

Printed by:  
"JUPITER PRINT & PROMOTION"

[www.klsh.org.al](http://www.klsh.org.al)

Supreme Audit Institution  
"Abdi TOPTANI" Street, Nr. 1, Tirana  
Tel./Fax 04/228485, Tel. 04/251267  
e-mail: [klsh@klsh.org.al](mailto:klsh@klsh.org.al)

ISBN 978-9928-159-99-1



9 789928 159991 >

## ALSAI PERFORMANCE REPORT 2020



# ALSAI PERFORMANCE REPORT 2020

**REPUBLIC OF ALBANIA**  
**SUPREME AUDIT INSTITUTION**

**ALSAI PERFORMANCE REPORT 2020**

Tirana, 2021

Title:

# **ALSAI PERFORMANCE REPORT 2020**

**Publication prepared by:**

Borjana SHAKA

Gjovalin PREÇI

**Design by:**

Elira CUKALLA

**Translated by:**

ALSAI's staf

**Edited by:**

Andi HYSA

Series: ALSAI's publications

01/2021/123

©Copyright ALSAI

**ISBN: 978-9928-159-89-2**

**Printed by:"JUPITER PRINT & PROMOTION"**

**Tirana, 2021**

## CONTENT

<b>Message by the Chairman of the Albanian Supreme Audit Institution, Dr. Arben Shehu</b>	<b>5</b>
<b>I. MISSION, VISION AND OBJECTIVES OF ALSAI</b>	<b>9</b>
<b>II. ALSAI AND ITS AUDIT ACTIVITY FOR 2020</b>	<b>11</b>
<b>II.1</b> Main facts and statistics of the audit activity	11
<b>II.2</b> ALSAI and Public Financial Management	16
<b>II.2.1</b> Financial Audits and Compliance Audits	23
<b>II.2.2</b> Performance Audit	77
<b>II.2.3</b> Information Technology Audits	92
<b>II.2.4</b> Criminal Charges	105
<b>III. COMMUNICATION AND COOPERATION WITH STAKEHOLDERS</b>	<b>107</b>
<b>III.1</b> Communication and Transparency	107
<b>IV. INSTITUTIONAL MANAGEMENT AND STRATEGIC DEVELOPMENT</b>	<b>126</b>
<b>IV.1</b> Performance based on the framework of Performance Measurement Indicators	126
<b>IV.2</b> Implementation of the Institutional Development Strategy 2018-2022	137
<b>IV.3</b> ALSAI and the Parliament for an effective communication	145
<b>IV.4</b> Institutional management progress	148
<b>IV.4.1</b> Human resource development and management and institutional organizational structure	148
<b>IV.4.2</b> Professional Development and Training	157
<b>IV.4.3</b> Assessment by the EU	170
<b>IV.4.4</b> Budgetary and Financial Indicators	172
<b>IV.4.5</b> Internal Audit Conclusion on the Financial Statements of 2020	180
<b>ACRONYMS</b>	<b>184</b>



## MESSAGE

### **BY THE CHAIRMAN OF THE ALBANIAN SUPREME AUDIT INSTITUTION, Dr. ARBEN SHEHU**

The drafting of the annual performance report of the Albanian Supreme Audit Institution (ALSAI) and its submission to the Parliament, as an obligation derived by the Constitution of the Republic of Albania, marks the finalization of the institutional activity and represents in its narrative the impact of our work for 2020.

Through this report, ALSAI has identified the main areas of annual activity, which are essential to assess the overall institutional performance, in view not only on the achievements and challenges faced, but also on aspects that will be continuously pursued in the service of good governance.

Although the previous year had been a year full of challenges, through in-depth and systematic audits, ALSAI has guaranteed the realization of objectives which have served to meet the institutional obligations.

Therefore, I would like to take this opportunity to express my gratitude to all the colleagues and the supportive staff of the Albanian Supreme Audit Institution, for their dedication and uninterrupted work during 2020. This year was accompanied by a change in the headship of the ALSAI, which as normally for any institution, was followed by a transitional process. The year 2020 was crossed in its path by the impact of the COVID-19 pandemic, the consequences of which we still continue to confront.

Also, I would like to thank the audited institutions, which made it possible the finalizations of the audit processes, as well as all those institutions which have interacted in time with the implementation of the recommendations delivered by ALSAI.

During this year, the Albanian Supreme Audit Institution has paid a special attention in maintaining consistency in the results achieved, improving the audit framework on the regulatory and methodological aspects, aiming at increasing quality, transparency, accountability, strengthening fiscal discipline, increasing efficiency in management of public resources for the provision of services, hence contributing in the economic development of the country, in partnership also with law enforcement institutions.

Through this report, I would like to underline the positive developments that took place during this year, such as:

- ✓ Reviewing and completely updating the methodologies and specific guidelines on which the external audit is based. Our auditors continue to provide a holistic approach, integrating a performance view on the auditees and applying all types of audit manuals (compliance, financial, performance and IT audit).
- ✓ Conducting impartial audits is inextricably linked to a qualitative methodological and regulatory framework, which is in line with the International Standards of Supreme Audit Institutions (ISSAIs) and best practices in the field. Financial, compliance, performance and follow-up of recommendations manuals adopted during 2020 are conceived as effective tools for external auditors, which through detailed conceptual, methodological and procedural structure provide assurance for quality audit products and guarantee objective and transparent information to the Parliament and citizens on how public funds are spent. The pilot process of these manuals has started during 2020 and will continue for 2021, in order to provide more detailed information on the quality of audit work, which will be provided through a wider implementation of ALSAI recommendations.
- ✓ The use of alternated audit techniques and methods has helped to perform data analysis and has improved the quality of our audits. The use of specialized audit skills, resulting from a series of trainings received by our staff at home and abroad, has further enhanced the skills and knowledge on the public sector activities, making it more effective to identify financial misconduct and legal irregularities in public administration, misuse of resources, etc., thus resulting in a more in-depth analysis on what must be improved on the lives of the citizens.
- ✓ The signing of more intensive cooperation agreements with the new justice institutions and state law enforcement agencies and the coordination of anti-corruption mechanisms will help to move forward more confidently, but at the same time will serve more efficiently to boost the EU integration processes.

Chairing the Albanian Supreme Audit Institution is a great privilege and responsibility, so looking to the future, we will always remain an institution open to suggestions and ideas from our main stakeholders, for the benefit of improving our work to reflect to the Parliament a clear overview on the use of public funds and assets, aiming at long-term sustainability in the interest of citizens.

In these regards, ALSAI will continue this year to conduct professional audits based on the principle of integrity by implementing the national legal framework, the corpus of International Professional Auditing Standards of INTOSAI, the best practices in the field of external audit, but also by continuing to measure its own achievements and contributions for this purpose.

**Arben SHEHU**

**CHAIRMAN**

Tirana, March 2021



## **I. MISSION, VISION AND OBJECTIVES OF ALSAI**

The Albanian Supreme Audit Institution is the highest institution of economic and financial control<sup>1</sup>, which audits in accordance with the Constitution, legal and regulatory framework, the manuals in force, best audit practices etc., reflecting thus at the highest level the international audit standards of INTOSAI and the European Organization of Supreme Audit Institutions (EUROSAI) .

The audit activity of ALSAI represents the professionalism, objectivity, transparency, commitment and integrity of the audit staff to identify problems, to deliver appropriate recommendations for the benefit of the fight against corruption and impunity, as well as strengthening good governance.

The results of the audits have identified the problems on management of funds, assets and public property, as well as the respective responsibilities of officials at each level of central and local government and their subordinate entities.

ALSAI, in partnership with the SAIs of the advanced countries of the region and beyond, has continuously tried to increase the audit professionalism, in accordance with the dynamism of the economic and social development of the country, aiming to further modernize the institution.

Following this line, in the annual activity our scope is to accomplish the mission of the ALSAI, which is defined in article 2 of law 154/2014 “On the organization and functioning of the Supreme State Audit”.

### *Mission*

The Albanian Supreme Audit Institution, through audits, aims on the effective, efficient and economical use of public funds, state/public property, by developing an appropriate financial management system on the proper conduct of administrative activities, as well as informing public authorities and the general public, through the publication of audit reports.

Such a focus continues to be embodied also in the ALSAI Development Strategy 2018 -2022: “*ALSAI is an independent constitutional institution, built to serve the Albanian citizens and to act as an "agent" of the Parliament and other stakeholders by continuously, impartially and fully informing them about the responsibility that the government and public entities exercise in using the public funds of the*

---

<sup>1</sup> The Constitution of the Republic of Albania, revised , article 162/1

*Albanian taxpayers, thus contributing to improve governance through the fight against corruption<sup>2</sup>.*

The audit activity of ALSAI includes conducting compliance audit, financial audit, performance audit, IT audit, as well as combined audits, covering the areas of compliance, legality, regularity, financial management and accounting, economy, efficiency and effectiveness of the administration of public funds and public/state property management.

In exercising its competencies, ALSAI audits the implementation of the budget by the units of general government; public revenue collection; administration and protection of public funds and public property; annual financial statements for general government units and delivering an opinion on them; public sector internal audit systems; users of public funds provided by the European Union or other international organizations, unless otherwise provided by special law; the administration of funds and public property; as well as the protection of the economic and financial interests of the State in legal entities, in which the State has more than 50% of the shares or stocks, or when their loans, credits and obligations are guaranteed by the state etc.

As defined in the ALSAI Development Strategy 2018-2022, our vision goes beyond the traditional approach by just focusing on assessments and findings. External public auditors carry out their activity not only by acting, but most importantly by interacting through recommendations and advice for the auditees in order to maximize the value of public money spent.

### *VISION*

ALSAI is a model institution that leads through example, which promotes accountability, transparency, effective, efficient and economical use of public funds, by strengthening the integrity and public trust in the institution, in order to bring added value for society and a change to the lives of citizens.

*This vision, also for 2020, has been enshrined in three strategic goals:*

1. Increasing the impact of audit work with a focus on 6Es.
2. Optimizing the professional capacities, audit skills, work procedures, logistics and other audit supportive functions.
3. Improving the channels of communication and cooperation.

---

<sup>2</sup> ALSAI Development Strategy 2018 -2022, page 19

## **Mission, Vision and Objectives of ALSAI**-----

Achieving these strategic goals is related to the following respective objectives:

- Strengthening the independence and mandate of ALSAI;
- Using risk based audit - as an effective audit approach;
- Conducting financial audits based on the international audit standards;
- Increasing the focus on performance auditing;
- Increasing the Information Technology audits;
- Consolidating the compliance audit according to the requirements of ISSAIs;
- Enhancing quality as a priority of ALSAI - quality improvement and its benefit for ALSAI audits;
- Strengthening the follow-up mechanisms of recommendations, increasing the level of recommendations delivered and implemented;
- Expanding the impact of reporting through increasing the number of ALSAI's products users;
- Increasing the role of ALSAI in the fight against corruption;
- Applying the Performance Measurement Framework as a tool for evaluation and development factor of ALSAI;
- Implementing professional standards through the development of methodologies and applicable standards in accordance with the best practices;
- Promoting high professional values for auditors through cultivating a culture of perpetual learning;
- Strengthening the structured system of professional education through certification of public auditors and continuous development;
- Implementing and continuous monitoring of ALSAI human resources policy document;
- Integrity, as a fundamental value of ALSAI;
- Strengthening the internal control system;
- Consolidating ALSAI's relations with the Parliament;
- Continuous implementation and monitoring of the Communication Strategy of ALSAI;
- Extending and increasing the cooperation with other institutions.

## II. ALSAI AND ITS AUDIT ACTIVITY FOR 2020

### II.1 Main facts and statistics of the audit activity

#### **Main indicators of audit activity**

In its capacity as the highest public external audit institution, ALSAI for 2020 had planned a total of 143 audits, following the audit work for the preparation of 145 audit reports, but due to the Covid -19 pandemic, only 73 audits have been finalized.

*Table no.1: Audits according to their type*

Audits according to their type	<b>Audits with opinion</b>
	28 compliance audits
	5 financial audits
	Regularity audits
	16 compliance and financial audits <sup>1</sup> (12 financial opinions and 12 compliance audits)
	9 performance audits
	4 IT audits
	11 topic audits

*Source: ALSAI*

#### **The audited institutions**

During 2020, audits covered the activity of 91 entities. They have included, central institutions, ministries and agencies (including central and regional directorates in their supervision), local self-government units (counties, municipalities), general directorates of fiscal administration, as well as state-owned companies, in which the state has over 50% of shares, or projects with foreign financing. The following table shows the distribution of audits by institutions.

*Table no.2: Auditees*

<b>Audited institutions:</b>	<b>Number</b>
Central government	14
Local government	18
Financial institutions	10
Public companies and international funding projects	9

<sup>1</sup> Of 16 mixed audits, ALSAI has delivered audit opinions for financial statements and compliance on 12 audits.

Property registration and environmental institutions	8
IT audited institutions	4
Performance audited institutions	28
<b>Total</b>	<b>91</b>

*Source: ALSAI*

The results of the audit work for 2020 have had the objective of identifying infringements and reporting them based on the classification as economic damage<sup>2</sup> and as irregularities / illegality with negative effects on public finances by the audited institutions<sup>3</sup>.

Economic damage	Irregularities and financial violations, in revenues and expenditures incurred, with economic damage in the total amount of 2,193,692 thousand ALL or 17.7 million euros.
Benefit indicator	The audit benefit indicator is 6.2. (The indicator is calculated as the ratio of economic damage found and sought for compensation by ALSAI, which are in the amount of 2,175,398 thousand ALL with the actual budget expenditures of ALSAI in the amount of 351,216 thousand ALL).
Irregularities and illegalities with negative effects	<p>Violations of financial discipline with a negative impact on the performance of audited entities, in the amount of 85,867,279 thousand ALL, approximately 694.1 million Euro, of which: 11,376,401 thousand ALL in the area of revenues, (91.9 million Euro) and 74,490,878 thousand ALL approximately 602.2 million Euro, in the area of expenditure.</p> <p>Irregularities and illegalities found, refer to the use of funds, without effectiveness and economy in the area of public procurement accompanied by lack of control in the</p>

<sup>2</sup> Economic damage in the audit activity refers to the obligation of monetary compensation, of an individual or entity that is caused to the audited state authority in relation to actions in violation of financial discipline and the relevant regulatory framework.

<sup>3</sup> The negative effect on the performance of the audited entities refers to the negative effects found in the administration of public funds and the management of economy, efficiency and effectiveness of public funds.

	implementation of procurement procedures, which in many cases are not in accordance with the legal framework. An important component are the violations of budgetary discipline in the liquidation of invoices for expenditures / investments, mismanagement of programmed funds which is accompanied by the creation of arrears.
--	---

Also for this year, the audit work is focused on the appropriate level for the ALSAI, assessing a higher level of risk in three components: programming; execution of the state budget; and reporting on fiscal indicators. The most effective regulations and significant violations consist in relation to the administration of tax and non-tax revenues; careless management in the process of using public funds; mismanagement of properties followed by illegality procedures and inefficiencies in the implementation of public procurement procedures.

Irregularities and financial infringements in revenue and expenditure, as an economic damage are in the amount of 2,193,692 thousand ALL, and irregularities and illegalities with negative effects on public finances of audited entities, amounts to 85,867,279 thousand ALL. Irregularities and financial infringements are detailed according to the following table.

*Table no.3: Economic damage analysis / negative effects by areas*

<b>In the area of revenues</b>	<b>Economic Damage</b>	<b>Irregularities/ legal infringements</b>
In implementing the tax laws	1,038,069	2,409,920
In implementing the Customs Code	453,211	-
In the mismanagement of state property, hydrocarbon agreements and concession contracts	36,785	99,598
In urban administration		8,128
Others	190,052	8,858,755
<b>Total</b>	<b>1,718,117</b>	<b>11,376,401</b>
<b>In the area of expenditure</b>		
In the area of salaries, insurance and remuneration	96,205	664,623
In the area of operative expenses	16,130	47,958
In the area of investment expenditures	337,927	38,267,249

Others	25,313	35,511,048
<b>Total</b>	<b>475,575</b>	<b>74,490,878</b>
<b>Total (A+B)</b>	<b>2,193,692</b>	<b>85,867,279</b>

Source: ALSAI

### The benefit indicator / the benefit indicator is 6.2

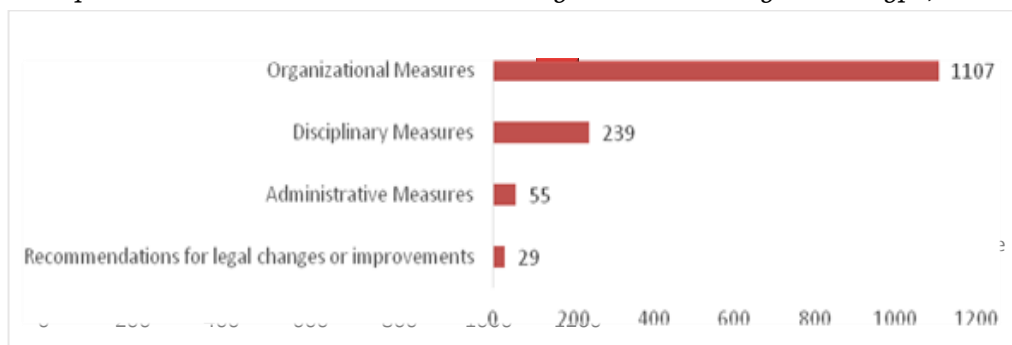
Audit benefit indicator, which is used in the context of measuring the performance of ALSAI, for the period January - December 2020 results 6.2, which means that for every 1 (one) lek spent for ALSAI from the state budget for the period January - December 2020, through its audits ALSAI has found 6.2 ALL as economic damage, for which it has requested to be compensated. The indicator is calculated as the ratio of economic damage found and sought for compensation by ALSAI, which are in the amount of 2,175,398 thousand ALL with the actual budget expenditures of ALSAI in the amount of 351,216 thousand ALL.

For 2020, the benefit indicator represents the applied indicator only on the results of final reports, regardless of the elements reflected in the overall audit work performed within 2020, but delayed due to circumstances caused by Covid-19 pandemic.

### On the recommendations and their types delivered by ALSAI

For the period January-December 2020, ALSAI has delivered 1430 recommendations, of which 29 are “legal improvements” recommendations, 1107 “organizational”, while 294 are “disciplinary” and “administrative” recommendations.

Graph no.1: The recommended measures by ALSAI according to their type, 2020

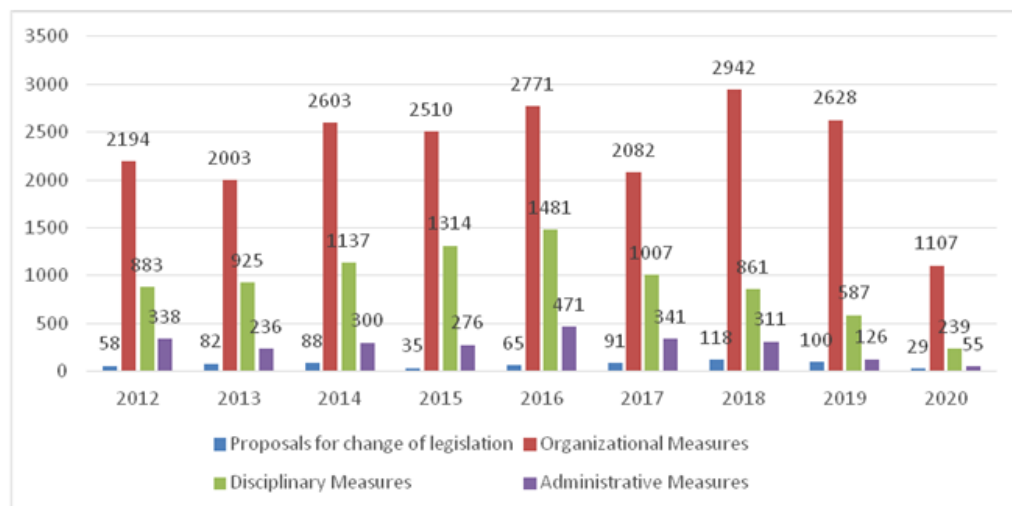


Source: ALSAI

In the last 9 years, 2012-2020, ALSAI has delivered in total 32 394 recommendations, of which 666 “legal improvements”, 10888 “disciplinary” and

“administrative “and 20840 “organizational” recommendations.

*Graph no.2: Measures recommended by ALSAI in total 2012-2020*

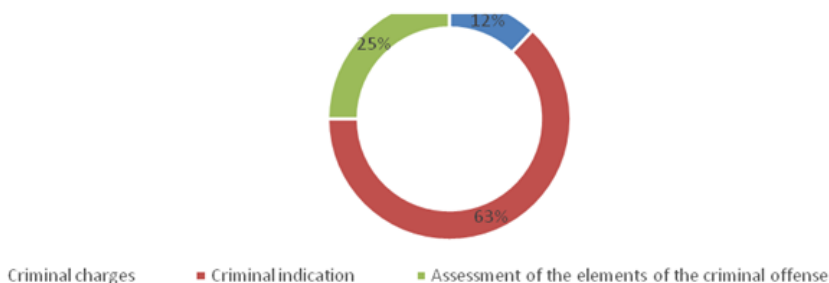


*Source: ALSAI*

### **Criminal charges**

In the framework of the commitment to fight uncompromisingly abusive actions and financial fraud, aiming to improve public governance, during 2020 ALSAI has made 8 criminal charges and criminal indications, of which 5 cases have been referred to the Prosecution Office as criminal indication, 1 has been referred as criminal charge, whilst 2 audit report have been referred to assess possible elements of criminal offense.

*Graph no.3: Criminal charges*



*Source: ALSAI*



## II.2 ALSAI and Public Financial Management

During 2020, ALSAI has fulfilled the obligation for the submission of the State Budget Implementation Report for 2019, based on the audits conducted on the planning process, budget implementation, reporting of consolidated indicators, public debt reporting, and reserve fund use and contingency report.

By delivering the audit opinion on the consolidated annual budget implementation report, based on audit evidence and audit procedures, it was founded that for some budget items, financial deficit and debt level, due to the importance and prevalence mentioned in this report, there are material deviations (quantitative and qualitative) not according to legal framework.

This year as well, ALSAI has underlined the importance to identify public administration and financing risks on the financial discipline control. In delivering its recommendations, ALSAI has requested immediate measures to be implemented in order to control and monitor the macro-economic indicators.

**1.** In accordance with the risk-based audit approach, this year ALSAI has made an **assessment of financial management and control systems, including internal audit in the public system**, based on the evaluations of control systems in the auditees, but also in the audit of central structure at the Ministry of Finance and Economy, which is responsible for implementing and monitoring public internal financial control. Even this year, based in the audit evidence, ALSAI has found that the control systems are still ineffective, unmonitored and are reported only by a limited number of public units (about 10% of the total of public entities). This coverage does not provide reasonable assurance on the level of effectiveness of design, implementation and functioning of controls within the framework of financial management and control. Internal Audit continues to be non-independent, while problems in the establishment and operation of these structures remain persistent. The audit committees, even in the case when they are established, fail to guarantee full independence of internal audit structures from the high officials of institutions.

**2. In the area of revenues, based on the audit findings conducted in tax revenue management entities, ALSAI concludes** that although there is an increase in tax revenues collected for 2019, compared to the previous year, this level still reflects the problems in the administration of taxes. Thus the planned income from revenues of VAT again has not been reached despite the increase in the number of registered taxpayers. The planning of profit tax revenues does not really support the success of exceeding the budget plan for this item. Revenues

from "Personal Income Tax" remain influenced by informality in the declaration of the level of wages, because mostly it is reported in the limits of the minimum wage for some sectors of the economy and group of taxpayers. In fact, the biggest impact for the personal income tax during 2019 is the change in the tax rate on dividend income.

Also, from the audits on the planning and collection of tax revenues, it has resulted that the methodology used for the distribution of the tax revenue plan in the dependent units, does not take into account corrective and complementary factors by sectors of the economy, taxpayer and problems there are specific for every administrative region. ALSAI has found that some changes in tax legislation have been made not in accordance with the principles and fiscal rules provided in the Law no.9936, dated 26.6.2008, "On the management of the budget system in the Republic of Albania", revised, thus not offering the necessary time for information and clarification to taxpayers affected by these changes, to ensure the validity and accuracy of declarations. Consequently, this doesn't allow to correctly predict the impact of these changes in the revenue plan for the reporting year. Regarding the measures taken to recover the tax debt, they do not appear at the required level and have not sufficiently contributed to the increase of the annual income.

From the audits conducted in the customs administration on the planning and collection of customs revenues, ALSAI ascertains a non-consistent monitoring of revenues. Administrative decisions of the customs authority, regarding the violations found in the area of customs, are not in accordance with the requirements of the Customs Code. Determining the customs value according to the defined indicators and tariff code classifications, in order to standardize and unify the procedures for reviewing the value of goods to avoid abuse and evasion of customs duties, remains a problem that requires enhancing the control mechanisms by the customs administration. In the supervision procedures of customs regimes, were found actions in non-compliance with the legal deadlines for goods under the temporary admission procedure. In the field of excise tax, the problems resulted in the lack of calibrations in holding deposits of economic operators operating with the status of approved depositor, contrary to the legal procedure. Also, the regional customs branches have not managed to fully implement the legal deadlines related to customs debt recovery, reflecting a high debt situation.

Regarding the unused and inherited revenues for the local self-government units, the audit found a deviation in reporting of 5,253 million ALL, where the largest

deviation belongs to the data of the Municipality of Tirana. However, apart from the inaccuracy in the reporting, what ALSAI has persistently pointed out is the fact that the part of the unconditional transfer that is not used is not detailed in the initial budget law, thus creating conditions that, by not presenting the relevant plan, the right to spend these funds is reserved to local self-government units.

**3. Regarding the public debt and the budget deficit**, ALSAI has concluded that the budget indicators have deviations, namely: the level of deficit for 2019 was underestimated due to non-financing of treasury bills, to cover losses from the revaluation of the reserve of the Bank of Albania in the amount of ALL 6,874 million, or about 0.4% of GDP. The impact of this underestimation was also reflected in the debt stock at the end of 2019. The level of arrears, according to ALSAI assessment, resulted at least 24.4 billion ALL out of about 17 billion ALL that was calculated in the reports of the Government Financial Information System, including the obligation for the reimbursable VAT stock, which in the ALSAI assessment resulted in 14.8 billion ALL, from 11.2 billion ALL reported to the General Directorate of Taxes.

Also, for the Ministry of Finance and Economy we found that no measures were taken to recover liabilities, created over the years from the loan-guarantee relationship, but constantly new liabilities have been created, conditioned mainly by mutual liabilities between companies with capital state in the energy sector as well as problems with the administration of companies as a whole (energy sector, water supply sector or even local government), reflected in their insolvency.

Regarding privatization bonds, this year continued to be a discrepancy between the figures reported by the Bank of Albania and those reported by the Ministry of Finance and Economy regarding the initial amount of bonds distributed (with a difference in reporting of about 2.2 billion ALL), for the value of bonds used (with a reported difference of about 20 billion ALL), and the value of bonds issued but not distributed (with a reported difference of about 13.1 billion ALL). As a result, there was not concluded on the amount of bonds, which have been distributed and have not yet been returned to the Bank of Albania for disposal.

**4. From the audit on the planning of budget expenditures**, for the general government units, the same problems continue to be found like: deficiencies in the preparation of the MTBP regarding the deadlines; argumentative documentation of new projects and the implementation of the suggestions, by the budgetary institutions delivered from the Ministry of Finance and Economy. The process of planning in detail of the budget funds until the announcement of

their approval, despite an improvement compared to a year ago, was prolonged and didn't have a fixed deadline, in order to strengthen controls over the planning of procurement procedures. As a result, the receipt of budget commitments took place only after approval of funds available in the Treasury Directory. Despite the budgeting and approval phases, ALSAI has underlined the fact that this budgeting, especially for investment expenditures, is not credible and consistent referring to the high number of budget reviews it undergoes throughout the fiscal year with Normative Acts. Specifically, during 2019, about 1169 projects were identified with a net change of available funds of 4.13 billion ALL, a fact which also suggests a lack of monitoring of investment projects, non-implementation of budgeting priorities or delayed implementation, of which ALSAI has found in concrete cases of interrupted projects that were not implemented according to plan or postponed in time.

**5. Regarding the procurement procedures**, during 2020, from the audits in different contracting authorities, there have been cases when these procedures have been developed beyond the planned needs and without budgetary funds available or not included in the medium-term budget program, accompanied by shortcomings in the procedure and deadlines, etc. During 2020, the Information Technology Audit Department in ALSAI conducted an analysis with CAAT techniques with information obtained from the databases of Public Procurement Agency and the Commission of Public Procurement for procedures developed through the electronic public procurement system. The analysis concludes that for 2019, 5049 procurement procedures were conducted, for which a limit fund of 9,047 million ALL was made available. Of these procedures, 33% of them or 1682 were conducted with one bidder, where a significant number (1097) are procurements for the supply of goods, showing problems in the low level of competition and consequently in the effectiveness, efficiency and economy of use of public funds.

*Table no.4: The situation of procurement procedures for 2019*

Contract type	Procurement for 2019			Procurement with one bid			
	Limit funds	No process	No. offer average for each procedure	Limit funds		Procedure with one bid	
				ALL	% of the total	No.	% of the total
<b>Services</b>	19,439,831,335	1491	4	6,203,075,498	32	435	29
<b>Wares</b>	30,705,445,067	2557	2	6,485,443,499	21	1097	43

## ALSAI and its audit activity for 2020 -----

<b>Work</b>	40,320,419,155	1001	5	2,128,691,190	5	150	15
<b>Total</b>	90,465,695,557	5049	3	14,817,210,187	16	1682	33

Source: APP

### *Procurement with one bid*

In addition to the above, there is a large concentration of procurement procedures in public institutions and entities, as 10 contracting authorities (from 291 in total) procured 96% of the total value of the limit fund. The institutions that have procured from 10-26% of the total limit fund are: Ministry of Health and Social Protection 26%; National Information Society Agency 13%; Albcontrol JSC 11% and Electricity Distribution Operator JSC 10%. It is concluded that in general these procurements belong to the areas of health service, electricity and air traffic management.

During 2019, 1052 complaints have been submitted to the Public Procurement Commission (PPC), of which 58% are from Tirana, displaying thus not only the fact of procurement concentration, but also the reduced trust of economic operators from other regions to address their issues in the PPC.

The above complaints belong to 9.6% of the total procurement procedures. PPC during 2019 has taken 792 decisions regarding complaints, 47 of which have been appealed to the Court.

It should be noted that the large number of complaints has created delays in addressing complaints within the legal deadline in some cases, accompanied by a lack of analysis by the PPC and the PPA as why those contracting authorities which most often show the tendency for irregularities in law enforcement, are public entities with a small number of employees; local government units or contracting authorities that have had changes of procurement employees etc.

**6. On the incorrect reporting of arrears,** it resulted that the stock of arrears reported based on the own declarations of budget units in the amount of 17,279 million ALL, is incomplete and inaccurate as there are differences in the reporting of payments for liabilities. These as consequence also due to incomplete reporting by budget units and not in accordance with the Annual Instructions and DCM no.50, dated 05.02.2014 "On the approval of the strategy for prevention and settlement of arrears and action plan", thus affecting not only the distortion of financial statements, but also the underestimation of the budget deficit indicator.

Thus, ALSAI repeatedly has found what are not reported or are partially reported, as below:

- Final court decisions, with financial impact, contrary to Article 61 of Law no.9936 dated 26.06.2008 "On the management of the budget system in the Republic of Albania", as amended;
- Arrears, as obligations for international court decisions contrary to Instruction no.5 dated 27/02/2014 "On the settlement of arrears";
- The General Directory of Taxes has not reported to the Ministry of Finance and Economy the VAT stock refund;
- The Credit balance for tax - profit continues to remain high during 2019 creating a potential liability for the tax administration as arrear.

In particular, this year as well, ALSAI has audited the costs and liabilities for court decisions for unfair dismissal from civil service or work and reiterated the importance to address fully the responsibilities related to these decision-making that create financial costs, in line with the ongoing demand for drafting and approving the law "On material responsibility".

**7. On the regularity of registration of transactions in GFIS and C@TS (financial and tax e-systems) resulted as follows:**

Regarding the registration of transactions in GFIS, ALSAI has concluded that the obligations arising from the Instruction no.9/1 dated **09.03.2018 "On Budget Implementation Procedures for General Government Units that use GFIS**, have not been fully implemented. The administration of GFIS does not have special protocols for documenting, handling and identifying errors in the functioning of GFIS, with an impact on the procedural compliance of actions taken in the GFIS system.

We have found irregularities in the recording of value commitments and deadlines by almost all budget institutions (18,024 cases worth 98.3 billion ALL or 63% of all contracts registered in GFIS, in violation of the legal deadline). Practices of recording budget commitments without available funds or partial registration of them due to lack of available funds (in 52 cases worth 12 billion ALL) have continued, consequently creating arrears. Contracts have been registered in violation of the legal deadline, in almost all budget units but especially in those of local government whose cases account for 34% of the total delays, which indicates the formality nature of the registration procedure in GFIS. There have been cases of making commitments without budget funds available for projects that have not passed the legal approval process in the MTBP (18 cases with a total value of over 2.4 billion ALL).

In the system of tax administration, ALSAI found delays in the registration of liabilities arising from administrative acts. Problems are identified in the processes of cancellation of tax liabilities in the tax information system C@TS, for

entities that did not yet have a final decision, highlighting the lack of control systems for actions performed manually in this system.

**8. On the stock of the obligation for VAT refund,** ALSAI has found that the VAT refund procedures from the General Directory of Taxes(GDT) have been carried out in excess of the refund plan by spending more than the planned sum of the refund in the amount of 4,509,456 thousand ALL or exceeding by 23.73% the annual forecast. The payments made are in violation of the legal repayment period of 30/60 days, putting in difficulty the exporting taxpayer for the necessary liquidity and for the normal course of economic activity.

In ALSAI's evaluations, the value of the stock declared by the GDT in the amount of 11,251,390 thousand ALL is underestimated by at least 3,526,472 thousand ALL, thus bringing an estimate of the stock of VAT refundable on 31.12.2019 in about 14,777,862 thousand ALL.

For the entities that carry out economic activities in the construction of hydropower works, the National Agency of Natural Resources (NANR) has informed the GDT for about 60 entities that operate in this field who have made investments in the absence of construction permits. The control structures in the GDT and those in the RDT (Regional Directory of Taxes) have not provided a final solution regarding the legality of credit and VAT refund for the work performed by them and/or the unfair benefit of the refund, creating thus negative effect on the budget of state, according to Law no.99/2018 "On the state budget for 2019".

**9. Regarding the audit of concession contracts,** it has been concluded that the payment for these contracts exceeds the level approved in the financial model, changing their financing even in difficult periods for the state budget (in which the execution of many expenditures was prohibited), such as the earthquake of 26.11.2019). Also problematic has remained the fact that these contracts are not registered in GFIS in their full value according to the commitments undertaken. Therefore, ALSAI has requested increased attention in managing the risks arising from concession / PPP contracts, in order to maintain the concession / PPP payments within the level of 5% of national tax revenues, taking into account that in the coming years will start payments for 3 concession projects in the field of public infrastructure, as well as the expectations for a decrease in tax revenues as consequence of earthquake events and Covid-19 pandemic situation.

**10. About the use of the Reserve Fund,** we have ascertained: Deficiencies and violations in completing the documentation related to the decisions for the use of this fund or documenting the suggestions of the Ministry of Finance and Economy before these decisions were taken; Use of the reserve fund as a "budget supplement", when in fact these expenditures had to be foreseen in accordance

with the procedures and legal criteria of budget planning, and approved by its annual law (about 78 million ALL, or 3.8% of the value of this fund); We have also found an unjustified increase in the use of budget funds of 169.45 thousand ALL as a result of delays in the liquidation procedures of ECHR decisions, by the State Advocacy and the Council of Ministers.

**11.** In 2019, the Ministry of Finance and Economy did not submit the consolidated financial statements of the state to the Assembly. ALSAI ascertains that the regulatory framework related to Public Accounting has not had the intended improvement. Accounting in the public sector is regulated on the basis of Instruction no.8, dated 09.03.2018, incomplete and problematic from a conceptual point of view. According to ALSAI, the progress made in drafting the legal basis and preparing the consolidated financial statements of the state is insufficient and the objectives in this field are far from the requirements of the Public Financial Management Strategy 2014-2020. In the absence of statements submitted by the Ministry of Finance and Economy, which has not submitted to the Assembly the consolidated financial statements for 2019, ALSAI cannot give an opinion about them.

**12. Regional Development Fund**, although it is a source of funding for some budget programs, does not appear as a separate item in the table of fiscal indicators. Even after the recommendations of the Supreme State Audit, the situation regarding the reporting of this fund (RDF), continues to be the same as in previous years. All investment projects financed by the RDF are reported undifferentiated from all other capital expenditures, making it difficult to identify the value of investments financed in the budget year by the RDF. The detailed list of initiated investments is different from the list presented at the time of approval of the draft budget for the year. Meanwhile, in the final amended plan, the changes of DCM no.372, dated 29.05.2019 for the transfer of funds are not reflected in the program "University Education".

## **II.2.1 Financial Audits and Compliance Audits**

### **II.2.1.1 On financial audits with opinion**

ALSAI, while conducting financial audits is committed to an independent assessment, which results in an opinion with reasonable assurance, if the reported financial condition, results and use of resources of an audited entity are presented fairly and in accordance with the legal framework of financial reporting<sup>6</sup>.



Also, the SAI auditors during this activity have tried to implement the International Financial Auditing Standards (ISSAI 2000-2899), the relevant audit manual, as well as the professional standards of the regulatory framework.

In recent years, ALSAI has set goals and objectives for the annual increase of the percentage of financial audits, in addition to performance audits, in order to move from compliance and regularity checks to audits that may help prevent economic damage and breach of rules<sup>7</sup>, acting in line with the recommendations of the European Commission. However, the extraordinary year of the global pandemic has also affected the audit activity of ALSAI, making financial audits comprise of 7% of all audits for the previous year (5/73). This is related to the peculiarity of this type of audit, which necessarily requires the auditors to be positioned in the audited entity, due to the lack of IT methods for the possibility of using evidences, data and financial indicators electronically.

In 2020, ALSAI has conducted 5 financial audits, of which 2 in central institutions and 3 in local units. In these audits for central institutions, there was given 1 unqualified opinion<sup>8</sup> (INSTAT) and 1 unqualified opinion with emphasis of matter (General Prosecution). In the local-government units 2 qualified opinions were given<sup>9</sup> (Municipality of Rrogozhina and Municipality of Roskovec) as well as 1 opposing opinion<sup>10</sup> (Municipality of Skrapar).

Although it is not a considerable number of financial audits, the opinions given show that the financial reporting, results and use of resources by local units have problems related to the denatured presentation, in an unfair way and not in accordance with the legal reporting framework.

*Table no.5: Entities and Opinion on financial audits*

No.	Subjects	Opinion of audit
1	INSTAT	Unqualified opinion
2	General Prosecution	Unqualified opinion (emphasis of matter)
3	Roskovec Municipality	Qualified opinion
4	Municipality of Rrogozhina	Qualified opinion (emphasis of matter)
5	Skrapar Municipality	Opposing opinion

*Source:ALSAI*

Summarized, the problems identified in the financial audits of **central government** are presented as follows:

- No reconciliation and unification of the values presented in the financial statements with the values in the acts of reconciliation with the treasury branch;

- Failure to perform the necessary arrangements and accounting entries based on the accounting classification;
- No accurate and complete highlight in the financial statements of some accounts;
- Encroachment of the principle of existence and completeness of assets due to lack of accounting evidence;
- Lack of information on material matters in the accompanying relations of the financial statements;
- Inaccuracies in the calculation of depreciation values in the economic inventory of assets;
- Lack of asset inventory reports, etc.

*In INSTAT, (audited period 01.01.2017-31.12.2019), it resulted in non-reconciliation and unification of the values presented in the financial statements with the values presented in the reconciliation acts with the treasury branch; failure to perform the necessary arrangements and accounting entries based on the economic accounting classification; Lack of more complete explanatory information regarding the presentation of funds, the lack of information on the necessary explanations of the discrepancies of some accounts in the reconciliation acts and the balance sheet.*

*In the General Prosecution, there has been a need for measures by the management and then in a hierarchical line by all staff to fully and accurately record the financial statements of 2020, the account "Land plot", which is unfairly accounted in the amount of 0 ALL; accounting records of Intangible Assets, specifically account 213 "Studies and research", "Roads, networks, water works", in the amount of 783,100 ALL, in order to detail this item to increase the accuracy and completeness of data; analysis of account 468 "Miscellaneous debtors", to identify the classification of those debtors who have possibility of collection and those without it, in order to follow all the legal steps for their collection.*

In audits performed by ALSAI, for giving the opinion on financial statements in the Local-Government Units, the shortcomings consist in the following directions:

- Some of the asset accounts do not match the economic content of the assets and erroneous accounting operations have been performed, denaturing them, as well as those of credit obligations and rights over debtors, do not reflect the real situation in material values or even cases when this obligation is not recorded in the accounting;
- In all cases, no inventories were made by local government units on the physical condition of (fixed) long-term material assets (such as land, plots of

land, forests, plantations, buildings and structures, etc.), regardless of the source of funding (own revenues or from ownership transfers by DCM), but are limited to the inventory of materials for disposal, and in most cases their revaluation has not been done;

- Credit liabilities are not reflected accurately, including liabilities under final court decisions, as well as collection rights to debtors, since the necessary accounting and legal documentation for these debtors' accounts is missing;
- Recording of arrears is still a concept applied modestly and at an early stage in the implementation and reflection of financial statements. Often their registration is not done according to IMF no.8, dated 09.03.2018, but the accounting against the liability party of account 401-408 "Suppliers and related accounts" continues, instead of account 467 "Miscellaneous creditors", which is specifically for arrears.

*In the Municipality of Rrogozhina (audited period from 01.01.2018 until 31.10.2019)*

Deficiencies were found in the financial statements of the Municipality of Rrogozhina for the fiscal year 2018. Material errors in the financial statements closed on December 31, 2018 are presented as follows:

- Account 213 "Roads, networks, water works" is understated by 1,257 thousand ALL;
- Account 1013, "Reduction of funds from depreciation of AAGJ" is understated by 1,257 thousand ALL;
- Account 26 "Equity participation" is understated by 62,051 thousand ALL;
- Account 467 "Miscellaneous creditors" is understated by 21,303 thousand ALL;
- Account 467 "Miscellaneous creditors" is overstated by 4,204 thousand ALL;
- Account 467 "Miscellaneous creditors" is understated by 8,832 thousand ALL;
- Account 401-408 "Suppliers and related accounts" is overstated by 8,832 thousand ALL;
- Account 401- 408 "Suppliers and related accounts" is understated by 4,204 thousand ALL;
- Account 486 "Expenditures for future periods" is understated by 21,303 thousand ALL.

There are also shortcomings in the field of income, there are significant differences in the collection of tax liabilities for businesses and households, both for local taxes and fees, as well as for the calculation of interest on arrears. The total value of the debit for businesses (interest liability) is 26,630 thousand ALL,

of which the liability is not accounted for 2019. The total value of the debit for 314 entities that have exercised activity in the period 2011-2016 is 23,891 thousand ALL (unaccounted for).

