



ALSAI PERFORMANCE REPORT 2015

ALSAI



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ALSAI PERFORMANCE REPORT 2015

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ALSAI PERFORMANCE REPORT 2015

Publication prepared by:

Irena ISLAMI

Armanda BEGAJ

Design by:

Armanda BEGAJ

Translated by:

Eva LEKA, Xhein XHINDOLI, Helena SOLIS, Redina KARAPICI, Redi AMETLLARI

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Redi AMETLLARI

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MESSAGE OF THE ALSAI`s CHAIRMAN

The stability of public finances and the credibility of the governance are nowadays the challenges and central objectives for the European Union, for the **developed countries and developing ones**.

Secretary General of the United Nations Organization, Ban Ki-Moon has emphasized: "Trust between the citizens, between states and in its own concept of governance, is one the most vital needs for peace and the humanity prosperity".

Being in front of economic and financial world crisis 2008-2012 (which was caused also by the lack and ramp of fiscal and financial information) and in front of the necessity to increase the fiscal and financial governance transparency worldwide, UN has judged that the most important partners of the governments in the world, in facing these challenges are the SAIs and their worldwide organization, INTOSAI.

On the 22nd of December 2011 and on the 19th of December 2014, based on its own Agenda of the Post 2015 development, United Nations has approved two resolutions for the Supreme Auditing Institutions, Resolution A/66/209 "Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions" and resolution A/69/228 "Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions".

A key issue in the daily job of a SAI is the exact determination of the performance measuring instruments and the audit effectiveness. The best and the most comprehensive indicators are those ones that take into account the effectiveness and the risk including all the possible problems that are part of the auditing

process.

In his greeting message for the ALSAI 90th anniversary, the General Auditor of the USA's Government Accountability Office, Mr. Gene L. Dodaro emphasized that: "Supreme Auditing Institutions are vital in providing support in improving the government performance, in achieving higher transparency and in assuring accountability in the context of the current challenges".

Advising is another dimension of SAIs. This dimension has been determined by Dr. Josef Moser, INTOSAI's Secretary General in UN-INTOSAI Symposium 2013 who expressed that: "SAI's can totally exploit their potential contributing in good public governance only if based in their auditing work; they will engage themselves in advising activities and providing specific recommendations for the audited subjects and for the decision makers".

ALSAI's annual performance report is a summary of the ALSAI's main achievements during its activity from January till December 2015, focusing on the SWOT analysis and on the SAI's Performance Measurement Framework (PMF).

Measuring the effectiveness through the performance indicators, which summarize the ISSAI standards and other best practices determined from INTOSAI, provides a summary of each important field of the SAI's activity and results. This framework includes not only the internal processes of the institution (organization form, internal regulation implementation, human resources development, etc.) but also the communications and the relationship with stakeholders and partners (communication with the citizens and public authorities, etc.) and auditing activity outcomes. Objectives measurement of the performance through indications, provide an appropriate evaluation of the SAI's performance activity in different given time intervals.

Oriented from these key work directions of a SAI, the ALSAI's performance report

for the 2015 is based on the standard document of the SAI's Performance Measurement (this document has been launched and promoted by the 21st Congress of INTOSAI organized on October 2013, which even though is still unofficial, it is being widely used by developed SAI's in order to assess their results).

The standard document of INTOSAI has a group of 24 indicators for measuring the SAI's performance towards best international practices in seven fields:

- (1) SAI's performance;
- (2) Independence and Legal framework;
- (3) Organization development strategy;
- (4) Auditing Standards and Methodology;
- (5) Management and Supporting Structures;
- (6) Human resources and Communication;
- (7) Stakeholders' Management.

ALSAI has determined 14 key performance indicators in two channels of its own activity, based on the SAI's Performance Indicators framework, on the environment and country's specific conditions.

(1) Audits and their continuity; (2) findings on economic damage and utility; (3) High impact recommendations; (4) recommendations' number; (5) Level of recommendations' implementation; (6) Criminal Charges; (7) Performance Auditing, (8) Legal Framework; (9) ALSAI's Strategy; (10) Human Resources development; (11) Quality Control; (12) Transparency and Communication; (13) the ability to have partners (national partners and international ones); (14) Scientific Research and publications.

In the ALSAI's performance report for 2015, the indicators are placed in dynamic

comparative reports with the previous years' activity indicators, except the reached annual levels, which provide broad information in time, in trends perception and in undertaking the proper steps for the audit process development.

The report provides also the focus of the ALSAI's audit activity in 2016, which among the consolidation of the compliance, performance and IT audits, will further develop the financial auditing too.

Among the auditing activities, ALSAI will focus on following-up the implementation of recommendations of the audited entities, as well as carrying on performance audits mainly focused on the concessionary agreements with public-private partners, in accordance with the privatization processes in the hydro-carbide industry, in the performance of accounting expertise in public companies, the implementation of the new administrative reform etc., aiming in strengthening the public finances and reducing the fiscal threats.

Albanian Supreme Audit Institution, as the highest public audit institution in our country, will continue the journey of the institutional reforming, to increase the quality of audit work, in support to its citizens, oriented towards accountability, good governance and transparency in financial public management.

Bujar LESKAJ

A handwritten signature in blue ink, appearing to read 'Bujar Leskaj', is positioned below the printed name.

MISSION AND VISION OF ALSAI


Committed to fulfill its constitutional mission and with clear vision toward the future, ALSAI presents its profile as an independent institution in the service of good governance and public.


