Supreme Audit Institution
- Department of Public Administration
- ASPA



- Expertise/Support
- Needs assessment
- Capacity building
- Technical assistance
- System evaluation
- Recommendations
- System monitoring



## International cooperation

- European Commission/DGBudget
- SIGMA
- World Bank (PEMPAL)
- SECO (Local Finance Project)
- ReSPA
- CEF



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## IV. Status of the implementation of FMC

From the general analysis of internal control principles, the internal control system is evaluated as *partially effective*, where the main influence on this result consist on the following findings:

- Improved internal control regulatory framework in order to implement the rules and procedures for an effective system of internal control in all public units;
- Institutions have established the basic conditions for an effective control environment and a structured process for the integration of strategic and operational objectives of the unit;
- Significant increase in the use of delegation, mainly in relation to procurement and salary payments;
- Issues in the clear definition of responsibilities and functions within the institution, reporting lines with subordinate units and segregation of duties;



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## Status of the implementation of FMC

- Low commitment of managers for coordination, communication and periodic reporting regarding the achievement of objectives and performance indicators between institutions and their subordinate units;
- Regardless of the not completely satisfactory results related to the risk management process (written procedures related to the risk identification process, in particular corruption or fraud), there is an increase in the number of institutions that have drafted and implemented risk management instruments;
- Institutions have legal procedures and relevant whistle blowing structures in place, but due to the lack of concrete data on corruption and fraud cases, a low level of implementation of these procedures and their effectiveness in the institution is evidenced.

**2003-2023**



*Internal Audit in Albania*



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**135** INTERNAL AUDIT UNITS

12 INDEPENDENT INSTITUTIONS

11 MINISTRIES

19 PUBLIC COMPANIES

24 CENTRAL INSTITUTIONS

20 UNIVERSITIES, HOSPITALS &  
HEALTH CENTERS

49 LOCAL GOVERNMENT ENTITIES

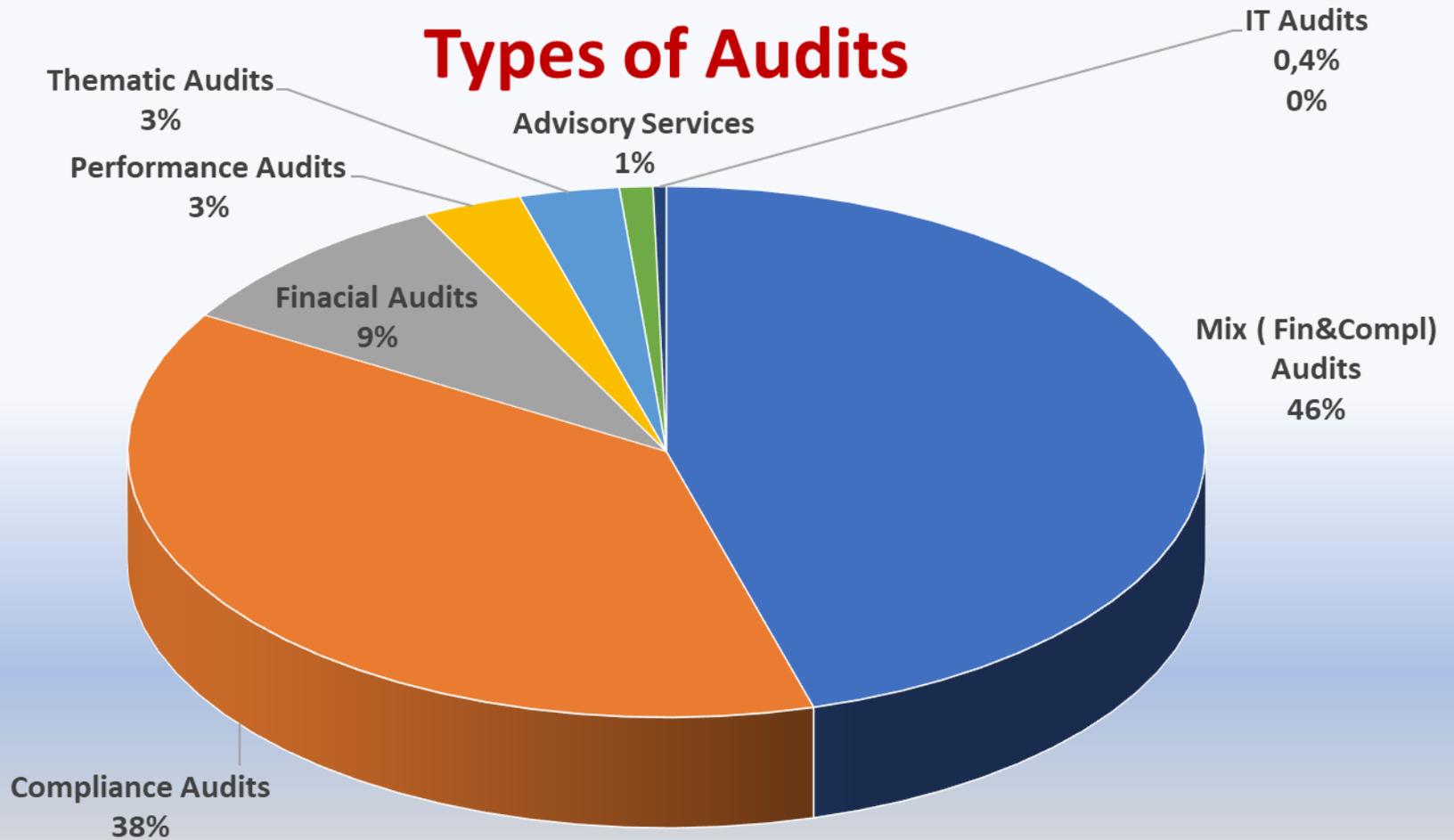
(MUNICIPALITIES)