The total value of the debt for the land tax is 99,599 thousand ALL (unaccounted for). The total value of the debit for family taxes and fees is 38,929 thousand ALL (unaccounted for):

- For contracts of beaches and constructions made on the coast, for the budget of the Municipality-Rrogozhina, there is an economic damage of 38,895,875 ALL, from not calculating the interest on arrears;
- By not calculating the correct payment of the fuel trading permit in the amount of ALL 16,900 thousand.

Regarding the violations above, with Decision no.13, dated 27.02.2020 of the Chairman of ALSAI, the following were recommended: 7 organizational measures and 3 measures of lack of income worth 245,811 thousand ALL.

*In the Municipality of Skrapar (audited period 01.01.2017 until 31.12.2019), deficiencies were found in the area of expenditures, failure to take measures for liquidation of arrears worth 42,810 thousand ALL, in end of 2019:*

- In the field of revenues, inaccurate planning of local taxes and fees, reducing them from one period to another. Planning for the property tax for 2017 is worth 13,069 thousand ALL, for 2018 this tax is planned at 9,198 thousand ALL, or 3,871 thousand ALL less, while for 2019 the planning is 10,035 thousand ALL, or 3,034 thousand ALL less than the year 2017;
- The rent tariff is not applied correctly for the areas of the forest fund in the amount of 713 thousand ALL; The legal actions for the collection of debts in the amount of ALL 83,543 thousand were not followed completely; No contracts have been concluded with entities of mineral permits according to MIE for the amount of ALL 889,715 thousand, as well as non-application of the cleaning tax in the amount of ALL 1,600 thousand;
- Has not set up one effective system of financial management and internal control, by not drafting a complete framework of rules written for this purpose;
- In the inventory process, there is lack of the item “vehicle” with a value of 2,178 thousand ALL;
- In the field of contract implementation, economic damage in the amount of ALL 2,355 thousand was identified, due to non-implementation of public works contracts;

- Regarding the violations above, with Decision no.45, dated 22.05.2020 of the Chairman of ALSAI, the following were recommended: 9 organizational measures; 9 measures for compensation of damage worth 5,296 thousand ALL; 2 measures of expenditures contrary to 3-E in the amount of 9,371 thousand ALL; 3 measures for lack of income worth 974,868 thousand ALL; 23 disciplinary measures; 1 (one) administrative measure worth 50 thousand ALL.

*In the Municipality of Roskovec (audited period 01.01.2017 until 31.03.2020),* Discrepancies were found in some accounts of the financial statements for the year 2019, for data on investments made:

- In the end of 2019, balance of account 466 "Creditors for assets in custody" is in the value of 57,935 thousand ALL. From analytical data of this account for the years 2017, 2018 and 2019, it is found that there are solidified funds before 2017 for which the guarantee period has been met for several years and their liquidation has not been done, for 25 cases in the amount of 15,703 thousand ALL;
- From analysis of account 231 "Expenditures in process for increasing of steady embodied Assets" for 2019, it is ascertained.

The balance of this account on 31.12.2019, is in the value of 724,828 thousand ALL analyzed for 77 invested objects. Out of these, for 30 objects in the amount of 308,085 thousand ALL, there are investments in process made in 2017 and 2018 for which in the fiscal year 2019, no arrangements have been made. In this case, the value of ALL 308,085 thousand, represents the value of investments for completed objects, a value for which account 231 must be settled by crediting it to the debit of the invested assets accounts.

No liquidation measures have been taken regarding overdue invoices worth ALL 145,601 thousand at the end of 2019.

From the audit of the implementation of legal provisions on Financial Management and Internal Control it was found that the current state of the Financial Management and Control system, based on self-assessment and test results, shows that aspects of internal control are understood and function at a "sufficient" level, along all unit structures.

In the field of income, not taking measures for the collection of debtors in the amount of 111,865 thousand ALL.

Regarding the violations above were recommended: 11 organizational measures; 1 measure of expenditures contrary to 3-E in the amount of 61,299 thousand ALL;

1 measure of lack of income worth 118,865 thousand ALL; 23 disciplinary measures; 1 (one) administrative measure worth 50 thousand ALL.

*On financial and compliance audits with opinion*

ALSAI has also performed 12 compliance audits, of which 3 in central institutions, 9 in local government units.

*Table no.6: Types of opinions by audited entities*

No.	Opinion of audit	Subjects
OPINION ON FINANCIAL STATEMENTS		
3	Unqualified (No reserve)	Ministry of Culture, Regional Directorate TAX Shkodër, Municipality of Malësi e Madhe
5	Unqualified (Reserve)	The apparatus of the Prime Minister, the Prefect of the District Tirana, Municipality of Cërrik, Municipality of Maliq, Council of Gjirokastra Region
3	Qualified	Divjaka Municipality, Ura Vajgurore Municipality, Agency of Parks and Recreation
1	Opposing	Finiq Municipality
OPINION ON COMPLIANCE		
3	Unqualified (No reserve)	Ministry of Culture, Apparatus of Prime Minister, Malësi e Madhe Municipality
2	Unqualified (Reserve)	Council of Gjirokastra Region, Ura Vajgurore Municipality
5	Qualified	Prefect of Tirana District, Municipality of Divjaka, Cërrik Municipality, Municipality of Maliq, Agency of Parks and Recreation
2	Opposing	Regional Tax Office of Shkodër, Municipality of Finiq

*Source: ALSAI*

### **On giving financial and compliance opinions in Central Institutions**

The Department of Audit of Central Institutions during 2020 has conducted and completed the audit activity in 14 institutions, in compliance with the standards of financial audit (ISSAI 2000-2899) and compliance ISSAI 4000. They concluded with 2 financial and 2 compliance opinions.

*In the Ministry of Culture, (audited period 01.01.2018-31.12.2019),* there were problems in the inventory process where for the preparation of financial statements, before reflecting an error carried over the years in relation to the accumulated depreciation of assets, as a result of non-initial recording of economic inventory assets based on proper accounting documentation before the year 2012, reflected this in the lack of amortization calculation for several years. It resulted that the value of accumulated depreciation of economic inventory is higher than the historical cost itself.

*At the Prime Minister Office, (audited period 01.01.2018-30.06.2020)* there was a lack of documents of the inventory commissions in the warehouse, as well as non-drafting of the report for the inventory of assets in stock, inventory of materials in use and materials that were out of use, not providing reasonable assurance on the book value of inventories, reflected in the financial statements, until the finalization of the inventory process.

### **On giving financial and compliance opinions in local-government units**

#### *On giving financial opinions*

Out of 1111 "Financial" and "Financial and compliance" audits, conducted in 2020, in 6 audits there was a "qualified" opinion, such as: municipalities "Rrogozhina", "Divjaka", "Malësi e Madhe", "Ura Vajgurore ", "Roskovec" and "Gjirokastra Regional Council ", in 2 audits an "opposing" opinion was given, such as: the municipalities of "Finiq" and "Skrapar", in one audit a "not modified with emphasis of matter" opinion was given, Municipality of "Cërrik", in another audit in Municipality of Maliq, the opinion given was "modified with reserve", and in an audit an 'unqualified' opinion was given, namely 'Tirana District Prefecture'.

*In the Municipality of Finiq* (audited period from 01.01.2017 to 31.12.2019), deficiencies were found in financial statements, which do not present a straight line in all material aspects, the position of the accounts at the end of the exercise periods, financial performance and flow of money in accordance with the framework of Public Sector Financial Reporting.

It was also found that:

- In the implementation of procurement procedures for the period 01.01.2017 - 31.12.2019, as irregularities were found regarding the failure to prepare the unification of special qualification criteria and the winning announcement of economic operators with shortcomings in meeting the criteria approved by the

Contracting Authority (here follows CA), reflected in the non-use of budget funds with a negative effect in the amount of 41,773 thousand ALL;

- In the implementation of public works and services contracts, irregularities were found at the value of 20,654 thousand ALL economic damage;
- In the administration of operating expenses in the budget (account 602), financial transactions with economic damage were found in the budget of the Municipality of Finiq in the amount of 3,019 thousand ALL;
- In the administration of local revenues from natural / legal entities and family subscribers, the full procedure has not been followed in implementation of the provisions of law no.9920, dated 28.5.2008 "On Tax Procedures in the Republic of Albania", law no.9632, dated 30.10.2006 "On the local tax system", with changes and the respective Decisions of the Municipal Council, for the collection of the value of 186,939 thousand ALL, of which economic damage accounts for 10,800 thousand ALL, lack of income in the amount of 36,041 thousand ALL and tax debt in the amount of ALL 150,898 thousand;
- In the administration of operating expenditures in the budget (account 602), the efficiency and effectiveness of small value procurement procedures has not been achieved, thus not fulfilling the purpose of law no.9643, dated 20.11.2006, causing economic damage in the amount of 143 thousand ALL, etc.

Regarding the above violations, with Decision no.28, dated 30.04.2020 of the Chairman of ALSAI, the following were recommended: 18 organizational measures; 14 damage compensation measures worth 77,384 thousand ALL; 4 measures of expenditure contrary to 3-E in the amount of ALL 138,706 thousand; 8 measures of lack of income worth 161,236 thousand ALL; 12 disciplinary measures; 1 administrative measure.

*In the Municipality Malësi e Madhe (audited period from 01.01.2018 until 30.03.2020), at the end of the audit of financial statements (balance sheets) for the years 2018 - 2019, after the evaluation of the documentation, regarding the degree of implementation by the entity Municipality of the standards on financial reporting, generally give a fair and honest picture of financial position, performance and cash movements, this referred to IMF and Economy no.8, dated 9.03.2018 "On the procedures of preparation, presentation and reporting of annual financial statements in the Units of General Government", excluding some material but not widespread anomalies that are the basis for giving a qualified opinion".*



It was also found that:

- In the implementation of procurement procedures for the period 01.01.2018 - 31.12.2019, regarding the degree of applicability of rules, laws and regulations, policies, established codes or terms and conditions, which have been agreed upon (compliance audit criteria), based on tests, of documents proving the activity of the entity Municipality of Malësi e Madhe based on risk analysis, some anomalies have been found in setting criteria and winning EO with incomplete criteria, material but not widespread that are the basis for giving a qualified opinion, on the illegality of the use of public funds in the amount of 118,638 thousand ALL;
- In the implementation of public works and services contracts, irregularities were found at the value of 988 thousand ALL economic damage;
- In the implementation of legality for the payment of employees (account 600), it was found that payments were made contrary to legal acts in the amount of 563,952 ALL;
- In the administration of local revenues from natural / legal entities and family subscribers, the full procedure has not been followed in implementation of the provisions of law no.9920, dated 28.5.2008 "On Tax Procedures in the Republic of Albania", law no.9632, dated 30.10.2006 "On the local tax system", and the respective Decisions of the Municipal Council, for the collection of the value of 148,179 thousand ALL, of which accounts for economic damage in the amount of 13,020 thousand ALL, lack of income in the amount of 21,416 thousand ALL and tax debt in the amount of 113,743 thousand ALL.

Regarding the above violations with Decision no.73, dated 27.06.2020 of the Chairman of ALSAI, the following were recommended: 20 organizational measures; 6 damage compensation measures worth 14,540 thousand ALL; 1 measure of expenditures contrary to 3-E in the amount of 118,638 thousand ALL; 5 measures of lack of income worth 141,083 thousand ALL. 20 disciplinary measures.

*In the Municipality of Cërrik (audited period from 01.01.2017 to 31.12.2019)*

From the audit it resulted that:

- In 2017 and 2018 there were excluded from the inventory accounts, 210 "Land, terrain", 211 "Forest Plantations", 212 "Buildings and Structures", 213 "Roads, networks, water works", 214 "Technical installations, machinery and equipment", 215 "Means of transport" and current assets and for these accounts, there is no accounting register;

- No credit obligations have been paid at the amount of 114,852 thousand ALL, recorded in the account. 401-408;
- The account for 2020 was not correct for the historical value of 22,792 thousand ALL;
- Fines of LTPI have not been accounted for in the amount of 3,970 thousand ALL.

It was also found that:

- In terms of financial management and control, the Municipality of Cërrik does not have documentary evidence where the mission statement, objectives and strategic and annual plans in fulfillment of these objectives have been approved and identified. We also did not provide documentary evidence on the action plan to achieve the objectives. These actions are in contradiction with article 8 and 9, respectively points a and a, b of law 10296 "On financial management and control";
- From the audit of purchase procedures with a small value of 24,615 thousand ALL, resulted in fragmentation of funds in the procedures developed for the years 2017 (2 cases) and 2019 (4 cases), lack of technical specifications of goods, lack of documentation for the calculation of the limit fund, non-objective prices (in the case of food purchase), there is no declaration on the fulfillment of technical specifications by the winner, tax invoices are not signed by the members of CSVP and in some cases there is no declaration – receipt;
- In procedures with higher values, illegal use of funds worth 10,599 thousand ALL was found;
- In the field of contract implementation, economic damage was ascertained in the amount of 9,778 thousand ALL, due to non-implementation of contracts according to the estimate;
- In the field of revenues, it was ascertained that the debtors were not prosecuted in the amount of 5,173 thousand ALL and LTPI fines in the amount of 5,173 thousand ALL;
- Regarding the above violations with Decision no.46, dated 23.05.2020 of the Chairman of ALSAI, the following was recommended: 14 organizational measures; 8 damage measures in the amount of 9,779 thousand ALL; measure of expenses contrary to 3-E worth 10,599 thousand ALL; 4 measures of lack of income worth 10,833 thousand ALL; 6 administrative measures worth 300 thousand ALL.

*In the Municipality of Divjakë (audited period 01.07.2017 until 31.12.2019),* shortcomings and problems were found for the two years 2017 and 2018 of auditing period, non-drafting of Consolidated Financial Statements, because in addition to the Office, the Municipality of Divjaka depends on the spending unit the Municipal Services Agency, which has its own balance sheet and funds are allocated by the Municipality. Account balance 411 "Clients and similar accounts" in the balance sheet asset is presented at the end of 2018 in the amount of 18,960 thousand ALL and at the end of 2017 in the amount of 3,399 thousand ALL, the account which is debited for the rights, i.e. income ascertained (for sales prices) and is credited for receipts for sales revenues, while the Municipality of Divjaka has no economic operations or financial transactions related to the sale. This value of 18, 960 thousand ALL in fact belongs to the balance of account 401-408 "Suppliers and related accounts" presented in the balance sheet liabilities, which represent established liabilities of the institution to third parties for the purchase of assets. Based on these reasons, we emphasize that this accounting in account 411 "Clients and similar accounts" is incorrect and the value of 18,960 thousand ALL at the end of 2018 and the value of 3,399 thousand ALL at the end of 2017 should have been included in the balance sheet of account 4342 "Other operations with the state (rights)", an account which represents the obligation that the state has to the institution for expenditures ascertained during the exercise period, but still unpaid (current or capital grants received from the state budget).

From the audit, it was found that the residual value at the end of 2018 of 12,658 thousand ALL of intangible long-term assets presented in the account balance 202 "Studies and Research", belongs to 38 project-studies for investments performed since 2017, which was not distributed according to the type of tangible assets where the investments were made, despite the fact that the works were completed in previous years

It was also found that:

- In the Municipality of Divjaka, the Financial Management and Control system, based on the self-assessment and the results of the tests performed, shows that the aspects of internal control are not fully understood. There is no consolidation of the set of rules, procedures for each activity, despite the fact that it realizes this referring to the competencies and bylaws in force, thus reflecting the average level of risk of internal control systems.

From the Directorate of Revenues in Divjaka Municipality and 4 Administrative Units, for non-payment of tax liability by entities on 31.12.2019 the value of

debtors for local taxes and fees at the municipal level is in the amount of 307,653 thousand ALL, which represents:

- 284 business entities, in the amount of ALL 27,637 thousand;
- 9146 family members are debtors for land taxes in the amount of 264,844 thousand ALL;
- For debtors (families) of local tariffs in the amount of ALL 15,171 thousand, of which;
- About 2911 families in the amount of 9,213 thousand ALL, have not paid taxes to the Water supply sh.a Divjaka;
- 5,958 thousand ALL of the infrastructure impact tax;
- Stock of illiquid invoices is presented in the amount of ALL 62,125 thousand and liabilities for 5 court decisions in the amount of ALL 3,234 thousand;
- In the implementation of the works of 8 contracts were found material deviations in measurable items, a fact that shows that the supervision of investment works is a risky area in the management of public investments, evidencing an economic damage in the amount of 2,511 thousand ALL;
- In the development of public procurement procedures, actions were found not in accordance with the legal requirements in 11 procedures where use was not registered according to 3-E of the amount of 16,127 thousand ALL.

Regarding the above violations with Decision no.50, dated 23.05.2020 of the Chairman of ALSAI, the following were recommended: 23 organizational measures; 11 damages measures worth 15,734 thousand ALL; 1 measure of expenses contrary to 3-E in the amount of ALL 2,123 thousand; 2 measures of lack of income worth 12,326 thousand ALL;

*In the municipality of Ura Vajgurore (audited period 01.01.2017 until 31.03.2020), problems have been identified in:*

Total historical value of account 202 "Studies and research" at the end of 2017 was 19,658 thousand ALL, at the end of 2018 was 28,097 thousand ALL and at the end of 2019 was 36,521 thousand ALL. It is concluded that for these assets the public entity has not properly calculated and accounted for depreciation rates.

Account 211 "Forests, Pastures, Plantations", the same as for Account 210 "Land, terrain", are assets transferred by DCM to former municipalities and due to lack of asset registers do not represent real value.

For account 212 "Buildings and constructions", account 213 "Roads, networks, water works" and for Account 214 "Technical installations, machinery and equipment", the maintenance value is not accounted for and asset revaluations and depreciation are not calculated in the inventory lists.

For account 215 "Vehicles", at the end of 2017 the balance sheet results in the value of 48,596 thousand ALL, at the end of 2018 results in the value of 40,177 thousand ALL and at the end of 2019 results in the value of 32,226 thousand ALL. The account 215 is overstated with items belonging to Account 214 "Technical installations, machinery and equipment". This account does not represent the real value and is overloaded in the amount of 33,258 thousand ALL. In the calculation of amortization has differences due to the lack of proper maintenance of the asset register, as it is not clear for which assets the amortization of additions made during the year is calculated, and for which is not. Wrong calculation of depreciation due to non-maintenance of asset registers is contrary to IMF no.30 dated 27.12.2011 "On asset management in public sector units", both in the existence of an asset register and in the supporting documentation for completing the assertion of the existence of the asset.

It is also found that:

- In the administration of operating expenses, the efficiency and effectiveness of procurement procedures has not been achieved, thus not fulfilling the purpose of law no.9643, dated 20.11.2006, illegal actions of using public funds in the field of procurement in the amount of 344,972 thousand ALL, etc.;
- In the field of the implementation of contracts for civil works, services and goods as well as the lack of conclusion of contracts with the subjects of quarry exploitation, irregularities were found in the value of 42,161 thousand ALL economic damage, as a result of non-completion in time of works and shortcomings in the implementation of works not according to the draft estimate;
- In the administration of local revenues from natural / legal entities and family subscribers, the full procedure has not been followed in implementation of the provisions of law no.9920, dated 28.5.2008 "On Tax Procedures in the Republic of Albania", law no.9632, dated 30.10.2006 "On the local tax system" and the respective decisions of the Municipal Council, for the collection of the value of 223,115 thousand ALL, as missing income in the budget of the Municipality of Ura Vajgurore. The tax debt consists of 23,615 thousand ALL.
- Obligations for 6 court decisions are in the amount of 18,652 thousand ALL (of which 5 for dismissal and one penalty);
- Non-application of recommendations from previous audits, estimating that no measures have been taken for their implementation, mainly for the value of compensation of damage of 6,671 thousand ALL;
- From the audit of the activity of the Internal Audit Unit resulted that: it has not been possible to carry out controls to verify the tasks left by the audit

missions performed, a point which does not turn out to be in the audit programs of the newly audited entities.

Regarding the above violations with Decision no.75, dated 27.06.2020 of the Chairman of ALSAI, the following were recommended: 18 organizational measures; 9 damage compensation measures worth 42,161 thousand ALL; 1 measure of expenditures contrary to 3-E in the amount of 342,865 thousand ALL; 2 measures of lack of income worth 223,144 thousand ALL; 1 (one) administrative measure worth 50 thousand ALL.

*In the Municipality of Maliq (audited period 01.01.2018 until 30.12.2019), from the audit it turned out that:*

- a) out of 444 real estate inventory objects in the amount of 1,112,185 thousand ALL reflected in the accounting, 19 objects were equipped with a title deed, 21 objects were in the process of registration and 404 inventory objects did not have a title deed contrary to DCM no.510, dated 10.06.2015 "On the inventory and mortgage of all immovable and movable property", chapter VI "Transfer of assets and registration of immovable property", paragraphs 1 and 2;
- b) From the audit, it turned out that the value of assets presented in the Statement of Financial Position does not represent their "fair value", as the Municipality of Maliq has not undertaken any revaluation procedure. The initial values, or historical costs of these assets result according to the purchase prices and other direct costs, in the respective creation periods, which refer to the inventory of the account 212 "Buildings and constructions" for 31 objects (buildings, health centers, schools, etc.) range from 1,000 ALL to 99,000 ALL;
- c) From the audit, it turned out that, out of 4113 properties in total, a significant part of them 3692 properties, according to the following description, are not recorded in property, plant and equipment in accounting and financial statements, since according to inventories inherited from Merged Units (MUs), they are presented only in quantities without value in ALL.

Inactions regarding the findings in letters b and c, on the valuation and revaluation of assets are contrary to Instruction no.8, dated 09.03.2018, Chapter IV "Preparation and rules for completing the consolidated annual financial statements", item 105 "Steps to be followed for the consolidation of the statement of financial position".

*It was also found that:*

- Out of 21 audited procedures, in 2 (two) cases was found violation in the implementation of public procurement procedures, which has led to winning announcement of the bid of the next EO remaining in the classification with a higher value than the bid of the EO that did not agree to conclude the contract, while the difference between the two bids is several times higher than 2% of the value of the limit fund procured concretely (4 to 17%), contrary to paragraph 5, article 58 "Winner notification and contract signing" of law no.9643, dated 20.11.2006 "On Public Procurement" as amended, with the consequence of using the public fund without economy, efficiency and effectiveness in the total value of 26,933 thousand ALL without VAT.
- Contracting Authority in reporting periods (2018; 2019) with public funds has issued procurement orders for expenditures with object: "Purchase of goods, services and public works", objects procured with the same nature through the procedure "Small value" with fragmentation of the public fund, avoiding other procurement procedures, while it should have procured the fund for these grouped objects, or in lots for the purpose of using the public fund effectively, efficiently and economically.
- Regarding the design and approval of the STD qualification requirements criteria it is concluded that; The tender drafting unit, in no case has argued about the criteria set for the qualification requirements, while it is sufficient only with the reflection and description of the general terms that; "... The establishment of these requirements is in support of law no.9643, dated 20.1.2006 "On public procurement" amended and DCM no.914, dated 29.12.2014 "On the approval of public procurement rules" amended; Public works contract...":
  - In the field of expenditures, failure to take measures to liquidate arrears in the amount of ALL 19,500 thousand, at the end of 2019;
  - In the field of income, failure to take measures to collect debtors in the amount of 71,389 thousand ALL; Failure to take measures to collect LTPI fines in the amount of ALL 7,063 thousand; Non-implementation of the fuel permit tax in the amount of ALL 2,400 thousand;
  - In the field of implementation of contracts, economic damage in the amount of ALL 2,048 thousand has been ascertained.

Regarding the above violations with Decision no.77, dated 30.06.2020 of the Chairman of ALSAI, the following were recommended: 13 organizational measures; 6 damage compensation measures worth 2,051 thousand ALL; 1 measure of expenses contrary to 3-E worth 33,537 thousand ALL; 4 measures of lack of income worth 81,888 thousand ALL.

*In the Prefecture of Tirana Region (audited period 01.01.2017 until 30.11.2019),* problems were found at the Local Commission for the Evaluation of Property Titles of the Prefect of Tirana District, for 187 decisions taken for the partial abolition of ATPL with an area of 1274548 m<sup>2</sup>, has not filed a criminal report in the Judiciary, against members of the division commission of the land, this in excess of the legal powers of which have brought serious effects and damages to the interests of the state, in the division of agricultural land above the per capita rate.

In the field of revenues was found a non-collection of 67,707 thousand ALL for 38 cases by holders of property titles on agricultural land.

Regarding the above violations with Decision no.24, dated 20.04.2020 of the Chairman of ALSAI, the following are recommended: 7 organizational measures; 1 measure of expenses contrary to 3-E in the amount of ALL 14,398 thousand; 1 measure of lack of income worth 60,707 thousand ALL; 9 disciplinary measures; 7 administrative measures worth 540 thousand ALL.

*In the Council of Gjirokastra Region (audited period 01.01.2017 31.12.2019)*

From the audit resulted that 13 court decisions for dismissals, which have been accounted for, have given a negative financial effect to the budget of the Gjirokastra Regional Council in the amount of ALL 13,776 thousand:

- It was found that the Gjirokastra Regional Council has made efforts to hire the necessary staff for the Therapeutic Center for Children with Autism or Down syndrome, but despite the constant announcements for vacancies, no persons with the minimum necessary qualification were found;
- From the audit of secondary revenues realized by the County Council based on the legislation in force, it was found that there is a significant amount of uncollected revenues from the municipalities, in the form of membership fees, which are approved by their respective councils in the amount of 7,417 thousand ALL, which constitute a lack of income for the Gjirokastra Regional Council;
- It also resulted that there is a lack of legal information that local units must provide to the Directorate of the Administration and the Protection of the Land (DAPL) at the end of each year, such as copies of contracts and project implementation. Also, there are no payments for these leased lands as the local units have not made this data available to DAPL.

Regarding the above violations with Decision no.23, dated 20.04.2020 of the Chairman of ALSAI, the following are recommended: 10 organizational measures, 1 disciplinary measure, 3 administrative measures worth 120 thousand ALL.



*In the Agency of Parks and Recreation (audited period 01.09.2017 until on 31.12.2019), irregularities were found in the financial statements as follows: Non-registration of assets of "Parku Rinia" with all its constituent elements, referring to decision no.49, dated 26.04.2018 "On the transfer of the administration of Parku Rinia", as a recreational park with all the constituent elements (vegetation, bins, infrastructure without public lighting with no.7/322, CZ no.8380, with an area of 24910 m<sup>2</sup>), from the General Directorate no.1 of the City Workers at the Parks and Recreation Agency", the procedure of transferring the assets of the "Parku Rinia" has not been performed.*

Non-accounting of uncollected liabilities at the end of exercise periods deriving from forest and pasture contracts inherited from former municipalities in the amount of ALL 20,119 thousand.

They are evaluated for audit 5 contracts worth 102,637 thousand ALL or 73.1% of contracts, of which 2 contracts were found with violations in the non-implementation of some items, evidencing an economic damage in the amount of 1,448 thousand ALL.

In the Agency of Parks and Recreation the Municipality of Tirana, the current state of the Financial Management and Control system, based on the self-assessment and the results of the tests performed, shows that the aspects of internal control are little understood. There is no consolidation of the set of rules, procedures for each activity, thus reflecting the average level of risk of internal control systems.

In the field of high value procedures, irregularities were found in the misuse of public funds in the amount of ALL 183,894 thousand without VAT, illegal actions of funds:

- In the field of income, non-implementation of procedures in the collection of the value of ALL 20,119 thousand, from lease contracts;
- Non-signature of contracts for the forest area of 692 ha with a value of 25,206 thousand ALL.

Regarding the violations above, there were recommended: 4 organizational measures; 2 damages in the amount of 1,448 thousand ALL; 3 measures of expenditures contrary to 3-E in the amount of 192,726 thousand ALL; 2 measures of lack of income worth 45,325 thousand ALL; 4 disciplinary measures; 21 administrative measures.

### II.2.1.2 On compliance and regularity audits

Audits of compliance are concerned with providing an objective, professional and independent assessment of the extent to which the audited entity has complied with the rules, laws and regulations, policies, codes or the terms and conditions agreed upon. Regularity audits include verification of financial responsibility as well as the expression of opinions on the financial statements; auditing financial systems and transactions, including assessing compliance with laws and regulations; audit of the public internal financial control system and the functioning of internal audit, etc.

#### On audits of compliance (with opinion)

During 2020, ALSAI has conducted 28 compliance audits of which, only for 3 entities was given an unqualified opinion (with or without reserve). In other audits the opinion was qualified, because the findings and deviations from the regulatory framework at the discretion of the auditors were material but not widespread (12 audited entities). While in the audit of 10 entities the findings and deviations from the regulatory framework, there has resulted not only material but also widespread deviations, justifying the opposing opinion of compliance.

*Table no.7: Opinion on compliance audits*

No.	Opinion of Audit	Subjects
2	Unqualified opinions	Department of Diplomatic Corp Service, Regulatory Entity of Water
1	Qualified Opinions (emphasis of matter)	LDSAC Saranda
10	Qualified opinions	State Inspectorate of Labor and Social Services, Agency of Concentrated Purchases, Directory of National Service of Employment, “Aleksandër Moisiu” University of Durrës, Ministry of Finance and Economics: Directorate of Public Debt, Bank of Albania, LRERO Mirdita, LRERO Përmet, Projects: Development of the Private Sector
2	Qualified Opinions (emphasis of matter)	Institute of Monuments of Culture, LRERO Mallakstra

<b>10</b>	Opposing Opinions	Ministry of Finance and Economy: Directory of the Treasury, Ministry of Finance and Economy - Directory of the Budget, Ministry of Finance and Economy: "On the implementation of the 2019 Budget", Ministry of Finance and Economy: General Department of Taxation, Ministry of Finance and Economy: Directorate of Harmonization of Public Financial Internal Control, Former Regional Directorate of Environment and Former RBSIEFWT Vlora (currently the Regional Directorate of Environment Fier), Regional Directorate of Environment Lezha and State Inspectorate of Environment, Forest, Water and tourism Lezha, Residence for Students no.2 Tirana JSC, Vlora Seaport JSC, Water Supply Sewerage Kavaja JSC
	Rejection of Opinion	
<b>3</b>	No opinion	Support Agency for Local Government, Marine Port Shengjin JSC, Projects: River of Vlora Lot I

*Source: ALSAI*

Below are mentioned entities in which deviations and illegalities have been material starting from central, local institutions and then property management units and state-owned companies.

### **Audits of compliance in Central Institutions**

The main objective of the compliance audit is to provide an objective, professional and independent assessment of the extent to which the audited entity has complied with the rules, laws and regulations, policies, codes or the terms and conditions agreed upon.

In accordance with ISSAI 4000, the organic law of ALSAI provides that in compliance audits, the Supreme State Audit must determine:

- a. Whether revenues and expenditures have been in accordance with the State Budget law, relevant legal and sub-legal acts and the principles of the law on financial management and control;

- b. Whether the general principles of the public sector financial management system and the conduct of public sector officials are applied. Based on the above, for 2020, ADCI has given 7 compliance opinions as a result of compliance audits, which have resulted in the following problems.

Disrespect of budgetary discipline; opening of budget commitments in the absence of foreseen funds; opening of investment projects without description; lack of regulatory framework for financial good governance; accumulation and carrying of arrears; legal and regulatory framework vacuums; Problems in calculating the limit fund, in determining the procurement procedure, in the type of contract selected, in drafting standard tender documents, in setting qualification and special criteria, in the implementation and execution of contract; in organization and operation of the structure of institutions.

Problems in staff recruitment procedures; lack of effectiveness in internal control systems, Lack of efficiency and effectiveness in the use of public funds during procurement procedures.

*In the Directorate of the Diplomatic Corps Service (audited period 01.07.2018-30.11.2019), have resulted problems and shortcomings in the administration of property, buildings, land of DDSCS, rental data, which consisted of: study of rental fees; market testing in line with market price; official reference prices specified in the relevant DCM; non-collection of late interest. Negative effects on the administration of missing revenues and on the management of economy, efficiency and effectiveness of public funds in the amount of 4,951 thousand ALL as a result of: problems in the procedures of renting properties of DDSCS; travel expenses; small value procurement.*

Specifically:

- From the audit resulted that for the procedure "Purchase / Solar Supply", 2 EOs offered with a profit margin of 9% and a profit margin of 5% which withdrew from the signature of the contract by repeating the procedures and the same EOs participate in the reopening of the procedure, with much larger profit margins, with a profit margin of 38%, and 43%, actions that have led to ineffective use of public funds, by the Contracting Authority. We have also ascertained ineffective management of funds, in the field of procurement, in the amount of 480 thousand ALL because on 18.09.2019 was conducted the procurement procedure with small value "Repair of elevator defects + materials and equipment" worth 484,000 ALL without VAT, which constitutes use of inefficient public funds, as it turned out that the purchase of materials for elevators was unnecessary because the group of goods for "Repair of defects

elevators + materials and equipment", was included in a previous contract with no.71/2 prot. "Elevator maintenance";

- From the audit of repairs in the embassies of Brussels and Rome it was found that the realization of small value purchases is not reflected in the bids received but only in the bid of an economic operator, which has been liquidated. In the bidding estimate with third parties, the unit does not specify the work to be performed and whether construction materials will be purchased from third parties or from DDCS, since many materials are purchased from DDCS. From the works with third parties, there is no contract or agreement between the economic operators and DDCS, where deadlines, specifications, sanctions for defects, etc. are determined, but only liquidation invoices for the works. In drafting the preliminary estimate for investment-maintenance works in the embassies of the Republic of Albania, there is an improved situation in terms of preparation of the file and additional investment documentation;
- There is an improved situation in terms of preparation of the file and additional investment documentation;
- The audit also showed that, for the design, review and approval of economic-financial programs, the institution is not based on accurate methodologies and modern standards of financial management. In certain items, the phenomenon of overspending is observed, repeated and unargued. Exceedances in expenditures were concretely found in the item various maintenance and repairs, in the amount of 108.6%. During 2019, (11 months) the expenditure indicators are almost the same as last year, but in the annual plan we have a high planning in the total value of 188,366 thousand ALL for 12 months, and an increase in absolute value of 30.7 million ALL more than in 2018, which is related to a high planning in the item "Amortization" in the amount of 75 million and realized for 11 months in the amount of 35 million or 46.6%.

*In the Water Regulatory Entity (audited period 01.01.2018-30.03.2020), there have been problems in respecting the legal and regulatory framework in force. In the procedures of issuing the Hygienic-Sanitary Approval Act for the WSS companies and not equipping with the hygienic-sanitary act for all service areas. Lack of regulation of Hygienic and Sanitary Inspections.*

*In the Institute of Cultural Monuments (audited period 01.04.2018-31.12.2019) have resulted in problems and lack of an instruction for calculating and maintaining fees in issuing licenses in the field of restoration of cultural*

monuments. Institutional opinions on specific objects have not been respected, violating the obligations for protection, integrated conservation and administration of historical-cultural values and landscape values. Problems have also resulted in the supervision and testing of restoration works, which is not in line with the legislation of the discipline of construction and cultural heritage; In the implementation of the contracts was found economic damage for two restoration objects in the total value of 697,269 ALL, unjustly benefited more from the contractor Also ineffective management of funds with negative effects on the annual budget in the total amount of 1,656 thousand ALL.

Specifically:

Pursuant to the works contracts, economic damage was found for two restoration objects as follows:

- a. For the restoration contract for the building "Church of St. Nicholas (Skanderbeg Cemetery)" Lezha ", with a contract value of 27,700 thousand ALL without VAT; with a term of 180 days from the conclusion of the contract, from the audit of the final situation of the contract, movement table of volumes, as well as the book of measures, we found some inaccuracies in the calculations of volumes worth 621,909 ALL more, which constitutes economic damage unjustly benefited by the contractor;
- b. For the restoration contract for the object "The First Albanian Teacher", with a contract value of 24,706 thousand ALL without VAT and implementation deadline 90 days from the conclusion of the contract, from the audit of the final situation of the contract, the table of volumes and the booklet of measures we found some inaccuracies worth 75,360 ALL, which constitutes economic damage unjustly benefited by the contractor.

Also, the audit concluded that the restoration contracts for the facilities: "Church of St. Nicholas (Skanderbeg Cemetery) Lezha ", "Church of St. Mary" Peshkëpi e Sipërme, Gjirokastra ", "Restoration of the building" The First Albanian School", etc., employees have been appointed for the supervisor and the probationer, some of whom do not have the relevant restoration license, which means that the supervision and testing of restoration works is not in accordance with the legislation on construction discipline and cultural heritage. Institute of Cultural Monuments, for public procurement procedures has not followed or respected the performance of procedures electronically. Development of procedures electronically would guarantee transparency in the use of public funds, where by ICM is not implemented, or be requested interpretation from PPA or PPC implementation of procurement procedures:

- From the audited procedures, it is concluded that the division of contracts is concentrated in a small group of companies, which compete in the restoration procedures;
- From the audit of procurement procedures, results an unequal and unfair evaluation system as the maximum points are earned by the EO that has submitted a similar contract with higher value, more certificates (not required), more certificates (not required). required), more training (not required), discriminating against participating EOs, contrary to all principles of transparency and public procurement rules. It is worth noting that the equal treatment is created by the interpretations of DCM, where in no one page of the STD, the evaluation system and the type of competition condition are mentioned.;
- Each competitor according to the PPL is evaluated based on the criteria, set by the procuring entity or the public entity for which it is obliged to meet or not and in no case can be evaluated on criteria which have never been requested, much less have not been made public to all competitors in violation of the principle of equality in competition and the establishment of equal and non-discriminatory conditions for potential competitors;
- Submission of an extra document not required by the Procuring Entity does not prevent the competitor from submitting them, but does not constitute an advantage criterion for it;
- The scoring performed and the scoring report based on unsolicited criteria and maximally evaluated, which as a result has brought unfair ranking of competitors not only has no legal support and has had economic effects contrary to principles of economy, efficiency and effectiveness;
- It turned out that the approvals of the legalizations of the objects by the National Council, as well as the institutional opinions given for these objects by DRNC, Korça, have violated the obligations for protection, integrated conservation and administration of historical-cultural values and landscape values of the Historic Center and Protected Area of the city of Korça. This is because it has been ascertained that all the decisions of the legalizations approvals have been given for objects, which do not meet the condition of harmony with the architectural and urban character of the ensemble; do not preserve the volumetric composition in accordance with the surrounding objects; as well as do not fit the architectural and decorative character of traditional architecture. The buildings have presented a lack of architectural identity by not being in harmony with themselves and even less with the character of the objects of the protected area. Applications for development

permits for hydropower plants are not based on a valid planning instrument and the review of applications for development permits by the National Council of the Territory and the National Council of Restorations as well as the approval decisions taken by the latter, are not based on the obligation of compliance. hydropower projects, with planning documents, where in this case applications for development permits had to be made only based on a National Sectoral Plan. The National Council of Restorations has approved the project Construction of a cascade of hydropower plants on the river Shushica in the Region of Vlora with applicant "Shushica hydropower shpk", in conditions when the development permit is not based on a planning instrument in force, or National Sectoral Plan, General Local Plan or Detailed Local Plan. Moreover, since the verification of the definitions of the General National Plan, as the highest instrument of territorial planning in Albania, which addresses planning issues in an integrated way, seeing the Albanian territory as a whole, it results that in Shushica river is not foreseen construction of hydropower plants, as the construction project of this HPP affects the perspective, landscape, view and enjoyment of the public use of the cultural monument Brati Bridge.

*The State Inspectorate of Labor and Social Services (audited period 01.07.2017-31.12.2019)* has resulted in a lack of agreement between the SILSS, INSTAT and NES on the methodology of indicators related to the level of unemployment, employment, informality, etc. The "Risk assessment methodology" has not been drafted and approved. Scheduling of inspections is not performed automatically by the Portal "e-Inspection". Also for the years 2017, 2018, 2019 in the item operating expenses, expenditures were made in sub-items, which were not planned in the annual budget. For the years 2017, 2018, 2019 there is a lack of periodic quarterly reports on budget monitoring and the Annual Monitoring Report for 2019.

*In the Concentrated Procurement Agency (audited period 01.07.2017-31.12.2019)* there have been problems in the implementation of the Public Procurement Law, which has caused economic damage in the amount of about ALL 200 million, namely:

-APP, in contradiction with the Law no.9643, dated 20.11.2006 "On Public Procurement" has issued the Instruction no.6 dated 16.01.2018 "On the use of the framework agreement and its development by electronic means" to be implemented by all Contracting Authorities and Instruction no.8, dated 20.02.2018 "On the charge of the Concentrated Purchasing Agency for conducting public procurement procedures, on behalf and on behalf of the Prime Minister,



ministries, subordinate institutions, for some goods and services" to be implemented by CPA. From the implementation of these instructions in 85 procedures developed, an economic damage of about 200 million ALL has been caused to the state budget.

Cases of non-compliance with laws and bylaws for the organization and functioning of the Concentrated Procurement Agency of the WSS have been identified. Also the unfair disqualification of EO in 13 procurement procedures has caused economic damage in the amount of 60,324 thousand ALL. The selection of the winning bids in 48 procurement procedures based on the sum of unit prices has increased the cost of purchasing goods to the detriment of the state budget by ALL 127,598 thousand. The increase in the cost of purchases of goods has caused damage to the state budget in the amount of 72,388 thousand ALL in 12 procurement procedures where the submitted bids have exceeded the limit fund and have not been disqualified. Ineffective use and economy of budget funds in the amount of ALL 81,343 thousand as a result of disqualification of operators with economic offers in lower value. Among other things we mention:

- In some procurement procedures for the purchase of goods and services there was minimal competition by participating only one economic operator, while in other procedures developed participated operators who did not meet the technical specifications of goods and services or special qualification criteria by was disqualified from the procurement procedures, and in the absence of competition, pursuant to Article 24 of the PPL, these procedures were canceled. If we refer to the market of these goods and services, it is quite widespread and competitive, which not only is not reflected by the participation in these procedures, questioning the established criteria. The cancellation of procedures has negative impacts on the normal exercise of the activities of the Contracting Authorities and for a significant part of budget funds is clearly lacking efficiency and effectiveness of procurement procedures. In addition to the inefficiency and efficiency of procurement procedures, the burning of funds with consequent non-realization of investment funds due to actions or omissions of PPA, negatively affects the achievement of objectives of institutions and especially the performance of activities of independent constitutional institutions;
- The institution does not have a complete database with all details and procurement statistics such as references of documents received from the CA, object of the procurement, limit fund, form of procurement to the references of the announcement of the winning contract;
- In some procurement procedures, operators who had economic bids in a value lower than the value of the bids of the operators declared winners were

disqualified. The disqualification of these operators was done precisely for not meeting some of the special criteria and consequently budget funds were used without effectiveness and economy. Failure to prepare and draft a package for the unification of specific minimum qualification criteria for all goods and services contracts that have been procured on behalf of the Contracting Authorities.

