

Risk Management Developments: state of play in the Republic of Albania

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Legal Bases

- ❑ Financial Management and Control Law no.10296, date 08.07.2010, amended with law no.110/2015 and law no.14/2023
- ❑ Financial Management and Control Manual (order no.108, date 17.11.2016)
- ❑ Instruction no.16, date 20.07.2016, for the risk coordinator and FMC coordinator
- ❑ Instruction no.4, date 29.01.2020, for the delegation of duties (where the delegation of risk coordinator is specified)



Risk Management as an internal part of strategic planning process



The main actors for the system

- ❑ **Head of public unit**
- ❑ **Authorizing officer** = FMC coordinator (including risk as part of 5 components of COSO)
- ❑ **The delegated FMC coordinator**
- ❑ **RMG** (risk management group)
- ❑ **SMG** (strategic management group)
- ❑ **Managers of the public unit**

The organization:

- **specifies objectives** with sufficient clarity to enable the identification and assessment of risks relating to objectives
- **identifies risks** to the achievement of objectives and analyses, with a view to determining how they should be managed
- considers the **potential for fraud** in assessing risks
- identifies and assesses **changes that could significantly impact** the system of internal control

Risk management principles

The component of risk management is evaluated by the following four principles:

- ❑ **Principle 6** – The public unit specifies objectives as the basis for identifying and assessing risks related to these objectives.
- ❑ **Principle 7** – The public unit identifies and analyzes risks for achieving objectives.
- ❑ **Principle 8** – The public unit assesses the potential fraud risk.
- ❑ **Principle 9** – The public unit identifies and analyzes significant changes.

Risk management state of play

- ❑ Risk management is assessed as partially effective based on an analysis of the information provided in self-assessment questionnaires (the four principles).
- ❑ The analysis carried out shows that not all units are engaged in the identification and assessment of risks, their presentation in the risk register, the impact they convey, and the necessary measures/plans for handling and minimizing their effect.
- ❑ A more positive situation is shown in some of the line ministries, independent institutions, or municipalities which have been supported by the Local Finance Project in the creation of risk management mechanisms, such as:
 - consolidated risk register;
 - the establishment of the risk management group;
 - the regulations for its operation or the identification, assessment, and treatment of risks for some of the main processes of these units.

Risk management state of play

- ❑ From the analysis carried out on the evaluation of the internal control system in the GGU's, it results that in 2022 about 82% of GGU's have consolidated the risk register and 50% have a risk strategy.
- ❑ The results of the assessment continue to show problems related to the risk management process, mainly in the elements related to fraud risk that do not consider various forms of fraud such as: falsification of documents, reporting of inaccurate information about financial situations or performance in meeting the defined objectives.
- ❑ Based on the analysis of specific principles, some of the units have created and use functional mechanisms or instruments for the identification, assessment, and management of risks.
- ❑ From the analysis carried out and taking into consideration the performance of the assessed units during 2022, it is evidenced that their activity is significantly affected by the effects of a not fully organized process of risk management.

Priorities

- MoFE is engaged in providing technical support for the implementation and proper functioning of the internal control system, including in the activity plan of mechanisms for the development of the risk management process.
- During the process of IC quality evaluation, MoFE is focused on the distribution of risk management system information and helping the institutions to develop the main tools of risk management.
- In addition, increasing the capacities of managers remains essential (190 employees from whom 15 employees of public units were trained and certified for risk management).

THANK YOU!