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# Types of Audits



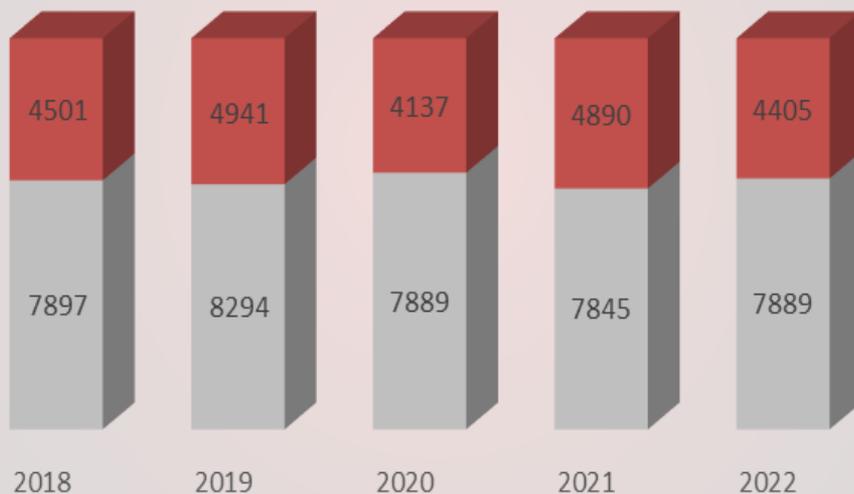


# State of the play of internal audit

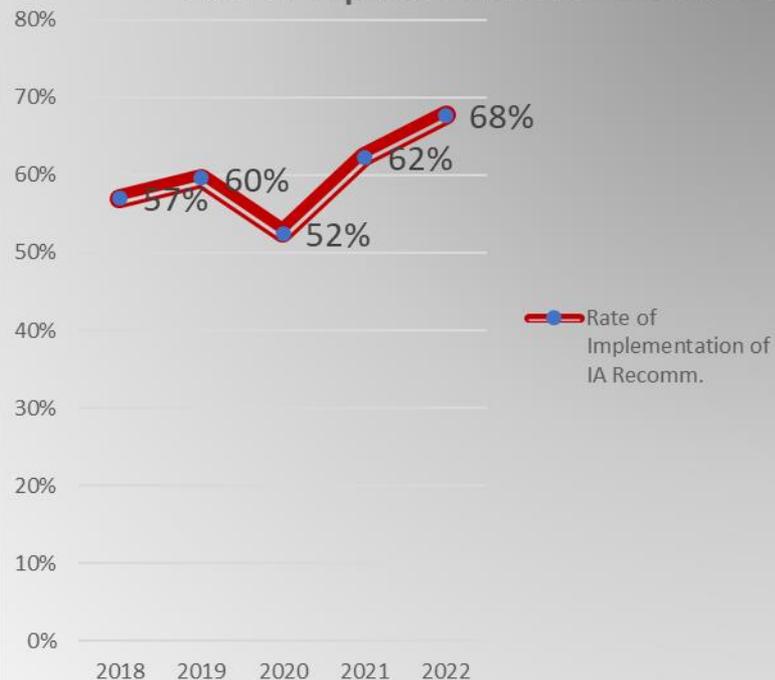
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## Implementation of IA recommendations