*In the Ministry of Culture* (audited period 01.01.2018-31.12.2019), there have been problems related to procurement procedures with the object: "Purchase of stage technology equipment and material in function of the project "Rehabilitation of NTOBFE"; Supervision of the works for the object "Purchase of equipment of stage technology and material in function of the rehabilitation project of the National Theater of Opera, Ballet, and Folk Ensemble"; and "Testing of the works for the facility" Rehabilitation of the National Theater of Opera and Ballet and Folk Ensemble", in the composition of the working groups for drafting the limit fund, in determining the terms of reference, in drafting the Memo to initiate procedures procurement, in the monitoring of contracts as well as in the approval of payments, 2 advisors of the cabinet of the minister have been appointed. There were also problems related to: lack of relevant approvals for the contract with the procurement object "Rehabilitation of the National Theater of Opera and Ballet and the Folk Ensemble"; resulted 170 without any detailed price list with detailed price analysis where it is entered (value of goods / equipment + social security payment + workshop fee + transport, etc. The above has created uncertainty even during the delivery process, as it is almost impossible to verify the compatibility of the value of the accompanying estimate with what is stated in the economic offer. The audit showed that, although during 2018 procurement procedures were carried out for two projects such as "Restoration project and reformulation of the Museum line in the National Historical Museum" and "Restoration and rehabilitation project of the premises in the National Gallery of Arts", in the MTBPs of the following years, 2019, 2020, 2021, no funds are planned for the realization of these projects (restoration, reconstruction and rehabilitation of the premises of the National Historical Museum and the National Museum of Fine Arts or the National Gallery of Arts), although these projects are defined in the list of priorities in the program of the Albanian Government. Planning of funds only for the realization of projects and not further for their implementation, puts MC against the potential risk of mismanagement of budget funds for the amount of 45,700 thousand ALL without VAT or 54,840 thousand ALL with VAT, which is also the funded value of these two projects.

*In the National Employment Service (audited period 01.04.2018-31.12.2019)* there have been problems and shortcomings in reducing the rental profit in the amount of 3,711 thousand ALL, as a result of reducing tariffs for some tenants. Non-realization of the budget for 2019 in the amount of ALL 57 million as a result of incorrect planning. Deficiencies in the documentation, justification and certification in 20 expenditure orders with the object of diet and domestic travel in the amount of 726,000 ALL. Additional costs for the state budget amounting to 535,561 ALL execution fee as a result of the execution of court decisions. Arrears in the amount of ALL 67,211 thousand and setting special criteria in public procurement procedures contrary to public procurement rules, as well as special qualification requirements in some procurement procedures during 2018 and 2019. Ineffective management of funds with Negative effects on the state budget in the total amount of 31,471 thousand ALL.

*In the University "Aleksandër Moisiu" Durrës (audited period 01.01.2013-20.09.2019)* were found shortcomings which are mainly related to the lack of a full regulatory framework for financial good governance, have significant impacts on institutional activity, as they weaken the process of budget planning and monitoring as well as affect the efficiency of internal control systems. Meanwhile, the accumulation and ongoing carrying of arrears exposes the public entity to ongoing risks for the payment of contractual penalties, which requires further attention.

### **Compliance audits performed by the State Budget Department**

By type of audit, compliance audits have the largest share of audits: 9 out of 11 audits.

An innovation brought in the audit plan and realized during 2020 was the performance of a performance audit in cooperation with the Performance Audit Department on "Tax Debt Performance" for the period 2017-2019. For 2020, in terms of opinions, in 11 audits evaded in 2020, 9 opinions were given, 7 of which in compliance audits and 2 in the combined audit: compliance and financial in the subject: Shkodra Regional Tax Directorate. By type, the opinions given consist of: 6 dissenting opinions and 2 qualified opinions on compliance audits, and 1 unqualified opinion with emphasis of matter on the financial audit.

The number of audits where the department has concluded with a dissenting opinion remains high for 2020, due to irregularities and violations found by audit evidence which have resulted in material and widespread.

*In the General Directorate of Harmonization of Public Internal Control (PIFC)* an audit was performed with the object "On the compliance of the activity for the period 01.01.2019- 31.12.2019". At the end of the audit, a **Dissent Opinion** on compliance was concluded. Based on the audit evidence, on which the relevant findings and recommendations have been formulated, it results that the General Directorate of Harmonization PIFC, throughout the process of execution of responsibilities in fulfillment of its mission as harmonizing, monitoring and reporting, not in all cases has acted fully in accordance with Law no.114 / 2015 dt. 15.10.2015 "On Internal Audit in the Public Sector", Law no.10296, dated 08.07.2010, as amended, Manual of Internal Audit, Manual of Financial Management and Control, as well as other bylaws in their implementation. The main findings consist of:

- The assessment of the situation on the financial management and internal control systems in the public sector continues to be based on a low number of public units, about 10% against the total number of public units at the national level, leading to the annual report prepared by does not reflect the real situation of financial management and control in the country;
- This structure has not managed to implement the annual programs related to the monitoring of PIFC systems. Has reported on the monitoring carried out for 2018, which have been part of the reporting of the situation of control systems a year ago;
- Internal audit continues to be not independent, while problems in the establishment and operation of these structures remain current. Audit Committees, even when set up, have failed to guarantee the full independence of internal audit structures from the Heads of Institutions.

*In the General Directorate of Taxes* was conducted the audit "On the compliance of the activity for the period 01.01.2019-31.12.2019", where at the end of the audit was concluded with a Disagree Opinion on compliance, based on the problems and irregularities with an impact on the meeting of tax revenues and budget expenditures as follows:

- Despite the annual growth of gross tax revenues, the revenue plan has been realized at the rate of 98%. According to the items, it turns out that: the plan is not realized in the item of VAT with 13.2% less, although there is an increase in the number of declarants compared to a year ago with about 2,000 entities. Reserve planning of profit tax revenues does not really support the success of exceeding the budget plan for this item by exceeding about 9%. In fact, referring to the declarations for 2019, there is a decrease of 15% of the total value

of the "tax to be paid" declared, compared to a year ago, although there is an increase of 3% of entities subject to profit tax. Receipts for 2019 of the item "Income Tax on Dividends and Shares", are reported in the amount of 11,061,159 thousand ALL. For this item, it is concluded that filling in the withholding tax return carries many errors in the classification of income in the wrong fields. Also, the withholding tax return lacks the section on "income from stock operations". For the item "income from Personal Income Tax", despite the increase in income collected from a year ago, it is found that the level of the declared average monthly wage remains within the minimum wage for some sectors of the economy and group of taxpayers. Revenues from the annual individual declaration (DIVA) result to have been collected 367 million ALL or 7.5% less than in 2018;

- The level of debt for the item "profit tax" is reported in the amount of 31.6 billion or 1% more than a year ago. The debt stock for the top 50 entities has changed to a net decrease of only ALL 650 million. Debtors for social and health insurance contributions at the end of 2019 are in total in the amount of ALL 18.7 billion, where about 4% is occupied by public entities;

- The Directorate of Tax Audit has performed assessments for tax liabilities in 2,041 audits exercised, in the amount of 9,259,180 thousand ALL, reducing the detective force by 13%, compared to 2018. The result of re-tax audits exercised by the Regional Directorates in 15 cases result with zero tax assessment. For the entities that carry out economic activities in the construction of hydropower works, NANR has ascertained and informed the GDT that it has concluded that 59-60 entities have carried out construction works in the absence of a construction permit or in excess of it;

- Regarding the procedures for VAT refund, violations of the legal refund deadline of 30/60 days have been found. In the reported stock are not identified the requests received but not approved for reimbursement even though they are in excess of the legal deadline in the amount of 1,653,275 thousand ALL. The audit of data on taxpayers who have the highest level of installment payments, found inaccurate values of the declaration of stock and non-declaration of the amount of VAT approved for compensation, the amount that remains to be used in periods of next. Based on the above, the value of the stock declared by the GDT in the amount of 11,251,390 thousand ALL is underestimated by at least 3,526,472 thousand ALL;

- From the audit of the procurement procedures for 2019 on the planning and implementation of contracts developed by the National Agency of Information Society (NAIS) on behalf of the GDT, it was found that negative financial effects

were caused in the state budget in the amount of 10,499 thousand ALL, because a procurement procedure was conducted on the planned needs and without budget funds.

Regarding the reporting of arrears, it is found that the GDT has not reported to the MFE the stock of VAT refund accounted in the amount of 11,251,390 thousand ALL, contrary to Supplementary Instruction no.1 dated 17.01.2019 "On the implementation of the budget of 2019". It is concluded that the final court decisions for the taxpayers have not been reported. Also, the credit balance in the C@TS system on 31.12.2019 is 14,150,843 thousand ALL, a surplus that belongs to about 12,400 entities, a potential liability of the tax administration not reported as arrears.

Regarding the salary expenses, in 14 cases the employees were paid with a group salary, not in accordance with the level of the diploma, contrary to the provisions of DCM no.187, dated 08.03.2017, causing damage to the State Budget in the total amount of 1,552 thousand ALL.

During 2019, the GDT has gone through 2 Restructuring processes, which have been completed outside the legal deadlines and the decision-making for the transfers / re-arrangements of the employees has not been carried out based on the predetermined criteria.

- During 2019, the GDT has resulted in a high number of vacancies. Which are not filled with new appointments and are covered by delegation orders. The number of orders for the delegation of competencies at the end of 2019 was 46, of which 5 in the GDT and 41 in the Regional Tax Directorates. A high number of contract service employees has been found, planning requirements for which are not supported by evidence.

- During 2019, court expenses were paid by the GDT for former employees, in the amount of 140,101 thousand ALL, a value considered as a negative financial effect for the state budget. The arrears on 31.12.2019 for the costs of the court winners with a final decision for unfair dismissal is 404,442 thousand ALL. While at the end of 2019 there are still 142 cases of winners' trials that have not been addressed by the Special Commission, in violation of any legal deadline. From the data base of the winners of the GDT it results that 13 former employees have received two monthly salaries simultaneously, from the state budget, one in the GDT and one from the institutions that they have been appointed. This issue comes as a result of the spaces created by Law no.152/2013 dated 01.10.2013 "On the Civil Servant".

- The audit found that the Management Team of the program 01140 "Tax Revenue Management" and the Directorate of Budget and Finance, did not plan in

a right way, the budget expenditures in relation to the costs of court decisions and the expenditures in the item "Incorporated capital expenditures" between the two stages of MTBP approval. The "Improvement of the Billing Control Management Module " investment project, referring to the second phase of the MTBP 2019-2021, although the end date is in 2020, budget funds for 2020 are planned in the amount of 0 ALL, while referring to the concluded contract, the value for this project is 716,976 thousand ALL.

*The Regional Tax Directorate of Shkodra* conducted an audit on financial regularity and legal compliance of the activity, for the period 01.01.2018-20.12.2019. At the end of the audit it was concluded with an **Unqualified Opinion emphasizing the issue** of financial regularity concluding that the anomalies or cases of non-compliance, individually or together, are not material, prevalent, in the annual accounts of this period, but while emphasizing the reservation regarding some aspects which were mentioned during the audit of the financial statements of the institution such as:

- The non-collection of the debts from various debtors, from 2005 and onwards, reported in progressive value in the amount of 11,913 thousand ALL and liability in the amount of 7,685,250 ALL for tax stamps near the third parties.
- The non-delivery of the confiscated goods from 2012 to the State DPRM. The stock of the goods confiscated in 31.12.2019 is in the amount of 282,737 ALL, this, not in accordance with law no.9900, dated 10.04.2008 "On material reserves of the state".

Regarding the assessment of the compliance of the activity of DRT Shkodra, they identified deviations from the legal and regulatory framework in force, which under the professional judgment of the independent auditor, are material and widespread, the effects of which justify the issuance of a **Dissenting Opinion**. We support the given opinion on the fact that the following were ascertained:

- Problems in the functioning of the financial management and control system. Also, the current structure of the DRT does not respond to the coverage of all the foreseen functions, creating conflict of interest and overlapping tasks.

Regarding the procurement procedures, 30 out of 34 procedures that are carried out in the amount of 1,195 thousand ALL, were not realized in accordance with the provisions of the legal framework in the field of public procurement, bringing a negative effect on the budget of the institution.

Irregularities in the procedures of inventory of assets for the years 2018 and 2019 where they have not kept record with the material responsibility. The Authorizing Officer has not set up a commission for the evaluation of assets identified as

unusable, this action is contrary to the provisions of the Instruction of the Ministry of Finance no.30, dated 27.12.2011 "On asset management in public sector units", as amended. Irregularities are ascertained in the procedures for the evaluation of assets identified as unusable by the inventory commission of 2017 and destroyed / alienated in 2018, which have brought 151 thousand ALL missing income, for the budget of the institution.

- Irregularities are found in relation to the fuel costs where: in some cases the authorization, itineraries, signatures of authorized persons are missing. Specifically: For 2018: 5,168 liters in the amount of 909 thousand ALL is unjustified with travel documents and for 2019: 10,233 liters in the amount of 1,783 thousand ALL is unjustified with travel documents, considered a negative financial effect on the State Budget.
- Irregularities are found in the observance of the legal provisions for the travel and subsistence expenses in the amount of 6,353 thousand ALL, out of which, the amount of 654 thousand ALL is considered to be damage to the state budget.

*The Durrës Customs Branch* conducted an audit on the regularity of the activity for the period 01.01.2018- 31.12.2018. The audit concluded:

- For the entities that have operated in the Porto Romano sector under the conditions of the Regime authorizations for 10 (ten) Free Warehouses of "fuels", progressive differences of the items imported and deposited in these warehouses were ascertained, in total 655,688 liters of fuel, which have not been given a customs destination. Also, in customs practices, there was no certificate of verification of the type of goods issued by the Customs Laboratory;
- The legal deadlines regarding the recovery of customs debt have not been fully implemented; The procedures for issuing an Execution Order for the recovery of outstanding liabilities were not followed, thus resulting in a customs debt balance at the end of the audited period in the amount of ALL 4,223,320 thousand. The customs debt was reduced in number by 88 debtors or 11.35%, while in value it was increased by 892,567 thousand ALL or 26.8%;
- From the audit of the customs procedures followed for the Customs Warehouses Regime, it was concluded that the replenishment of inventories was not done according to the format of instruction no.3, dated 09.02.2006, these actions are not in accordance with the requirements of the "Customs Code of the Republic of Albania", as amended;
- Misclassifications of the tariff code of items in boxes 31 and 33 of the DAV were found, with the consequence of evasion of customs duties, these actions are



not in accordance with the requirements of the "Customs Code of the Republic of Albania", as amended;

- From the audit of the customs procedures for the supervision of the customs regimes of the temporary admission, actions resulted in non-compliance with the deadlines for the stay of the goods in the temporary admission regime;
- For the active processing regime issued for various economic operators, it was found: exceeding the 30-day deadline for closing the regimes; violation of the new export border; imports of primary products not included in the authorization;
- From the audit and review of the documentation of customs practices of operators that have operated under customs supervision in the transit regime (T1), it resulted that the deadline for arrival at the destination customs was not respected and no record was kept, where to the sanction for minor offense had to be applied according to the provisions of Article 256.1 / b of the Customs Code;
- From the audit of the procedures on administrative decisions issued by the competent customs authority for violations in the customs field, it resulted that the competent Customs Authority has issued administrative decisions not in accordance with the requirements of the Customs Code of the Republic of Albania, as amended;
- For entities operating in the field of excise with the status of approved depositor have not performed calibrations for all deposits and is carried with a carrying capacity of over 10 hectoliters and do not have pass-through meters at the entrance and exit of the product in deposits and at the point of sale, contrary to the legal procedure expressed law no.61, dated 24.05.2012 "On Excises in the Republic of Albania".

*In the General Directorate of Budget*, the audit on the compliance of the activity for the period 01.01.2019-31.12.2019 was conducted, where for some budget items, irregularities and decision-making not in accordance with the legal and regulatory framework in force (criteria) were found, which in the professional judgment of the independent state auditor are material and pervasive, the effects of which justify the issuance of a **Dissent Opinion** of compliance. The audit concluded that:

- From the audit on the redistribution of budget funds for general government and local finance units it was found that, even during 2019, a high number of budget reviews was approved, especially for funds for investment expenditures for about 1169 projects with a net change of funds available of ALL 4.13 billion, a fact that speaks of a poor public investment planning;

- From the audit of the data of the Capital Investment projects with Foreign Credit Financing, it was ascertained that: 2 investment projects in the value of ALL 180.2 million realized without having an approved budget plan; 7 investment projects realized in excess of the budget plan for the amount of 907.3 million ALL;
- For 10 investment projects, commitments have been undertaken without having budget funds available for the total value of ALL 3,469 million, and for 19 investment projects, commitments have been undertaken beyond the approved fund in the amount of ALL 1,978 million, while a part of these investments have not passed the procedures for approving public investments and are not part of the List of Public Investments 2019-2021 of the draft budget for 2019;
- During the February-October 2019 period, 129 investment projects with a total value of 6,175 million ALL were closed without realization, which represent 8% of the Realized Capital Investments, while in 43 investment projects with a total value of 8,263 million ALL, with Normative Act no.11, dated 24.12.2019, have undergone a major change in value compared to the initial value according to the Budget Law of 2019, in 43 investment projects, ie at the end of the budget year, have increased by 43%;
- Capital Investments with Internal Financing have been realized in the amount of ALL 285.4 million, from secondary revenues (chapter 6), ie investments which do not have a budget plan approved by law;
- For the 2019 budget year, the budget funds of information and communication technology, for the centralized infrastructure and ICT infrastructure, have not been approved in the budget of NAIS, contrary to the DCM no.673, dated 22.11.2017 "On the reorganization of NAIS", as amended, but have continued to be detailed in budgetary institutions under the responsibility of the Council of Ministers. Such actions are in contradiction with Decision no.673, dated 22.11.2017 "On the reorganization of NAIS", as amended;
- From the audit on the activity of the Directorate of Local Finance in relation to the management of the process of drafting and implementation of the Local Budget, it was concluded that, even for this year, the legal requirements regarding the right of local government to spend: Unused and inherited revenues for 2020 for local self-government units are 11,038 million ALL, which represent 22% of the actual revenues of 2019, while from the testing of MFE data, it results that this value should have been for 8,683 million ALL, where the largest deviation belongs to the Municipality of Tirana.

Regarding the legal use **of the State Budget Reserve Fund**, it is concluded that all practices of the files are not inventoried, the opinion of the GDP is missing, as

well as the reports and estimates from the beneficiary institution for its use. For 2019, for the first time the Reserve Fund has been used to improve the justice system however it is found that these funds have not followed the same procedure for their use as the rest of the reserve fund of the state budget. From the Reserve Fund, the audit of the liquidation of the decisions of the ECHR, resulted that these decisions were liquidated by the Reserve Fund for 14,305 thousand ALL, including interest on arrears in the amount of 169.45 thousand ALL.

In addition, this was not justified in the use of budget funds, resulting from delays in the treatment of these procedures by the State Advocacy and the Council of Ministers.

Regional Development Fund (RDF), although a source of funding for some budget programs, does not appear as a separate item in the table of fiscal indicators. The audit shows that the Regional Development Committee has distributed ALL 67 million more than the available funds for the education programs. The same situation is presented for the "General Secondary Education" program, where RDC has distributed 30 million ALL more than the available funds for this program.

Regarding the projects currently under implementation with concession contracts, it has been ascertained that payments are made beyond the approved level in the financial model, changing their financing even in difficult periods for the state budget such as the earthquake of 26.11.2019. The expectation for the reduction of tax revenues as a result of major events of the earthquake and pandemic, brings an increased risk of respecting the payment limit for concessions / PPP at the level of 5% of tax revenues, in conditions when the actual payments result in exceeding of the plan approved in the relevant contract.

From the audit of the stock of arrears reported based on the declarations of budget units in the amount of ALL 17,279 million, it is found that it is incomplete and inaccurate as there are differences in the reporting of payments for arrears compared to payments made actually during 2019 and 2020 for investment and service expenditures. Meanwhile, many payments for arrears have been made outside the scheme set out in the relevant instructions derived from the DCM no.50 dated 05.02.2014 "On the approval of the strategy for prevention and settlement of arrears and action plan", amended as and not reconciled with the reports according to the Supplementary Instruction no.1 dated 17.01.2019 "On the implementation of the budget of 2019". Some budget units such as the National Agency for Information Society and the Albanian Development Fund have not reported arrears, although the audit found that payments were made for invoices belonging to the period 2015-2018. The General Directorate of Customs

has not reported arrears, meanwhile according to the data of the General Directorate of Customs, only the value of court decisions for dismissed employees at the end of 2019 is worth **20 million ALL**. The General Directorate of Taxes has not reported 2 final court decisions in the amount of **630 million ALL**. It is ascertained that the arrears reported by the local government units amount to ALL 8,170 million, where 22% of this liability is occupied by the Municipality of Tirana. In the ALSAI assessment, deviations were found in this report, with a minimum of ALL 3,712 million less than the real liabilities. The way of stock accounting of overdue invoices as “future period expenses” that continues to be erroneous and contrary to budget enforcement law and accounting standards. This with the impact of distortion of financial statements and fiscal indicators: item expenditures and consequently budget deficit.

ALSAI ascertains that MFE has not submitted to the Assembly the consolidated financial statements for 2019 and as a result ALSAI does not give an opinion on them.

*In the General Directorate of Public Debt*, the audit on compliance was conducted for the period 01.01.2019-31.12.2019, where it was concluded with a Qualified Opinion based on the findings as follows:

- During 2019, 6-month treasury bills were not issued to cover losses from the exchange rate of the Bank of Albania in the amount of ALL 6,874,170 thousand, with the effect of underestimating the debt stock at the end of 2019. The audit concludes that the issuance of this instrument was not realized at the request of the BoA and it was suggested to reconsider the renewal in January 2020 as the renewal from 15.12.2019-31.12.2019 had an increasing effect on the level of debt and its stock in the implementation of the Budget Law for the year 2019;
- ALSAI has ascertained the creation of new liabilities in the amount of ALL 6,065 million (about 49.8 million euros) of sub-borrowing entities in the framework of sub-loan agreements during 2019, as a result of non-payment of respective liabilities, where sectors with deteriorating financial situation are the energy sector mainly with AEC, EDO and TOS sub-loans with about ALL 4,292 million (EUR 35.2 million) of the total increase of liabilities from ALL 6,065 million in total, the local government with about ALL 1,292 million (EUR 10.7 million) and the water supply sector with about 427 million ALL (3.5 million euros);
- The same situation is presented for the state loan guarantees, where new liabilities have been created in the amount of ALL 2.63 billion in the framework of the failure of payments for loans guaranteed by the beneficiary of the guarantee. State guarantees during 2019 present an increased risk in terms of

their administration and the aggravated financial situation which passes mainly the energy sector for which liabilities have been paid in the amount of 1,845 million ALL (15.15 million euros);

- Regarding the privatization bonds, the legal provisions have predicted the obligation of the Bank of Albania to print privatization bonds on behalf of the Albanian state, where the issuing entity is the Council of Ministers through MFE. The audit found differences in the official data submitted by both institutions regarding the figures reported on the initial amount issued and the status of bonds which have been distributed and are still not returned for disposal to the Bank of Albania. In this way, the Bank of Albania reports that ALL 72.7 billion have been distributed, while the Ministry of Finance and Economy reports that ALL 74.9 billion of privatization bonds have been issued, reflecting a difference of 2.2 billion.

*In the Ministry of Finance and Economy*, the audit "On the implementation of the actual budget for 2019" was conducted, where based on audit evidence and execution of audit procedures, it turns out that for some budget items, deficit financing and borrowing level, due to the importance and spread of the issues mentioned in this report, there are material deviations (quantitative and qualitative) in terms of drafting, execution and reporting not in accordance with Law no.99/2018 "On the budget of 2019", as amended, Law no.9936, dated 26.06.2008, "On the management of the budget system in the Republic of Albania", as amended, Law no.9665, dated 18.12.2006, "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended, and other bylaws in their implementation.

More concret:

- For 2019, according to the MFE reporting, the total budget revenues have been realized in the amount of 460,349 million ALL or 94.6% of the revenues planned and amended by Normative Act no.11, dated 24.12.2019 "On some changes in the budget of the year 2019 "; The total budget expenditures were realized in the amount of 491,897 million ALL or 95% of the planned expenditures, or 27,680 million ALL less than the initial planning, which remained unchanged with Normative Act no.11, dated 24.12.2019 "On some changes in the budget of 2019 ". Total expenditures for 2019, account for 28.8% of GDP. In ALSAI's judgment, the non-realization of expenditures was particularly affected by the non-realization of revenues, economic growth and is related to the legal obligation to keep the deficit level below 2% of GDP;

- According to ALSAI, the fact level of deficit for 2019 is underestimated, as a result of non-financing of treasury bills to cover losses from the revaluation of the foreign exchange reserve of the Bank of Albania in the amount of ALL 6.7 billion or about 0.4% of GDP;
- MFE reports arrears (according to the reporting in the economic account 486 in GFIS), in about 17 billion ALL or 1% of GDP, which in the estimation of ALSAI, are at least 25 billion ALL or 1.5% of GDP including the liability for the non-refundable stock of VAT which according to the report of the General Directorate of Taxes is about ALL 11 billion or 0.7% of GDP;
- Considering the non-reporting regarding arrears for expenses and refundable VAT liabilities the reported level of deficit is not accurate. On the other hand, the non-coverage of losses from the revaluation of the foreign exchange reserve of the Bank of Albania for ALL 6.8 billion affects the underestimation of the deficit by 0.4% in relation to GDP and consequently the actual deficit according to ALSAI is estimated at at least 2.25% of GDP.

*The Audit on the compliance of the activity for the period 01.01.2019-31.12.2019 was conducted in the General Directorate of Treasury, where it was concluded with a **Dissenting Opinion** on the compliance based on the following findings:*

- ALSAI ascertains that the phenomenon of **late registration of contracts** concluded by central and local institutions continues to be widespread during 2019, evidenced in 18,024 cases worth 98.3 billion or 63% of all contracts registered in GFIS. There is a partial registration of commitments in 52 cases worth ALL 12 billion, due to lack of available funds. Also, in 550 cases the contract is registered on the same day and with the same value as the invoice, which indicates the formality of the registration procedure in GFIS. According to the institutions, we single out the Municipalities with 6,171 cases of late registration of contracts, MFE with 1,464 cases, the Ministry of Interior with 1,382 cases, the Ministry of Education with 955 cases. The municipalities of Tirana, Korça, Shkodër and Vlora are identified by the local government units with the highest number of delays;
- The audit ascertains **non-registration of contracts at the moment of its conclusion** following the non-registration of procurement orders. During 2019, 2501 contracts worth ALL 67.2 billion were registered dating between 2006-2018, of which 851 contracts for investment expenditures result in a value of ALL 52 billion;
- ALSAI ascertains that **the receiving of commitments without available budget funds continues** for projects that have not passed the legal process of

approval in the MTBP in 18 cases with a total value of over 2.4 billion ALL, by institutions such as: ARA, NAIS, NAWSSWI, Ministry of Agriculture. Also, there are contracts related to amounts higher than the funds available in 24 cases in the amount of 5 billion ALL from ARA, NAIS, NAWSSWI, Ministry of Agriculture, MFE, Ministry of Defense, etc., These actions are not in accordance with the provisions of law for budget management and relevant guidelines in order to discipline budget commitments and prevent the creation of arrears;

- ALSAI, **has ascertained procurement orders** after October 15 in 64 cases with a limit fund of 3.1 billion ALL, and over 500 contracts concluded in the amount of about 10 billion ALL, of which in January and February 2020 are ascertained 83 cases in about 0.6 billion ALL, contrary to Article 51 of Law no.9936 dated 26.6.2008 "On the management of the budget system in the Republic of Albania", as amended;

- In GFIS there are only 472 procurement orders registered during 2019, as economic units, with or without access to GFIS, do not register the procurement orders in every case at the the Treasury Branches, before the start of procedures in the PPA;

- ALSAI ascertains **cases of registration and partial payments of invoices**, this in order to match the available budget funds which are smaller than the value of the incurred obligation. These cases have been identified for institutions such as: MFE Apparatus, NAIS and the Municipality of Tirana;

- The audit found payments made for which the principle of first intro and first outro (FIFO) was not followed according to the definitions in the standard budget implementation instruction, argued by GDT with the lack of treasury plan in GFIS as in the case of NAIS and ARA;

- The audit concluded that during the end of the year, budget expenditures were not recorded in the relevant accounts, but their recording was done in manual diaries. This procedure is based on the letter no.21290 prot., Dated 02.12.2019 and the letter no.21290 / 38 prot., Dated 20.12.2019 of the Minister of Finance and Economy, following the DCM no.750, dated 27.11.2019 "On the declaration of the state of natural disaster in the regions of Durrës and Tirana" by limiting the deadline for the submission of invoices on December 15, 2019 and then this deadline has been postponed until December 24, 2019. Restraining the right to make expenses, makes it impossible to control the compliance with the FIFO principle of execution of payments, given that the deadline for registration of invoices is limited;

- Payments for the release of the 5% warranty of works before the legal deadline are ascertained in a total of 32 cases worth 40.98 million ALL, contrary to legal requirements;

Regarding the identification of errors in the registration of transactions in the GFIS, ALSAI, has concluded that: the obligations arising from the relevant Instruction are not fully implemented in the GFIS, thus not preventing the exceeding of the responsibilities of users provided in the descriptions of work;

- ALSAI ascertains that FAE has not taken administrative measures against AE and EE of budget units for violations of the law on management of the budget system reported by GDT, estimated at at least 79,683 million ALL, but has been satisfied only with "attention" letters against 26561 cases of invoices and 18024 cases of contracts submitted and registered in violation of the legal deadline. Referring to Article 71 of Law no.9936, dated 26.6.2008 "On the management of the budget system in the Republic of Albania", as amended, the first authorizing officer imposes a fine in the amount of 1 to 3 monthly salaries (for late registration of contracts) and 3 to 7 salaries for non-compliance with the deadlines for submission of expenditure orders.

### **Compliance audits in local self-government units**

*In the Agency for Support of Local Self-Government (ASLS), compliance audit (audited period 01.01.2015 until 31.12.2019).*

The audit concluded that the Asset Inventory Commissions for the years 2017 and 2018, during the inventory process, have not compiled the relevant minutes of physical and qualitative verification of the condition of assets in charge / use of the staff of the unit.

The audit concluded that in the financial performance statements for 2017 and 2018, the personal income tax liability, is erroneously recognized as income in the amount of 1,064 thousand ALL and liability from social and health contributions in the amount of 3,908 thousand ALL.

From the audit of operating expenses, travel services and subsistence for 2017 in the amount of 6,413 thousand ALL, in 2018 in the amount of 6,391 thousand ALL and in 2019 in the amount of 5,552 thousand ALL, it resulted that the expenditure orders were accompanied by written authorization from the general director but in some cases it turns out that: they were not accompanied by work programs, relation or reports accompanied by documentation kept in local units according to the service facility, hotel invoices were not signed by the person who was on duty and sending persons with service is done regardless of the area it covers.



From the verification of the payment list on 31.12.2017, 31.12.2018 and 30.09.2019, it results that in total the staff has been implemented, but it is ascertained that in the Sector of Analysis & Institutional Support from 4 employees foreseen, in fact there are in total 4 employees, but in 1 case the structure provided in the order of the Prime Minister was not preserved, as the Finance specialist was replaced with another non-Finance specialist, contrary to the Prime Minister's Order no.82, date 12.05.2016. The lack of necessary accounting staff and financial reporting increases operational risk.

ASLS, the sectors, have not created a unique system suitable for the annual planning of tasks and objectives through which to determine the priorities, goals, activities and products of the activity. This is ascertained in the use of formats with different data used by the sectors and the Agency, in the lack of coordination between them, and not including in the annual plan some important tasks and responsibilities, contrary to point 8, 9 of Law no.10296, date 08.07.2010 "On financial management and control", as amended:

- In the implementation of low value procurement procedures, actions with economic damage in the amount of 800 thousand ALL have been ascertained;
- In the field of high value procedures, illegal actions were found in the use of funds worth 3,338 thousand ALL.

For the above violations, with Decision no.49, date 23.05.2020 of the Chairman of the ALSAI, there are recommended: 12 organizational measures; 1 measure of damage compensation in the amount of 800 thousand ALL; 1 measure of expenses contrary to 3-E in the amount of 3,338 thousand ALL.

### **Compliance audits in public companies and foreign-funded projects**

I. For 2020, this Department has conducted 9 audits. Of these, 6 audits are aimed at the compliance on economic and financial activity (4 are audits performed in Public Society and 2 are audits performed for projects with foreign financing), one is an audit performed to implement recommendations for audits evaded in 2019, one thematic audit in the Regional Hospital of Vlora, and a decision on return for re-audit of the project "Rehabilitation of the Vlora River Road".

The type of audits was a compliance audit and aimed to provide an objective, professional and independent assessment of the degree of compliance by the audited entity with the rules, laws and regulations, policies, codes established or the terms and conditions, on which it has been agreed. For compliance type

audits, we have given three opposing opinions (Seaport Vlora JSC, Student Residence no.2 JSC Tirana, Water Supply and Sewerage JSC Kavaja), a modified opinion (Project "Construction of the Northern Boulevard and rehabilitation of the Tirana River"), a qualified opinion (Project "Private Sector Development"), and for an audit (Seaport JSC Shëngjin), no audit opinion was given.

For the period subject to audit, deficiencies and violations were found with consequent economic damage. *In total, the economic damage ascertained by these audits evaded for 2020 is 112,520 thousand ALL, an amount which is recommended to be compensated 100%, and use without economy, effectiveness and efficiency of public funds in the amount of 501,269 thousand ALL.* Also, in addition to the above, it has been ascertained by the Department in these subjects:

- Economic damage without the possibility of collection in the amount of 92,984 thousand ALL as a result of employments on the structure in the subject Water Supply and Sewerage Kavaja JSC;
- Missing income in the amount of 1,143 thousand ALL in two entities: Seaport Vlora JSC and Seaport Shëngjin JSC in the field of leases;
- In the subject USR no.2 JSC, it resulted that a project worth 633,306 thousand ALL was not recorded in the financial statements;
- Illegality in the procurement procedures in the amount of 11,477 thousand ALL in the subject USR no.2 JSC;
- Illegality in the field of Wages and Remunerations in the amount of 5,670 thousand ALL in the subject USR no.2 JSC;
- Payments made by the Water Supply Kavaja JSC entity in the amount of 96,096 thousand ALL as a result of poor management of funds and lack of liquidity for the payment of fines and interest on arrears in the tax system on unpaid electricity obligations;
- Missing income from non-use of assets owned by the company is 106,483 thousand ALL.

*In Kavaja Water Supply and Sewerage, JSC (audited period 01.01.2017-31.12.2019) there are deficiencies in control systems which are not designed correctly and are not effective. Audit structures are independent but inefficient. The performance of economic and financial indicators for the audited period, as well as arrears to third parties, clearly reflects a sharp liquidity crisis of the Company and indicates a mismanagement of it (the company). These fines and*

interest on arrears are related to unpaid electricity bills, the non-payment of VAT in real time, social and health insurance payments, etc.

There are a large number of court proceedings and conservative bank seizures of KWSS, as debtors to EDSO, Durrës Regional Tax Directorate, the Commissioner for the right to information, WRA and dismissed employees. During this period, 210 employees were laid off. In KWSS JSC, there is no regular documentation on the exact number of court proceedings for proceedings conducted / completed and ongoing proceedings (liquidated monetary value for each proceeding). Final decisions in court proceedings during 2018 - 2019 for which compensation is sought have a total value of 10,892 thousand ALL which is a negative financial effect on the budget of the company.

- Wastewater Treatment Plant (WTP) in Kavaja, is the first plant of its kind built in Albania after the 90s, has started operating since October 2005. The location of the WTP is in the village of Qerret, in a distance 0.6 km from the sea shore and approximately 6 km away from the city center of Kavaja. The plant uses the biological method for wastewater treatment, specifically the method of treatment with biological filter, of the drip filter type. In 2015, the works for the expansion of the wastewater treatment plant coming from the Golem Beach area were completed, in order to have a flexible operation to cope with a wide range of inflows and wastewater characteristics.

As a conclusion from the shortcomings in the functioning of the system, WTP Kavaja does not perform a complete process of wastewater treatment, it performs an incomplete preliminary and primary process, so it does not give the result of investment expectations, does not meet the norms and quality standard that the treated water must be replenished before it is discharged into the receiving water bodies, this is contrary to Law no.9115, date 24.07.2003 "On the environmental treatment of wastewater", Law no.10,431, date 09.06.2011 "On environmental protection", DCM no.177, date 31.03.2005 "On permitted norms of liquid discharges and zoning criteria of receiving aquatic environments", as well as the directive of the European Union 91/271 / EEC.

- From the audit of the documentation for keeping and recording the fuel expenses for the years 2018 - 2019, it was concluded that in every practice of withdrawing fuel from the warehouse, the amount of fuel withdrawn from the warehouse is not argued, there is no service order attached, the travel sheet and the work program is missing. Fuel withdrawal cards are signed by the head of WSS Kavaja or a person authorized verbally by the Head of WSS Kavaja JSC, according to the period subject to audit. Vehicles of WSS Kavaja JSC, are not equipped with the GPS system, the kilometers traveled referring to the

consumption norms set by the accompanying vehicle license are not controlled, for the vehicles that are used, the consumption norms / 100 km for this purpose are not approved, and the amount of fuel withdrawn from the warehouse is not argued.

- In the decision no.33 date 10.05.2020 of the Chairman of ALSAI, it is determined that based on the findings and the administered acts in the audit file, with reference to Law no.7905 date 21.03.1995 amended "*Code of Criminal Procedure*", article 281 amended, the Final Report and Decision, will be forwarded for information to the Prosecutor's Office, as indications for criminal charges against the former Administrator of the company, who has doubled the number of employees for the period (October, November, December, 2019), contrary to the decision of the Board of Directors no.768 / 4, date 02.08.2017, a decision which has been in force during the years 2018-2019, causing the company an economic damage without possibility of receivab in salaries in the amount of 79,388 thousand ALL and for the chain effect in social insurance, the value of economic damage without possibility of collection is 10,414 thousand ALL and of TAP of 3,180 thousand ALL.

For the maintenance and distribution of fuel in WSS Kavaja JSC, there is no structure set up with a titular order, but this distribution of fuel was carried out by verbal order by the Administrators of WSS Kavaja JSC for the period subject to audit.

**The opposite opinion** was given for this audit.

In the Seaport of Vlora JSC (audited period 01.01.2017-31.12.2019) deficiencies are found in the implementation files of the works for the contract with the object "Expansion of the Terminal of the Seaport of Vlora JSC", it turned out that the value of **3,774 thousand ALL without VAT** was highly benefited by the works contractor as a result of the liquidated, but in fact unfinished works; it turned out that a liquidation of the unfinished works was actually carried out at the moment of their liquidation, thus unfairly favoring the contractor of the works for the amount of **37,165 thousand ALL without VAT**.

Illegality in three procurement procedures during the period subject to audit in the total value of contracts concluded in the amount of ALL 32,007 thousand without VAT.

Use without effectiveness, efficiency and economy of the JSC budget in the amount of 4,657 thousand ALL as a result of unfair dismissals.

- Based on the audit findings, regarding the process of implementation of the works of the contract with object "Expansion of the Seaport Terminal of Vlora JSC", it has resulted that the shortcomings are a continuation of the findings

made by the ALSAI in the previous audit (program audit no.1133/1 prot., date 02.11.2017, amended with no.1133/2, date 08.01.2018, of the Chairman of ALSAI), violations for which the indication for the criminal report no.1133/15 prot., Date 17.12.2018 and in continuation of this process, the Final Audit Report and Decision for continuous evaluation were forwarded by the Prosecution body.

The opposite opinion was given for this audit.

In the Seaport Shëngjin JSC (audited period 01.01.2017-31.12.2019) it is ascertained that the company presents an unstable economic and financial performance and that the revenues from its main activity have not been realized.

- From the audit of the planning and realization of the economic and financial program of the company and the realization of the objectives for the years 2017-2019, it resulted that the realization of income in 3 years is presented with negative fluctuations: year 2017- 70%, year 2018- 80%, year 2019 -68.5%, leading to deterioration of the economic situation and deepening of the negative economic result at the end of 2019 with losses in the amount of 105,210 thousand ALL.

- The company for 3 years, has not realized the income from ship processing, which is the main activity of work and income generation, this not only due to the decline in activity in ship processing, but also as a result of poor management of internal resources of the company, as the loading-unloading process is performed with the means of private economic operators.

- Shëngjin Seaport Company, for the 3 years subject to audit, it is ascertained that it has not realized the foreseen investments, for the years 2017 and 2019 2,570 million ALL are foreseen investments, realized 0 ALL and for 2018 are foreseen 1,183 million ALL, realized only 9.6%. The realization of investments at these levels shows a poor work of the management structures as well as the Investment Branch, which consists of 6 employees, 1 head of sector and 5 specialists.

- The level of wages for 2017 is undetermined and is operated according to the orders of the head of the company. In this way, free space is left for the head of the company to make decisions for the level of employees' wages, where it is ascertained that for the same positions there are different wage levels, showing preferential behavior towards employees. Also, the level of wages for 2017 has not been approved by the Supervisory Council.

- In 2017, inaccuracies were found in job positions which are not in the approved structure, but are in the presence list, payroll and in the tax system, discrepancies between the appointment of the job position indicated in the

employment contract and the one indicated in the presence list, payroll and in the tax system and duplication of job positions.

- Wage differences according to the existing structure and appointments of the director, in total at the level of wages are 2,430 thousand ALL, a value which is a negative financial effect.
- There is no unification of designations for similar job positions and there are differences in the assignment of wages for the same job positions promoting differentiation in work.
- Revenues from goods processing activity are low as a result of changes in tariffs used. The main activity of the company is loading and unloading of goods, which accounted for an average of 61% of revenues. Revenues for this activity have decreased not only due to the decrease in the volume of work, but also from not operating in the processing of ships with its own means of the Port. In the forecast of the draft program for 2018 and the years 2019 -2020, the volume of loading and unloading is foreseen with an average tariff of 363 ALL / ton. In this way, the company provides that the loading-unloading activity could be carried out mainly with the means of the operators themselves, and for this reason we have the application of much lower tariffs, but provided in the tariff book. Due to the non-performance of the process of loading and unloading with the Port vehicles and charging at lower prices for the period subject to the audit, the company has experienced a decrease in revenues to about 106,882 thousand ALL.

From the audit exercised in this subject, 18 organizational measures have been given for the improvement of the work and activity of the company; 4 measures for compensation of damage in the amount of 1,519 thousand ALL, ascertained mainly in the violations of the public procurement law in the development of public procurement procedures as well as the implementation of contracts for work, goods and services; 1 measure of compensation for damage to missing income in the amount of 1,920 euros for non-payment of port fees; 2 measures for the elimination of the negative effects ascertained in the administration of public funds in the amount of 6,932 thousand ALL, ascertained mainly in the unfair dismissal of employees from work, and the application of different salary levels.

*In the Student Residence no.2 Tirana JSC (audited period 01.01.2017-31.12.2019), deficiencies are found in the decisions taken for the management of the company, drafting, approval and implementation of the organizational structure, expenses*

for rewards and court decisions, expenses for exercising company activity, financial management and control, etc.

- The audit found some deviations from the legal and regulatory framework in force according to which the economic-financial activity of the company should be performed, mainly related to violations of financial discipline in liquidations carried out in the amount of 1,105 thousand ALL, drafting, approval and implementation of organizational structure, costs for court decisions for dismissed employees in the amount of 4,259 thousand ALL, costs for heating / boilers in the amount of 22,659 thousand ALL, procurement procedures, implementation of contracts, as well as their liquidations in the total amount of 1,020 thousand ALL, financial management and control, decisions of the Governing bodies of the Company, non-recording of the project in the financial statements (Grant) in the amount of 5.2 million euros or 633,306 thousand ALL, etc.