■ Accepted IA Recommendations   ■ Implemented IA Recommendations



## Rate of Implementation of IA Recomm.





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## Establishment of IA Units and staffing over the years

Year	Internal Audit Units (established no.)	No. Internal Auditors (Planned)	No. Internal Auditors (Fact)	Vacancies	Certified Internal Auditors	Internal Auditors under certification programme
2017	119	428	400	28	308	36
2018	127	469	429	40	330	40
2019	129	478	428	50	344	0
2020	129	469	414	55	318	50
2021	135	485	433	52	342	0
2022	136	499	435	64	309	75



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## IA national certification program

First national IA Certification scheme implemented in 2005 , consisting of 5 Modules : Financial Reporting and Accounting, National Legislation, Financial Management, Governance and Internal Control, and Internal Audit ( duration 9 months)

A new IA Certification Program was introduced in 2016, consisting of 6 (six) modules, prepared by CHU/IA in cooperation with SIGMA experts fully in compliance with internationally accepted standards.



### CIA Programme

Module 1: Internal Audit Environment

Module 2: IPPF and IA Standards

Module 3: Planning Internal Audit Activity

Module 4: Performing an internal audit engagement

Module 5: Audit Reports and Quality Assurance

Module 6: Audit Techniques and CAAT-s

**88% of active internal auditors are CIA**



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## IA continuous professional training

- 👑 Since 2014, the CHU/IA organizes annually the Program for Continuous Professional Training, based on the Training Need Analyses of all active public internal auditors;
- 👑 All certified internal auditors must attend no less than 80 hours of continuing professional training in two years (article 20 of IA Law );
- 👑 Training topics covered key issues related to internal audit activity in public sector such as:
  - ✓ Risk-based audit.
  - ✓ Internal Control Framework and Risk Management
  - ✓ Audit of IPA Funds Performance Audit
  - ✓ Performance Audit and IT Audit
  - ✓ Fraud and Corruption risk



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## External quality assessments of internal audit

- Once in 5 ( five ) years the CHU IA carry out external quality assessments of internal audit activity in public entities based on the **“Methodology for the external assessment of the quality of IA activity “;**
- The External Quality Assessments aims to evaluate the level of compliance of the internal audit activity with the requirements of the IPPF, and provide recommendations for further improvements in effective functioning of internal audit in public sector;

*As for the end 2022, 99 IAU’s, out of 136 established are assessed by the CHU/IA with the strategic objective to assess all IA Units within the 5-year period.*