- In the Engineering buildings A, B, C and D, of student accommodation, an investment has been made in the amount of 5,200,839 euros or in the amount of 633,306,165 ALL (exchange rate of the Bank of Albania date 31.12.2019), within the project "For the rehabilitation of dormitories" (Grant) financed by KfVV, in which the work have started on 25.04.2017 for the buildings A and B, and for the buildings C and D it started on 20.06.2018. In 2018, in buildings A and B, the works have been completed and the first registrations of students who have been accommodated in these buildings have been completed. Regarding the handing over of the assets and the completion of the reconstruction works of the buildings, it is ascertained that until the end of the audit process in the subject, the handover of the assets which are administered and kept by USR is not documented, for which they have brought changes in the value of the property as a result of the investment made, there is no documentation regarding the receipt of the works in the assets of the company; There is no recognition of this value of the asset put into use nor of the financing agreement in the financial statements, which must be recorded at the time of their recognition and signing, in the "Grante" account, with the justification that USR Managers were not aware of this investment, despite using the restructured buildings. The buildings have been completed and put into efficiency by the company, accommodating students since 2018, and there is still no documentation for the receipt of works by USR, nor the recording in the financial statements of this impact value, in the FS of the Society. So, for this investment USR no.2, is only the final beneficiary, as with other procedures, starting from the financial agreement to the follow-up, implementation and completion of the project, the MF and MIE are responsible,

but, the company has not taken appropriate measures to transfer the value of the investment (Grant) to the relevant accounts and to make the correct reflection in the FS.

- From the audit exercised in this subject, 34 organizational measures are given for the improvement of the work and activity of the company, 2 measures for compensation of damage in the amount of 1,212 thousand ALL ascertained mainly in the violations of the public procurement law in the development of public procurement procedures and implementation of the contracts for work, goods and services, 5 measures to eliminate illegalities in the administration of public funds and 4 measures to eliminate the negative effects found in the administration of public funds in the amount of 5,173 thousand ALL found mainly in the unfair removal of employees from work.

- From the audit of the documentation related to the drafting and approval of the economic program, it is ascertained that, in 2018, until August, the company has not approved the economic program by the shareholder Municipality of Tirana. Also for 2019, this Company has not approved by the Owner Municipality of Tirana, the indicators of the economic program. Revenues from economic activity are presented with non-realization due to lack of accurate analysis, including planning, regarding the ability of the company to generate income, etc., leading to a higher level of expenditures than the financial possibilities that she (company) has.

- From the audit of the financial statements related to the item (Land, plot) which are presented in the accounting of USR Company in the amount of 374,855 thousand ALL, it results that for the period subject to audit, for these assets no inventory has been performed in relation to them and therefore it cannot be judged whether the value reflected in the accounting is physically or not available and usable by the institution. So this presentation not specified with documentation of the item land according to the values in the financial statements, can cause premises for loss of assets in the land item. Also from the audit, it resulted that for the years 2017-2019 USR Company, referring to the data of the financial statements and the inventory process, has not compiled an updated accounting register of assets that it owns or has in administration, which depending on the type, it should contain the minimum requirements such as the date of entry or receipt, description of the asset, value of purchase of the asset, date of commissioning, expiration date, value of subsequent capital expenditures that increase the value of the asset, location, responsible person, the accumulated value of depreciation, time of maintenance services, accumulated value of maintenance costs, date of expropriation, investment value (Grant) in the



amount of 633,306 thousand ALL, etc. The opposite opinion was given for this audit.

**III.** In the field of public procurement, economic damage in the amount of 4,681 thousand ALL and negative financial effect in the amount of 5,221 thousand ALL, found mainly in violations of public procurement law in the development of public procurement procedures and implementation of contracts for works, goods and services .

Regarding the audit of procurement procedures for the audit in 4 public companies, it results that a total of 109 procurement procedures with a worth of 99,723 thousand ALL have been carried out by the entities, out of which, 98 procedures with a value of concluded contracts of 97,349 thousand ALL were audited, or in percentage 90% of the developed procedures or 98% of the tendered funds.

From the audited procedures, the difference between the limit fund and the contracted value is in 98 cases in the amount of 2,347 thousand ALL or with a difference in percentage from the limit funds in the amount of 2.4%.

From the developed procedures, violations were ascertained in 85 procedures in the amount of 81,476 thousand ALL and the number of violations is:

- in the phase of preparation of procedural documents in 104 cases of violations;
- in the development phase 31 cases of violations;
- in the implementation phase of concluded contracts in 44 cases of violations.

**IV.** ALSAI, in the direction of Projects with Foreign Financing, for the period 01.01.2020 - 31.12.2020, has evaded 2 audits on the economic-financial activity of these Projects.

In total, the economic damage ascertained by these audits evaded in 2020 is 5,200 thousand ALL, an amount which is recommended to be compensated to the extent of 100%, and uneconomical use, and use without effectiveness and efficiency of public funds in the amount of 405,911 thousand ALL.

The common and main shortcomings identified during the audit of the projects are:

1. The project Management Entities have failed to coordinate and harmonize their activity to realize disbursements according to the provisions set out in the Financial Agreements, where the postponement of deadlines has led to additional contracts, causing an increase in the cost of the project. There is no annual

planning for the disbursements of the allocated funds, leading to the postponement of the disbursement deadline by several years.

2. The Project Management Entities have not carried out continuous monitoring and supervision of works contracts, making payments for unfinished works, increase of work volumes and prolonged unexplained delays which have led to the non-realization of the project within the deadlines.

*1. Problems identified by the audit of the project "Private Sector Development"*

From the audit of the "Development of the Private Sector" Project for the period from 01.06.2017 to 30.04.2020:

- In 5 cases against the Intermediate Banks, penalties in the amount of 38,520 € were not applied for the deficiencies ascertained during the credit files given to the borrowing subjects, a value which constitutes economic damage and its collection was requested in the amount of 100%;
- In 5 cases no measures were taken to identify the deficiencies highlighted in the documentation and then the return of the remaining amounts of loans granted in the total amount of 1,234,000 €;
- In 11 cases the amount of 1,114,134 € was financed by the Program for borrowing entities classified as Micro-Enterprises, when in fact the object of financing of this Program were Small and Medium Enterprises (SMEs).
- In 22 cases, commissions have been applied by the Intermediate Banks for the commission of banking expenses, or commissions for the disbursement of the loan in different percentages which vary from 0.5% to 10%. In fact these have been applied to the detriment of the Clients in contradiction with the On Lending Agreement as these commissions have been taken over by the Intermediate Bank and as such are their obligation and not of the borrowers. As a result, the amount of at least 31,070 € and 798,750 ALL of the Program funds were used by the Banks without effectiveness, efficiency and economy.
- The audit showed that some of the objectives of this project have not been achieved, among which the most important can be mentioned:

- a. Increasing the number of borrowers;
- b. Increasing the employment of women and youth;
- c. Increasing the number of Albanian SMEs that benefit from quality certifications according to ISO 9001 and ISO 14001.
- An important recommendation given in relation to this Project was the one where it was proposed that CLSC / PMU in cooperation with the foreign expert to identify the problems and obstacles arising from the in-depth monitoring and

evaluation process and to organize with the Ministry of Finance and Economy (MFE) and the Italian Government (Lender) discussions on the possibility of revising the agreement to avoid obstacles so the financing can be effective and sustainable in the development of SMEs in order to create the conditions for the provided loan by PTB through the program to be a competitive product in the market. Also, CLSC/PMU and PTB, should review the "On Lending Agreement", in order to create conditions such that the participation of SMEs in the program can be higher (simplification of the required documentation when the risk is kept 100% by PTB ) and this review is carried out in accordance with any changes that may be made to the financial arrangement between the lender and the borrower.

A qualified opinion has been provided for this audit.

## *2. Problems ascertained by the audit of the "Northern Boulevard and the rehabilitation of the "River of Tirana" project*

From the audit of the "Construction of the Northern Boulevard and the rehabilitation of the "River of Tirana" Project, for the period from 01.10.2017 to 30.04.2020, in a summarized manner, it resulted as follows:

- The "Construction of the Northern Boulevard of Tirana" project has required a considerable time for its implementation. Additions and changes of contracts were needed, mainly for unforeseen measures in the initial phase, problems with the infrastructure of underground networks, problems in the expropriation process for public interest, etc., which have resulted in delays in the efficiency of the project.

There have been delays in the procedures for applying for payment certificates as well as delays in the VAT refund procedures.

From the audit of the documentation of the Contract of Consulting Services, it results that frequent departures of the technical staff (engineers) of the consultant have been made. In some cases, replacements have been made by engineers who do not possess the same or higher qualifications.

Amendment order no.2 for the Tirana River Rehabilitation Contract, was approved according to the Decision of the Technical Council no.7/1, date 07.04.2017, with a value of 5,259,505.6 euros. This change is related to additions to the project with a length of 1.3 kilometers, worth 3,509,700.6 euros, as well as greenery of the sidewalks worth 1,749,805 euros. In the addendum of the contract, contrary to the definitions of the project, the realization of greenery is included, which is foreseen to be realized in the second phase of the project.

As a result of numerous changes to the River of Tirana rehabilitation contract, it is necessary to include works which are not similar to the works defined in the tendered estimate, worth 4.9 million Euros, or 20.7%. In the case of ongoing contracts, these works cannot be subjected to the normal procurement procedures, but to the direct procurement. This action comes as a result of not properly anticipating the needs for intervention, as well as delays in the implementation of contracts.

During the audit, some work voices in the object for the Contract "Rehabilitation of the "River of Tirana" were verified, from where their damages have resulted, mainly in the protection measures of rocky shores (boulders), gabion walls, concrete curbs, layers and greenery. Inert dumping is also observed, causing damage to green areas. Failure to intervene in a timely manner for the maintenance of these works will further degrade the works.

For the contract for the construction of the northern boulevard, there were delays which came as a result of the delay in the realization of the expropriation process for public interest, the changes of the project, the adaptation with the development plan, etc. Delays in the timely completion of works are also associated with increased costs which are ineffective. These costs relate to the maintenance and operation of vehicles, payment for drivers, maintenance and operation of offices available to the consultant, etc. For the implementation of the above contract, ineffective expenditures in the amount of euro 635,998 were incurred.

The addition of consulting services contract no.3, no.34201 prot., was approved on 09.11.2016. This supplement is related to the approval of the payment of the consultant staff experts, for additional time on the working hours as well as extra days, with the approval of the employer, specifically with the amendment of article 34 of the contract. Based on the basic contract, the payment for staying at work above the normal working hours as well as work on extra days, is considered to be included in the payment presented in the tender documents (financial proposal), on a monthly basis (people / months). Contrary to the contractual provisions, the consultant was liquidated with a payment for services above the normal working hours causing a negative financial effect in the amount of 204,620 euros.

From the audit of the works according to the rehabilitation contract of the River of Tirana, it results that for some work voices, no accurate reference was made to the price, mainly for concrete layers and supply of curbs, causing a negative financial effect in the amount of 37,128 euros.

Payments were made without the supporting documentation, for inert waste disposal, causing a negative financial effect in the amount of 12,920 euros.

A modified opinion has been issued for this audit.

Compliance audits in the field of property management

The Assets and Environment Audit Department for 2020 has evaded 8 audits. From the audits evaded for 2020, we have: 4 audits in the Local Directorates and Offices of the State Cadastre Agency (Local Directorate of SAC Saranda, Local Office of SAC Mirdita, Përmet and Mallakastër), 2 audits in environmental entities: (Regional Directorate of Environment and the Regional Branch of the State Inspectorate of Environment, Forests, Water and Tourism Vlora, as well as the Regional Directorate of Environment and the Regional Branch of the State Inspectorate of Environment, Forests, Water and Tourism Lezha); as well as 2 audits for the implementation of the recommendations for audits of 2019.

A. In the audits for 4 LDSAC and LOSAC, 250 measures are recommended in total, or 80% of the total recommendations, of which: 191 organizational measures, 20 indemnification measures in the amount of 998,353 thousand ALL, as well as 39 disciplinary measures. Also in the 3 audits of LDSAC Saranda, LOSAC Mirdita and Përmet, 1 criminal indication for 6 persons, 1 indication for all audit material, as well as 1 criminal report for 2 persons, were recommended.

B. In the audits for 6 Environmental subjects 61 measures in total were recommended, or 20% of the total recommendations, divided into: 40 organizational measures, 7 indemnification measures worth 6,482 thousand ALL, 5 measures with 3E in the amount of 90,123 thousand ALL and 9 disciplinary measures.

Providing opinions, on each compliance audit conducted during 2020, by the Department of Assets and Environment Audit, has strengthened the quality and results of these audits, but especially the professional communication with the management structures of the entities for the implementation of ISSAI 4000 standards and Audit Manual of ALSAI Compliance, pursuant to the Rule of Audit Procedures. Below we have presented the given opinions in a tabular form for the 6 audits conducted during 2020:

*Table no.8: Types of opinions according to audits*

No.	Audit opinion	Subjects
4	Qualified	LOSAC Mirdita, LOSAC Përmet, LDSAC Saranda, LOSAC Mallakastër

1	Negative opinion	RDE + RBSIEFWT Vlora, RDE + RBSIEFWT Lezha
---	------------------	--

*Source: ALSAI*

From the above it results that 4 qualified opinions and 2 negative opinions were given in RDE and RBSIEFWT Vlora, as well as RDE and RBSIEFWT Lezha.

In LOSAC Mirditë, Përmet, Mallakastër and LDSAC Saranda deficiencies are found in:

1. Administration of practices and requirements in the process;
2. Registration of construction permits on state land;
3. Assets registrations with changes of cadastral voices;
4. Registration of assets in urban areas of villages and correction of acts of ownership by fictitiously increasing the areas;
5. Registration of overlapping properties;
6. Poor management of cadastral zones and inaccurate reflection of the situation of agricultural assets in PPCs and Cadastral Zones;
7. Registration of immovable property based on the legalization permit;
8. Registration of immovable properties obtained by Local Government Decisions;
9. Legalization of informal facilities.

In RDE and RBSIEFWT Vlora and RBSIEFWT Lezha, shortcomings are found in the non-application of penalties for entities that have not complied with the conditions of the environmental permit and in the non-payment of annual environmental permit fees by private entities. The issuance of type C environmental permits in violation of the law is also found.

## **II.2.2 Performance Audit**

Performance audit is about auditing economy, efficiency and effectiveness and includes:

- a) economy audit, which means minimizing the cost of resources used in a public activity, without compromising its quality;
- b) efficiency audit, which means optimizing the source-result ratio of public activity, modifying processes, structures and the entire economic value chain, in accordance with the national and international standards and the best practices;
- c) the effectiveness audit, which means the evaluation of the final results and the set objectives, in accordance with the policies of the audited entity<sup>4</sup>.

---

<sup>12</sup> Law 154/2014 "On the organization and functioning of the Supreme State Audit", Article 3/4

In the recent years, ALSAI has aimed to increase the percentage of the number of performance audits, being in sync with the requirements of the European Commission for external audit of the public sector. Thus, during 2020, 9 performance audits were performed and evaded, which represent 12.5% of the total audits, compared to 11.4% in 2019.

Performance audits performed and evaded during 2020 are oriented in different areas such as:

1. *Government reforms* (Effectiveness of inter-institutional coordination within the process of Albania's EU integration for the period 2016-2019, Tax debt performance).
2. *Socio-economic projects & services* (Effectiveness of policies on migration movements of the population, Health service in preschool education, Service in prisons, Effectiveness of the process of deinstitutionalization and decentralization of social services with a focus on orphans;
3. *Infrastructure projects* (Railways).
4. *Environmental & Energy Projects* (Energy Efficiency, Immediate Pollution of the Ionian and Adriatic Sea).

In most cases, performance audits in ALSAI are focused on drafting and implementing strategies, supplementing and updating the legal and regulatory framework, improving the activities of audited entities according to contemporary good international practices. Performance audits by nature tend to have a more scientific approach than other types of audits, which is also provided in the performance audits that ALSAI has conducted in recent years.

The nine audits evaded for 2020 were conducted in 28 entities, generating 288 findings, 189 conclusions and 200 recommendations. On average, 36 findings, 23 conclusions and 25 recommendations were made for each audit, figures that are more or less the same as a year ago. From the point of view of the 3 Es, for 2020, 54 findings, 34 conclusions and 43 recommendations for efficiency have been addressed, as well as 234 findings, 155 conclusions and 157 recommendations for effectiveness.

### **1. Energy Efficiency**

Entities under audit:

- Ministry of Infrastructure and Energy (MIE)
- Energy Efficiency Agency (EEA)

The objective of the audit, in addition to designing and effectively implementing energy efficiency policies, was to provide a clear picture of the integrity, reliability, transparency and effectiveness of energy efficiency projects supported by the albanian government to see if these projects have brought the expected benefits for the final beneficiaries.

#### *Audit context*

Improvements in the energy efficiency provide the opportunity to bring long-term social, economic and environmental benefits. By using energy more efficiently, businesses become more competitive and households pay lower energy bills. Today, there are short-term socio-economic costs and benefits that come from investing in energy efficiency measures. Someone has to pay for the required investments to upgrade buildings or energy equipment. Activities stimulated by this investment to improve energy efficiency are often quite intensive and can provide a short-term incentive for local employment, especially in certain specific sectors such as construction. There is also preliminary evidence (based on consultations with WHO and National Environment Agency) suggesting that improvements in energy efficiency lead to reduced air pollution and in the case of building restructuring in a better indoor climate as a result of reduced humidity and improving indoor air quality. The benefits of energy efficient homes go beyond reducing carbon emissions and energy security arguments; energy efficiency can improve people's health and well-being. Energy poverty and lack of adequate heating of buildings are also detrimental to mental health, through the financial stress that it causes to families. Energy poverty is the situation in which a family can not access energy services at home to a level that can meet its social and material needs. The levers that determine whether or not we are in energy poverty are: energy efficiency in buildings, energy costs and household income. For this reason in European countries, energy poverty generally refers to the situation where individuals are not able to provide the necessary energy in the home at an affordable price. The concept is powerful and analyzes three important pillars: energy policies, social policies and energy efficiency practices.

#### *Audit message*

The measures taken by MIE and EEA regarding the energy efficiency in our country have not been effective. The Ministry of Infrastructure and Energy by not approving a series of bylaws has failed to supplement Law no.124/2015 "On Energy Efficiency" and Law no.116/2016 "On Energy Performance in Buildings". The National Calculation Methodology has not been approved by DCM. MIE has not drafted the Strategy for Renovation of Public Buildings and the National Plan



for Increasing the number of buildings with "near zero energy" performance as part of NEEAP 2017-2020.

EEA has not monitored NEEAP 2017-2020 and the Minister of MIE has never reported to the Council of Ministers on the implementation of the National Action Plan for Energy Efficiency. As a result of the lack of NCM and energy auditors certified by EEA, no energy audit has been performed until today.

The non-functioning of the Energy Efficiency Fund has affected the financing of the program in the field of energy efficiency, the development of pilot projects to study new technologies, the research and development of activities for EE growth, the undertaking of awareness campaigns and the development of financial mechanisms and fiscal incentives for investment. The energy efficiency projects audited in this audit have not achieved their main objectives. Despite the current situation, during the time that this audit was being conducted (January-June 2020), EEA has drafted and sent for approval to the MIE a series of bylaws. The adoption of these acts, together with the implementation of the recommendations left in this audit to the audited entities, would bring improvement in the implementation of energy efficiency measures.

## **2. The Immediate Pollution of the Ionian And Adriatic Sea**

Entities under audit:

- Ministry of Defence
- Ministry of Infrastructure and Energy
- Ministry of Tourism and Environment

The objective of the audit is to increase the institutional responsibilities of state and local structures in objectively analyzing unexpected situations with negative consequences for the marine environment, which is caused by disasters that bring immediate and serious damage to human life, the living thing, property, cultural heritage and the environment.

### *Audit Context*

The challenge of protecting the seas from general pollution but also from immediate pollution lies in its comprehensive management by providing equal benefits, according to the principles of EU environmental and water policies. The most efficient management of the seas lies in increasing the transparency and interaction of many institutions, because it has to do with the development of infrastructure and services, the rule of law, civic awareness and governance as a whole. The administration and management of the sea water from pollution

means, conservation, use of natural and biological resources, facilitation of conditions for tourism development, business development, etc. Also, today, the challenge in the environmental issues lies in the public right to access environmental information, access to justice in environmental matters and the participation of the interested public in the environmental decision-making.

ALSAI has undertaken this performance audit in increasing civic trust because in many cases the way of management and coordination of the state institutions is measured only by figures, but we forget that the way they manage services, reflects the social approach for future generations. Giving opinions on the improvement, modernization of the system of the protection of the seas from immediate pollution, is a priority today because it is not fully in line with today's requirements, therefore this audit is focused on the following areas:

Cooperation of institutions in order to reduce the risk of immediate disasters at sea, including all stakeholders;

Needs for the approval and implementation of the "National Cross-sectoral Strategy for Environmental Protection of Seawater";

Needs for the improvement of the National Civil Emergency Plan;

Needs for the improvement of the National Emergency Plan "On the response to marine pollution in the Republic of Albania;

Needs for improvement of implementation mechanisms and capacity building due to different sectoral approaches etc.

#### *Audit message*

National Coast Agency should establish a new legal approach in cooperation with the Ministry of Tourism and Environment, National Environment Agency, local government, specialists in the field, legislative institutions and interest groups, in increasing its competencies for the environmental protection of maritime waters, development of the economy and maritime tourism, preservation of the flora and fauna in the seas and increase of civic trust.

### **3. The effectiveness of the process of deinstitutionalization and decentralization of social services with a focus on orphans.**

The subjects on audit

- Ministry of Health and Social Protection
- The National Social Service
- Ministry of Education, Sports and Youth
- Ombudsman
- Korça Municipality
- Vlora Municipality

The objective of this audit has been the reflection of a clear overview of the situation and current affairs, connected with the effectiveness of the social care system and the needed support of the orphans of our country, through the examination and analyze of the actions undertaken by institutions, which have under their jurisdiction the management of the deinstitutionalization and decentralization process. The focus of this audit was reviewing the process of planning and implementing the regulatory framework, the politics and the action plans that the representatives involved have drafted, regarding the deinstitutionalization of orphans and the decentralization of social care services.

### *The audit context*

The child, in order to have a full and harmonious development of his personality, should grow in a family environment, in an atmosphere of happiness, love, and understanding. The family, as the basic unit of society and the natural environment for the growth and the well-being of all its members and especially of children, needs the necessary protection and support, to be able to fully assume his role in the community. In the first years of a child's life, the foundations of his personality and psychological well-being are laid. Many children in Albania do not reach their full potential because they grow up in limited environments. One of the current developments in the world today is the commitment of all societies and their governing mechanisms to a world worthy of children, where they start life in the best possible way, with many opportunities to develop their skills in a healthy and encouraging environment. It is especially this environment that should serve as a stimulus for the physical, psychological, spiritual, social, emotional, and cultural development of children, as an issue that is already a global priority. The Albanian society has become part of this global commitment, in the bitter reality where a significant number of children live in difficult conditions and often without the support of their parents, such as orphans. In our society, as in any other society, biological and social orphans (the children who do not have parents or they don't get the proper care from them) need protection and special social inclusion of the state and society. Social inclusion refers to measures that enable individuals and groups to access public services in order to participate to the highest degree of their ability in the social, economic, and political life of the society in which they live. According to statistics and analyzes, it has been concluded that: youth involvement in crime is directly related to social exclusion and barriers to accessing education, information, culture and employment. Lack of attention and care for this group in need as a

result of social exclusion, or failure to promote their education, carries the risk of turning them into unproductive individuals for the future and makes them predisposed to criminal activities. For this reason, the main focus of the government policies is oriented towards deinstitutionalization and decentralization, which provide for the transition of children from residential centers to their biological or foster families (alternative care) and the decentralization of services from the central to the local level, emphasizing in this context the role of Local Self-Government Units.

#### *Audit message*

The measures taken by the institutions responsible for the processes of deinstitutionalization and decentralization of social services for orphans in our country, not only weren't effective but have been accompanied by fictitious propaganda for their realization. The first indications of undertaking this reform are noticed since 2003, and still, after 17 years there are no results. Only in 2020, a Draft Plan for deinstitutionalization was drafted. State institutions must take serious steps towards carrying out these processes, as institutionalization, in addition to being a violation of the rights of children of all categories, has serious psychosocial consequences for their development.

#### **4. The effectiveness of policies in the migratory movements**

Entities under audit:

- Ministry of Finance and Economy
- Ministry of Interior
- Ministry of Health and Social Protection
- INSTAT

The objective of this audit was the state policies for the good governance of immigration and mitigating the factors that push individuals to leave the country, as well as the activity of the institutions responsible for providing its management, administration, and monitoring mechanisms for the period 01.01.2015 - 31.12.2019.

#### *Audit context*

Migration is a phenomenon that has accompanied Albania throughout its history. Being a small and relatively poor country, Albanians have seen emigration as an opportunity to create a better life. Albania has experienced an intense period of migration since 1990 when in 2010 it was ranked first in Europe and ninth in the world for the ratio of emigrants to population. Modern Albanian emigration has its

origins in the years 1990-91 which coincides with the fall of the communist regime in the country. In the first decade after the change of regimes, it is estimated that about 800,000 Albanians left the country, mainly to neighboring countries such as Italy and Greece. Most of these emigrants consisted of young people who left Albania to find work and escape the chaos that accompanied the country in the first years after the transition.

Migration has already been recognized for the first time as an impact factor by The Sustainable Development Agenda 2030. It is seen as a cross-cutting sectoral issue, which is related to all Sustainable Development Objectives. This audit focused on the emigration of the Albanian citizens to other countries, the factors that drive it and the designed government policies, with the purpose of seducing potential emigrants so as not to leave the country. The assessment of their implementation performance is useful to see the impact and results achieved towards the ultimate goal. This audit served also to see the accuracy and reliability of the sources of the figures reported on emigration from the Albanian state. Given that migration is a phenomenon, which is influenced by many factors and includes various areas of the activity of the institutions, the strategic documents in force, charge some of them with the obligation to supervise and achieve the set objectives. As part of the evaluation of the implementation of immigration policies by the competent institutions, the group decided to include as subjects the Ministry of Finance and Economy, Ministry of Interior, Ministry of Health and Social Protection, and INSTAT.

#### *Audit message*

The emigration of the Albanian citizens for employment reasons, is regulated today by an outdated law, which today applies mainly in the function of the purpose and general principles, but not in terms of procedural actions. Numerous changes in the relevant structures and shortcomings in the identification of the responsible authorities have made that a large part of its provisions is unenforceable. Moreover, the engagement of strategic documents and the responsible institutions of the field is mainly directed towards the new integration and return of displaced persons, neglecting the qualified citizens that constitute potential to emigrate.

However, the desire of Albanians to leave is not directly dictated by the shortcomings of the legal and regulatory framework. The reasons that push them to emigration are mainly economic ones, living standards, unemployment, low wages, but also the opportunity for better education or lack of hope that things in the country will improve. The lack of accurate statistical data and the low inter-

institutional cooperation to ensure qualitative information on migration, jeopardizes the effective implementation of migration policies.

## **5. The effectiveness of inter-institutional coordination within the process of Albania's integration into the European Union, for the period 2016- 2019**

Entities under audit:

- Ministry of Europe and Foreign Affairs
- Municipality of Shkodra
- Municipality of Vlora

The main objective of this audit was to analyze and provide a clear overview on the effectiveness of coordination by the Ministry for Europe and Foreign Affairs as well as the Municipalities of Shkodra and Vlora in the process of our country's integration into the EU.

### *Audit context*

The audit closely affects the performance of the functioning of the central state administration and that of the local government, in the coordinating processes defined by the SAA and secondly, by the National Plans for the European Integration (NPEI), being the latter, the implementing acts of the National Strategy for Development and Integration 2015-2020 (NSDIII).

Given that the integration process is also a political process, the audit of this topic, tries to assess with objectivity, how seriously this aspiration of the citizen and our society is treated, by the Albanian state, therefore, it can also be considered as a test, from which the unanswered question: "Does the Albanian political class really want the integration of our country in the European Union?", will be answered partially and indirectly.

### *Audit message*

"European integration is the geostrategic and political objective of Albania, which is at the core of domestic and foreign policy", The National Plan for European Integration 2016-2020 states. This commitment, announced every year with solemnity from the Albanian Government, is faced with a balance sheet of the achievements and accomplishments, which prove that the objective of European integration remains far from the treatment of such stitching.

Ministry of European Integration, Ministry of Foreign Affairs and Ministry for Europe and Foreign Affairs, which since October 2017 has the task of internal and external coordination of the process, have a work balance with deficits, whether in their internal organization, attracting the attention of the European Commission which has requested an increased commitment, for strengthening

administrative capacities, whether in external operation, through our diplomatic missions accredited in EU countries, which not only have not been strengthened, as provided in the decisions of the Council of Ministers, but on the contrary have shown shortcomings. With all the effort that these ministries have done during the period 2016-2019, for the realization of objectives of drafting, coordinating, implementing, and monitoring the National Plan for European Integration, they have resulted in obvious shortcomings in the adoption of a methodology for drafting a National Plan for European Integration. Despite the fact that the Stabilization and Association Agreement between Albania and the EU, entered into force in the distant year 2006, as well as the implementation of the EU Acquis in Albania, is based on the municipalities of the country in the amount of 70%, it took the Albanian governments a full 12 years to draft the laws of the activities that enable the establishment of units that support integration processes at the Local Government Units.

The European integration units claimed to be set up by LGUs are local coordinators for the implementation of the project "Municipalities for Europe" and not Integration Units following legal requirements. The monitoring performed by the Ministry of Foreign Affairs (and former MIE), for the establishment and operation of the structures of the European Integration Units, is almost non-existent. LGUs have not published on their official websites, information about the European Union, the European integration process, the rights and obligations that come as part of the accession process, as well as various EU funding programs, but they have published information mainly in the form of propaganda. The Assistance and coordination that the law entrusts to the MFA, regarding the participation of LGUs in IPA funding programs, remains far from the desired effect. Even the expected opening of negotiations, charged with a series of preconditions is a moment which should force the Albanian government and society to a serious reflection on the reasons for the delays in this process and the birth of obligations to change approach and increase the level of engagement.

## **6. Health service management system in the preschool education institutions**

Entities under audit:

- Ministry of Health and Social Protection
- Central Directorate of Health Care Services
- Regional Health Care Directorates of Tirana / Vlora
- Local Health Care Units of Tirana / Vlora
- General Directorate of Nurseries and Kindergartens
- Municipality of Vlora

The objective of this audit was to evaluate the responsible institutions for the health care service in preschool education to increase their effectiveness in terms of achieving objectives and achieving the mission they have, the audit team aimed to audit the management system of providing medical services in preschool education institutions.

#### *Audit context*

The first years of a child's life are the most important ones, as at this stage the first foundations of their behaviors and habits are laid. The research that is done in several different sciences - anthropology, developmental psychology, medicine, social sciences, etc., shows that the experiences that the child has in its early childhood, are important factors for the development of intelligence, personality, and the relationship that the child will have towards others. If we are committed enough to children, to help them build good relationships with the environment and for them to get used to control their emotions in this period, all this will be reflected in later periods of life. It is not enough for the child, to be well-fed and healthy. The development of children at the same time, is also a development in many areas. Each of the elements that help in their normal development, including medical care at this stage of life plays an important role in the formation of worthy individuals for the society. On the other hand lack of care increases the risk that the child will not fully use it's potential.

#### *Audit message*

The Health Service Management System in the Preschool education institutions does not exist. Ministry of Health and Social Protection (MHSP) has not shown initiative to update and supplement with sufficient bylaws all legal framework related to the Health Service Management System in the Preschool education institutions and did not include it in its policy documents. Currently, this service is offered partially, only in the Municipality of Tirana referring to the non-updated regulatory framework of 1998. Local Unit of Health Care Tirana and Regional Health Authority Tirana (as the previous structure) have provided the service without having in the specified structure, doctors who will provide the service, and without a good regulatory framework defined about duties and responsibilities.

Health Care Service Operator with Regional Directorates of HCSOs as new structures, created in 2019, show problems in the management of this system by displaying unclear roles and their responsibilities. The Local Health Care Unit of Vlora does not recognize it as its direct service leaving it in the competence of the



Health Centers. The General Directorate of Nurseries and Kindergartens, a good structure organized in providing the whole service for the good upbringing of children in nurseries and kindergartens, shows shortcomings in arguing the position of the doctor, part of its organic. The Municipality of Vlora, for the period under audit 2017 – 2019, doesn't have the appropriate structure for the management of the Preschool education institutions and the provision of medical services in the Preschool education institutions, is not provided in its objectives.

## **7. Rail transport management in Albania**

Entities under audit:

- Ministry of Infrastructure and Energy
- Albanian Railways JSC

The objective of this audit was to assess the effectiveness of the institution's subjected to audit which are responsible for designing and implementing policies that aim at promoting, using, and managing effective transport railway. This audit aimed to assess the effectiveness of the system management of railway infrastructure, to meet the needs of public and private entities related to the rail transport of passengers or goods as well as providing a clear picture of integrity, reliability, transparency, and effectiveness of the audited entities.

### *Audit context*

The Albanian railway network was built between 1947 and 1986 for them to serve the Albanian industry and passenger transport. The railway connects some important cities and the most important connection for passengers is the Durrës-Tirana line. Furthermore, it connects the Port of Durrës with the areas of industrial and mining. There is a railway connection with Montenegro through Hani i Hotit, at the moment available only for the transport of goods. There is no physical railway connection between Albania and the neighboring countries such as Kosovo, Republic of North Macedonia and Greece. The main network terminal is the railway station in Durrës. After 1991, most of the industries that used the railway were closed. As a result, the railways lost almost all of their revenue, and Government support no longer existed after it was used to invest in road improvement programs and other priorities of infrastructure. The railway network is completely electrified and trains are towed by diesel locomotives. The whole system is usually alone with a pair of by-pass rails. Due to lack of investment, railway infrastructure is very bad, it lacks well developed terminals, rails and lines, except the Durrës-Tirana part of Corridor VII which is in average condition. Rail transport in Albania has been declining over the years. This is reflected in the

declining volumes of the rail traffic for both freight and passenger, especially with the closure of the Tirana railway station that was processing around 50% of the annual passenger volume. The volume of freight transport fell in 2013, but there was an increase in km ton of goods to 39.89 million tons from 22.97 million tons in 2014. The year 2019 also marks the peak with the lowest number of passengers for the entire second decade of this millennium.

#### *Audit message*

The measures taken by the Ministry of Infrastructure and Energy and the Albanian Railways JSC regarding the management of railway transport in Albania have not been effective. Law no.142/2016, dated 22.12.2016 "Railway Code of the Republic of Albania" has not been fully implemented. The main reason for the non-implementation of this law is the non-establishment of the Regulatory Authority railway, Railway Safety Authority, National Authority of Railway Accident and Incident Investigation, and Authority Railway Licensor. MIE has not drafted for the establishment of these authorities special legal framework following Law no.142/2016, dated 22.12.2016 "Railway Code of the Republic of Albania". Investments in the railway transport sector for the period 2016-2019 have not been sufficient by not achieving some of the main objectives of Transport Sector Strategy 2016-2020. The main indicators of Rail system performance are at very low levels. The number of rail passengers for 2019 was the lowest marked, at least for several decades. Quality of service, railway safety along with the railway infrastructure are in poor condition. Railways lines today, have shrunk like never before as a result of deterioration and the decommissioning of some major works of art such as the Ishm Bridge, the Rogozhina Bridge, etc.

### **8. The effectiveness of the service of institutions of execution of criminal decisions.**

The institutions involved in this audit are:

- Ministry of Justice
- General Directorate of Prisons
- IECD Rogozhina
- IECD Vlora
- IECD Peqin

The objective of this audit were the state policies for the good governance of service of IECDs to the social category of convicts and in detention on remand, as well as the activity of the responsible institutions to provide the mechanisms of

management, administration, and monitoring of the service against its effective cost, for the period 01.01.2016 - 31.12.2019.

### *Audit context*

Institutions for the Execution of Criminal Offenses (IECD) are a very huge important part of the criminal justice system in each state. In some places, the legislation governing prisons, dates back to very early times, often dating back to colonial times. In Bangladesh, for example, prisons still operate in compliance with the Bengal Prison Code of 1894 (amended in the year 1920). His very detailed provisions are outdated and often insignificant, while not incorporating its international standards of human rights. Of course, many prison improvement programs can be undertaken without the need for legislative changes, and indeed the modernization of prison law does not guarantee that reforms will be reflected in practice. However, the process of developing legislation modern prisons can provide opportunities to improve conditions and services in them, as well as the involvement of third parties in the process (as it is civil society). In our country, acts related to the penitentiary system date back to the year 1921 when the High Council charged the Government with drafting a law on improving the lives of prisoners. In 1933 the new Prison Regulation came into force, approved by the Council of Ministers, which marked the beginning of management and administration of prisons on a contemporary basis for the time. From the creation of the independent Albanian state until 1994, prisons have been under the administration of the Ministry of Internal Affairs. In June of 1994 the process of transferring the administration and management of prisons under the Ministry of Justice began, which ended in June of 2007.

During 1998, with the assistance of the Council of Europe and Italian Ministry of Justice, the Law on Prison Police, the Law on the Rights and Treatment of Prisoners, and the Law on the Execution of Criminal Decisions were drafted and approved by the Albanian Parliament. In 2000, the General Regulation of Prisons was also approved, which defined procedures related to the operation and management of the Institution's Execution of Criminal Decisions.

Prison systems exist and operate in different contexts, both in low-income and high-income countries, both in fragile states and in stable states with mature democratic governance. International standards recognize this variety of circumstances, yet dictate fundamental principles, based on the state's duty to treat prisoners humanely and to respect their dignity as human beings, while maintaining proper security in prisons. In addition to the Universal Declaration of Human Rights, the prison administration is subject to a number of treaties,

including the International Covenant on Civil and Political Rights and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, as well as standards and norms such as the Rules, Standards for the Treatment of Prisoners, Basic Principles for the Treatment of Prisoners, Minimum Rules, UN Standard for the Administration of Juvenile Justice, UN Rules for the Protection of Juveniles Deprived of their Liberty, etc. These instruments make it clear that while prisoners lose their freedom of movement, they exercise their rights as human beings when incarcerated. They should not be treated in an inhuman or degrading manner, and all forms of torture should be prohibited. International norms set standards for most aspects of prison life including: accommodation, hygiene, lighting, ventilation, food and recreation. Prison services also have the responsibility to safeguard the prisoners' right of health. In order for IECDs to comply with the entire regulatory framework, local and international standards, prison staff must be recruited, trained and provided with employment conditions that enable them to fulfill their responsibilities to the highest standards. Inadequate training, poor working conditions and lack of accountability can affect the performance of IECD.

#### *Audit message*

From the audit, it was found that the increase of vacant positions in the prison system and consequently the increase of workload for the current employees reduces the efficiency of service of this system. The differentiation in the status of the employee of the State Police and that of the Prison Police has made the latter less preferred. This has occurred as a result of difficult conditions in education and training, remuneration and logistics for the Prison Police.

Whereas, the use of command in office on a continuous basis does not motivate the leaders of IECDs, affecting the efficiency of work.

The last act regulating the remuneration of convicts dates back to 1993, long before the adoption of the law on the rights and treatment of prisoners. This has made working in the IECD considered a means to benefit from reduced sentence days and not a means of securing income. Deprivation of liberty is a punishment in itself and as a result, the regime for prisoners can not aggravate the suffering of imprisonment with depreciated infrastructure and unhealthy nutrition. Despite the efforts of IECDs to conduct trainings in the fulfillment of the new mission of the integration of convicts, the high numbers of recidivists show ineffectiveness in the form of designing, developing and attending educational trainings.

### **II.2.3 Information Technology Audits**

ALSAI conducts Information Technology Audit based on International Standards on Auditing, as well as the Legislation and the Albanian Standards in the field:

- The mandate for conducting the Audit is based on INTOSAI P-1 Article 22 and Law of ALSAI No.154/2014 Article 3 and 14;
- Information Technology Audit Manual (WGITA) and the Active Manual of IT. COBIT 4.1 Information Technology Control Objectives;
- Information Technology Audit Guidelines, ISSAI 5300.6, 8 and 12.2, 16.19, 21.1, 23;
- ISSAI 100.36,48 Guidelines for all the public sector audits;
- ISSAI 5310 - Information System Security Review Guide (ISS) in government organizations;
- Legislation and Albanian Standards in the field.

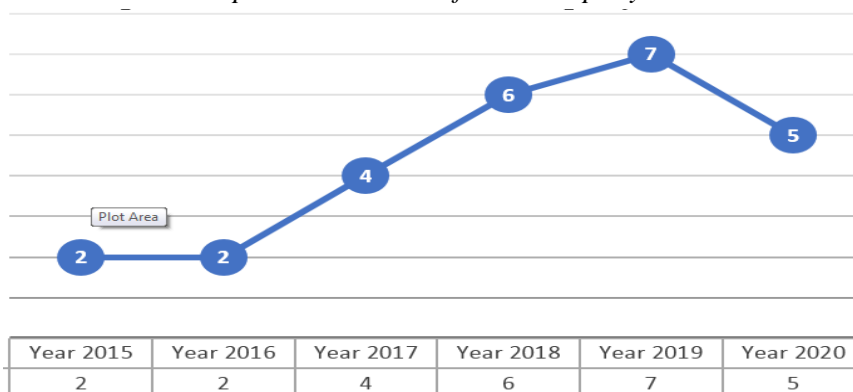
Natural disasters that occurred at the end of 2019 as well as throughout the year 2020 made the focus of the audit work concentrate on planning an audit of entities with a role in data collection, their processing interaction with data stored in other systems locally and nationally. Identifying risks and evaluating and drafting plans to minimize to reduce human and financial costs.

Also, in 2020 ALSAI has focused on IT audits the activity of Internal Audit Structures in the direction of Technology of Information intending to assess the compliance of the activity of the Internal audit with the provisions of Articles 14 and 8 of Law no.114/2015 "On the Internal Audit in the public sector" of which in summary it turned out that:

- They do not have professional human resources with sufficient knowledge of IT auditing;
- They have not planned or performed audit missions in IT systems;
- They do not have access to and use for audit information from the systems informatics;
- They Have not used auditing techniques based on Information Technology.

At the end of a not easy year with already known difficulties, it was achieved that during 2020,10 audits in the field of IT were performed, of which 4 evaded and 6 others at different stages of the audit process. The chart below presents an overview of Technology Audits of Information for the years 2015-2020 where the steps taken in the consolidation of this type of audit are noted, as well as the impact of the pandemic on the results of last year.

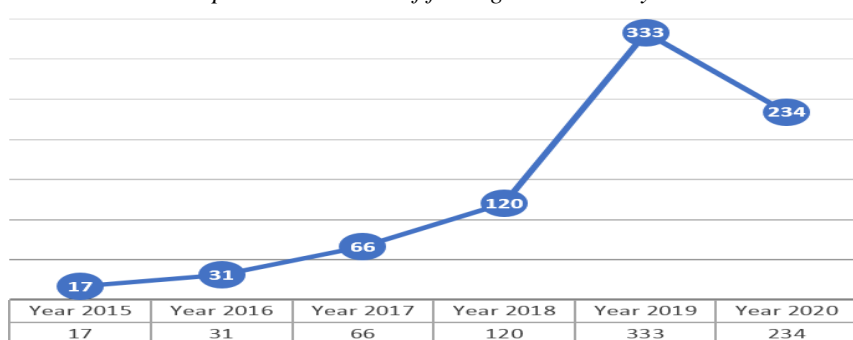
Graph no.4: Number of IT audits per year



Source: ALSAI

In the IT audits conducted during 2020, for each audit performed, there are included an average of 5 subjects out of 3 that were last year.

Graph no.5: Number of findings in IT audit years



Source: ALSAI

From the performed audits, it is concluded that 82% of the findings are for the areas of IT Governance and Information Security which have a major role in setting up and operation of ICT systems, which shows proper planning performed through risk analysis with the active IT audit manual.

**In summary, the performed audits showed that, identifying and administering critical elements in the delivery of services and ensuring data security as well continuity in service delivery through the technology of information in the systems of the audited entities is insufficient and they**

carry a high risks in the well-being of functionalities built-in service of the institutional purpose and objectives. The data interaction that these systems hold is not consolidated.

For 2020, the main findings on the audited entities are:

**IT Audit at the  
Institute of  
Geosciences,  
Energy, Water and  
Environment**

**Audit Description:**

The Supreme State Audit (ALSAI) based on Articles 3 and 14 of Law 154 “On the Organization and Functioning of the Supreme State Audit ”, date 27.11.2014, conducted an Information Technology Audit at the Institute of Geosciences, Energy, Water and Environment (IGEWE), by date 21.01.2020 to 31.03.2020. The Information Technology Systems Audit, at the Institute of Geosciences, Energy, Water and Environment (IGEWE), is part of the Annual Audit Plan of ALSAI, approved by The President of ALSAI with the decision no.145, dated 28.01.2020. The design of this audit has been done based on risk analysis, as during the design of the annual plan, as well as during the drafting of The Audit Project Program, where ALSAI, has assessed as an important systems audit of technology that IGEWE has at its disposal guaranteed data availability and integrity with which it bases decision-making.

**Audit message**

*ALSAI, based on the International Standards of Audit, respectively in ISSAI 100, ISSAI 5300, ISSAI 5310 as well as articles 3 and 14 of law 154 “On Organization and Functioning of ALSAI” date 27.11.2014 ascertains that: Exercising the activity of IGEWE with 67.6% of the organic, and the use of Information Technology without IT structure, carries risks in fulfilling institutional tasks such as:*

- The study and evaluation of the geological phenomena and resources of the country;*
- Seismic, meteorological, and hydric risk assessment at*

*local and national level;*

*- 24/7 monitoring of seismic, meteorological, and hydric activity of the country, enabling real-time data distribution for decision-makers and the general public. Lack of regulatory acts, not treating and solving the problems that appeared, has brought a high-risk situation in terms of safety data. The lack of an audit trail does not provide reasonable assurance about the regularity of the use of systems in IGEWE. The existence of IGEWE under the auspices of the Polytechnic University of Tirana, which has as its main goal the improvement of the activity of the university, has affected a pronounced lack of attention to the creation of favorable conditions for considerable material damage. Lack of attention to IGEWE is evident in the condition of stations scattered throughout the territory of the country, which risks not meeting completely their object or to be damaged in an irreparable order.*

*Consequences of lack of indispensable investment in terms of technology information and beyond have been observed in the recent events in the country. Mostly referred to recordings made available by the Department of Seismology at IGEWE related to the earthquake of 26.11.2019, which had an impact on people's lives and multiple damaged material, it is found that the full data from Durrës station is missing, which is the nearest station to the epicenter. This station has recorded only the first 15 seconds of the earthquake, as well as the consequence of the power outage. Based on the fact that during a strong earthquake there is a high probability of electrical power outage, it is necessary to equip battery seismological stations (UPS) which enable data recording even if the electricity is cut off. We emphasize that the regular operation of the three seismic networks in our country is important for forecasting and monitoring natural disaster in real-time, taking action in*



*the direction of protecting people's lives and reduction of material damage.*

**IT Audit at the  
National Civil  
Protection Agency**

**Audit Description:**

The Supreme State Audit (ALSAI) based on Articles 3 and 14 of Law 154 "On the Organization and Functioning of the Supreme State Audit" date 27.11.2014, conducted the technology audit of information to the National Civil Protection Agency, from 22.01.2020 until 31.03.2020. The audit team after gathering the information during the study phase through interviews and questionnaires for the designation of high risk areas, drafted audit matrices and based on them drafted the audit program in compliance with the Active Audit Manual. Information requests for relevant fields were drafted in accordance with the Audit Manual of Information Technology.

**Audit message**

*ALSAI, based on the International Standards of Audit respectively in ISSAI 100, ISSAI 5300, ISSAI 5310 as well as articles 3 and 14 of law 154 "On Organization and Functioning of ALSAI "date 27.11.2014 finds that by not updating the National Civil Emergency Plan for a long time, lack of national risk assessment and lack of National Strategy for Reduction of Risk as well as non-management of the transitional phase of the reforms that NCPA is going through, has brought a situation with high risk in terms of operation and coordination of all emergency civil structures in the country. The identification, definition, evaluation, cooperation, and addressing technology resources information in support of the activity of NCPA is insufficient. Also, NCPA has not considered the centralized critical infrastructure of its bases state data as well as the data center of which is not only the only one in the country but also an extremely high investment in value and importance. In our judgment, the existence of the National Agency of Civil Protection, under the Minister, restricts him in*

*exercising a strong coordinating role towards other institutions.*

*Among the key findings of the IT audit at NCPA (for which the relevant recommendations are given for the improving the situation) we are listing: From the IT audit in NCPA it resulted that earthquakes that occurred at the end of 2019 in Albania found this Agency in the process of unfinished conversion (by the National Director of Civil Protection insubordinate to the Ministry of Interior in the Agency National Civil Protection subordinate to Ministry of Defense) a process which was implemented by not following best management practices of change.*

*The events of 2019 found NCPA:*

*-Uncompleted with human resources*

*-With a National Civil Emergency Plan being not updated (not adapting to the reality of the events that have happened for 16 years in Albania, based on law no.8756, dated 26.03. 2001, "For civil emergencies ", as amended).*

*-Without a National Strategy for Risk Reduction from Disasters.*

*-With no Information Technology systems available.*

*-Without a register of events, considered as emergencies, occurred or reported by geographical distribution, that they have had within the country, which related to extreme natural phenomena such as earthquakes, floods, and floods, temperatures extreme and excessively prolonged, slips architectural, avalanches, strong winds on the ground and in the sea, massive forest fires, infectious diseases mass and other phenomena affecting the life of people, living thing, property, heritage cultural and environmental.*

*-With civil emergency structures suffering from poor coordination, lack of information, logistics, funding, and capacity for it intervened.*

*-With communication performed through verbal exchanges, via mobile, WhatsApp or via emails.*

*- Early warning information about disasters is missing. NCPA has not considered critical infrastructure centralized state databases as well as the data center which not only are the only ones in the country but also an extremely high investment in value and importance according to the provisions of Article 43 of law no.45/2019 "On civil protection" on telecommunications (networks, systems).*

**IT Audit at Fier  
Water Supply and  
Sewerage**

**Audit Description:**

The Supreme State Audit (ALSAI) based on Articles 3 and 14 of Law 154 "On the Organization and Functioning of the Supreme State Audit "date 27.11.2014, from 21.01.2020 until 15.04.2020 conducted an Audit of Information Technology Systems in Water Supply Sewerage Fier Sh.A. Water Supply and Sewerage Fier JSC is a joint stock company licensed by the National Commission Regulator, with 100% capital of the Municipality of Fier that conducts its activity in the territory that lies in the western part of Albania, south of Fushë of Myzeqe. The audit of IT systems was performed with the objective of being guaranteed that there are structures, policies, and procedures in IT that enable Water Supply and Sewerage Fier JSC to achieve the objectives to fulfill the mission. Confirmation if there is an IT strategy, which includes the plan of IT and processes for development, approval, and implementation and maintenance of the strategy, which is related to the strategy and objectives of the Water Supply Sewerage Fier JSC Risks and resources over meeting IT objectives are effectively managed.

**Audit message**

*ALSAI, assessing the role of technology information, in fulfilling the mission of the Water Supply Sewerage Fier Sh. A., supporting the audit in National and International Standards of Audit (ISSAI 1 Article 22,*

*Law of ALSAI no.154/2014 Article 3 and 14, Audit Manual of Information Technology (WGITA), COBIT 4.1, ISSAI 5300.6, 8 and 12.2, 16.19, 21.1, 23, ISSAI 100.36,48, ISSAI 5310), after the review of data and IT documentations that were available from Water Supply and Sewerage Fier Sh. A., concluded that: Water Supply and Sewerage Fier Sh. A. has developed systems of Information Technology without designing the basis of necessary regulators for their operation and not supported by the necessary human resources. Investments in information systems have not finally solved the security problems of information, the ensuring of the Continuity of Business and have not provided Recovery from the Catastrophe. Development of services and infrastructure should be based on the best practices as well as on the recommendations of AKSH. Data stored on systems are not secure.*

*The Invoice Generation from UKF JSC is in violation of Tax Laws.*

*IT systems are compromised by the lack of an IT Strategy, and carry the risk of mis-addressing the limited financial resources that the UKF Sh. A. has, to support its activity.*

*Among the main findings of the IT audit in UKF (for which the relevant recommendations for improving the situation have been left) we are listing:*

*-Information Technology in UKF JSC has been developed in the absence of a strategic plan which supports the achievement of the objectives of the institution itself.*

*-Does not have a risk register for identifying, categorizing, tracking and minimizing risks related to information technology.*

*-Does not have a continuity plan for providing and guaranteeing service in case of interruption due to natural or human causes.*

*-Has not performed risk analysis related to Data Security, identification of critical data and potential*

*threats to the impact of application systems where the activity of UKF takes place.*

*-From the audit of the database of the Billing System 'Al Billing', it results that when the invoices are entered in the system they do not receive the number of the incremental ID (Automatic ascending order), consequently it gives the possibility to change the data in the system and it doesn't give the possibility to follow a historical flow of invoices from the creation, final modification or even to their deletion.*

*Generation of invoices by UKF JSC is contrary to Tax Laws.*

*IT systems are compromised by the lack of an IT Strategy, and carry the risk of miss-addressing the limited financial resources that UKF Sh. A. has to support its activity.*

*Among the key findings of the IT audit at UKF (for which relevant recommendations for improving the situation were left) we are listing:*

*- Information Technology at UKF JSC is developed in the absence of a strategic plan which supports the achievement of the institution.*

*- Does not have a risk register for identification, categorizing, tracking and minimizing risks related to information technology.*

*- Does not have a continuity plan for delivery and service guarantee in case of interruption by natural or human causes.*

*- Has not performed risk analysis related to its Security data, identifying critical data as well potential threats to systems, applications where UKF activity takes place.*

*- From auditing the System database of Al Billing results when the bills are dropped in the system do not receive the incremental ID number (Automatic increase in order), consequently gives the ability to change the data in the system and does not allow you to follow a flow historical invoices since creation, modification final*

*or and until their deletion.*

**IT Audit in the  
General Directorate  
of Archives**

***Audit Description:***

The Supreme State Audit (ALSAI) based on Articles 3 and 14 of Law 154 “On the Organization and Functioning of the Supreme State Audit”, date 27.11.2014, conducted a Information Technology Audit in the General Directorate of Archives, from 08.09.2020 to date 06.11.2020, the audited period is 01.01.2019 until 30.06.2020. Information "Archive" is a specialized institution that collects, processes, administers, stores and serves the archival property, which is protected and secured by the state. Archives are also the structural and sub structural units of the institutions of central and local state administration, which record, store, process and put into use documents created by them.

The General Directorate of Archives is the highest institution of the national archival network. It is a central institution subordinated to the Prime Minister. The General Directorate of Archives is a legal entity. It has its own stamp and emblem. Its headquarters are located in Tirana. The General Directorate of Archives is represented by the General Director, who is appointed and dismissed by the Prime Minister.

The object of the ICT Audit exercised in GDA, is to determine whether the objectives of the entity are properly achieved using IT resources, including compliance with legal and regulatory requirements, confidentiality, integrity and availability of information systems and data contained in it.

The purpose of the ICT Audit exercised in GDA, is to give an opinion or assess whether there are appropriate controls and mechanisms in order to create / maintain / develop IT resources and the functions for which these resources serve.

*Audit message*

ALSAI evaluating the role of information technology in fulfilling the mission of GDA based on International Auditing Standards respectively in ISSAI 100, ISSAI 5300, ISSAI 5310 and articles 3 and 14 of law 154 "On the Organization and Functioning of ALSAI" dated 27.11. 2014 finds that, the lack of regulatory acts in terms of information technology systems, have affected an unmonitored development of institutional activity and without delegating individual responsibilities for actions taken.

Based on the evaluation of the institutional strategy, as well as on the contemporary developments in the field of information technology, it is concluded that there is no updating or there is a lack of regulatory acts related to the creation, storage and archiving of electronic documents. The materialization of this legal gap, requires all the involvement and the commitment of NAIS, the Council of Ministers and GDA, an action which would help not only the General Directorate of Archives, but the entire public administration which has implemented technology systems of information and has a database, data which in the future will be an archival fund of GDA.

Information security and the perspective of GDA are compromised by the lack of investments in the network as well as by the non-inclusion of GDA in the GOV network.

From the analysis of data with CAAT techniques, it resulted that the system does not have the necessary mechanisms for input control, increasing the risk of populating the system with incorrect data, and consequently issuing inaccurate reports.

The physical conditions of the Local Archives are in such a situation that they create a high risk of destroying the stored documentation.

The audit team estimates that the use of information technology would improve the level of security over the archived documentation and create more appropriate

conditions for their storage.

Among the main findings of the IT audit in GDA (for which the relevant recommendations for improving the situation are left) we are listing:

-Services provided through Information Technology in GDA are based on an amortized IT infrastructure (network), services set up on this network are not secure and do not support the continuity of work and the perspective of developments set out in the strategic plan 2020 -2030.

-DPA server maintenance facilities do not meet the technical conditions set out in the Regulation approved by NAIS "On the construction of the server room" (version 1.0, dated 02.12.2008). The server room as the physical place where the servers and other ancillary equipment needed for communication and data storage services are mainly stored and located is the most sensitive point of an institution's information technology systems.

The audit concluded that the entry-exit system in GDA does not guarantee safe access, as the system results in:

-In 14 cases there are access cards without name and surname in the system.

-In 44 cases access Account in anonymous or use of numbers.

-In 2 cases with active status without the complete data.

-In 3 cases with inactive status (the same issue and activation date).

-In 9 cases without status, two of them have an activation date.

-In 430 cases without user roles.

-DPA does not use IT systems for controlled security access of archiving rooms and shelves.

From the verification of security in the premises of GDA and archives in the districts it resulted that:

Physical security in GDA Buildings (indoor) has a risk



of being compromised, as the lack of indoor cameras carries the risk of losing documents and their modification (the case of losing a stamp in 2019 and finding it again without finding the author).

The level of use of Information Technology to create the necessary conditions (temperature, humidity, fire protection and security) in the premises of document storage is low.

From the verification of the users of the catalog, it was concluded that in the "Id" field of the users, Id = 1, Id = 15, Id = 16 and Id = 17 are missing. While from the verification of public users, it was found that 262 User Id's in total are missing. The absence of this Id's indicates that these users have been deleted. If a user finishes the object for which it was created, it must be done "Disable", and not to delete as it causes the loss of audit trail.

From the verification of the filled fields for the users of the catalog, it was concluded that:

In the "e-mail" field, the same e-mail is used for two different users.

In one case, the "name" field is filled with an e-mail address, which is the same as the "e-mail" field, not knowing who the employee with this user is.

From the verification of the completed fields for public users, it was concluded that:

In 19 cases, the same individual is presented with two different ID numbers.

In 24 cases, the same ID number was used for two different users, highlighting the fact that the system does not prevent the use of the same ID number, a field which is the only one that represents a unique data for the users, for multiple users. Although from the detailed verification, users with the same ID number are practically the same individual, the fact that a minimal change of the characters, makes the system recognize them as two different users, which proves that the same ID number can be used for two

or more users.

The ID number, as the only field representing a unique data for the users, and the field that can make the identification of the user, has no input control mechanism.

In the assessment of the audit team, the above elements increase the risk of compromising the systems security, as users are not unique, and therefore not fully identifiable. The audit found users who, although they have completed their facility as users (in this case, are no longer employed), are still active and have not been "disabled", action of which poses a high risk of unauthorized interference in the system leaving no trace on the activity they have performed.

## **II.2.4 Criminal Charges**

### ***Criminal reports and trials***

During 2020, ALSAI has sent to the prosecution body 8 criminal referrals, for 12 executives of high middle level and specialist. During this period, ALSAI has been engaged in 95 lawsuits, of which 24 lawsuits of criminal character, 59 lawsuits of administrative character and 14 lawsuits of civil character. These processes have had a large geographical distribution, including courts such as Tirana, Durrës, Kavaja, Lushnja, Berat, Fier, Vlora, Përmet, Gjirokastra, Lezha, Shkodra, Kukes, Dibra, Puka, Mat, Tropoja, Korça.

Throughout 2020, among others, ALSAI has followed with priority the court proceedings for which ALSAI has initiated criminal referrals. Regarding the decisions for the dismissal of criminal cases, sent to ALSAI, we emphasize that all these decisions have been appealed in the respective courts of appeal, based on and for the implementation of relevant legal procedures.

24 criminal court proceedings were followed with the object of criminal proceedings registered from the criminal reports referred by ALSAI. Out of these 24 processes, 20 requests with the object of "termination of criminal proceedings" were reviewed, as well as 4 processes with the object of "abuse of duty". Out of 20 processes with the object of "termination of criminal proceedings", 1 of them has been accepted by the courts, while for 14 others, due to lack of investigations, the courts have decided to return the case for further investigation to the relevant

prosecutor's office, 2 have been dismissed and 3 have appealed to the respective courts of appeal and are under review.

73 administrative / civil lawsuits were conducted; where ALSAI had the status of plaintiff / defendant, 4 of which are related to lawsuits filed by former employees and the object of these lawsuits were the employment relationship. 63 lawsuits have been conducted where ALSAI has been a party in these lawsuits, in the capacity of a third person, in relation to the lawsuits initiated as a result of the recommendations left by ALSAI to the audited entities.

It is worth mentioning that during 2020 there are numerous court decisions which confirm the recommendations left by ALSAI to the audited entities. Consequently, the courts of first instance, in the 21 decisions given, have confirmed the recommendations found by ALSAI in the audits conducted, of which, so far 4 of them have become final and have been confirmed by the courts of appeal.

In the framework of court proceedings, ALSAI has proactively and systematically insisted on monitoring the implementation of recommendations, collection of damages and prevention of negative financial effects.

ALSAI is seriously and maximally engaged in being active and productive in the fight against corruption, by supporting and engaging in every inter-institutional initiative inside and outside the country.

The cooperation of ALSAI in the fight against corruption is not limited only to the memorandum with various institutions, but in pursuit of a comprehensive philosophy has initiated the signing of a series of specific cooperation agreements such as the one with SACS, General Prosecutor's Office, HIDCACI, etc.

### III. COMMUNICATION AND COOPERATION WITH STAKEHOLDERS

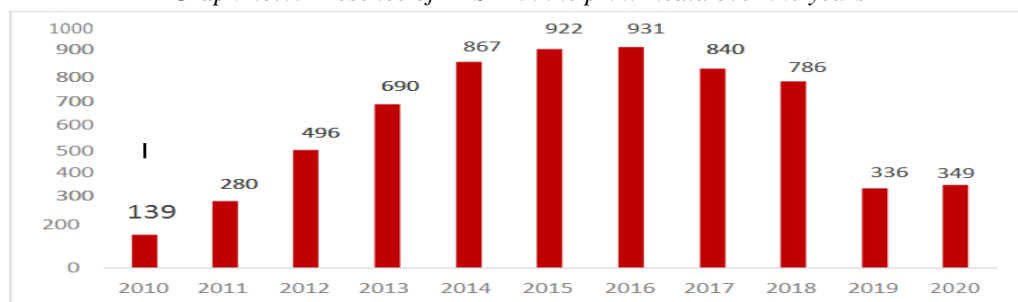
#### III.1 Communication and Transparency

##### Communication and transparency

The citizen and the Parliament are the most important users of ALSAI products, so even during 2020, ALSAI has aimed to increase the influence and impact of its audits, by expanding the user base of its products, findings, conclusions and recommendations of audits, to serve both direct and indirect users, using the most effective communication channels. Successful communication with stakeholders has been achieved through increasing the public profile of ALSAI and understanding its mission, vision and role in society, to strengthen citizens' trust in the institution.

During 2020, the print media reflected the reports and press statements of ALSAI in a number of 349 articles, announcements, editorials and analytical comments. The communication and the cooperation with the media continues with the same spirit and intensity, thus increasing the transparency of the activity of ALSAI.

*Graph no.6: Presence of ALSAI in the print media over the years*

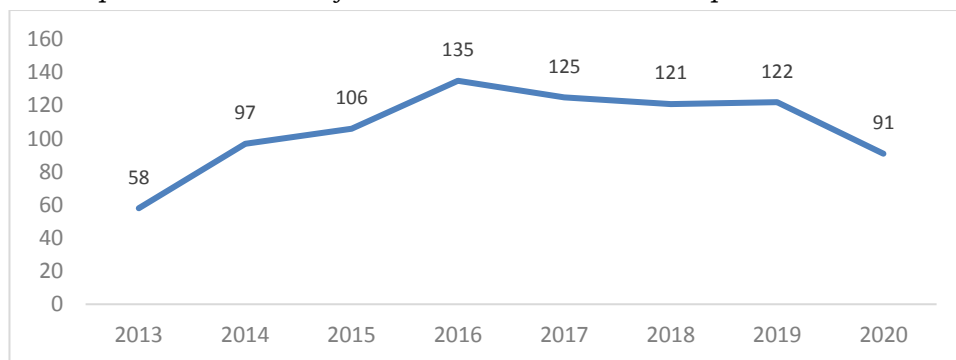


*Source: ALSAI*

##### The presence of the auditors in the printed media

For the eight-year period of 2013-2020, all ALSAI auditors have published a total of 925 articles in almost all the newspapers in the country. To understand the dynamics, we can mention that for 2020, 70 auditors have been present in almost all newspapers with 91 articles. It is difficult to make a selection in this variety of articles, due to the topics they address, so we would like to single out some titles such as: "The role of ALSAI in the sustainable development of the country", "Distance Audit challenges", "How to work safely from home", "COVID-19 Pandemic: Impact on the economy and the role of ALSAI" etc.

*Graph no.7: Presence of ALSAI auditors in the written press 2013-2020*



*Source: ALSAI*

### **Handling citizens' letters and requests for information**

The Supreme State Audit is one of the most opened institutions to citizens' complaints, which are addressed to us by regular mail or e-mail.

All citizens' complaints are professionally administered by ALSAI's employees in function of the topics they address. In any case, citizens receive a response to the concern raised, except when the issues raised are outside the competence of the institution.

During 2020, ALSAI has handled 301 letters and complaints, of which 80 are outside the competence and jurisdiction of the institution. Out of 221 complaints within the competence of ALSAI, 136 of them have been verified and answered, while 85 are in the process of verification. The main areas of public concern for governance issues in Albania, as every year, are privatization and property restitution.

With the approval of Law no.119/2014 "On the right of information" as a constitutional right, the right of information, already clearly provided in a separate legislation, is a basic right of every individual in a democratic society. Since the adoption of this law, the Supreme State Audit has had an increasing number of requests for information from year to year. The number of letters received by the Coordinator for the Right of Information and reviewed by him for 2020 was 38.

### **Publications of ALSAI during 2020**

In 2020, as in every other year, the Supreme State Audit has continued to increase its column of publications. This year has been a difficult year for everyone due to the Covid-19 pandemic. Unlike other years, ALSAI, by reviewing and shrinking its budget for 2020, cut 40% of investments and 10% of operating

expenses. This cut also affected the publishing fund. This year, the publications that bear the signature of ALSAI were not printed, but are published on the web in the online version.

*"Public Audit" Magazine no.24*

During 2020, ALSAI prepared the 24th issue of the "Public Audit" magazine. Starting from 2012 with the publication of the first issue of this scientific research journal, which is published every four months, has already reached its 24th issue. The 24th issue of the Scientific Research Journal of ALSAI is the 114th edition of the series of publications of ALSAI.

Contributing to this issue of the Magazine are the Secretary General of the US Government Accountability Office, Mr. Gene Dodaro, President of the European Court of Auditors Mr. Klaus-Heiner Lehne, President of ALSAI, Dr. Bujar Leskaj, Prof. Assoc. Përparim Kabo, Prof. Dr. Skënder Osmani, Prof. Dr. Lindita Milo, Auditor General of the SAI of Peru, Mr. Nelson Shack Yalta, representatives of SIGMA, the Austrian Court of Audit, etc.

***SAI auditors in the daily press, volume XIII***

The "ALSAI Auditors in the daily press" publication, is a book which has already become a tradition, and is valuable to the public, because it gives a special message to those who are interested to know about the public money way of management. And from this point of view, this book in a way introduces and explains a new concept in the relations of our institution with the citizens. Although it is not addressed to a wide audience, due to its specificity, it remains the document and proof of a dedicated work, of a message given clearly and professionally. Volume XIII of the "Auditors of ALSAI in the daily press" publication, summarizes the most diverse writings of employees of our institution during the second half of 2019.

***Annual performance report 2019***

"Annual Performance Report 2019", a document of special importance, provided in Article 164 of the Constitution of the Republic of Albania, according to which "The Supreme State Audit submits to the Assembly the annual report of its activity", has been approved by the President of ALSAI with Decision no.22, dated 31.03.2020 in its traditional version as a complete and exhaustive report on the annual activity of ALSAI and was forwarded to the Assembly with letter no.341/3 prot., Dated 30.04.2020. Pursuant to this constitutional obligation, to report on institutional and audit activity, ALSAI has prepared a summary version of the "Annual Performance Report 2019", as a separate publication, synthesized in a new form and content.

### ***Corruption prevention audit***

Auditors and officials of the Supreme State Audit, working in the performance of duties within the field of state responsibility, face the challenge of bringing change in the lives of citizens. The audit of government and public sector entities by SAIs has a positive impact on increasing citizens' trust, because it shows how well public resources are used and administered.

This guide clarifies the role of the ALSAI institution in dealing with illegality, discusses the meanings and different types of criminal offenses in the public sector and identifies good governance measures that can serve to prevent or minimize irregularities, abuses, fraud and corruption.

### ***For a sustainable good governance***

The book "On Sustainable Good Governance", a publication of the Hungarian State Audit Office, which is translated by ALSAI auditors, is a book focused on showing how Supreme Audit Institutions can contribute to the Sustainable Development Goals of the United Nations, United and how a stronger base of work and results can be created, promoting self-employment, and effective staff training with its own resources in the organization. The study presents the framework, principles, requirements, tools, purpose and results of good governance. This publication describes how the basic conditions, principles, tools and scope of good governance support have been realized, through the example of value added in public governance from the findings and recommendations of the audits of the Hungarian State Audit Office, a model which is raised to a scientific level.

### ***Annual analysis 2019:***

In this publication of the annual analysis of ALSAI for 2019 we have reflected a balance of the one year activity of the institution, through references of the leaders and auditors of the institution as a good tradition, in the spirit of the priorities highlighted by the XXIII Congress of INTOSAI, with the commitment of continuous audit governance progress and capacity development of modern audit institutions.

### ***Edition for Covid-19***

Staying at home during 2020 has been long and enough, not only to do the job required by the institution but also to write and read about the situation created by the Covid-19 pandemic. During the closing months of the institution where we all worked remotely, ALSAI auditors have written and translated various analyzes and editorials about Covid-19. Some of the most prominent writings are: "Rebuilding the world after Covid-19", "Living in times of change...", "The

importance of the second front of the corona virus war", "How SAI-s can contribute to the war against disinformation" etc.

Some of them have been published in the daily press and we have worked to realize a summary of them in a book.

### **The official website of ALSAI and the online newspaper "Audit for the citizen"**

In the framework of increasing transparency, even during this year we have published the full decisions of the Chairman of ALSAI for the audits carried out during 2020.

65 reports and audit decisions have been published on the website [www.klsh.org.al](http://www.klsh.org.al). Exceptions in these cases are reports and decisions classified as state secret or confidential.

Also on the official website of ALSAI, there are all the reports that have been drafted and prepared by ALSAI during 2020 as the Activity Report, Budget Report, Monitoring Reports of Institution Development Strategy, Statistical Bulletins, etc. To be as close as possible to the public, ALSAI publishes on its official website all the books in its series of publications and announcements about various activities.

### **Electronic newspaper "Audit for the citizen"**

During 2020, ALSAI has cooperated with the Center for Economic Media Emancipation (UNECEM), as a result of this cooperation, 7 issues of the electronic magazine "Audit for the Citizen" have been published in Albanian and English language.

The electronic newspaper "Audit for the Citizen" has periodically brought, in a simple and direct language, in the style of publicity and investigative journalism, the findings and recommendations of the most important audits of ALSAI, such as audits for issues of concessions and PPPs, especially those in the field of oil and public health, audits for the transparency of key indicators of the State Budget, for the effectiveness of public tenders, etc.

### **Statistical bulletins**

As part of the mission of ALSAI in terms of increasing communication channels to provide transparency in public relations, prepares and issues periodically the monthly audit program and the 3-month audit information bulletin. It also monitors and coordinates the work process with other departments, for the consolidation of audited data and the timely issuance of official publications of ALSAI, as well as statistical evidence at the institution level.

The main purpose of publishing the Bulletin, is to bring to the public and the media, accurate and concise information about the audits performed during the



year, so that readers, relevant institutions and policy-makers can be oriented towards the findings and recommendations of ALSAI.

For 2020, four statistical bulletins have been prepared. The statistical bulletin summarizes the results of all audits performed by the Supreme State Audit in the period January-December 2020. This bulletin reflects the status of economic damage found, missing revenues and expenditures inconsistent with the principles of effectiveness, efficiency and economy (3E), legal improvements, administrative measures, recommended disciplinary and administrative measures, as well as criminal reports forwarded to the Prosecutor's Office. In addition to the narrative summaries used in the report, the material is accompanied by tables, graphics / images.

Also, the Sector of Communication, Publishing and Foreign Relations in cooperation with the Audit Departments during 2020 has prepared the Report on the Implementation of Recommendations for the entities audited by ALSAI during 2019 forwarded to the Assembly and the Minister of State for Relations with the Parliament pursuant to requirements of the Decision of the Assembly 49/2017, dated 20.04.2017 "On the establishment of a mechanism for systematic monitoring of the implementation of the recommendations of independent institutions" and Decision of the Assembly no.134/2018 "On the approval of the Annual and Periodic Monitoring Manual".

### **ALSAI relations with NGOs, Organizations of professionals in the field, counterpart institutions and international organizations.**

#### *Cooperation agreements*

During the last nine years, ALSAI has signed 63 cooperation agreements, of which 36 with Non-Profit Organizations and Public and Private Universities, 18 with counterpart institutions and 9 with state institutions. Collaborations with university professors and various NGOs have been maximally appreciated by ALSAI.

Based on the contribution that ALSAI has given in the field of education, transparency and accountability, the "Civic Resistance" organization with the support of USAID Albania, organized a webinar regarding the monitoring of financial data and the performance of the University Student Residence Nr. 1 Tirana in the fee-service ratio with a focus on student rights.

Particular importance has been attached to the signing of agreements with state institutions to intensify the fight against corruption.

During 2020, ALSAI has signed 3 cooperation agreements, respectively with:

### **1. The General Prosecutor's Office**

On September 24, 2020, the Chairman of the Supreme State Audit, Mr. Arben Shehu and the General Prosecutor Mr. Olsian Çela signed a cooperation agreement between the two institutions, through which they commit to intensify the fight against criminal offenses committed by public administration employees in Albania. ALSAI and the General Prosecutor's Office are committed to increase cooperation for the exchange of information in order to accurately identify violations that constitute a criminal offense in the field of administration of public funds, administration of public property and its privatization.

### **2. Special Prosecution**

The strengthening of the fight against the phenomenon of corruption in the public administration as well as the continuous requests of various international organizations led to the signing on 14.10.2020 of a cooperation agreement between the Supreme State Audit and the Special Prosecution headed by Mr. Arben Kraja. The institutions agreed on the realization of mutual cooperation for the exchange of information in order to accurately identify violations that contain elements of criminal offenses which are within the subject matter competence of the Special Prosecution.

### **3. The Swiss Embassy**

On March 9, 2020, the Supreme State Audit Office signed an agreement with the Embassy of the Swiss Confederation for the financing by the Swiss Secretariat of Economic Affairs (SECO) of the project "Strengthening the supervision of concession contracts and public-private partnership (PPP) in Albania". The main objective of the project is to promote public oversight, increase quality and transparency, and contribute to the prevention of corruption in public bids, concessions, and public-private partnerships (PPPs).

In the recent years, the spectrum of concession contracts and public-private partnerships has increased, which has led to a significant increase in funds allocated from the state budget for these projects. For a more complete and impartial information of the public and the Parliament on the implementation of the legal framework for the tendering of PPP contracts, monitoring their implementation and the usefulness of these contracts for the economic development of the country, a well-trained body of auditors is needed, who in cooperation with external experts will give their assessment and recommendations for three PPP contracts.

Through the implementation of the project in this field, the aim is to increase the external audit capacity for auditing public-private partnership projects. During the two years of implementation of this project, ALSAI will focus on training its

auditors on the legal framework of the PPP, the requirements of European legislation and on drafting specific guidelines to assist auditors in PPP audits. Relations were intensified during the year when the Ambassador of the Swiss Confederation in the Republic of Albania, SHTZ. Adrian Maitre held a work meeting with the Chairman of ALSAI, Mr. Arben Shehu. The focus of this meeting was the will of the Swiss Government to cooperate and support the Supreme State Audit as an independent institution for the control of public finances in Albania. Mr. Maître praised the first steps of this project, emphasizing that the effective institutions of an efficient state are a precondition for a sustainable economy, sustainable growth and the spread of prosperity.

4. In the continuation of the meetings focused on increasing the spirit of cooperation with other state institutions through the signing of cooperation agreements, the Chairman of ALSAI, Mr. Shehu has held important meetings with leaders of law enforcement institutions such as Mrs. Aida Hajnaj, Director of the National Bureau of Investigation, Mr. Gent Ibrahimimi, Head of the High Prosecution Council and Mr. Helidon Bendo, Head of State Intelligence Service.

5. With the aim of expanding the cooperation of ALSAI with international institutions for the fight against corruption, the Chairman of ALSAI, Mr. Shehu held a meeting with the representative of OPDAT, Mr. Constantine V. Soupios, during which he expressed the desire to create bridges of communication between all institutions that are at the forefront in the fight against corruption, emphasizing the expertise that OPDAT has in the field of training staffs of institutions engaged in this field.

6. During 2020, the Chairman of the Supreme State Audit, Mr. Arben Shehu held a meeting with the Representative of "UN Women" in Albania, Mr. Michele Ribotta. "UN Women", through the "Transformational Financing for Gender Equality" Program in the Western Balkans, is pursuing funding efforts related to gender equality in the region, providing personalized technical assistance and guidance to government and oversight institutions by improving their institutional capacity and knowledge.

In this context, in the coming days a cooperation agreement will be signed between UN Women and the Supreme State Audit.

### **Joint activities with non-governmental organizations**

As stated in INTOSAI P-12 "Values and Benefits of Supreme Audit Institutions - bringing change in the lives of citizens" public sector audit is an important factor that enables changes in the lives of citizens. The audit of public entities by SAIs has a positive impact on increasing citizens' trust, because it shows how well

public resources are used and administered. During 2020, through the interaction and cooperation with civil society organizations, ALSAI has aimed to fulfill principle 4 of INTOSAI P-12 that of reporting on audit results, thus giving them the opportunity to view and evaluate through the full and independent audit work of ALSAI, in the accountability of government and public sector entities.

On October 30, 2020, the Supreme State Audit in cooperation with the "Civic Resistance" association, organized a workshop on "Interaction and exchange of experiences between auditors of the Supreme State Audit and analysts of "Civic Resistance".

Performance audits were presented by ALSAI auditors in this activity:

- Effectiveness of conditions for strategic tourism development;
- Quality of pre-university school buildings;
- Air quality;
- Quality and safety of drugs in the open pharmaceutical network and hospital service;
- The effectiveness of fiscal cash registers in increasing tax revenues.

The focus of the monitoring carried out by the analysts of the "Civic Resistance" association, were the measures changed by the government in the field of economy and health as a result of the pandemic, as well as the reports on education and culture issues. At the end of this activity, the representatives of the two institutions agreed to maintain continuous communication on the topics under audit and monitoring, turning the model of this workshop into a continuous practice for mutual benefit.

During 2020, representatives of ALSAI participated and gave their contribution in the following activities organized by non-governmental organizations. Thus:

- On October 8, 2020, the Institute for Democracy and Mediation conducted the activity for the presentation of two projects for national security that were related to:
  - The topic of over classification in the security sector and the impact that this phenomenon has on freedom of information, transparency and institutional integrity;
  - The democratic control of the armed forces and the challenges of effective oversight of this institution;
  - The projects aimed to draw attention to the need for transparency and accountability, and ALSAI as an independent constitutional institution plays an essential role in ensuring these two components.

–On October 27, 2020, the Institute for Democracy and Mediation conducted the "Integrity Risk Assessment in the State Police" activity. On November 12, 2020 the main purpose of this meeting was to share the experience of developing the integrity plan in the police station no.1 Tirana. The Institute for Political Studies, conducted the training activity "The development of capacity, cooperation and culture of security sector oversight in Albania, Kosovo and Northern Macedonia". The trainings focused on:

- Strengthening the oversight of the intelligence sector in Albania, Kosovo and Northern Macedonia;
- Identifying challenges and opportunities for reform;
- Sharing experiences and the best international practices and neighboring practices.

In the framework of the implementation of the project for drafting the Financial Management Strategy, the EU Technical Assistance that is implementing this project conducted on 15-16 October 2020 the training for increasing the communication levels of the staff of the institutions involved in this. The training aimed to strengthen written communication skills for the preparation of press releases, materials for posting on social media and identifying challenges for the successful implementation of the strategy.

A group of civil society organizations namely the Albanian Helsinki Committee (AHC), Civil Rights Defenders (CRD), Institute for Political Studies (IPS), Birn Albania, The Center for Legal Civic Initiatives (CLCI), The Free Legal Service (TLAS) organized on November 17, 2020 the consultative session on "Respect for Human Rights during the Albanian chairmanship of the OSCE". In this activity, it was discussed about the findings and recommendations of the draft reports on "Progress of Justice Reform" prepared by AHC experts and "Fight against Corruption and Impunity", prepared by AHC experts and Birn Albania. The assessment of human rights was focused on the following five pillars:

- Free and fair elections;
- Freedom of the media;
- Progress of Justice Reform;
- Gender equality;
- Human rights under Covid-19 conditions;
- Fight against corruption and impunity.

In the "Fight against Corruption and Impunity" report, the role of ALSAI, was highlighted in identifying cases of misuse of public funds, especially in tendering procedures which have a negative effect on the state budget.

The concluding session for the presentation of the final reports was held on December 14, 2020, where the recommendations for the responsible state institutions of the reports "Progress of Justice Reform" and "Fight against Corruption and Impunity" were also presented.

Based on the cooperation that the organizations had with ALSAI in the report on the fight against corruption with a focus on public procurement, it was emphasized that the Albanian government should increase competitiveness in public procurement procedures for goods and services and should make public the last beneficiaries of public-private partnership contracts and concessions.

The Institute for Democracy and Mediation (IDM) held a forum on December 7, 2020 on the topic: "Parliamentary Oversight of Independent Institutions in Albania." The main purpose of the forum was to present the findings of the policy paper "Preservation of Guards: Parliamentary Oversight of Independent Institutions in Albania", as well as the discussion of challenges, difficulties and opportunities for an effective parliamentary oversight. In this activity ALSAI was introduced by the Director of the Cabinet who referred about the cooperation of ALSAI with the parliament.

It was stressed at the forum, that the Assembly should strengthen the parliamentary committees to which the respective independent institutions report. These committees should be responsible for overseeing, covering relations and reporting to each independent constitutional institution. Parliamentary committees should be required to monitor the implementation of recommendations by independent institutions, as well as to ensure that governments report on actions on the implementation of recommendations left by independent institutions. A parliamentary committee, which monitors relevant developments in a particular institution or agency, can help strengthen democratic accountability. In line with the proposals made by ALSAI for the Assembly, it was emphasized that as an alternative, for independent institutions that represent a special specificity, a sub-committee can be set up within an existing parliamentary committee of the Assembly to interact with certain independent institutions. For example, the suggestion for the establishment of a sub-committee within the Committee for Economy and Finance, who may be assigned with the responsibility for the systematic monitoring of the activity of ALSAI.

### ***Cooperation with partner SAIs and International Institutions***

The development and deepening of cooperation with counterpart SAIs and other institutions inside and outside the country has been a priority of the Albanian

Supreme Audit Institution during 2020. The COVID-19 pandemic posed previously unknown challenges to the supreme audit institutions to the division of audit experiences such as:

- auditing the measures taken by the governments to prevent pandemics;
- audit of expenditures for medical equipment and equipment for the protection of medical staff;
- audits of fiscal and economic packages designed by governments to mitigate and minimize the impact that the pandemic had on the finances of citizens and businesses made the interaction between SAIs more necessary and meaningful.

The participation of ALSAI representatives in activities abroad has covered the whole spectrum of the activity related not only to the specific audit methodology, gaining experience in performing performance audits, financial audits and IT audits, but also the publication of audit results and channels of communication with the Parliament and the public, as well as innovations in auditing anti-corruption and anti-fraud issues and audits related to government measures to prevent and minimize the COVID-19 pandemic.

Due to the pandemic, physical presence in meetings and trainings was only possible in the first two months of 2020, and counterpart SAIs found other alternative ways of communicating by developing these activities online.

The representatives of ALSAI during 2020 have participated in 19 activities conducted abroad and online, in which 28 managers and auditors participated with a total number of 76 days / people. From a comparison made between the activities carried out in 2018, 2019 and the activities carried out in 2020, it is clearly ascertained in decrease of the activities carried out in cooperation with the counterpart SAIs. The impact of restrictive measures on the pandemic and the concentration of online activities have put SAIs in front of challenges related to investing in information technology and coordinating audit activity and continuing to work with counterpart SAIs regardless of work from home.

Below is the list of activities in which the representatives of ALSAI participated:

- Kosovo SAI Conference on "The meaning and importance of INTOSAI membership - Impact and benefits for SAIs" (February 12, 2020);
- 7th International Seminar on Integrity Issues organized by the SAI of Hungary (24-28 February 2020);
- The activity of SIGMA and the SAI of Montenegro for the SAI relations with the Parliament on the topic "Cooperation with the Parliament to increase the impact of the audit activities" (19-21 February 2020);

- The first hackathon for programs to assist the audit procedures (3-5 March 2020);
- ITASA Project Group Meeting for IT self-assessment (3-4 March 2020);
- EUROSAI Working Group on Environmental Audits for Sustainable Energy (7-8 April 2020);
- OECD Webinar on “Anti-Corruption” (13 May 2020);
- EUROSAI webinar on auditing the issues that are related to the Covid pandemic 19 (4 June 2020);
- Joint EUROSAI-OLACEFS Conference on "Pandemic Covid 19 - a unique opportunity for Supreme Audit Institutions to highlight the impact of their work" (9-11 September 2020);
- The annual Meeting of the EUROSAI Environmental Audit Working Group (28-30 September 2020);
- Non-financial reporting and integrated reporting in the public sector (September 30, 2020);
- CEF Budgeting Seminar (20 October 2020);
- Meeting of the EUROSAI IT Audit Working Group (12 November 2020);
- IT Audit Working Group Meeting with GAO (November 18, 2020);
- Annual Meeting of the EUROSAI Municipal Audit Task Force (19 November 2020);
- Meeting of auditors of NATO member countries (November 23, 2020);
- EUROSAI Climate Project Group Meeting (November 24, 2020);
- Meeting of the EUROSAI Working Group on Audit of Disaster Allocated Funds (November 24-25, 2020);
- SIGMA Workshop on Anti-Covid Measures 19 (December 14, 2020).