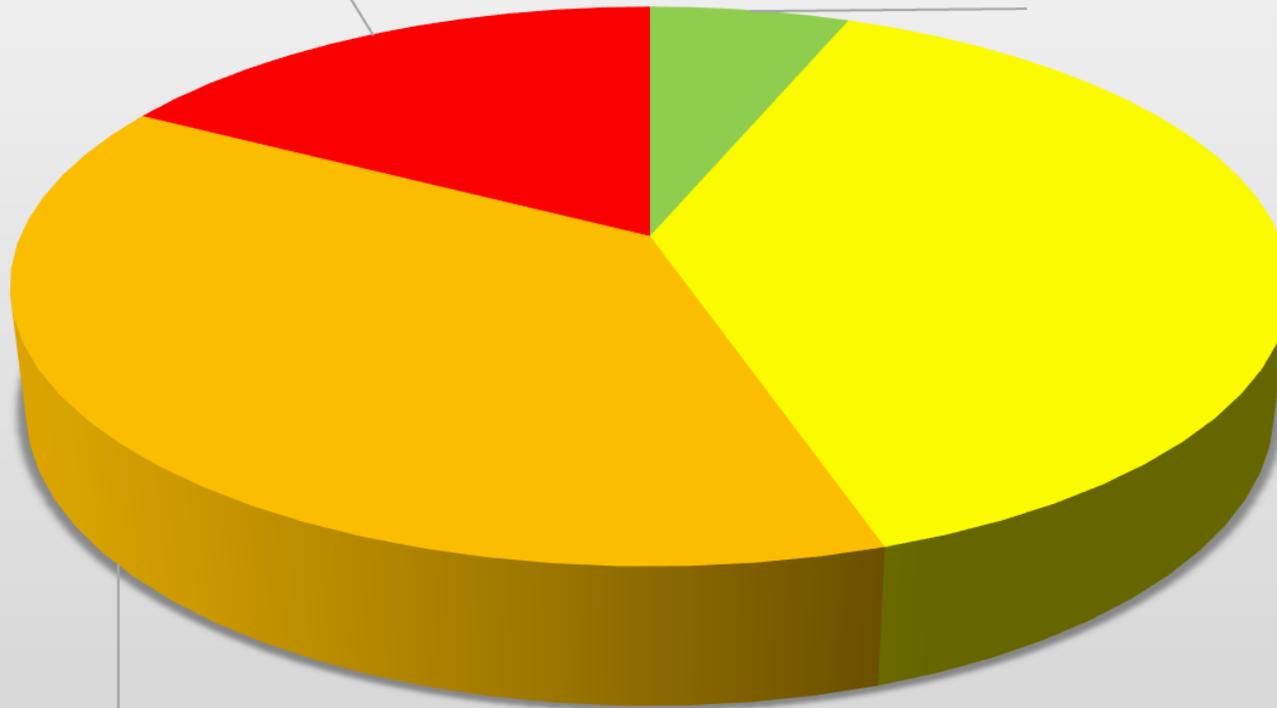
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## Quality Assessments of IAU's

### Opinions of the QA Assessments

IAU's NOT in compliance with IPPF,  
17%

IAU's generally in  
compliance with IPPF, 6%



IAU's less in compliance with IPPF, 38%

IAU's partially in compliance with IPPF, 39%



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## Cooperation with the Supreme Audit Institution

- Prescribed by Internal Audit Law (Article 25)
- “A Cooperation Agreement” between SAI and the Ministry of Finance was approved by the Minister of Finance with no. 5096 and Head of SAI with no. 406/1, dated 12 April 2017.
  - It established Technical Secretariat between SAI and MoFE.
  - Meetings organized based on Regulations of the Technical Secretariat.
- The main fields of cooperation are:
  - Exchanging consolidated audit plans in order to avoid overlapping.
  - Exchange of information and audit reports.
  - Joint trainings and development of audit methodologies.



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## Towards the future development

- Further development of the concept of **managerial accountability** to define clear authority and responsibility for the use and management of budget funds in a proper manner; Implementation of delegation procedures in all public units;
- **Supporting public units** in reviewing current policies and procedures in accordance with organizational, process or system changes;
- **Development of risk-based controls** in order to identify and mitigate risks with well-defined internal controls before the audit process;
- **Drafting and approval** by public **units of written procedures on reporting rules**, which should focus also on objectives, performance indicators and related risks to those objectives;
- **Conduct periodic self-assessment** of the internal control system by the high level management of the public unit, to identify potential deficiencies and implement more effective controls.



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## Plans for further development

- Further **development of internal audit legal framework** ( IA law reviewed and IA Manual updated) and keeping up to date the methodologies, guidelines, and instructions
- Strengthening the **role of the internal audit in fighting corruption, financial fraud**, and irregularities; Increasing the effectiveness and quality of audits, providing objective assurance and advice to the head of the public unit and add value and improve the public entity's operations;
- **Enhancing the impact of the internal audit** activity through following up the audit recommendations, and keeping a growing trend of the rate of implementation of audit recommendations;
- **Strengthening the professional capacities, skills, and abilities** of internal auditors through improved CPD training and certification programs.

# Albania and PEMPAL ' since 2006





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Welcome with your questions

**Thank you for your attention!**