***The participation of ALSAI in the working groups of the European Organization of Supreme Audit Institutions – EUROSAI.***

During 2020, ALSAI has participated in activities that have taken place within the Working Groups, in which the institution takes part as a member with full rights. The activities of the working groups are as follows:

***EUROSAI IT Audit Working Group***

The annual meeting of the EUROSAI IT Audit Working Group was held on 3 March 2020, focusing on the exchange of experiences in the exchange of IT audit self-assessment (ITASA) and IT self-assessment (ITSA), which are considered as very important instruments and aim a periodic evaluation of the quality of the information technology audit process performed by the supreme audit



institutions, as well as the quality of support that IT provides in the activity of the institution.

The meeting also emphasized the idea that a SAI should have a quality IT support, in order to have a quality IT audit, making these two instruments a powerful tool in the hands of senior executives to improve the weak points of SAIs in these directions. The Albanian Supreme Audit Institution has implemented, in the years 2016-2017, projects of ITSA and ITASA, the implementation of whose recommendations has directly affected the improvement and increase of the level of both IT audit and IT support in ALSAI.

### ***EUROSAI Environmental Audits Working Group***

This working group has held online on April 7-8, 2020, the spring meeting on "Sustainable Energy".

The focus of the discussions was the concept of sustainable energy and the challenges for the implementation of the European framework for energy, which clearly defines the objectives for renewable energy, energy efficiency and emissions. Representatives of SAIs also shared their experiences about energy networks and its market, as well as subsidies and investments in this area, as important facilitator in the search to achieve the ambitious goals of the SDGs.

The annual meeting of the EUROSAI Environmental Audit Working Group was held on 28-30 September 2020, focusing on air quality and urban traffic, problems and possible solutions. In this meeting, it was discussed and experiences were exchanged related to air quality audits, the main factors influencing the increase of pollution and preventive measures taken by governments, the problems identified in relation to the emission of gases into the atmosphere and the problems encountered in plastic waste auditing.

In this meeting, representatives of ALSAI presented the experience in the audit on air quality conducted in 2017 and the measures taken by Albanian institutions to reflect the on the given recommendations.

### ***EUROSAI Municipal Audit Task Force***

On November 19, 2020, the 4th meeting of the EUROSAI Municipal Audit Task Force (TFMA) was held online, which focused on the progress and results of the activities of the TFMA 2020 Activity Plan, task planning for the next year and addressing other important issues related to the audit of the municipality as well as other activities of the Task Force. Also in the meeting the participants were acquainted with the results of the audit on "Analysis of the supervision of the administrations in the municipality", the audit conducted in collaboration with several SAIs on "Companies owned by municipalities" and the audit "Collection

and systematization of information about with the practice of selecting the audit sample at the local government level ”.

### ***Meeting of the EUROSAI Working Group on Audit of Disaster Allocated Funds***

On November 24, 2020, the VI meeting of the EUROSAI Working Group for the Audit of the Allocated Funds for Disasters was held, in which the draft Strategic Plan of the Working Group for the years 2021-2024 was presented, which aims to: continuing active work in the field of prevention and elimination of the consequences of disasters; conducting coordinated international audits in this area; training of auditors, exchange of experience and best practices for auditing in the field of disaster prevention and response; implementation of the updated methodology and relevant international ISSAIs.

The participants also had the opportunity to get acquainted with the results of audits on "Prevention and elimination of the consequences of floods", "Transboundary movements of wastes in the light of the provisions of the Basel Convention", "Waste management and use".

### ***ALSAI-SIGMA cooperation***

The SIGMA program is one of the most important partners for ALSAI, not only for the contribution given to the monitoring and evaluation of the activity of ALSAI since 2000, but also for the essential assistance it has provided during the process of adopting the new organic law of the institution in 2014, intensive support and cooperation for the drafting of the institutional strategy 2018-2022 and quality training in the field of financial, compliance and performance auditing, thus providing a quality contribution to building the professional capacity of audit staff.

In the framework of the continuous cooperation between ALSAI and SIGMA, on September 25, 2020, the meeting of the Director of the Cabinet and the General Secretary with the advisor of SIGMA, Mr. Joop Vrojlik took place in Tirana, in which the emphasis was on deepening the cooperation. In the meeting Mr. Vrojlik underlined that SIGMA will continue to be a supporter of ALSAI in the process of building the institutional and professional capacities of the staff.

He assured that SIGMA will continue to provide concrete support to the Technical Secretariat between ALSAI and the Ministry of Finance and Economy for drafting the methodology for arrears. In the framework of the work that ALSAI has initiated for the drafting of the Budget Manual, Mr. Vrojlik expressed SIGMA's readiness to assist the group in drafting this manual.

### ***SIGMA's activity in cooperation with the SAI of Montenegro on SAI relations with the Parliament;***

Representatives of ALSAI and the administration of the Assembly have participated and referred to the way our institutions cooperate in various regional activities. Thus, on February 20-21, 2020, in Pržno, Montenegro, SIGMA and the SAI of Montenegro organized the "Cooperation with Parliament to increase the impact of the audit" conference. This conference was organized in the framework of the 2018-2020 activity plan of the Network of Supreme Audit Institutions of candidate countries and potential candidates of the EU and the European Court of Auditors. Representatives of SAIs of the Western Balkan countries discussed the development of relations between SAIs and Parliaments with the main focus on conducting hearings which are related on audit findings and recommendations, as well as follow-up procedures. The participating SAIs presented the procedures for the forwarding to the dedicated committees or other parliamentary committees of the audit reports, the challenges they face during the development of the hearings and the implementation of its recommendations.

### ***SIGMA workshop held in December 2020 on anti-covid measures***

In the framework of the activities of the Network of Supreme Audit Institutions of candidates and potential EU candidate countries, representatives of ALSAI have participated in the workshop organized online by SIGMA on December 14, 2020 on "Audit of expenditures related to Covid-19". This workshop aimed to exchange experiences on how the EU and Balkan financial management and reporting systems coped and adapted to the limitations and measures taken to prevent the Covid-19 pandemic, the risks identified and the proactive approaches on contributing to increase accountability. Representatives of ALSAI presented the measures changed by the government which were related to the budget change, aiming to include additional expenditures to protect the economic downturn due to the pandemic. The budget measures also aimed to provide additional funding for the health sector, support for small businesses and the self-employed. The challenges faced by ALSAI during the pandemic were also presented in the workshop, which were related to: adapting the internal regulatory framework to adapt to the changes dictated by restrictions due to social distance, technological infrastructure and work from home and assessing the risks that could lead to delays in the audit process, thus affecting the timing and the quality of the audit.

### ***Objectives of the Communication, Publishing and Foreign Relations Sector for 2021***

Effective communication of audit results to the interested parties is one of the main objectives of the Development Strategy of ALSAI 2018-2022, so for the

successful realization of this objective this sector will work for the short-term objectives presented below:

- Promoting the constitutional role of the Albanian Supreme Audit Institution and raising public awareness of audit results through the preparation and publication of audit information with particular sensitivity to the Assembly and the public.
- Intensify cooperation with non-governmental organizations to promote audit results, in order to increase the level of awareness for identifying cases of corruption and fraud with public funds.
- Increasing the public profile of ALSAI through intensifying the cooperation with the printed and audiovisual media.
- Intensification of communication with counterpart SAIs with the aim of exchanging professional experiences.
- Increasing the internal communication in ALSAI and the exchange of information between the Directorates and Audit Departments.
- The Creation of a database for the management of citizens' requests and complaints addressed to ALSAI, compiled and updated by the Sector of Communication, Publishing and Foreign Relations in cooperation with the audit departments.

### ***The management of the COVID -19 Situation by ALSAI***

The Albanian Supreme Audit Institution, with its visionary image and as one of the modern institutions, at least in recent years in the field of technology, investments on its behalf and employee training, today is a step ahead of almost all other institutions in our country , in relation to the organization of work and activities related to it. ALSAI staff has used all the spaces to work from home. In record time it has managed to organize online training of all employees. In this radical change that the world is experiencing, even the auditing profession can not be immune to the effects that this situation is causing and will cause in the not too distant future. With the rapid advancement in science and technology that the world is aiming for, it is imperative that the auditor and the institution maintain the right pace and achieve the performance of the activity according to the mission and purpose for which it was created and operates. In such situations, where the need for transparency is even higher than ever, the auditor is the first to feel the workload during the field audits, given the shortcomings still encountered in public institutions regarding technology and registration of their activities in digital systems. During March, by Order of the Chairman of ALSAI no.44, dated 31.03.2020, working groups were set up for the process of updating

and improving the financial, compliance and performance audit manuals, reflecting in them the constant changes that have undergone on, international auditing standards, proposals made by foreign experts of the twinning project implemented in ALSAI in the years 2016-2018 and the proposals of the experts of SIGMA and the challenges faced by auditors.

ALSAI took several measures such as: the priority of protecting the physical health and well-being of the staff to limit the spread of the virus, the complete ban on travel for all the staff of ALSAI and all the visitors to the institution, ALSAI's staff worked from home (telework) and ALSAI approved flexible working hours.

During this period a working group was set up by order of the Chairman of ALSAI with no.48, dated 31.03.2020 for the monitoring in the media of the denunciations of abusive cases with public funds and property in the period of the COVID 19 pandemic, the addition in the audit programs of a special point that foresaw the control of COVID-19 pandemic situation, finding e-Learning solutions and virtual meetings when possible.

Also in order to follow the implementation of the recommendations of ALSAI with the decision of the Chairman of ALSAI, no.45, dated 31.03.2020 worked on the drafting of a manual, which serves as an aid to auditors for a more effective follow-up of the implementation of recommendations with the final purpose, that of informing the Assembly and public opinion on the corrective activities of central and local government institutions. The ALSAI staff in front of these challenges, successfully faced the online work, the Chairman of ALSAI issued the decision and Instruction no.1 dated 16.04.2020 "On the development of audit activity during natural disaster", which were the subject of the work of activity of the Albanian Supreme Audit Institution during that period.

The motto "ALSAI serving the citizen" leads ALSAI in all institutional objectives. The experience gained and the designed developments have confirmed that the modernization process of the public external audit institution in Albania constitutes a public good as well as a value for the system of public institutions. During November - December, citizens had the opportunity to visit the premises of the Albanian Supreme Audit Institution and get acquainted with the history and achievements of the institution in the 96 years of its existence. The year 2020 would be the fifth year in a row that ALSAI would organize the "Open Month" which had become an institutional tradition. Due to the Pandemic this year this activity could not take place.

The Covid-19 Pandemic posed unknown challenges to the Supreme Audit Institutions, which made the exchange of experiences and cooperation between

institutions for the management of the COVID-19 situation more necessary. On 9-11 September 2020 EUROSAI-OLACEF organized an online conference on "COVID-19 Pandemic: A unique opportunity for Supreme Audit Institutions to highlight the impact of their work", in which ALSAI participated. The aim and purpose of organizing this conference was to exchange best practices between SAIs, regarding the work of audit institutions during the covid-19 pandemic, as well as to reflect on the changes that have been made in the process of auditors' work during pandemic situation. SAIs should set an example to other public institutions for adapting work and achieving objectives even in the pandemic conditions. Among the measures taken and the role of SAIs of these countries during the pandemic period, we mention:

- New strategic approach to the work of supreme audit institutions (SAIs), through the application of information technology methods;
- Virtual communication and remote work;
- Online meetings;
- Addition in SAI audit programs, of items directly related to the audit of public funds expenditures and procurement procedures for the needs of coping with the covid-19 pandemic.

## **IV. INSTITUTIONAL MANAGEMENT AND STRATEGIC DEVELOPMENT**

### **IV.1 Performance based on the framework of Performance Measurement Indicators**

It should be understood that the successful implementation of ISSAIs at the individual audit level, necessarily requires the development of an institutional structure in each SAI. Therefore, ALSAI has developed a capacity building framework to enable and support ALSAI, in order to develop its capacities together with the counterpart SAIs.

The Performance Measurement Framework (PMF) in this case, is used as a tool for general self-assessment of SAIs in general, and ALSAI in particular, to identify areas where improvements are needed and how this can be achieved. The result of an PMF-based self-assessment is one of the ways tha SAI can understand its position and development needs, in parallel with other additional ways to achieve this goal, always based on ISSAIs and best practices of the field.

The Performance Measurement Framework is one of the strategic, important documents of ALSAI. This document is a vital instrument, which through the implementation of the evaluation process of all aspects of the activity of the highest public audit institution, enables the realization of a detailed examination of the level of fulfillment of standards compared to a system built by INTOSAI himself. This is a valuable tool to demonstrate to the actors involved, the extent to which ALSAI contributes to strengthening public financial management, promoting good governance, promoting transparency and accountability, the fight against corruption and also the commitment of ALSAI to increase the values and the benefits for the general public. The tradition of combining our self-assessment with the assessment of international experts for specific dimensions of this framework, during 2020 has been limited by the situation created by the Covid-19 pandemic. However, it has been possible to combine self-assessment results with the specific dimensions previously assessed by international experts. In these conditions the evaluation of the self-assessment process of the Dimension of the “Organizational Control Environment” (SAI 4) by counterparts of the SAI of Norway, Finland and Northern Macedonia, under the direction of the Dutch Court of Audit, addressed a number of recommendations in aspects that related to the communication of the objectives regarding integrity, training related to the latter, etc., which have been considered during the activity of ALSAI for 2020.

The SAI Performance Measurement Framework is a detailed matrix of 25 indicators, organized according to 6 main areas, which are further detailed in several respective dimensions each.

Indicators mainly measure aspects that are entirely within the control of the SAI, e.g. organizational systems and professional capacity. The exception is Area A, which measures the independence of the SAI and the legal framework, as these are factors that are set and dictated mainly by other bodies in the system of the government.

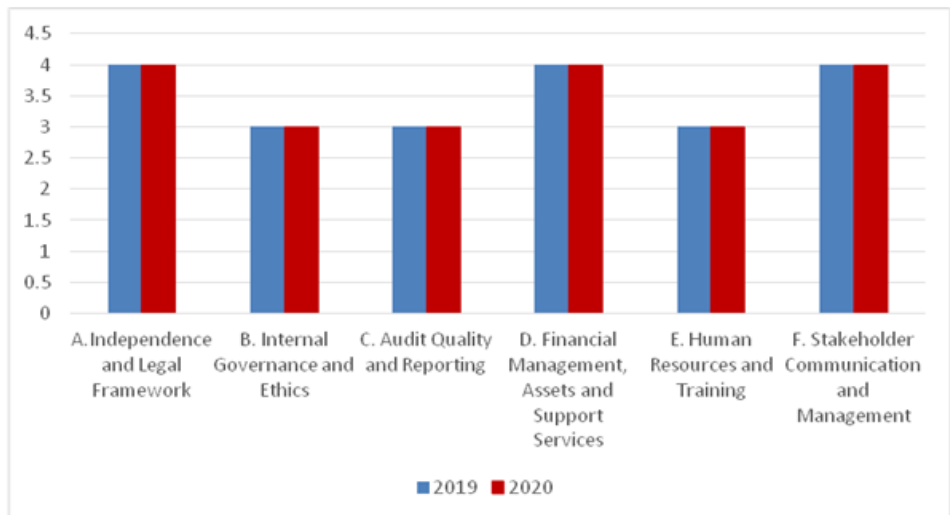
#### ***IV.1.1 Performance Analysis by Indicators***

The performance measurement framework provides a detailed assessment of the SAI's strengths and weaknesses, how they affect its institutional performance, providing a high-level overview of the latter. In this context, the monitoring of performance indicators is of particular importance for ALSAI, in terms of monitoring institutional progress and obtaining the necessary information for the managerial and organizational decision-making process, in order to continuously improve and consolidate institutional growth.

The Performance Measurement Framework of the ALSAI contains 6 main areas: (1) Independence and Legal Framework; (2) Internal Governance and Ethics; (3) Audit Quality and Reporting; (4) Financial Management, Assets and Supportive Structures; (5) Human Resources and Training; and (6) The Communication and Management of the Interested parties. The fields group together a total of 25 indicators (SAI 1-25) and each of them in itself is detailed in several dimensions, which are subject to an analytical evaluation, based on which the respective scoring is done, where for each dimension in particular and field in general, the scoring level varies from 0 to 4.



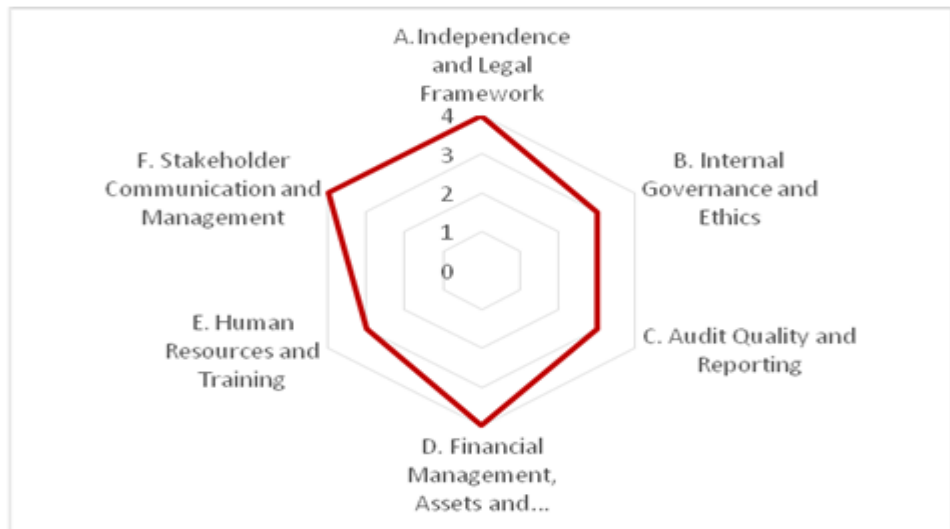
*Graph no.8 Evaluation of performance indicators by fields for the year 2019-2020*



*Source: ALSAI*

The results of the evaluation of performance indicators by areas, for 2020 as well as for previous years, are realized according to the scoring methodology of the Performance Measurement Framework (ALSAI, 2017), which are reflected in the following Diagram.

*Diagram no.1: Evaluation of performance indicators by ares for 2020*



*Source: ALSAI*

As shown in the diagram, the aggregated indicators by areas identify the fact that even for 2020, ALSAI represents stability in terms of evaluation areas, as for the field "Independence and Legal Framework" and "Financial Management, assets and support services" evaluation continued to be 4, while for the other two areas "Internal Governance and Ethics" and "Audit Quality and Reporting" the rating stands at 3.

If we refer in a more detailed way to each dimension and the respective criteria, we find that in most indicators there is consistency between two consecutive years; in some of them there are improved aspects compared to 2019; but there are also some underestimated dimensions such as: "Appropriate and effective constitutional framework" (SAI 4) or "Timely submission of Audit Reports" (SAI 11, 14, and SAI 17), which are estimated to a decrease from 4 to 3.

While the first dimension is independent of KLSH, the second dimension has reflected the circumstances caused by Covid-19, which created delays not only in the activities of ALSAI, but also in the responses of the audited institutions to the requests of ALSAI for fulfilling audit programs in a timely and quality manner. And yet, despite the results of some declining dimensions, the aggregate level of assessment at the field level has not changed. Although ALSAI has continued to be above the average level of evaluation for all areas, the improvement of each specific dimension within the respective areas, remains in the focus of improvement during 2021.

#### **IV.1.2 Summary of Performance Indicators for 2020**

The evaluation of specific indicators of each dimension that make up the areas is based on the self-assessment approach by the ALSAI working groups. Some of these indicators have been constantly evaluated by counterpart experts of the INTOSAI community. The results of the scoring process according to specific criteria are presented aggregated in the table below.

*Table no.9: Summary of the performance indicators of ALSAI for 2020*

Indicators	Area	Diemnsions	Score in 2020
<b>Independence and Legal Framework</b>			<b>4</b>
4SAI-1	SAIs Indipendence	(i). Appropriate and effective constitutional framework	3
		(ii). Independence in financial autonomy	4
		(iii).Independence in organizational	4

		autonomy	
		(iv). Independence of the Chairman of the SAI and his Officials	4
SAI-2	SAIs Mandate	(i). Sufficient mandate	4
		(ii). Access to information	4
		(iii). The right and the obligation to report	4
<b>B. Internal Governance and Ethics</b>			<b>3</b>
SAI-3	Strategic Planning Cycle	(i). Content of the Strategic Plan.	4
		(ii). Contents of the Annual Operational Plan	4
		(iii). Organizational Planning Process	3
		(iv). Performance Monitoring and Reporting	3
SAI-4	Organizational Control Environment	(i). Internal Control Environment - Ethics, Integrity and Organizational Structure	4
		(ii). Internal Control System	4
		(iii). Quality Control System	3
		(iv). Quality Assurance System	4
SAI-5	External Sources Audits	(i). Contract Auditor Selection Process	na
		(ii). External Source Audit Quality Control	na
		(iii). Quality Assurance of External Sources Audits	na
SAI-6	Leadership and	(i) leadership	4
	Internal Communication	(ii). Internal Communication	4
SAI-7	General Audit Planning	(i). General Audit Planning Process	4
		(ii). Contents of the General Audit Plan	3
<b>C. Audit Quality and Reporting</b>			<b>3</b>
SAI-8	Audit Coverage	(i). Financial Audit Coverage	2
		(ii). The Coverage, Selection and Objectives of the Performance Audit	3
		(iii). Compliance Audit Coverage, Selection and Objectives	4
SAI-9	Financial Auditing Standards and	(i). Financial Audit Policies and Standards	3
		(ii). Financial Audit Team Management	3

	Quality Management	and Skills	
		(iii). Quality Control in the Financial Audit	3
SAI-10	Financial Audit Process	(i). Financial Audit Planning	3
		(ii). The Implementation of the Financial Audit	3
		(iii). Audit Evaluation, Conclusions and Financial Audit Reporting	3
SAI-11	Financial Audit Results	(i). Timely submission of Financial Audit Results	3
		(ii). Timely publication of Financial Audit Results	3
		(iii).The Follow-up on the implementation of Financial Audit Comments and Recommendations by the SAI	3
SAI-12	Performance Auditing Standards and Quality Management	(i). Performance Audit Policies and Standards	3
		(ii). Performance Audit Team Management and Skills	3
		(iii). Quality Control in Performance Audit	3
SAI-13	Performance Audit Process	(i). Performance Audit Planning	3
		(ii). Implementation of Performance Audits	2
		(iii). Reporting on Performance Audits	3
SAI-14	Performance Audit Results	(i). Timely submission of Performance Audit Reports	3
		(ii). Timely publication of Performance Audit Reports	3
		(iii) The Follow-up of the implementation of SAI Performance Audit Comments and Recommendations	2
SAI-15	Compliance Audit Standards and Quality Management	(i). Compliance Audit Policies and Standards	3
		(ii). The management of the Compliance Audit Team and Skills	3
		(iii). Quality Control in Compliance Audit	3
SAI-16	Compliance Audit Process	(i). Compliance Audit Planning	3
		(ii). Implementation of Compliance Audit	3
		(iii) Audit Evidence Assessment,	3

		Conclusions and Reporting on Compliance Audits	
SAI-17	Compliance Audit Results	(i). Timely submission of Compliance Audit Results	3
		(ii). Timely publication of Compliance Audit Results	3
		(iii).The Follow-up on the implementation of Compliance Audit Comments and Recommendations by the SAI	3
SAI-18	Judicial Control Standards and Quality Management (for Judicial SAIs)	(i). Judicial Control Policies and Standards	na
		(ii) Judicial Control Group Management and Skills	na
		(iii) Quality Control in Judicial Controls	na
SAI-19	Judicial Control Process (for SAIs with Judicial Functions)	(i). Judicial Control Planning (ii). Implementation of Judicial Controls	na
		(iii) Decision-making process during Judicial Controls	na
		(iv) The Final Decision of the Judicial Control	na
SAI-20	Results of Judicial Controls (for SAIs with Judicial Functions)	(i). Notification of Decisions related to Judicial Control	na
		(ii). Publication of Decisions related to Judicial Control	na
		(iii). Monitoring the Enforcement of Decisions Related to Judicial Control	na
D. Financial Management, Assets and Support Services			4
SAI-21	Financial Management, Assets and Support Services	(i). Financial Management	4
		(ii).Planning and Effective Use of Assets and Infrastructure	4
		(iii) Administrative Support Services	4
E. Human Resources and Training			3
SAI-22	Human resource Management	(i) Human Resources Function	3
		(ii). Human Resources Strategy	4
		(iii) Recruitment of Human Resources	4
		(iv) Remuneration, Promotion and Welfare	3

		of Staff	
SAI-23	Professional Development and Training	(i) Plans and Processes for Professional Development and Training	3
		(ii). Professional Development and Financial Audit Training	3
		(iii) Professional Development and Performance Audit Training	3
		(iv) Professional Development and Compliance Audit Training	3
<b>F. Stakeholder Communication and Management</b>			4
SAI-24	Communication with the Legislature, Executive and Judiciary	(i) Communication Strategy	4
		(ii). Good practice regarding Communication with the Legislature	4
		(iii) Good practice regarding Communication with the Executive	4
		(iv) Good practice regarding Communication with the Judiciary, Prosecution and Investigative Agencies	4
SAI-25	Communication with the Media, Citizens and Civil Society Organizations	(i) .Good Practice Regarding Media Communication in the Press	3
		(ii). Good practice regarding Communication with Citizens and Civil Society Organizations	4

Source: Albanian Supreme Audit Institution

**Area A, "Independence and Legal Framework",** covers the legal mandate of the SAI and its independence. It is known that the independence and legal framework of the SAI are not directly under the control of the SAI itself. However, this area is considered to be included in the ALSAI IMC, because on the one hand the independence and legal framework of the SAI contributes significantly to its effectiveness, and on the other hand the SAI itself can try to influence any obstacle arising from the limitation of his mandate and independence. The Assembly of Albania has given maximum support to the institution of ALSAI, on the proposal of the President of the Republic of Albania (decree no.11498, dated 4 June 2020), the Assembly with Decision no.34/2020, dated 2 July 2020 has approved the candidacy of Mr.Arben Shehu in the position of the Chairman of ALSAI. As presented below, for ALSAI this area has been assessed by the Austrian Court of Audit concluding that ALSAI activity was in line with: the Lima Declaration, the Mexico Declaration and the International Standard of Supreme ALSAI 2021

Audit Institutions, ISSAI 11. The aggregate field level of - SAI 1 has not changed. Also, although referring to the legal framework in force, ALSAI has a sufficient mandate and unlimited access to information, even during the audit activity of 2020 there have been cases of conflicting reactions and / or obstacles in providing the full required information, thus limiting auditors from obtaining reasonable assurance to subsequently support audit opinions. Cases such as the Public Oversight Board or the Energy Regulatory Authority are indicators of the irresponsibility of the senior management of these institutions.

The need to improve the legal framework in order to strengthen the real independence of ALSAI, is not only an organic requirement of ALSAI, but it has also come as a constant recommendation of international experts. Pursuant to ISSAI 12, ALSAI has sought to promote, ensure and maintain an appropriate constitutional, statutory or legal framework, by engaging through the establishment of a working group, pursuant to order no.131, dated 23.12.2020 "On the establishment of the working group for the preparation of amendments of the law", for some changes in law no.154/2014 "On the organization and functioning of the Albanian Supreme Audit Institution".

**Area B "Internal Governance and Ethics"** measures the overall performance of ALSAI, in the field of internal governance and ethics. It seeks to give a comprehensive understanding of the institution's efforts, strengths and weaknesses, at the organizational level. The indicators measured in Area B reflect the foundations of the SAI for carrying out its activities. One of the aspects of this field is the Dimension "Organizational Control Environment", SAI-4, which has been evaluated by a team of evaluators of counterpart institutions led by the Dutch Court of Audit (whose evaluation for 2020 remains unchanged as a year ago), serves the SAI as a starting point for drafting a plan on the implementation of recommendations related to: measures that reduce weaknesses (risks) and lead to breach of integrity, as well as measures in connection to integrity control systems. Staff training on integrity issues, is in the constant focus of the ALSAI training unit.

ALSAI, for 2020, presents consistency in the dimension of the content of the strategic plan, applying during this year the "Methodology of strategic planning and annual risk-based audit activity". The strategic plan is important to ensure organizational orientation, and its publication communicates the intentions of ALSAI to the internal and external stakeholders. Strategic planning during 2020, has taken into account the expectations of the stakeholders and the risks presented, as well as the institutional environment in which the SAI operates, in order to strengthen this environment where appropriate. Also, the strategic

objectives of the institution have advanced and progressed in parallel with the objectives of the Strategic Plans 2017-2023 of EUROSAI and 2017-2022 of INTOSAI. The objectives set out in the strategic plan are also set out in the annual / operational plan for the ALSAI, with clear tasks to be accomplished in each year of its implementation, which are related to and derive from the 21 objectives and the three main goals of the Strategy. During the drafting of the annual plan, new risks arising from the field have been taken into account, related to natural disasters such as the November 2019 earthquake and the Covid-19 pandemic.

**Area C, “Audit quality and reporting”**, aims at the assessment of the quality, as well as the results of the audit work for the three types of audits that ALSAI performs through audit activity, respectively: financial, performance and compliance audits. The performance of ALSAI, for this area, for each type of audit is measured by three indicators organized according to principles, processes and results. There is still work to be done in this area (even as ALSAI continuously adapts to international standards which are also subject to revisions), but the dimensions: “Compliance audit policies and standards”, “Financial audit policies and standards and Performance audit policies and standards”, are considered to be particularly improved, as during 2020, ALSAI has reviewed all the three relevant manuals for these types of audits, in the light of reflection of the principles of the public audit and the processes implementing these principles. The piloting of these manuals is in process, and its results will be part of the evaluation of the performance of ALSAI for 2021. Also in the function of the process of following and implementing the recommendations of ALSAI (3rd dimension of SAI 11 and SAI 14), the implementation of the recommendations manual has been drafted and approved. While to strengthen the management and quality control of the audit work, the Regulation of Audit Procedures has been revised and improved. Dimensions such as: the “Financial Audit Coverage”, the “Implementation of Performance Audits”, and the “Follow-up of the implementation of SAIs Performance Audit Comments and Recommendations”, remain to be improved.

**Area D, “Financial management, assets and support structures”**

This year showed that ALSAI, in accordance with the requirements of ISSAI 12, Principle 9, continues to have an appropriate organizational management and support structures that ensures good governance, and that supports internal control and management practices, this applicable also for the management of the assets and support services of the institution.



**Area E, "Human Resources and Training"** shows the performance of ALSAI in the management and the development of human resources, by ensuring that auditors have sufficient qualification, professional development, and new information on auditing standards and methods, and it also has a strategic approach of professional development. Even during 2020, this area has maintained the level 3, the same as the previous year. Almost every dimension within this area hasn't changed from the previous year, except for dimension 4 "Remuneration, Promotion and Welfare of Staff", which has decreased from 4 in 2019 to 3 during 2020. This dimension refers, among other things, to the decision-making of ALSAI on promotion and reward, based on individual performance, in order to motivate staff. This indicator is at a medium level because in this area, ALSAI has focused on staff care, timely provision of examinations, taking measures for rotational work created by the Covid-19 pandemic. This year, ALSAI, mainly aims to increase the audit capacities related to financial and compliance audits, through the development of the necessary training, as well as an increase towards the use of information technology in support of the audit activity.

**Area F, "The Communication and the management of the stakeholders"** assessed in accordance with the requirements of ISSAI 12, identifies one of the main objectives of ALSAI, which is the effective communication with stakeholders. ALSAI has used all of the instruments, recommended by the best practices in order to promote and uses new means of communication, to ensure a fast, reliable and widely accessible information. In the overall assessment of this area, ALSAI has managed to maintain the same performance trend compared to 2019 and despite the situation created by the pandemic, online platforms have been used for the development of activities. The aspects that have influenced this level of evaluation are related to the presence of the auditors in the visual media, as well as the concrete cooperation with the Albanian Parliament. ALSAI, in order to increase accountability and transparency, has informed the Parliament through special reports which are of particular importance to the public. Through leadership by example, 66 decisions and reports on audits conducted during 2020 were presented to the Albanian Parliament. Also, in the fulfillment of the obligations deriving from the Decision of the Chairman of the Parliament, no.134/2018 "On the Manual of annual and periodic monitoring of these institutions" ALSAI during 2020 has informed the Parliament on the status of the implementation of the recommendations left to the audited institutions. In the context of raising awareness of the best practices regarding communication with the Legislature branch of the government, ALSAI has been the institution that

was involved in the discussions about the strategic planning of the Assembly and has participated in the conference of "The Cooperation with the Parliament to increase the impact of the audit" organized by SIGMA in cooperation with the SAI of Montenegro".

In the framework of increased transparency, ALSAI has published on the WEB, the full decisions of the Chairman of ALSAI for 63 audit decisions.

Even during 2020, ALSAI has aimed to increase the influence and impact of its audits by expanding the user base of its products, audit findings, conclusions and recommendations, to serve to both direct and indirect users, by using the most effective communication channels. There have been 349 articles, announcements, editorials and analytical comments in the print media about the reports of ALSAI audits. The communication and the cooperation with the media continues with the same spirit and intensity, thus increasing the transparency of the activity of ALSAI. Also 70 auditors were present in almost all the newspapers with 91 written articles.

The aspect which will continue to be a challenge even for 2021, is the assessment of the impact that ALSAI has on its stakeholders, where special importance is attached to the strengthening of the cooperation with the Executive and the Legislature branches in order to increase the implementation of the recommendations given by ALSAI, through the use of instruments built in collaboration with these institutions.

## **IV.2 The Implementation of the Institutional Development Strategy 2018-2022**

2020, marks the third year in the process of implementation and monitoring of the Strategy for the Development of the Supreme State Audit (IDS), for the 5 year period 2018-2022, approved by the Decision of the Chairman of ALSAI no.229, dated 31.12.2017, which frames the main directions of institutional developments, based on the Action and Monitoring Plan (AMP), approved by the Chairman of ALSAI, with no.1353/4, dated 24.04.2018. The strategic objectives of the institution are in sync with the objectives of the Strategic Plans of EUROSAI 2017-2023 and of INTOSAI 2017-2022. Monitoring the implementation of this Strategy has led to the consolidation of the institutional reform in ALSAI.

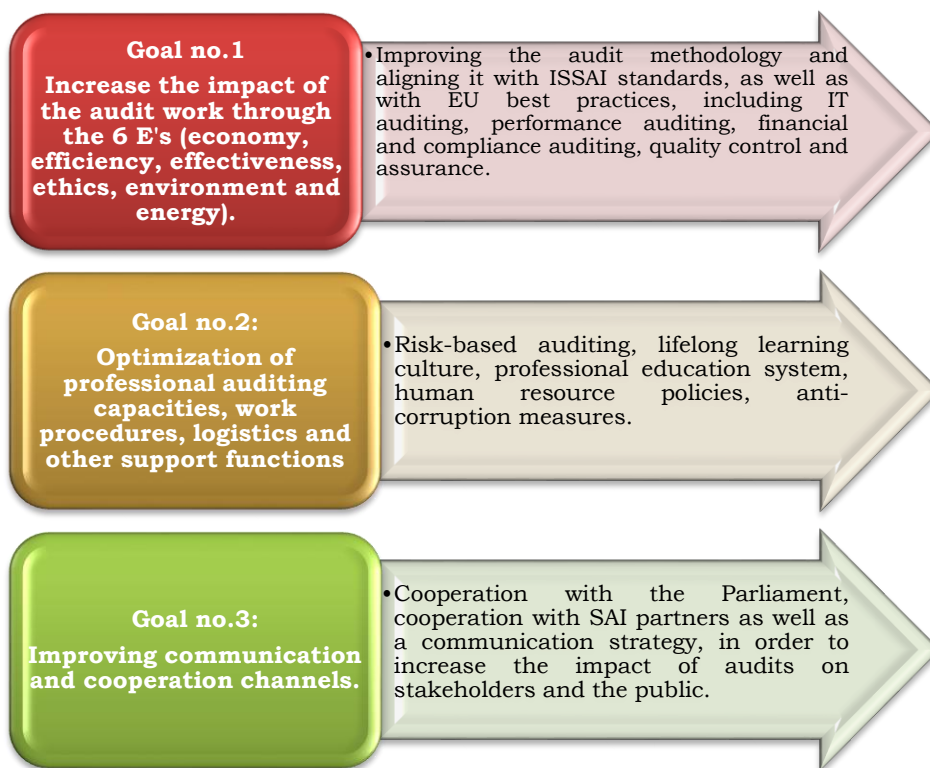
Based on the level of indicators of the Performance Measurement Framework of a Supreme Audit Institution, (document adopted as an ISSAI standard at the XXII Congress of INTOSAI), it results that the objectives set in the Development

Strategy 2018-2022, for the three year period 2018-2020 are realized at the relative level of 80%. Monitoring the implementation of the Development Strategy, is considered as an effective instrument, through which, ALSAI systematically follows the progress, taking assurance that progress is being made towards the objectives set and at the same time having important information for an effective and timely decision-making. The evaluation and the measurement of the current level of Performance Indicators against the forecasts was carried out through monitoring, which served the ALSAI to:

- Provide up-to-date information on the progress of the Strategy in general (Situation Indicators);
- Identify in time, potential difficulties or risks that affect the achievement of objectives (Warning Indicators);
- Better decision making and timely response to challenges (Policy Indicators);
- Establish and strengthen effective cooperation between all the structures of ALSAI;
- Maintain a real and effective implementation of the Principle of Transparency, through the communication of the results of ALSAI to the public, Parliament and the community of stakeholders.

The Action Plan has foreseen a system of measures that have been taken during 2020, as well as those that will be implemented for each year, during the implementation of the Strategy, synthesized in 3 "Strategic Goals", the scope of which is presented below:

Figure no.1: 3 Strategic goals



In the 2018-2022 Institutional Development Strategy, the **First Strategic Objective** is related to increasing the impact of the audit work with the focus on the 6-E. This goal addresses high level issues such as the objective of "Strengthening the Independence and the mandate of ALSAI", as well as in the technical and methodological plan of the audit approach.

Strengthening the institutional independence of ALSAI is a priority, and currently, ALSAI has a contemporary organic law that is fully in line with INTOSAI standards, approved by the Albanian Parliament at the end of 2014, with the expertise of the European Union. ALSAI continues its efforts for institutional development by setting as its first strategic goal, the strengthening of the independence, in line with the basic principles of auditing sanctioned in the Lima Declaration and the Declaration of Mexico, by improving its regulatory framework, a fact also acknowledged by various European authorities.

Thus, referring to the EC progress report for Albania, dated 26.05.2019, chapter 32 "Financial Control", (page 99) in relation to this aspect it states that: "The ALSAI 2021

*constitutional and legal framework of Albania provides for the independence of the State Institution of Audit (SAI) ALSAI, in line with the standards of the International Organization of Supreme Audit Institutions (INTOSAI)”<sup>13</sup>.*

These objectives are seen from the perspective of increasing the impact of the audit, through the provision of quality audit products, aiming for ALSAI to become a driver of positive change and improvement in terms of promoting good governance in the country. Methodological development has continued to support and foster change by becoming the vanguard of the developments in ALSAI. In order to strengthen institutional independence, ALSAI has continued to work intensively to improve the regulatory framework and audit procedures, as a condition for generating quality audit reports.

ALSAI has approved the updates of the internal administrative and organizational regulatory framework, as well as the audit manuals and specific guidelines in order to implement in practice the ISSAI Standards. ALSAI, has made available to the auditors a considerable number of methodological manuals and guidelines, according to the typologies of public audit, which serve the daily life and practice of audit work.

During 2020, ALSAI approved the Financial Audit Manual, the Compliance Audit Manual, the Performance Audit Manual, in the spirit of the INTOSAI standards "INTOSAI Professional Standards Framework", the Manual for Following the Implementation of Recommendations, and the Regulation of the Audit Procedures, etc.

Even by being in unsuitable conditions, due to the Covid-19 global pandemic, ALSAI continued in 2020, with the realization of performance audits, financial audits and IT audits. Compared to the previous years, these audits marked a decrease in their number, but in relation to the total number of audits performed during 2020, the specific weight that these audits occupy over the total audits, generally maintained the same.

In the 2018-2022 Institutional Development Strategy, the **second Strategic Objective** is related to the "Optimization of professional capacities, audit skills, work procedures, logistics and other support functions". Under this objective, ALSAI has considered the component of continuous professional development and training as the main priority in building and strengthening human resource capacities. The process of continuous training functions effectively, by continuously improving and consolidating, in the spirit of the XXII INTOSAI Congress, December 2016, in Abu Dhabi, where 192 member SAIs agreed “.. to define professionalism as an ongoing process, by which auditors and their SAI

*organizations, ensure high levels of expertise, competence, ethical conduct and quality, based on professional standards (ISSAI)”.*

Through training and continuous professional development, ALSAI:

- Ensures that the auditors maintain and enhance the knowledge and skills that they need, to provide a professional service;
- Improvent in the quality of the audit work, helps auditors to make a significant contribution to the teamwork, makes them more effective in the workplace and helps them advance in their careers, by creating for them opportunities, new knowledge and new skills;
- Makes the product of ALSAI, understandable to stakeholders, by significantly affecting the increase of transparency, good governance and use of public money. It leads to an increase in the trust of individual professionals, and consequently of the public in ALSAI;
- Gives a deeper meaning to the concept of being a professional.

It is essential to mention that since in the beginning, ALSAI has paved the way and consolidated the practices for a solid process of conducting annual and integrated training, that is organized and monitored by the Department of Methodology, Standards and Quality Assurance in ALSAI, which is the authority in charge of managing the process, setting the terms of reference, and critically trace the links of this process. In this process, ALSAI is oriented by the Guideline of the INTOSAI Capacity Building Committee: “The Presentation of Professional Qualifications at the local level of SAI, provides further knowledge on how to professionalize the audit staff, through the qualifications realized by SAIs ”.

During 2020, 4,053 training days were completed in total, by 142 auditors, or 28.5 training days per auditor. Thus the objective of 25 days of training per auditor during 2020 was achieved.

The achievement of this objective was made possible through the realization of 21 activities within the country and organized by ALSAI, and 19 activities held abroad, or organized by institutions / organizations abroad. Also, in total, there are 20 ALSAI auditors who have gained internships at ECA, and as a result of the successful cooperation with the Audit Office of The US Government (GAO) 6 auditors have successfully completed the 4-month fellowship.

Under the **Third Strategic Objective**, ALSAI has integrated modern elements of communication and has completed the monitoring of the Communication Strategy 2017-2019, by establishing a real basis for communication and transparency. The third strategic objective is oriented and based on the spirit of

Principle 8 of the International Auditing Standard ISSAI P-20, which promotes and encourages transparency and accountability, where it is stated that "SAIs communicate in a timely and extensive manner on their activities and audit results through the media, websites and other means." Here we can dwell on some tangible dimensions:

- ALSAI is oriented towards the opening of new communication windows.

On the official website of ALSAI there are 4 new communication nodes, with the public and the staff of ALSAI. Also, on the official website, ALSAI has published all the reports that have been drafted and prepared by ALSAI during 2020 such as the Activity Report, Budget Report, Monitoring Report and Statistical Bulletins, Manuals, guides, various publications in the field, etc. In order to increase communication, in 2020 several meetings were held and several cooperation agreements were signed with law enforcement institutions, such as:

- General Prosecutor's Office

On September 24, 2020, the Chairman of the Supreme State Audit and the General Prosecutor signed a cooperation agreement between the two institutions, through which they commit to intensify the fight against criminal offenses committed by public administration employees in Albania. ALSAI and the General Prosecutor's Office are committed to increase cooperation for the exchange of information in order to accurately identify violations, which constitute a criminal offense in the field of administration of public funds, administration of public property and its privatization.

- Special Prosecutor's Office

The strengthening of the fight against the phenomenon of corruption in the public administration, as well as the constant requests of various international organizations brought a cooperation agreement between the Supreme State Audit (ALSAI) and the Special Prosecutor's Office, which was signed on 19.10.2020. The institutions agreed on the realization of mutual cooperation, for the exchange of information in order to accurately identify violations that contain elements of criminal offenses which are within the subject matter competence of the Special Prosecutor's Office.

- Swiss Embassy

On March 9, 2020, the Supreme State Audit Office (ALSAI) signed an agreement with the Embassy of the Swiss Confederation for the financing by the Swiss Secretariat of Economic Affairs (SECO) of the project "Strengthening the supervision of concession contracts and public-private partnership (PPP) in Albania ". The main objective of the project is to promote public oversight,

increase quality and transparency, and contribute to the prevention of corruption in public bids, concessions, and public-private partnerships (PPPs).

During the last nine years, ALSAI has signed 63 cooperation agreements, of which 36 with NGOs and Public and Private Universities, 18 with counterpart institutions and 9 with state institutions. Collaborations with the University professors and various NGOs have been highly acknowledged by ALSAI.

In the framework of cooperation with other institutions and organizations during 2020, the following was realized: Drafting of the Audit Manual of Fraud and Corruption in cooperation with the IPA Project; in March 2020 ALSAI, has signed an agreement with the Embassy of the Swiss Confederation for funding from the Secretariat of Economic Affairs of Switzerland (SECO) of the project "Strengthening the supervision of concession contracts and public-private partnership (PPP) in Albania". The main objective of the project is to promote public oversight, increase quality and transparency, and contribute to the prevention of corruption in public offerings, concessions and public-private partnerships (PPPs).

**The results of monitoring on 3 "Strategic Objectives"**, shows that for 2020, as the third year of implementation of the Development Strategy 2018-2022, are generally realized or are in the process of implementation.

The Development Strategy and the Strategy Monitoring Action Plan, for the 3 strategic goals, derives from:

*Figure no.2: Derivations of strategic objectives*

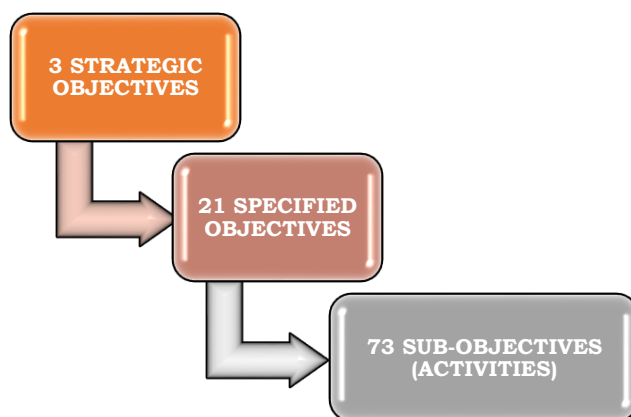




Table no.10: Realization at the level of Activities or sub-objectives

No.	STATUS of ACTIVITY (SUB OBJECTIVES)	NUMBER OF ACTIVITIES			REALIZED (SUB OBJECTIVES)	
	Events in Total Strategic Objective	Strategic Objective No.1	Strategic Objective No.2	Strategic Objective No.3	In No.	In %
I	Number of activities for each target, of which:	34	27	9	70	100
I.1	Activities completely implemented in 2020	26	22	8	56	80
I.2	Activities partially implemented in 2020	8	1	1	10	14
I.3	Activities unrealized in 2020	-	4	-	4	6
II	Planned after 2020	-	-	3	3	-
III	Total				73	-

Source: ALSAI

Realization at the level of Activities or Sub Objectives, is at a satisfactory level, as out of 70 activities planned to be realized during 2020, 56 activities or 80% of them have been fully realized, 10 activities or 14% of them have been partially realized and in process, 4 objectives or 6% of them have not been achieved. Out of 73 activities deriving from 3 strategic goals and 21 objectives, 3 (three) or 4% of them, are planned to be realized after 2020. Four activities are foreseen in the Action and Monitoring Plan (AMP), approved by the Chairman of ALSAI- of with no.1353/4, dated 24.04.2018 to be realized after 2020, but 2 of them have been advanced and completed by the end of 2019, respectively the activities with no.1/5/6; 1/6/2.

**Unrealized activities in the amount of 6%, as well as those partially realized, or in process in the amount of 14%, have had mainly objective causes which, in addition to ALSAI, require cooperation with third parties, but also due to that some activities require their review, will be realized during 2021.**

During 2020, 3 activities were partially implemented, which aim to increase the number of performance audits and financial audits, both from year to year and against the total number of audits. In 2020, ALSAI had a decrease in the number of audits, which was also reflected by their type, in this way, the performance

audits and the financial audits are presented at a lower level than the previous years, because of the Covid-19 pandemic conditions. Also, 4 activities that are in process, are unfinished in 2020, for reasons which are related to actors and factors outside ALSAI, such as "Approval of the joint manual for monitoring the implementation of recommendations" with MFE; "Institutionalization of ALSAI relations with the Assembly of Albania", with the Parliament, etc. Of the 4 activities programmed and not implemented during 2020, three of them are conditioned by the process of approving the legal changes proposed by ALSAI, in the Parliament. However, these changes will continue to be a subject during 2021, as the Chairman of ALSAI, has issued Order no.131, dated 23.12.2020 "On the establishment of the working group, for the preparation (review) of amendments to the draft law" On some changes in law no.154/2014 "On the organization and functioning of the Supreme State Audit", which will be presented to the Parliament during 2021, pursuant to the Action Plan for the implementation of the recommendations of the European Union for Albania, dated 06.10.2020 ". The approval of these changes brings the most complete approximation of the legislation in the field of state audit with the requirements of the framework "Acquis Communautaire", this being reason to set new deadlines for the implementation of these sub-objectives and activities. One of the four unrealized activities is related to the "Drafting of national standards for external audit", which will be reviewed during 2021, re-evaluating once again the approach regarding the need for national standards of public external audit, while ALSAI has a legal obligation defined in article 6 "Scope", point 3, which states: "The Supreme State Audit, in its activity, should reflect the degree of high standards of international standards of INTOSAI and IFAC, as well as the resolutions of the Congresses of INTOSAI and EUROSAT".

#### ***IV.3 ALSAI and the Parliament for an effective communication***

The Supreme State Audit (ALSAI) plays an essential role in informing the Parliament about the use of public funds and giving recommendations for the consolidation of public finances, in order to guarantee continuity and provide maximum support to the institution of ALSAI, on the proposal of the President of the Republic of Albania (decree no.11498, dated 4 June 2020), the Parliament with Decision no.34/2020, dated 2 July 2020 has approved the candidacy of Mr.Arben Shehu in the position of Chairman of ALSAI.

In the meeting held on July 28, 2020 between the Chairman of the Albanian Parliament, Mr.Gramoz Ruçi and the Chairman of ALSAI, Mr.Arben Shehu,

Mr. Ruçi has once again assured the support of the Parliament, underlining that *“ALSAI should continue to deepen the efforts of strengthening the independence of the institution, for impartial and objective audits. Implementing the recommendations of ALSAI is important to deepen the fight against corruption, also as an instrument to increase parliamentary control. ALSAI must identify public entities, which have never been audited in the recent years, as well as increase transparency and interactive communication with citizens, in order to become an uncompromising guardian for the good use of public funds and property.”*

ALSAI is an independent constitutional institution, established for continuous, impartial and complete information to the Albanian Parliament on the responsibility that the Government and public entities show in using the contribution of Albanian taxpayers, as well as the goal of fulfilling the third purpose of the Development Strategy of ALSAI 2018-2022, that of strengthening the communication and cooperation with stakeholders, in the fulfillment of the constitutional obligation, has forwarded to the Parliament with letter no.341/4 prot., Dated 30.04.2020 Annual Performance Report of ALSAI for 2019, which reflects the audit activity and institutional development of the institution. The Budget Implementation Report of 2019, forwarded to the Parliament with letter no.1100 prot., Dated 30.10.2020, has identified and analyzed the underlined problems related to programming, implementation and monitoring of the budget, with an impact on the performance of the annual budget, that create conditions and carry risks in the future of public finances.

Through leadership by example, in order to increase accountability and transparency, ALSAI has informed the Parliament through special reports which are of particular importance to the public. Thus, during 2020, ALSAI has forwarded to the Parliament of Albania 66 decisions and reports for the audits performed during 2020. In the fulfillment of the obligations that derive from the Decision of the Chairman of the Parliament, no.134/2018 *“On the Manual of annual and periodic monitoring of these institutions”*, ALSAI during 2020 has informed the Parliament on the status of the implementation of the recommendations left to the audited institutions. Thus, with the letter no.517, dated 4.06.2020, it has been forwarded to the Parliament of Albania the *“Summary report on the implementation of audit recommendations completed during the period 01.01.2019-30.09.2019 for the Department of Local Self-Government and the Department of Assets and Environment. The consolidated report which provides detailed information on the implementation of the audit recommendations performed and evaded in the period 01.01.2019-31.12.2019 is forwarded by letter no.1180 prot., Dated 27.11.2020. The above-mentioned*

reports were forwarded also to the Minister of Relations with the Assembly (documents 517/1 prot., Dated 24.07.2020 and no.1180/1 prot., Dated 03.12.2020) with the aim of increasing the responsibility of managing public funds by the audited entities.

To give weight to the increase of the implementation of the recommendations given by ALSAI and the implementation of the recommendation of the Progress Report of the European Union 2019 in which it was emphasized that: *“Albania should enable the systematic implementation of the external audit recommendations”*, in reference to the ALSAI Guide for the institutionalization of ALSAI Relations with the Parliament no.39/39, dated 30.08.2018, the Supreme State Audit (ALSAI) with letter no.346 prot., Dated 07.04.2020 has repeated to the Parliament the proposal for the establishment of a sub-committee which will monitor the activity of ALSAI. This request was repeated in the letter no.434/1 prot., Dated 16.05.2020 in which ALSAI has also requested the establishment of an inter-institutional working group for drafting a Memorandum of Cooperation between ALSAI and the Parliament which will include not only strengthening the parliamentary follow-up of ALSAI recommendations, but also a concrete agenda for their implementation.

The cooperation of ALSAI with the Parliament during 2020 has been deepened through the participation and discussion for the draft Strategic Plan of the Parliament of Albania developed with independent institutions on May 27, 2020. Also within the Project "Support to the Parliament and Civic Education" supported by the Swiss Government implemented by the OSCE Presence in Tirana, representatives of ALSAI participated in the meeting on *"Support to the Parliament and Civic Education"*, held online on December 14, 2020. The purpose of this meeting, organized by the Albanian Parliament with representatives of independent institutions, was the improvement of parliamentary functions and the strengthening of control mechanisms in order to increase the accountability of the executives. Representatives of ALSAI underlined that the Supreme State Audit has intended to be an "agent" of the Parliament and stakeholders for impartial and continuous information on the use of public funds by central government institutions, local governments and public entities by contributing in improving the governance through the fight against corruption. ALSAI recommendations for these institutions are aimed at improving the legal regulatory framework, promoting and strengthening internal control systems as well as detecting and preventing the phenomena of corruption, misuse and fraud with public funds. Following the initiative of the Parliament, to consolidate with information the electronic platform for the following and the implementing of the

recommendations of independent constitutional and unconstitutional institutions, ALSAI has continuously updated the information on the recommendations left for the central institutions in the audits evaded in year 2019. ALSAI has updated the electronic inter-institutional platform, with information for 416 recommendations given for the period January - December 2019 in central institutions and subordinate institutions.

### **IV.4 Institutional management progress**

#### **IV.4.1 Human resource development and management and institutional organizational structure**

Human resource development has been and remains one of the most important challenges of institutional management. The policy of effective and professional management of human resources is considered as a vital factor for the realization of institutional objectives, with a direct impact on the quality of audit activity.

In this aspect, the management of human resources in ALSAI is considered as a prerequisite for the functioning of the institution in an efficient and effective manner. Referring to the guidelines and best practices of the INTOSAI community, for capacity building and development, the Supreme State Audit (ALSAI) has continued to invest in human resource development.

Throughout 2020, ALSAI has continued to address the Human Resources Management, in line with the objectives set out in the Human Resources Policy Document, approved by Decision of the Chairman no.228, dated 31.12.2017, in the following directions:

- The documentation and implementation of the best practices suitable for ALSAI, based on INTOSAI Standards in the field of human resource management;
- Rigorous implementation of the legal regulatory framework in the field;
- Ensuring transparency, accountability and good governance in the human resource management process;
- The recruitment of young people / individuals who have maximum educational results in one or two degrees, who know several foreign languages, or have the availability of simultaneous academic titles, experts and specialists with outstanding contributions in various fields such as that of the information technology etc.;
- Ensuring continuous professional development, capacity development, as well as continuous training;

- Development and implementation of an objective system of staff evaluation based on the performance, the fulfillment of individual objectives, and the requirements of professional competencies, etc.

### 1. On the changes in the Organizational Structure

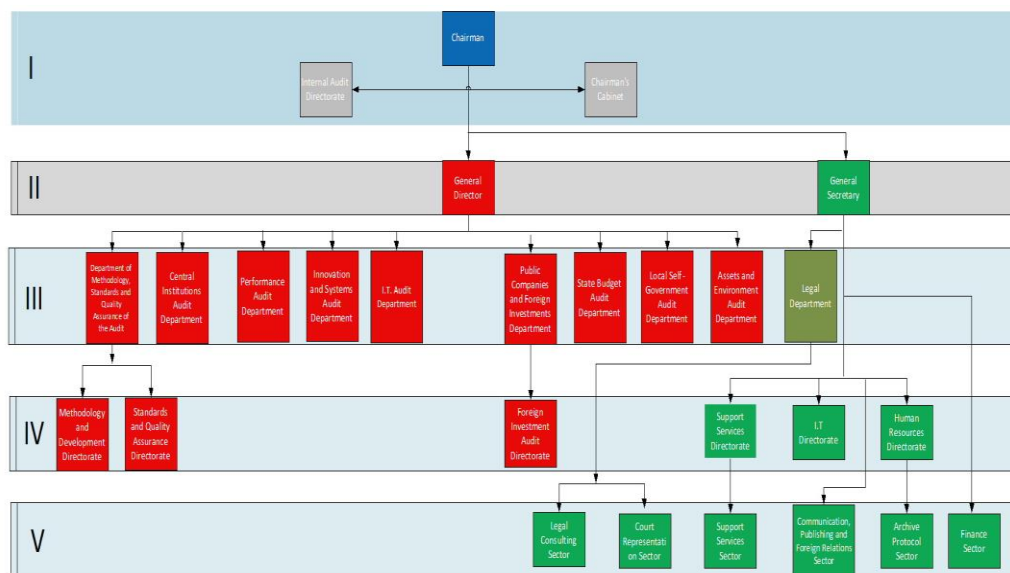
ALSAI has an effective organizational structure which efficiently and effectively adapts the institutional goals with the tasks and commitments of each organizational unit, Department / Directorate / Sector in the context of fulfilling the legal constitutional obligations and the strategic objectives of the institution.

The current structure reflects a functional productivity and ensures effective planning, implementation, control and reporting of the performance of ALSAI activities and products.

During 2020, modifications were made to the organizational structure of ALSAI in order to meet and increase expectations for the achievement of the institutional objectives.

At the end of 2020, the organization chart of ALSAI is presented below.

*Figure no.3: Organizational chart of ALSAI in 2020*



*Source: ALSAI*

The organizational chart of ALSAI and the structural organization, reflect the requirements of the COSO model against the five components (control environment, risk management, activity control, information and communication), requirements that provide flexibility and effective internal

ALSAI 2021 149

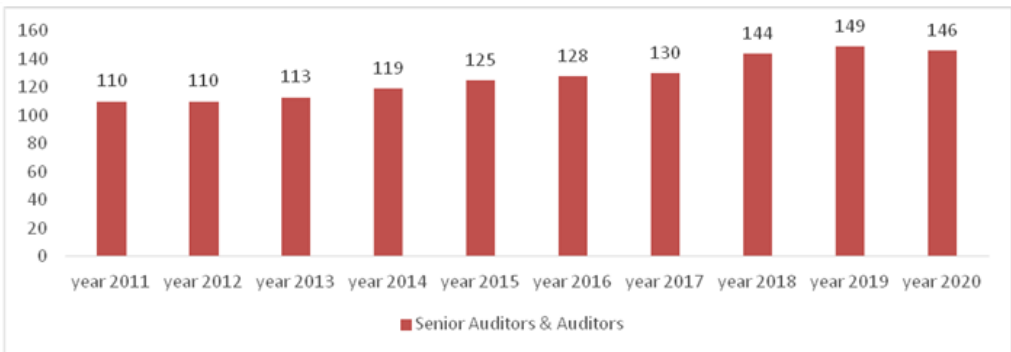
control systems thus forming an integrated system that reacts dynamically to the change of eventual conditions. This structure enables effective lines of interaction and reporting in order to fulfill the responsibilities at the level of the structural unit. Effective reporting lines have been installed within each unit, which enables the communication of quality information aimed at achieving the objectives of the unit. In order to meet the expectations for institutional modernization and the implementation of the International Auditing Standards ISSAI, in line with the recommendation of the European Commission addressed in the Progress Reports, about the increasement of the number of Performance audits, the consolidation of the Performance Audit Department as well as the IT Audit Department, has continued during 2020.

In addition to the above, during 2020, in order to design an effective and functional structure and focus the managerial activity towards increasing the supervisory and controlling role, the structure of the Cabinet of the Chairman was created with the impact of increasing the quality of audit and institutional administration.

*2. On the developments of the organic structure*

For 2020, by Decision no.4, dated 27.01.2017 of the Chairman of ALSAI, “On the Structure of Job Ranking, Classification of Jobs and the Level of Wages in ALSAI”, amended, the organic structure with a total of 203 employees has been approved. In 2011, the structure has had a total number of 156 employees which has been increasing from year to year, by reaching in 2020, a total number of 203 employees. In total, the number of Senior Audit and Audit staff in 2020, is 146 employees which occupies about 77% of the total actual number of employees. The structure of employees is reflected below, which has continued to change in favor of the audit body.

*Graph no.9: Auditors 2011-2020*

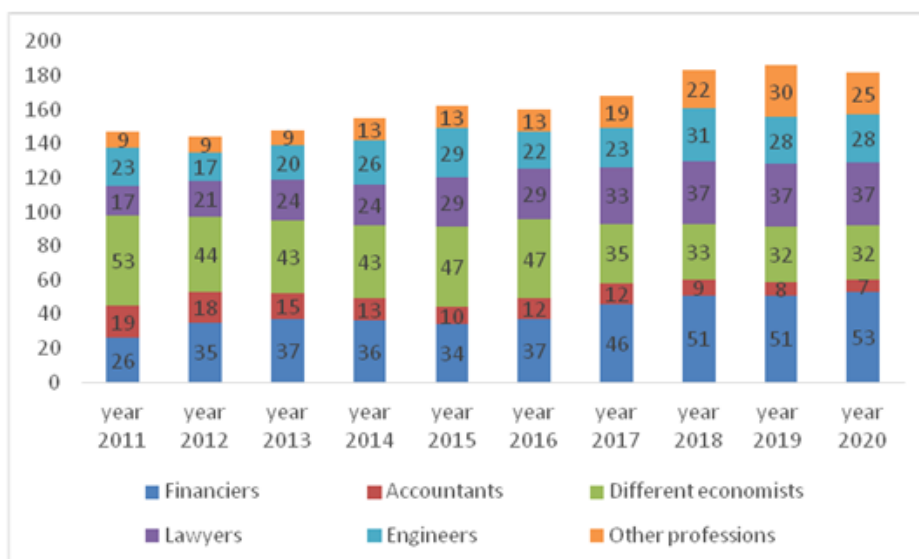


*Source: ALSAI*

### 3. Organic structure according to the degree profile

Classified by education, in the organic structure for 2020, there are 182 employees with higher education or about 95.8% of the structure, against the total number of employees in 2020 (the only positions that do not require a higher education are drivers and cleaning workers). Divided by the profile of the degree, the classification of employees with higher education for the years 2011-2020 is presented.

Graph no.10: Profile of employees with higher education



Source: ALSAI

In line with the objectives of the human resources policy document as well as for the purpose of methodological professional training in order to improve performance, some employees have completed studies in second university degree or have attended studies and have graduated or certified at home or abroad. in response to new developments in the field of public audit. At the end of 2020, the results are:

- 1 leader who has the title of associate professor, 3 leaders and auditors have the title of doctor of sciences, while during 2011 there was no leader with a scientific degree;
- 34 executives and auditors have a second university degree, of which 25 in Law, 9 in Finance;



- 3 managers with internationally recognized professional degrees in accounting and auditing, of which 2 Leaders with International Diploma in Accounting and Auditing (CIPFA) and International Certificate in Accounting and Auditing (CIPFA) and 1 manager with International Diploma CPA;
- 7 employees holding a Certified Accounting Certificate and 2 Accounting Expert employees;
- 19 employees have the certificate of the Internal Auditor;
- 12 employees have the Real Estate Valuation certificate;
- 9 employees have training certificates developed on-line by IDI (INTOSAI Development Initiative);
- 20 ALSAI Auditors received training, through 5-month internships from the European Court of Auditors (ECA) and 6 executives and auditors, through 4-month fellowships from the Government Audit Office of the US, GAO.

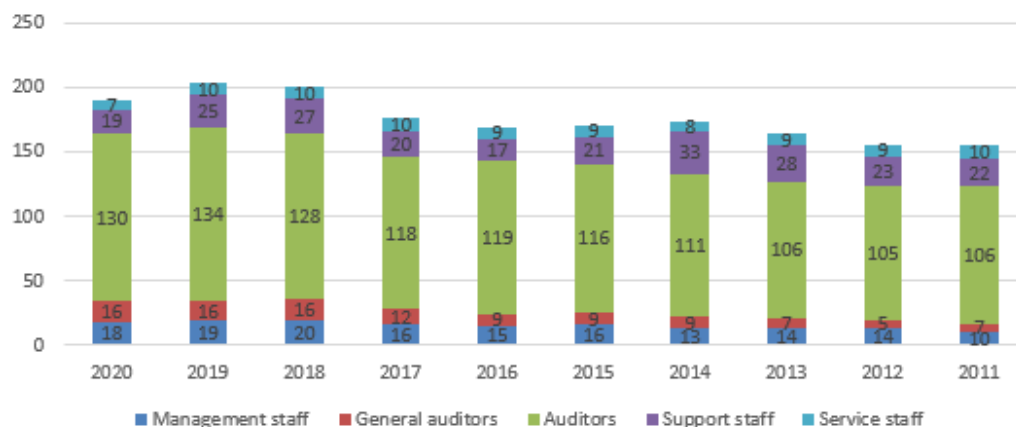
#### *4. Structural composition of staff according to functions*

For 2020, the composition of employees according to functions and tasks results as follows:

- 18 Management staff (including Chairman, Director of Cabinet, General Director, General Secretary, Directors of Departments and Directorates, Advisors) which accounts for 9.5% of the total actual number of employees.
- 16 Senior Auditors, which constitutes 8.4% of the total and actual number of employees,
- 130 Auditors, 68.4% of the total number of employees.
- 19 Support staff (sector managers, specialists, lawyers, assistant of the Chairman, service staff) which accounts at 10% of the total and actual number of employees, of which: 7 Service staff (drivers and cleaning staff) which make up 3.7% of the total and actual number of employees for 2020.

Below, is the structural composition of the staff for the period 2011-2020.

Graph no.11: Structural composition of staff



Source: ALSAI

### 5. On staff recruitment, selection and recruitment processes

By evaluating and considering, the fair and rational management of human resources for ensuring the quality of audit work, as an important factor, as well as the fact that human resources policies should support the maintenance and development of a qualified and competent staff, during 2020, effective policies were implemented in terms of recruiting staff with the appropriate educational qualifications, and in general with experience, for performing the audit activity and the institutional one, with quality and competence.

Employee recruitment policies throughout 2020, have been applied in line with the strategy of development and management of human resources in order for ALSAI to provide the right staff with the right qualifications, skills and experience to meet coherent and perspective needs.

As a very important process for the performance of the institution, during 2020, 11 employees were recruited according to all procedures, rules and legal provisions in force on the civil servant. During 2020, 9 employees were recruited through appointment acts and temporary contracts.

### 6. Promotion and career encouragement policies

Throughout 2020, importance has been given to career development within the institution, considering it as an important factor that serves the best management and ensures the increase of the quality of the audit activity. Currently, the professional development and career advancement is realized through the system of periodic evaluation of performance and individual skills, the testing of

knowledge from vocational training and transparent competition (as important as the recruitment process) about the management positions. Every ALSAI employee has the right to be promoted and a proof of this is every member of the ALSAI staff. The purpose of the promotion policy in ALSAI is to ensure the use of the potential of employees in line with the institutional regulatory framework and ISSAI International Standards.

In the reference and in the implementation of the international standards where a supreme audit institution must maintain and develop the professional body in order to create opportunities for the promotion and integration of the new staff during 2020, 3 tests have been conducted and 7 auditors and managers have been promoted, while during 2019, 5 tests were conducted and 12 auditors and managers were promoted in category, thus giving them the opportunity to develop professional careers within the institution, through competition.

### *7. Gender Equality Assurance Policies*

ALSAI, in the process of human resource management, has aimed to include gender mainstreaming in all policies, aspects, and institutional activities by respecting the principle of gender equality and by aiming the elimination of the phenomenon of discrimination due to gender.

*The Objective: ALSAI aims for the ratio of gender equality report to be at 50% women and 50% men, different from the ratio of 33% to 67% in 2011.*

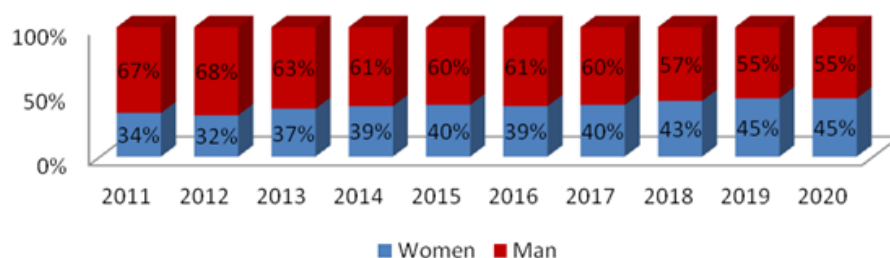
*The Result: In 2020 the gender equality ratio reached at 45.2% to 55.8%, from 33% to 67% that it was in 2011.*

Based on the principle of gender equality, processes of recruitment and promotion have been developed in accordance with the Civil Service Legislation, by developing the selection, employment and appointment procedures, including also the leadership positions, in accordance with the requirement for equal representation of women and men.

The change of the females-males ratio, according to which female auditors currently constitute 45.2% out of 33% of the number of auditors that were in 2011, with an increase 12.2%, confirms the strategic approach of ALSAI for gender equality in the institution.

The female / male ratio of the staff of ALSAI for 2020 results at 45% / 55%, compared to 33.5% / 66.5% ratio in 2011, by an upward trend with a specific weight from year to year in favor of female employees as presented below:

*Graph no.12: Male-female ratio of employees in the 2011-2020 period*



*Source: ALSAI*

ALSAI's policy in support of women's career development is reflected in the considerable number of female managers occupying managerial levels, representing 9 management positions versus 18 managers in total for the entire institution as: General Secretary 1, General Director 1, Cabinet Director 1, Advisor 2, Department Director 2, Directorate Director 2, and Senior Auditor 3. Also, the gender representation for the Senior Management Level for the category (Secretary / General Director, Cabinet Director), which is the highest leadership level in the institution for 2020, results in female leading position at the level of 100%.

#### *8. Age, seniority at work and experience in the institution*

A very important indicator of the policies pursued in terms of ensuring continuity of work and combining the experience of the old auditors with the new staff are also the age indicators and seniority at work.

The performance of age indicators in these years has recognized the trend of decreasing the average age of employees due to the recruitment of employees with professional skills that respond to the dynamic development of new technologies, new areas faced by the public sector.

The average age in ALSAI at the end of 2019 is 42.6 years old, from 50 years old that it was in 2011, thus the average age in the 2011-2020 8 year period has decreased by about 7.4 years.

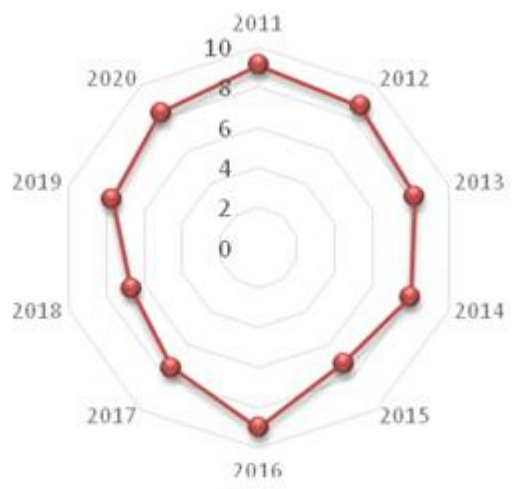
*Graph no.13: The average age of the staff for 2011-2020*



*Source: ALSAI*

For 2020, the seniority of employees at work in the ALSAI Institution is 8.3 years, from 9.1 years that marked in 2011.

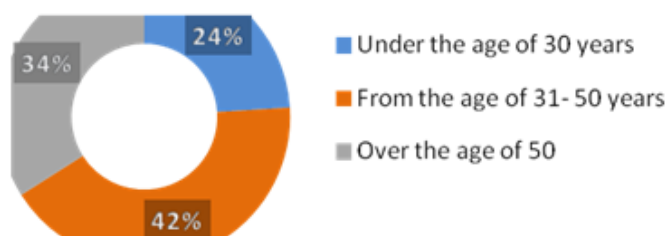
*Diagram no.2: Seniority in the institution*



*Source: ALSAI*

45 employees result under the age of 30, 80 employees at the age of 31-50, while 65 employees are over the age of 51.

Graph no.14: Stratification of the audit body for 2020



Source: ALSAI

#### IV.4.2 Professional Development and Training

In the law no.154/2014 “On the organization and functioning of the Albanian Supreme Audit Institution” it is determined that: “The Albanian Supreme Audit Institution, through audits, aims at the effective, efficient and economic use of public funds, public and state property, the development of a adequate financial management system, proper performance of administrative activities, as well as informing the public authorities and the public, through the publication of its reports”.

In order to achieve the goal cited above, the ALSAI must achieve through audits, to bring added value in the service to the citizen, the Assembly and public entities that it audits. This means, providing the best professional skills and knowledge on international standards of the field, for all the audit troupe and support staff in ALSAI, through joint work, by applying one of the principles of ISAI-12 "Capacity building through the promotion of learning and knowledge sharing", to lead by example.

In function of this attitude, ALSAI has addressed as a stimulant factor of success the "modern and effective management of human capital" in order to provide the best professional skills and knowledge on international standards of the field, sanctioned in the XXII Declaration of the Congress of INTOSAI December 2016 in Abu Dhabi, which states that: “Citizens are the main beneficiaries of public audit. It is the duty of Supreme Audit Institutions (SAIs) to perform quality audits and provide citizens with reports that support transparency, accountability and trust

in governance. Only the good and professional auditing work can make a real difference in their lives”<sup>1</sup>.

ALSAI has considered the component of continuous professional development and implementation of auditing standards, as the main priority in building and strengthening audit capacities.

During the recent years, ALSAI has radically changed its approach to increasing audit capacity through training and professional development, as well as the implementation of standards and improvement of audit manuals, rules and audit procedures in order to generate audit reports, as qualitative as possible.

The Supreme State Audit has valued human resources as an important asset for sustainable development and institutional modernization. This is expressed in some important documents on which the development of human resources in ALSAI is based, such as:

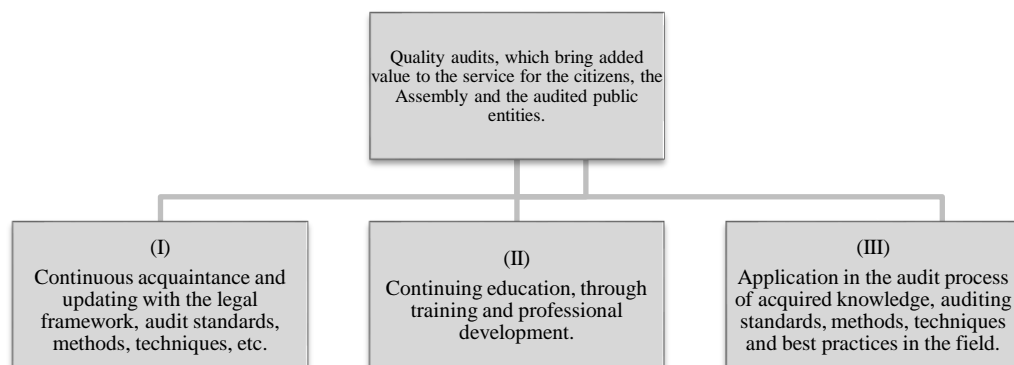
- International Auditing Standards (ISSAI), First Level “INTOSAI Principles” which includes: ISSAI-P-1 “Lima Declaration”, Article 14; ISSAI-P-12 “Values and benefits of Supreme Audit Institutions, bringing change in the lives of citizens”, Principle 12 “Capacity building through the promotion of learning and knowledge sharing”; ISSAI-130 “Code of Ethics”, Continuing Professional Development / Guidance applicable at the SAI staff level;
- INTOSAI Strategic Plan (2017-2022), cross-sectoral priorities, 3 and 5;
- EUROSAI Strategic Plan (2017-2023), strategic goal 3.2 “Assistance to SAIs in facing new opportunities and challenges, through support in the development of their professional capacities”;
- Strategic Plan of ALSAI, 2018-2022 approved by Decision no.228, date 31.12.2017, revised, Purpose no.2 “Optimization of professional capacities, auditors' skills, work procedures, logistics and other support functions”;
- SAI Performance Measurement Framework, etc.
- Law no.154/2014 “On the organization and functioning of ALSAI”, article 39, “Professional training”;
- Internal Regulation of Organization and Functioning of ALSAI, November 10 and 11.

The objectives of the Professional Development Plan are set in consistency with the mission, vision, and values of ALSAI, oriented towards the future, aiming to

---

<sup>1</sup>Human Resources Policy in the Supreme State Audit

achieve the goal of the career development of each individual, in order to guarantee quality audits.



To achieve the main objective of ALSAI, the Directorate of Methodology and Development has served through the updating of standards, regulations, procedures, methodologies, as well as professional development, through the acquisition of knowledge provided through the continuing education and professional training.

### **On reviewing and drafting the manuals:**

During this year, the audit manuals were reviewed and updated, and were reconceptualized referring to the changes of ISSAIs and the approval of the IFPP "Professional Statements of the INTOSAI Framework" (respectively in the first level "INTOSAI Principles" which includes: ISSAI-P-1 "Lima Declaration"<sup>2</sup>, ISSAI-P-10 "Declaration of Mexico" 16 ISSAI-P-12, ISSAI-P-20 and ISSAI-P-50; Second Level INTOSAI Standards Which includes: ISSAI 100 - Basic principles in public sector auditing<sup>17</sup>; ISSAI 200-299 "Basic principles of financial audit", ISSAI 300-399 "Basic principles of performance auditing", ISSAI 400-499 Basic principles of auditing compliance"), and in accordance with the obligation arising from law no.154/2014 "On the Organization and Functioning of ALSAI", which stipulates

---

<sup>2</sup> 15 INTOSAI, 2019

-Formerly known as ISSAI 1: The Lima Declaration, adopted in 1977

-With the creation of the "INTOSAI Framework of Professional Pronouncements" "INTOSAI Framework of Professional Pronouncements" (IFPP), has been republished as INTOSAI-P 1

16 INTOSAI, 2019

-Formerly known as ISSAI 10: Mexico's SAI Declaration of Independence, adopted in 2007

-With the creation of the Framework "INTOSAI Framework of Professional Pronouncements" (IFPP), it was republished as INTOSAI-P 10

17 INTOSAI, 2019

-Approved as Basic Principles of Auditing in the Public Sector in 2001

-With the creation of the Framework "INTOSAI Framework of Professional Pronouncements" (IFPP), changes were made in 2019



that "... The Albanian Supreme Audit Institution, in its activity, should reflect the highest degree of international standards of INTOSAI and IFAC, and the resolutions of the INTOSAI and EUROSAI Congresses".

The Department of Methodology, Standards and Quality Assurance of the Audit in ALSAI, which, monitors and ensures the best coordination and combination of functions for institutional development, supported the working groups, for the successful implementation, updating of manuals, regulations and guidelines of audit.

In finalizing the process of reviewing the **Compliance Audit Manual**, approved by Decision no.66, date 23.06.2020, based on the results of the pilot audits of compliance audits and the latest developments of ISSAIs.

The Compliance Audit Manual is designed as a helping tool for the state auditors to ensure high quality audits, with effectiveness and efficiency. It is very important that compliance audits are scheduled to be performed and reported in a structured manner and in line with the requirements of ISSAI compliance auditing standards, and this document represents in itself a guide on how public auditors can conduct compliance audits.

In finalizing the process of reviewing the Financial Audit Manual, approved by Decision no.64, date 22.06.2020, based on the results of financial audit evaluations and the latest developments of ISSAIs.

The Financial Audit Manual aims to achieve the implementation of a set of procedures and methodologies, with an impact on increasing the quality of the audit activity of the Albanian Supreme Audit Institution, while also reflecting an approach to international standards as a practical guide for public auditors.

Through this Manual, ALSAI also aims to generate for stakeholders, the Assembly, the Public, Citizens and other institutional environments, a quality audit product, based entirely on the frameworks of International Standards on Auditing, providing to the decision makers (users of public sector financial statements) a reasonable assurance on the reliability of the financial statements (so their fair presentation in all the material aspects), in accordance with the legal and regulatory framework in force related to financial reporting.

In finalizing the process of reviewing the **Performance Audit Manual**, approved by Decision no.78, date 30.06.2020, based on the results of performance audits and the latest developments of ISSAIs.

The Performance Audit Manual aims to provide up-to-date guidance for auditors performing performance audits at the Albanian Supreme Audit Institution, by describing all the phases of the performance audit cycle, starting from the strategic planning to the completion of the audit report and the follow-up process.

The manual provides a conceptual, methodological and procedural framework within which auditors can conduct their audit work, by also setting out references to where a more detailed information can be summarized about the issues under consideration.

In the finalization of the process of drafting the manual for monitoring the implementation of recommendations, as well as the institutional register of implementation of recommendations", approved by Decision no.67, date 23.06.2020, based on the requirements of the INTOSAI Framework of Professional Pronouncements (IFPP).

The manual for monitoring the implementation of recommendations, contains the principles, rules and procedures, which should be applied by the auditors of the Albanian Supreme Audit Institution when monitoring the implementation of recommendations by public entities, as well as recording the attitude of the audited entities to the recommendations proposed by the ALSAI.

The manual aims to be an aid tool for ALSAI auditors in terms of increasing the professionalism of the audit body in terms of objective review of recommendations against corrective measures taken by the heads of the audited entities, which will serve to identify deficiencies, risks and the improvement of the audit process.

In the finalization of the review process of the **Regulation of Audit Procedures** in ALSAI, approved by Decision no.63, date 22.06.2020, as a need to reflect the changes of ISSAIs and audit manuals in ALSAI, as well as the recommendations of the experts of the SAI of Poland (IPA-2013 Project).

The Regulation of Audit Procedures provides the framework of standard documents, which create the traces of the Audit Project. The Audit Trail serves to provide testimony and evidence in order to create a quality audit management instrument, enabling a reasonable assurance that the procedures have been followed in accordance with the legal regulatory framework of ALSAI and international standards of INTOSAI, ISSAI.

The regulation also contains requirements and guidelines related to ethics, quality control and reporting, in this way improving the process of judging and evaluating the audit work by the senior management.

In the finalization of the process of drafting the **Guide "On Audit of Corruption Prevention"** approved by Decision no.67, date 23.06.2020, based on the requirements of the INTOSAI Framework of Professional Pronouncements (IFPP), ISSAI 5270 "Guideline for the Audit of Corruption Prevention".

This guide was created to assist ALSAI auditors in preparing and conducting audits of anti-corruption policies and procedures.

The guidance covers the main areas of anti-corruption structures and procedures. It also describes the establishment of anti-corruption structures, approaches to risk assessment and risk analysis and monitoring processes. The main emphasis is placed on effective anti-corruption modules, such as task assignment, job rotation, the role of internal review, human capital including staff awareness and training.

### **Professional training:**

Auditors development and training is a strategic investment process of time, energy and resources in improving audit capacity. The training presents a real opportunity to expand the knowledge base of all auditors, concretely:

**Improving performance:** Auditors who attend the necessary trainings are more able to do their job. The training gives to the auditors new skills, a broader understanding of responsibilities within their role and on the other hand, an increase in their self-confidence. The self-confidence and knowledge that the auditors receive improves their overall performance and consequently the institutional performance.

**Evaluation:** Investing in training is an indicator that auditors are valued and supported by the institution and challenged through training opportunities, they feel more satisfied with their product.

**Skills development:** For auditors that think that they need to improve in a particular area, training is an ideal form of doing so. A training program enables auditors to strengthen the necessary skills, to then apply them in the audit process. A good training program brings all the auditors to a higher professional level, so that everyone can have the right skills and knowledge.

**Consistency:** A strong training and development program ensures that the ALSAI employees, auditors in particular, have ongoing experience and knowledge. Consistency is especially important for institutional and audit policies and procedures. All employees of ALSAI should be aware, conscious of the expectations and procedures implemented by ALSAI.

**Reputation increases:** If we will have strong strategies on training, in addition to being ourselves, we will be an institution at the right level, according to the requirements of international standards, but on the other hand we will be an institution at the service of citizens, as stated in Statement of the XXII INTOSAI Congress December 2016 in Abu Dhabi, that: "Citizens are the main beneficiaries of public audit". Qualitative audits will serve better in assessing the way public money is spent, in contributing to improved governance, increasing transparency, the fight against corrupt phenomena, etc.

### **Implementation of the Professional Development Plan.**

Activities for the professional development of the ALSAI auditors have included organizing various forms such as trainings, study visits, discussion meetings offered inside and outside the country, by local and foreign experts, thus ensuring the source diversification of knowledge.

Also, ALSAI owns and discloses a portfolio of opportunities for the realization and timely distribution of trainings, depending on the circumstances and the workload of scheduled audit engagements, which may include:

- inner training, provided by inner trainers;
- inner training, provided by external trainers;
- external training:
- a mix of internal and external training;
- E-learning can also be a cost-effective alternative that public auditors want to pursue in a timely manner;
- Other options with working groups and training seminars can be valid and considered useful, or they can be consulted with IDI and other specialized agencies on professional education of auditors, etc.

ALSAI, during 2020, due to the situation caused by Covid-19, in general and widely, has adapted and provided online training to achieve objectives related to professional development.

In order to follow and reflect on the online trainings, as an alternative opportunity for sharing and exchanging ideas, the following new program options were modified and improved, in:

- ALSAI website, through the addition to the panel "Information", to the group "Trainings", the item "Online Trainings";
- Audit Process Management Information System Support Program (SIMMPA / RevZone), window / option "Online Trainings";
- Drafting the instruction on the use of the Training manual (from the IT Sector);
- Guide on using the "Microsoft Skype" platform.

Successful implementation of the Professional Development Program of the ALSAI Staff for 2020, according to the goals projected in the requirements of the Decision of the Chairman of ALSAI no.187, date 31.12.2019, enabled every auditor in ALSAI ", during this period, to achieve the objectives and realize the basic indicators, defined in the Institutional Development Strategy 2018-2022, Strategic goal no.2 "Optimization of professional capacities, audit skills, work procedures, logistics and other support functions".

Table no.11: Indicators defined by auditor categories

Category	Target-Group	Target indicators (training days per year)
First Category	Newly recruited auditors	25
Second Category	New auditors (1-3 years experience)	22
Third Category	Experienced auditors (over 3 years)	18

Source: ALSAI

**Trainings according to the above categories are focused on:**

*Trainings for the new staff (First Category)*, focusing on the presentations and knowledge on the role and responsibilities of the supreme audit institution, providing basic knowledge and concepts on responsibility, public accountability and the mission of public audit professionals; the skills and crafts they must possess; techniques and tools to use during their work, etc .;

*Knowledge updating trainings (Second category)*, which are aimed at the existing and experienced staff, mainly in the form of case study analysis; exchange of experience within departments through communication of findings and recommendations for the most valued audits; as well as providing trainings within ALSAI and international partners, organized throughout 2020.

Table no.12: Realization of the training days indicator by categories

Category	Target-Group	Target indicators (training days per year)	Auditors by category	The auditors' performance		Plan / Fact Indicator
				Scheduled days	Realized days	
First Category	Newly recruited auditors	25	5	125	111	89
Second Category	New auditors (1-3 years experience)	22	53	1166	1773	152
Third Category	Experienced auditors (over 3 years)	18	84	1512	2169	143

Annual average of three categories	22	142	3124	4053	129
Strategic indicator 25 days of training	25	142	3550	4053	114

Source: ALSAI

**During 2020, 4053 training days were completed in total, by 142 auditors, or 28.5 training days per auditor. The objective, training days for each auditor, according to the target groups, was realized at the rate of 129%, while the average training day at the institutional level for each auditor, was realized at the rate of 114%.**

*Table no.13: Performance of auditors for training days performed during the years 2018-2020*

Period	Trained auditors	Realized training days	Training days / Auditor Average
2018	138	4002	29
2019	145	3611	25
2020	142	4053	28.5

Source: ALSAI

### **On the trainings conducted during 2020**

The objectives of ALSAI, for professional development, are outlined in the Annual Training Programs, aiming to provide trainings for auditors as a sustainable approach, to enable to the staff, the continuous maintenance and development of skills and knowledge, career development, and the encouraging of the exchange of knowledge and experience.

Based on the International Standards of External Audit of INTOSAI, the Internal Regulation of Administrative Organization and Functioning of ALSAI, in the implementation of the Professional Development Program of ALSAI for 2020, approved by Decision of the Chairman of ALSAI 187, date 31.12.2019, ALSAI has conducted a series of trainings, mainly within the institution, focused on Auditing Standards, Regulation of Audit Procedures, Audit Manuals and specific guidelines, by meeting the objectives and the performance indicators.

Due to the global confrontation with the Covid-19 pandemic, like all other institutions, ALSAI, in the implementation of the rules and legal acts issued for the management of the pandemic situation, drafted new rules and ways to achieve its objectives.

Based on the creation of this situation, ALSAI had a new approach to the realization of trainings, focusing on their realization through online platforms, based on the provisions of Instruction no.2, dated 04.05.2020 "On the use of technological tools for the development of online communication during the pandemic period".

The annual professional development curriculum has included: about 46% of topics oriented in the field of audit methodology, standards and audit framework by type; 30% of the topics focus on specific departmental issues; 24% of them include specific audit issues, familiarity with the softwares that support the processes and engagements of the audits in practice.

**During this year, several online training topics were realized, where in the three main ones there was involvement of all auditors.**

**1.** In the quarantine period, March-April 2020, 15 training topics were developed, conceived in the form of cases and profiled as follows:

- The first group: auditors with academic background in finance, accounting, economics, business administration, etc.
- The second group: auditors with academic background in engineering, law, social sciences;
- The Third group: auditors of the Performance Audit Department;
- The Fourth group: auditors of the IT Audit Department.

**2.** In the July-August 2020 period, trainings were held with all the ALSAI auditors, according to the departments, on the topic on the Regulation of Audit Procedures in ALSAI. This, as a need to update knowledge, after the finalization of the review process of the Regulation of Audit Procedures in ALSAI, and to reflect the changes of ISSAI, Audit Manuals in ALSAI, as well as the recommendations of the experts of the SAI of Poland(IPA Project- 2013).

**3.** In the November-December 2020 period, trainings were conducted with all ALSAI auditors, on the updates of the audit manuals, on the Recommendations Implementation Follow-up Manual, as well as on the Quality Management Guide.

**Trainings on audit manuals:** In the fulfillment of the objectives, as well as based on the International Standards of External Audit of INTOSAI, ISSAI 100, Internal Regulation of Administrative Organization and Functioning of ALSAI, in the implementation of the Professional Development Program of ALSAI for 2020, approved by Decision no.187, date 31.12.2019, all auditors, during 2020, have attended the Training Program (online) "On Audit Manuals", updated;

**Training on the implementation of the Quality Management Guide:** The conduction of this training, had as a priority, the implementation of the action plan approved by the Chairman of the ALSAI with no.1035, date 16.10.2020, "On

the implementation of the recommendations of the report of the European Commission for Albania, date 06.10.2020", Chapter 32 "Financial control", Recommendation no.3.1, where it is indicated, the need for drafting and developing a specific training plan, which focuses on the implementation of the requirements of the INTOSAI standard, ISSAI-140 "The Control and the Assurance of the Quality" and the practical implementation of the Guideline for Management of Audit Quality in the context of the implementation of the revised documents (Regulation of Audit Procedures in ALSAI, Financial Audit Manual, Compliance Audit Manual, Performance Audit Manual, and Audit Manual for Implementation of Recommendations) and approved in June.

**Joint training with the Ministry of Finance:** In the 2018-2022 Strategy of ALSAI, strategic goals and objectives for the 2018-2022 period, it is defined as an objective the "Deepening and extending cooperation with other institutions" and the fact that the drafting of the Strategy for the Development of the Albanian Supreme Audit Institution, is based on the INTOSAI Motto *"From the common experience, everyone benefits"*, ALSAI, considers the cooperation with the government partners, in joint engagements even though their roles are different, as a tool for increasing the effectiveness of the work, as the activities pursued jointly provide greater impact of its audits.

In the fulfillment of the legal duties defined in article 8 and 16, of the commitment of the ALSAI, for the improvement of the environment of public internal control, in the implementation of the Cooperation Agreement between ALSAI and ME, signed on 08.05.2012, but also in compliance with the provisions of Chapter 32 of the Acquis communautaire, a joint training was conducted with the General Directorate for the Harmonization of the Public Internal Financial Control in the Ministry of Finance and Economy, focused on the financial management issues and the internal control system in the public sector, as an important element that affects the exchange of experiences, mutual benefit, as well as increasing the effectiveness of audit work, with an impact on the performance of general government units.

As for the above, ALSAI in cooperation with the General Directorate of Harmonization of Public Internal Financial Control in the Ministry of Finance and Economy, two training topics were developed, focused on the financial management issues, the internal control system and the Internal Audit of the public sector.

**The exchange of experiences with the civil society.** Workshop with the Non-Profit Organization "Civic Resistance", on "Interaction and exchange of experiences between the ALSAI auditors and "Civic Resistance" analysts. From



the auditors of the Department of Performance Audit, 5 audits with a social impact were presented as follows:

- Effectiveness of conditions for strategic development of tourism;
- Quality of pre-university school buildings;
- Air quality;
- Safety and quality of medicines, in the open pharmaceutical network and in the hospital service;
- Effectiveness of fiscal cash registers, in increasing tax revenues.

**Training abroad**, as a result of the Covid-19 Pandemic, there was a decrease in activities compared to previous periods. Thus, during 2020, 19 activities were held abroad, mainly participation in conferences, meetings, etc.

### **In accordance with the above, ALSAI has set professional development objectives for 2021, which aim to:**

- Providing training for the staff as a sustainable approach, capable of enabling the staff to maintain and continuously develop skills, knowledge and career development;
- Encouraging the exchange of knowledge and experience in order for the staff to have access to the best practices in the field of auditing in the public sector;
- Development of efficient, diverse, and comprehensive methods and techniques.

The main objectives for 2021, which are part of the Integrated Professional Development Plan of ALSAI Auditors, for 2021, approved by the Decision of the Chairman of ALSAI no.14, date 08.02.2021, are:

### **The implementation of the recommendations left by the European Commission, concretely:**

- **Chapter 32 "Financial control", Recommendation no.3 "Improving the quality of the audit work", point 3.1.** "Drafting and developing a specific training plan which focuses on the implementation of the requirements of ISSAI-140 "The Control and the Assurance of the Quality" and the practical implementation of the Guideline for Audit Quality Management, in the context of the implementation of the revised Regulation of Audit procedures and the revised manuals of the financial audit, compliance audit, and performance audit, as well as the new manual for monitoring the implementation of recommendations (documents revised in 2020);

*For the implementation of this recommendation during 2021, the Directorate of Methodology and Development will organize trainings with department auditors, on the Audit Quality Management Guide and its implementation in practice;*

**- Chapter 32 “Financial control”, Recommendation no.3 "Improving the quality of the audit work", point 3.2.** "Strengthening the audit capacities of the ALSAI in the audit of contracts and implementation of PPPs".

*For the implementation of this recommendation during 2021, the Directorate of Methodology and Development will enable:*

- Trainings with auditors of all audit departments, on the legal framework of PPPs, requirements of European legislation and other international practices conducted by local and foreign experts inside and outside the country;
- The development of specific guidelines to assist auditors in auditing PPPs;
- To get acquainted with the best practices in this field, we will be helped by the implementation of the Cooperation Agreement between the Swiss State Secretariat for Economic Affairs (SECO) and ALSAI, on the project "Strengthening external audit related to the supervision of Concessions and Public-Private Partnerships", signed on March 9, 2020. The project was prepared by ALSAI in 2016 and was announced the winner by IDI, INTOSAI Development Initiative, the World Organization of Supreme Audit Institutions, which provided the support of Swiss State Secretariat for Economic Affairs.
- Also, trainings will be conducted with auditors of all audit departments for the recognition of the legal basis and regulatory acts in the field of concessions, applied.

**- Chapter 5 "Public Procurement", where it is stated:** "In the upcoming years Albania must provide adequate administrative capacity in the contracting authorities and the Supreme Audit Institution".

**Recommendation no.5.1**

- Conducting trainings in terms of the recognition of the public procurement legislation and implementation of the Procurement Audit Manual;
- Participation of the ALSAI auditors in trainings conducted by other SAIs in terms of procurement audit;
- For the implementation of this recommendation during 2021, the Directorate of Methodology and Development will organize;
- Trainings with the auditors of the audit departments, on the Procurement Audit Manual;
- Trainings with the auditors of the audit departments, regarding the recognition of the legal framework in the field of procurement (PPL, DCM, Standard tender documents; PPA guidelines, etc.);
- Trainings with the department auditors, regarding the presentation of concrete cases of procurement audit, exchange of experiences;

- Joint trainings with PPA, as a profiled institution in this field;
- Trainings with the participation of the auditors in counterpart SAIs.

### **Other trainings, part of the Integrated Professional Development Program 2021:**

- Trainings with the new auditors, with less than 1 year in the ALSAI and with newly recruited auditors, for their acquaintance with the legal framework of ALSAI ”:
- Trainings at the departmental level, according to the requirements, referring to their specifics;
- Training on the use of the RevZone System, ALSAI system;
- Joint trainings with institutions, NPOs, or professional organizations;
- Trainings provided by ASPA, according to the needs and the requirements of auditors and departments;
- Trainings with the audit troupe, for every new standard that is approved or updated, continuously during 2021.

### **Mid-term objectives:**

- Drafting the Professional Development Strategy;
- Drafting of a database on the professional education of the ALSAI auditors, in order to better address their professional skills and competencies in auditing;
- Building the audit trail and the process map, on the audit of the main audit issues, referring to the specifics and the audit scope of each department.

## **IV.4.3 Assessments by the EU**

*Implementation of the recommendations addressed in the EC Progress Report published in October 2020.*

Albania, through the intensification of deep socio-economic reforms and the reform of the modernization of public institutions, during 2020 has taken a qualitative step towards the realization of the objective for the European integration of the country. The European Commission progress report published in October 2020 for Chapter 32 "Financial Control" has assessed the activity of ALSAI, underlining that in accordance with the standards of the International Organization of Supreme Audit Institutions, the constitutional and legal framework provides for the independence of ALSAI. In accordance with the Development Strategy 2018-22, ALSAI has taken actions to improve institutional capacity. The current legislation needs to be strengthened to ensure continuity

after the end of the mandate of the Chairman of ALSAI. In the recent years, SAI has taken measures to improve the professional development of its audit staff.

The recommendations of the Progress Report for the activity of ALSAI, focus on increasing the quality of the audit work through the performance of quality control and assurance procedures, which should be in line with INTOSAI standards.

The report states that although ALSAI has increased the number of financial audits versus compliance audits, these audits still do not result in professional and qualified audit opinions. Also, it is evident that the impact of the audit work of ALSAI is limited, emphasizing the improvement of effective monitoring and timely implementation of recommendations.

ALSAI has considered extremely important the implementation of the recommendations addressed by the Progress Report of the European Commission, for institutional capacity building and alignment of its activity with international auditing standards and European best practices. The management policies were oriented towards the analysis of the shortcomings identified by the Progress Report and were finalized with the Action Plan on the EC recommendations for ALSAI, approved by the Chairman with letter no.1035 prot., date 16.10.2019. The five recommendations of the Progress Report will be implemented through the fulfillment of 12 concrete actions which have in focus:

Re-submitting the proposal of the Supreme Audit Institution to the Albanian Parliament for the establishment of a parliamentary subcommittee, part of the Committee on Economy and Finance for the review of ALSAI reports, and periodic parliamentary hearings to evaluate the corrective actions taken by the audited institutions for the implementation of the ALSAI recommendations;

- Resubmission of the ALSAI proposal to the Albanian Parliament for the signing of a memorandum of understanding between the two institutions and the drafting of a concrete work plan to increase parliamentary control over the implementation of the ALSAI recommendations;
- Forwarding to the Albanian Parliament the proposals for the amendment of Law no.154/2014 “On the functioning and the organization of ALSAI”;
- The drafting and the development of a specific training plan which focuses on the implementation of the requirements of ISSAI 140 Standard “Quality Control and Assurance” and the practical implementation of the Guideline for Audit Quality Management in the context of the implementation of the revised Regulation on Audit Procedures and revised financial, compliance and performance audits manuals, as well as a new manual for monitoring the implementation of recommendations, documents approved in June 2020;

- Strengthening the audit capacities of ALSAI for auditing contract and the implementation of PPPs through the training of the auditors, drafting special guidelines to assist auditors in auditing PPPs and increasing the number and quality of audits of ALSAI in evaluating the implementation of PPPs considering this as one of the areas with the highest risk for the Albanian economy;
- Submission to the Albanian Parliament of the periodic reports and the consolidated report on the follow-up and the implementation of ALSAI recommendations;
- The establishment of effective mechanisms by the Joint Secretariat ALSAI-MFE, to ensure the increase of the level of implementation of the audit recommendations as part of the agreement of the Supreme State Audit and the Ministry of Finance and Economy;
- Conducting trainings in terms of the recognition of the public procurement legislation and implementation of the Procurement Audit Manual, as well as the participation of the ALSAI auditors in trainings conducted by the counterpart SAIs, in terms of public procurement audit.

For a periodic monitoring of the implementation of the action plan and reporting on the achieved results, ALSAI has clearly defined the implementation structure, the deadlines for the implementation of the recommendations, and the relevant indicators.

### **IV.4.4 Budgetary and financial indicators**

ALSAI has monitored the budget of the 12-month period of 2020, through the evaluation of the performance of the budget funds and the comparison of the actual performance indicators with those planned. Through this monitoring report, ALSAI's budget funds are evidenced through the level of realization, detailed at the level of budget expenditure categories against the planned indicators, thus enabling reorientation and providing additional information to improve the process of the planning and the management of the budget.

Also the respective structure of ALSAI has done the monitoring of the budget indicators in order to continuously pursue the intended and defined objectives in the policy statement of the program of ALSAI, foreseen in the Institutional Development Strategy 2018-2022. According to Law no.88 / 2019 "On the budget of 2020", and following the guidelines of the Minister of Finance no.9, date 20.07.2018, "Standard budget implementation procedure", supplementary instruction of the Minister of Finance no.2, date 20.01.2020 "On the

implementation of the budget of 2020", as well as the instruction of the Ministry of Finance no.22, date 17.11.2016 "On standard procedures for budget monitoring in the CGU", for the period January-December 2020, the performance of the execution of the budget, is presented as below:

**Program 01120 "Audit activity of ALSAI"**

The budget allocated for the "Audit Activitie of ALSAI" program, has a basis on the Policy Statement drafted during the MTBP 2020-2023 process and is in function of the implementation of the policy set out in the DLE.

The budget policy of ALSAI is focused on the high quality and timely fulfillment of the legal obligations, objectives and priorities of the institutions, foreseen in the Strategic Development Plan, 2018-2022, considering the requirements of the international audit organizations and the EU that are defined in the Albania-EU SAA, and monitored in the framework of the European Integration.

During 2020, ALSAI continued with the exercise of the institutional activity in the fulfillment of the priority strategic objectives of the institutional development, which consist of:

1. Increasing the impact of audit work with a focus on 6Es.
2. Optimization of the professional capacities, audit skills, work procedures, logistics and other supporting functions.
3. Improving the communication and the cooperation channels.

Regarding the budget requests, by also assessing the current financial situation, the budget management is focused on financing expenditures in order to meet the strategic priority objectives that ALSAI has programmed in the 2020-2022 time frame in the strategic plan in the following directions:

- Increasing the focus towards performance auditing, aiming to increase the number and quality of performance auditing, in the function of meeting the parameters of counterpart SAIs, increasing human capacity and infrastructure for this type of audit, assisting in the formulation of the performance parameters in the public administration sector, etc.
- Carrying out financial audits in accordance with the international auditing standards (certification of financial statements) and increasing the number of the financial audits.
- The consolidation of Compliance Audit, assessed as required by ISSAIs.
- Deepening in the information technology auditing, increasing the number of IT audits and quality consolidation through the implementation of ISSAI International Standards.

- Increasing the performance of the audit activity by strengthening the institutional capacities of ALSAI, maintaining the level that ALSAI has already consolidated during the period 2012-2019.
- Improving audit methodologies / manuals by developing specific methodologies, such as that of auditing financial fraud, integrity and ethics.
- Encouraging and promoting the high professional values of auditors through the development of trainings and through the optimization of the professional capacities.
- Implementation of professional standards through the development of applicable methodologies and professional standards in accordance with the best practices of the INTOSAI community.
- Development of the information technology infrastructure.
- Development and qualification of human resources in accordance with the implementation of the human resources policy document in ALSAI, approved by Decision of the President no.128 dated 31.12.2017.
- Increasing and consolidating the quality of publications with materials that serve to the audit process, etc.

### **"REPORT ON ACTUAL EXPENDITURES OF THE PROGRAM BY ARTICLES FOR THE 12 MONTHS OF 2020"**

Pursuant to Law 88/2019, "On the budget of 2020", the approval of the opening of the budget funds for 2020 was made, for the institution of the Supreme State Audit in the total value of 444,636 thousand ALL. The final budget plan of 2020, after the changes during the year with Normative Acts, has resulted in the value of 422,312 thousand ALL and compared to the opening of the budget, the final plan has decreased by 22,324 thousand ALL, or by 5% less. The allocated funds for the operation of the activity of the Supreme State Audit, according to the items for the 12 months of 2020, are presented as follows:

*Table no.14: Funds allocated for 2020 (in thousand ALL)*

Art.	Article Description	Initial annual budget	Revised Budget Act.No 15, 15.04.2020	Revised Budget Act.No 28, 02.07.2020	Actual Budget 2020	Plan / Fact	Realization in %
1	2	3	4	5	6	5-6	6/5
600	Salary	274,000	270,000	270,000	257,973	12,027	96%
601	Social insurance	42,000	42,000	42,000	40,143	1,857	96%

602	Goods and Other Services	80,850	71,850	71,850	50,822	21,028	71%
605	Foreign Current Transfers	150	150	150	118	32	79%
606	Family Budget Transfers	600	2,276	2,276	2,160	116	95%
<b>Total</b>	<b>Current Expenditures</b>	<b>397,600</b>	<b>386,276</b>	<b>386,276</b>	<b>351,215</b>	<b>35,060</b>	
231	Internal Financing Investments	29,000	18,000	18,000	13,763	4,237	76%
231	Foreign Financing Investments	18,036	18,036	18,036	0	18,036	0%
<b>Total</b>	<b>Capital expenditures</b>	<b>47,036</b>	<b>36,036</b>	<b>36,036</b>	<b>13,763</b>	<b>22,273</b>	
<b>Total</b>	<b>Current and Capital</b>	<b>444,636</b>	<b>422,312</b>	<b>422,312</b>	<b>364,981</b>	<b>57,333</b>	

Source: ALSAI

Analysis of the implementation of the budget of ALSAI for the 12 months of 2020. Based on Law 88/2019, "On the budget of 2020", a fund with the total amount of 444,636 thousand ALL, was approved for ALSAI in 2020.

ALSAI undertook the process of budget analysis in the context of the situation created by the state of natural disaster due to COVID-19. In the function of this analysis, the review of the priorities was carried out, in terms of the orientation of the budgetary resources towards the most necessary activities, under the conditions of a strict regime of the economic and the efficient administration of the operating expenditure funds and the investments for 2020.

With the Decision of the Chairman no.21, dated 31.03.2020 "On the reduction of ALSAI budget funds, operating expenses and investments for 2020 and their transfer in favour of the state budget for coping with the natural disaster situation of COVID-19", it has been decided to reduce the budget funds of ALSAI, as follows:

1. Investment funds with the object "Car purchase" in the amount of 9,700 thousand ALL, which represents 100% of the planned expenditures for this investment item, are reduced and will pass in favour of the budget for coping with



the COVID-19 natural disaster situation. With the decision of the Chairman no.19, dated 27.03.2020 "On the cancellation and suspension of procurement procedures for investment and operating funds for 2020, due to the situation caused by COVID-19" ALSAI has requested the immediate cancellation of the procurement procedure of funds from the Ministry of Interior (Concentrated Purchasing Agency) with the procurement object "Car purchase" with a value of 9,700 thousand ALL.

2. Investment funds with the object "Purchase of computer equipments" in the initial value of 7,742 thousand ALL was reduced to 1,300 thousand ALL, which represents about 30% of the fund for this investment item and based on the above decision the request was addressed to NAIS for the suspension of the procurement procedure.

3. Budget funds for the operating maintenance expenses are reduced in the amount of 9,000 thousand ALL or 10% of the annual budget.

Regarding the above, ALSAI addressed the request for cooperation with the Ministry of Finance, to carry out actions to reduce funds in favour of the budget for coping with the COVID-19 natural disasters, in the total amount of 24,000 thousand ALL, of which 11,000 thousand ALL in the investment item, which represents about 45% of investment funds with internal financing, and 9,000 thousand ALL in the operating expenses item or 10% of the total funds for this budget item, as well as 4,000 thousand ALL in the salaries and social insurance item.

### **A. Current Expenses**

#### *1. Wages, Social and Health Insurance. Account 600-601*

The allocated fund from the state budget for 2020 in Law no.88/2019 "On the budget of 2020", amended by Normative Act no.15, date 15.04.2020 and no.28, date 02.07 / 2020 for the item "Expenditures for salaries and insurance", is in the amount of 312,000 thousand ALL.

Personnel expenses were realized in the amount of 96%, ie in the amount of 298,116 thousand ALL against 312,000 thousand ALL that were planned with the Normative Act dated 02.07.2020, or with a non-realization of 12,027 thousand ALL compared to the plan. Compared to the initial plan, the expenses are realized at the rate of 94%. The amount spent on the Personnel Expenses item, includes the salaries of ALSAI employees and temporary external experts contacted and paid in accordance with the papers and contracts signed with them.

#### *2. Expenses for Goods and Other Services. Account 602*

The allocated fund from the state budget for 2020 in Law no.88/2019 "On the budget of 2020", amended by Normative Act no.15, dated 15.04.2020 and No.28, dated 02.07.2020 for the "Operating expenses" item, is 71,850 thousand ALL.

The operating expenses were realized in the amount of 71%, ie in the amount of 50,822 thousand ALL against 71,850 thousand ALL planned with the Normative Act dated 02.07.2020, or with a non-realization of 21,028 thousand ALL compared to the plan.

This item of expenditures covered the administrative needs of expenditures for electricity, water, telephone, etc. In this article, the expenses for trainings abroad and inside the country and for diets in function of the audit activity have been incurred. The organization and participation in these activities is associated with the respective costs focusing on the most careful management and the most effective use of budget expenditures.

A significant part in the operating expenses is occupied by travel and subsistence expenses within the country, table no.2. In the context of the reductions made for the natural disaster Covid-19, the process of detailing the expenditure funds for Goods and Other Services (item 602) was undertaken by analyzing the cost of expenditures.

*Table no. 15: Funds for Goods and Other Services (in thousand ALL)*

Article	Article Description	Value
6020	Office and general materials	1,355
6022	Third party services	9,318
6023	Transport expenses	1,417
60241	Internal Travel / Diet	34,300
60242	Travel Abroad / Diet	1,921
6025	Ordinary maintenance costs	2,286
6029	Other operating expenses	225
	Total article 602	50,822

*Source: ALSAI*

### *3. Current and foreign transfers. Account 605*

During the reporting period of January-August 2020, the obligations for the membership fees for the organizations INTOSAI and EUROSAI were paid, in the amount of 117 thousand ALL out of the planned 150 thousand ALL.

### *4. Transfers for family budgets. Account 606*

During the period of January-August 2020, a Special Fund was provided with the requests made by us and confirmed by the Ministry of Finance in the amount of

2,276 thousand ALL, for the retirement of the employees, and case of accident and illness and it was realized in the amount of 2,160 thousand ALL.

5. Capital investment expenditures. Account 231

The allocated fund from the state budget for 2020 in Law no.88/2019 "On the budget of 2020", amended by Normative Act no.15, dated 15.04.2020 and no.28, dated 02.07 / 2020 for the item "Investment Expenditures", is in the amount of 36,036 thousand ALL, of which 18,000 thousand ALL investments with Internal Financing.

## **B. Capital Investment Expenditures**

### *1. Internal Financing*

With the Normative Act no.15, dated 15.04.2020, the budget plan with the destination to the Capital Investments was reduced in the amount of 11,000 thousand ALL according to table no.3.

*Table no.16: Change of budget for capital investments (in thousand ALL)*

<b>Kod. P</b>	<b>Name of the Project</b>	<b>Initial annual budget</b>	<b>Revised Budget Act.N 15, 15.04.2020</b>	<b>Actual Budget 2020</b>	<b>Difference</b>	<b>Realization in %</b>
M240009	Purchase of vehicles	9,700	0	0	0	0 %
M240010	Purchase of computer equipment	16,880	15,580	13,493	2,087	87 %
M240011	Various office equipment	520	520	271	249	52 %
M240012	Local cost	1,900	1,900		1,900	0 %
	<b>Investments with Internal Financing</b>	<b>29,000</b>	<b>18,000</b>	<b>13,764</b>	<b>4,236</b>	

*Source: ALSAI*

-Purchase of computer equipment. For 2020, the expenditure was made in the amount of 13,493 thousand ALL out of 15,580 thousand ALL planned by

Normative Act no.15, dated 15.04.2020, for computer equipment in order to increase the security of the technological systems of the institution. Thanks to the allocated investments for the IT infrastructure, the latter was supplemented and developed by expanding the capacities of the existing equipment as well as adding to the technological environment of ALSAI equipment that serves to increase information security (E-mail Security Gateway and Next Generation Firewall). The installation and implementation of the equipment is already completed. As a result of these investments, the IT security has already increased in terms of exchanging information via e-mail, protection from malicious virus programs, etc., and also a clearer overview of the ALSAI network is provided, in order to optimize it and guarantee the availability, integrity and confidentiality of the information.

-Purchase of office equipment, the planned fund in this item is 520 thousand ALL. For 2020, in this item, expenditures in the amount of 271 thousand ALL have been made, for the purchase of various office equipment.

## 2.Foreign Financing

*Tabele no.17: Budget from foreign financing (in thousand ALL)*

Article	Article Description	Initial annual budget	Revised Budget Act.N 15, 15.04.2020	Revised Budget Act.N 28, 02.07.2020	Actual Budget 2020
230	Strengthening the role of External Audit	18,036	18,036	18,036	0

*Source: ALSAI*

In article 230 "Intangible foreign capital expenditures" for 2020, investments for the implementation of the project of "Strengthening the role of the external audit in overseeing the public-private partnership in Albania" are foreseen. The project "Capacity building in auditing public procurement, concessions and PPPs" has been prepared by ALSAI since 2016, as part of the application for the support from INTOSAI - IDI Donor Cooperation.

The project was declared the winner by IDI, who referred the proposal to the World Bank under the SAFE Program, but due to the high number of applications, ALSAI was suggested to contact the office of SECO (Swiss State Secretariat for Economic Affairs).

After the bilateral meetings realized mainly during the end of 2019, it was agreed to finance the project in the total amount of 240 thousand CHF, out of which, 220'000 CHF are a financing of SECO and 22 000 CFH (10% of the value) are a financing from the budget of the state for ALSAI. The project will have a 2-year duration and the agreement for its start was signed at the premises of ALSAI, on March 9, 2020.

The main goal of the project is to increase the contribution of ALSAI to strengthen the government accountability in the use of public funds through more professional and comprehensive audits of public procurement, concessions and public-private partnerships, using IT tools in conducting financial, compliance, and performance audits in line with the international auditing standards and the good professional practices for the public sector. The overall objective of the project is to promote public oversight and increase the quality, transparency and deterrence of corruption in public offerings, concessions and public-private partnerships (PPPs). This project will enable the creation of new experiences and will improve the knowledge and the skills of ALSAI auditors to oversee the field of concessions and public-private partnership contracts, in this way, bringing also the completion of an appropriate framework that ensures that these types of contracts provide added value and minimize risks in terms of public funding. This whole process cannot be done without guaranteeing that the auditors have the appropriate technical skills regarding the use of information technology tools in the audit. The project will enable better quality audits and will provide value-added recommendations in the good management of PPP contracts, improving the legal framework for the implementation of relevant public tenders and the conclusion and implementation of concession contracts. This two-year project will significantly help towards a more professional audit of public funds in the field of concessions and PPPs in Albania. The cooperation between ALSAI and the State Secretariat for Economic Affairs (SECO) of the Swiss Confederation will support the building of the professional capacities of ALSAI auditors, but will also be the promoter of the support of the Swiss Confederation for the Republic of Albania.

### **IV.4.5 Internal Audit Conclusion on the Financial Statements of 2020**

The mission of Internal Audit in the Supreme State Audit is to provide objective assurance and to provide management advice to add value and improve the operation of ALSAI. The internal Audit helps ALSAI to achieve the objectives,

through a disciplined and systematic activity, to evaluate and improve the risk management, as well as the control and governance processes.

In the framework of the internal audit activity, based on the Annual Work Plan, the audit mission "On auditing the financial regularity of the economic and financial activity of the Supreme State Audit for the period from January 1, 2020 to December 31, 2020 was performed.

During the performance this audit, the object was to give a general judgment on the functioning of internal control systems and to give an opinion on the implementation of the budget for 2020, including the regularity of transactions in the financial statements of the institution.

The audit was conducted based on the evaluation criteria: Legal and regulatory framework of the functioning of the institution, as well as other acts which regulate the financial activity of the institution.

*This audit had four main directions:*

1. Evaluation of the internal control system for Financial Management and Control.
2. On the drafting and the implementation of the budget of the institution.
3. Audit of the regularity of expenditures and financial reporting for 2020.
4. Auditing the implementation of the recommendations left by past audits.

Regarding the issues of financial management and control, the areas of the Environment of the Control, Risk Management, Control Activities, Information, Communication and Monitoring are covered.

The audit showed that the ALSAI has generally implemented the requirements of law no.10296, dated 08.07.2010 "On financial management and control", as amended.

For 2020, the budget indicators for the activity of ALSAI have been approved in implementation of the requirements of law no.88, dated 18.12.20219 "On the budget of 2020" and the IMF no.2, dated 20.01.2020 "On the implementation of the 2020 budget".

ALSAI, during 2020 undertook the process of budget analysis in the context of the situation created by the state of natural disaster due to COVID-19. As a result, budget funds were reduced in the amount of 22,324 thousand ALL, mainly affecting the item of investments, operating expenses and salaries.

In total, the budget indicators, based on data which are reconciled with the treasury branch, turn out to have programmed 422,312 thousand ALL and have realized 364,981 thousand ALL or 87% of the programming.

With non-realization are especially the operating expenses, programmed 71,850 thousand ALL, realized 50,822 thousand ALL or 71% of the programming and Investments with internal financing, programmed 18,000 thousand ALL, realized 13,763 thousand ALL or 51% of the programming.

Regarding the audit of the regularity of the Financial Reporting for 2020, the Financial Sector has issued the financial statements for the balance sheet on 31.12.2020.

The balance of the debt accounts of the ALSAI institution for 2020 results in the value of 2,942 thousand ALL, out of which, 2,536 thousand ALL represent the value of the damage caused in the events of 1998.

Credit liabilities are in the amount of 1,402 thousand ALL, which represent liabilities from third parties created within 2020.

For 2020, ALSAI has programmed a total of 34 procurement procedures with a limit fund of 26,868 thousand ALL with VAT, of which 3 procurement procedures are provided with large tender values for the value of 19,204 thousand ALL with VAT. The tender procedures were performed by the body of the Ministry of Interior and by NAIS pursuant to the requirements of DCM no.82, dated 14.02.2018 "On the charge of the concentrated public procurement agency, in the name and on behalf of the Prime Minister, Ministries and Dependent Institutions, for some goods and services" amended. During the year, some changes were made to the procurement forecast register from the initial forecast. These changes have been forwarded to the Treasury Branch and the Ministry of Finance.

From the audit of the procedures of small value purchases, it was concluded that in some cases procurements were made in the form of emergency without the electronic system in (Written Purchases) where the BEC did not record the receipt of bids and market testing.

During 2020, an average of 194 employees per month were paid, with a gross annual salary in the amount of ALL 250,911 thousand, as well as an average of 5 contracted external experts, per month for the total amount of salaries of ALL 5,748 thousand.

The actions of entering and exiting the warehouse are based on legal justifying documents and are performed by authorized persons in implementation of the legal framework of the field.

From the audit of all expenditure procedures for the exits of the bank, it was concluded that the requirements and procedures provided by the legislation of the field have been implemented. In all the cases, the necessary legal and accounting justifying documents are attached to the Expenditure Order.

For 2020, the process of inventory of assets of ALSAI has not been completed, therefore the reconciliation of inventory accounts on the physical and accounting condition has not been performed.

From the audit on the implementation of the recommendations left in the audit mission for the activity of the institution of ALSAI for 2019, it was concluded that 4 recommendations have been proposed, out of which 3 recommendations are not implemented, namely:

- The recommendation for the publication on the website of ALSAI of the updated regulations with all the changes has not been implemented, specifically. Internal Regulation on: "Organization and Administrative Functioning of the Supreme State Audit", approved by Decision of the Chairman of ALSAI no.85, dated 30.06.2015 as amended and "Regulation of Audit Procedures in the Supreme State Audit" approved by Decision of the Chairman of ALSAI no.107, dated 08.08.2017 amended.
- The financial statements have not been settled for the book value of 1,345 thousand ALL of a stolen car, as well as for the value of 2,537 thousand ALL of the damage that was caused to the institution in the events of 14 September, 1998.
- No commission has been set up to verify all the means of transport that are temporarily deregistered and assessed as out of use, of which 3 vehicles were deregistered during 2019.

At the end of the audit mission, based on the findings, organizational measures were recommended regarding:

- Taking measures for a more complete programming of small value purchases and services in order to eliminate cases of performing small value procurement procedures in the emergency form (Written Purchases).
- Good management of travel and subsistence expenses within the country.
- Planning the publication of Standards, Manuals and scientific titles.
- Implementation of recommendations not implemented, left in previous audit missions.



## Acronyms

ALSAI - Albanian Supreme Audit Institution  
 ALL - Albanian Lekë  
 AEC - Albanian Electroenergetic Corporation  
 AHC - Albanian Helsinki Committee  
 ARA - Albanian Road Authority  
 AE - Authorizing Employee  
 ATPL - The Act of Taking Possession of the Land  
 ASLS - Agency for Support of Local Self-Government  
 AMPS - Action and Monitoring Plan  
 ADCI - Audit Department of Central Institutes  
 BoA - Bank of Albania  
 BEC - Bid Evaluation Commission  
 CAAT - Computer Assisted Audit Techniques  
 CPA - Concentrated Purchasing Agency  
 CA - Contracting Authorities  
 CLSC - Credit Line Steering Committee  
 CRD - Civil Rights Defenders  
 CLCI - The Center for Legal Civic Initiatives  
 CEF - Center of Excellence in Finance  
 COSO - Committee of Sponsoring Organizations of the Treadway Commission  
 CIPFA - Chartered Institute of Public Finance and Accountancy  
 CPA - Certified Public Accountant  
 CSVP - Comittee for Small Value Procurement  
 DDCS - Directorate of the Diplomatic Corps Service  
 DRNC - Directorate of Regional National Culture  
 DCM - Decisions of the Council of Ministers  
 DAPL - Directorate of the Administration and the Protection of the Land  
 EU - European Union  
 EUROSAI - European Organization of Supreme Audit Institutions  
 EEA - Energy Efficiency Agency  
 EO - Economic Operator  
 E's - Economy, Efficiency, Effectiveness  
 E's - Economy, Efficiency, Effectiveness, Environment, Equity, Ethics  
 EDSO - Energy Distribution System Operator  
 EDO - Electricity Distribution Operator  
 EE - Energy Efficiency  
 ECA - European Court of Auditors

EC - European Commission  
 EE - Executive Employee  
 FIFO - First Intro and First Outro  
 FS - Financial Statements  
 FAE - First Authorizing Employee  
 GFIS - Government Financial Information System  
 GDT - General Directory of Taxes  
 GDP - Gross Domestic Product  
 GDT - General Directorate of Treasury  
 GDA - General Directorate of Archives  
 GAO - Government Accountability Office  
 HCSO - Health Care Services Operator  
 HIDCACI - High Inspectorate of Declaration and Control of Assets and Conflict of Interest  
 HPP - Hydropower Plant  
 ICM - Institute of Cultural Monuments  
 IT - Information technology  
 INSTAT - Institute of Statistics  
 IGWE - Institute of GeoSciences, Energy, Water and Environmen  
 ICT - Information and Communication Technology  
 INTOSAI - International Organization of Supreme Audit Institutions  
 ISSAI - International Standards of Supreme Audit Institutions  
 ITASA - IT Audit Self-assessment  
 IFPP - INTOSAI Framework of Professional Pronouncements  
 IPS - Institute for Political Studies  
 IECD - Institution of the Execution of the Criminal Decision  
 IDM - The Institute for Democracy and Mediation  
 IDS - Institutional Development Strategies  
 IDI - INTOSAI Development Initiative  
 IMF - Instruction of the Ministry of Finance  
 JSC - Joint-Stock Company  
 KWSS - Kavaja Water Supply and Sewerage  
 LTPI - Local Territory Protection Inspectorate  
 LDSCA - Local Directorate of the State Cadastre Agency  
 LOSAC - Local Office of the State Agency of Cadastre  
 LDSAC - Local Directorate of the State Agency of Cadastre  
 LRERO - Local Real Estate Registration Office  
 LGU - Local Government Units  
 MFE - Ministry of Finance and Economy  
 MTBP - Medium Term Budget Plan

## Acronyms-----

MIE - Ministry of Infrastructure and Energy  
MC - Ministry of Culture  
MU - Merged Units  
MFA - Ministry of Foreign Affairs  
MHSP - Ministry of Health and Social Protection  
MTBP - Mid-Term Budget Project  
NANR - National Agency of Natural Resources  
NTOBFE - National Theater of Opera, Ballet, and Folk Ensemble  
NAIS - National Agency for Information Society  
NAWSSWI - National Agency for Water Supply - Sewerage and Waste Infrastructure  
NEEAP - National Energy Efficiency Action Plan  
NCM - National Calculation Methodology  
NPEI - National Plans for the European Integration  
NSDI - National Strategy for Development and Integration  
NCPA - National Civil Protection Agency  
NATO - North Atlantic Treaty Organization  
NPO - Non-Profit Organization  
NES - National Employment Service  
OPDAT - Overseas Prosecutorial Development, Assistance and Training  
OSCE - Organization for Security and Co-operation in Europe  
OECD - Organisation for Economic Co-operation and Development  
OLACEFS - Organization of Latin American and Caribbean Supreme Audit Institutions  
PPC - Public Procurement Commission  
PPA - Public Procurement Agency  
PPP - Public-private partnership  
PPL - Public Procurement Law  
PIFC - Public Internal Financial Control  
PMU - Programme Management Unit  
PTB - Private Trade Banks  
PMF - Performance Measurement Framework  
PPP - Public-Private Partnership  
RDT - Regional Directory of Taxes  
RDF - Regional Development Fund  
RBSIEFWT - Regional Branch of State Inspectorate of Environment, Forests, Water and Tourism  
RDC - Regional Development Committee  
RDE - Regional Directorate of Environment  
SAI - Supreme Audit Institution  
STD - Standard Tender Documents  
SILSS - State Inspectorate of Labor and Social Services

SMEs - Small and Medium Enterprises  
SAC - State Agency of Cadastre  
SACS - Special Anti-Corruption Structure  
SECO - State Secretariat for Economic Affairs  
SAA - Stabilization and Association Agreement  
TSO - Transmission System Operator  
TLAS - Tirana Legal Aid Society  
USR - University Student Residence  
UN - United Nations  
VAT - Value Added Tax  
WRA - Water Regulatory Authority  
WSS - Water Supply and Sewerage  
WTP - Wastewater Treatment Plant  
WHO - World Health Organization

**CIP Katalogimi në botim BK Tiranë**

RSH. Kontrolli i Lartë i Shtetit

ALSAI performance report 2020 / Borjana Shaka, Gjovalin  
Preçi ; ed. Andi Hysa ; RSH. Kontrolli i Lartë i Shtetit.

Tiranë : KLSH, 2021

187 f. ; 17cm X 23.5 cm.

**ISBN 978-9928-159-89-2**

Kontrolli i Lartë i Shtetit 2.Raporte vjetore 3.Shqipëri

351.95(496.5) "2020" (047)