The mission of ALSAI is:


To inform the public and Albanian Parliament about the economic, effective and efficient use of resources from central and local government and other public entities and to promote responsibility throughout the public sector in accordance with best EU practices and international standards of INTOSAI, contributing to good governance, through the fight against corruption.

The vision of ALSAI reveals:

Our aspirations, goals to achieve, and objectives to fulfill in the future, aiming to be a professional body that contributes to the increase and to the saving of public money value, giving assurance on the financial accounts of their users and helping to improve the Government management and that of other public entities through audit, thereby gaining complete confidence from the Albanian citizens and audited entities.

 *How we act: We enhance the professional skills and work ethics of our auditors, in a positive approach oriented toward learning, by continuously improving our relationships with all stakeholders: Parliament, citizens, other local and international partners.*

 *We are committed not only to provide qualitative information on the use of public funds, but also to help audited entities to improve their systems of financial management, adding significant value to the services provided by them.*

 *We are committed to help in the strengthening of good governance in public administration of the country and to respond with the utmost seriousness to Parliament and citizens expectations.*

FINDINGS OF ALSAI FOR 2015

ANALYZED BASED ON THE SAI'S PERFORMANCE MEASUREMENT FRAMEWORK

Discussion of the ALSAI's chairman, Mr. Bujar LESKAJ, held in the Economy and Finances Committee meeting, in 28th June 2016

We are reporting for the ALSAI's activity through 2015, based in the standardized structure of the SAI's Performance Measurement Framework, which is a pilot project of INTOSAI that should be approved as an ISSAI standard in the INCOSAI XXII Congress on December this year.

The framework is based on the ISSAI 12, "The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens", which emphasizes that: *"Acting in the public interest places a further responsibility on SAI's to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders"*¹.

This document is used by the most developed SAIs in measuring and interpreting their results to their respective Parliaments and citizens.

I. The First Pillar of the Framework is "ALSAI's performance".

Within this pillar are the results of the financial, compliance, performance audits and the services that provide an added value to the institution.

1. Audits

For 2015, Albanian Supreme Audit Institution has concluded 158 audits or 8.8% more than 2014. In our auditing work, we are being focused more towards performance audits, which have had an increase at 25% compared with 2014, but still, we have much to do to achieve 15% of the total yearly audits, an objective which we think to reach by 2018. Today, we have a share of 8% Performance Audits towards the total.

For the 2012-2015, Performance Audits are 3 times higher compared to the 2008-2011 period and approximately 4 times more by the institutions number which are covered in this kind of audit.

¹ ISSAI 12, page 4, penultimate paragraph, <http://www.issai.org/media/84539/issai-12-e.pdf>

Their development is in total accordance with the objectives of the ALSAI's revised Strategic Plan for 2013-2017. Being always focused in the increase of the financial and compliance audits and quality, the performance audits are being altered in one of the development and modernizing pillars of the institution. ALSAI is facing a daily challenge to concentrate at performance auditing, because it is useful to the public accountability evaluation.

The biggest challenge in this kind of auditing is that it should not be implemented just as a procedure, but it should be conserved as thinking and acting philosophy from each one of the ALSAI's staff. It is a work philosophy that considers that auditing it is not a goal in itself, but mainly a prevention instrument, a corrective and advising instrument for the audited entities, in order to understand where the main deficiencies are and correct them by improving the management and increasing the performance.

During 2015, we have finished 12 performance audits on governmental reforms, in socio-economic projects and services, in infrastructure projects, energetic and environmental projects and also in the socio-cultural projects and services. In the current year, we will focus our performance audits in the concessionary agreements, in public-private partnerships, in public debt performance, etc.

Compliance audits (there are 120 audits during 2015) managed to reach the international methodological criteria, by granting assurance according to the INTOSAI standards: ISSAI 400, 4000 and 4100.

For the first time in 2015, during the financial audits, (there are 12 concluded) SAI gave its opinion regarding the financial statements prepared by the public institutions, even though due to minimizing the operational risk in this kind of pilot audit, the opinion was provided to some of the second level institutions and not for central institutions. This opinion enhances the accountability of the reported financial result from the budgetary institutions and improves the state's finances.

For the first time, during this year, ALSAI has implemented two Information Technology audits (one pilot audit with the support of the INTOSAI's Development Initiative IDI). Even though ALSAI is in its first steps regarding this area of audit, it has already established the Directory of IT Audit and has invested in improving the infrastructure of the IT.

2. Discovered economic damage utility

ALSAI has discovered throughout 2015 as following:

A. Financial irregularities and violations in revenues and expenses with a total economic damage in the total amount of 125.8 billion ALL or 919.9 million Euro.²

B. Violations of the financial discipline with a negative effect on the audited entity performance, in the general amount 35.3 billion ALL or 257.7 million euro. The findings on economic damage for the 2012-2015 are 8 times more than the findings in the 2008-2011 years.

The efficiency during auditing, which is one of the main performance indicators of the developed SAIs, provides a genuine performance level review. This efficiency indicator, an indicator of the audit results utility, that reports the quantity of the requested funds for the compensation of the State Budget from ALSAI to the budgetary expenditures of the institution itself (what did it cost to the taxpayers), for 2015 is as following: For each spent ALL for the institution, we have asked to compensate in the state budget 180 ALL. (The damage observed in the Ministry of Energy and Industry is not included in this calculation), or in total value 58.7 billion ALL or 428.4 million Euro. This amount states the efficiency, high utility of the auditing activity. It is ranked in similar levels of other developed SAI-s' efficiency indicators.

Compared in years, the efficiency indicators of the institution for the 2012-2015 is 4.2 times higher than that of the 2008-2011. The average damage requested for compensation to the State Budget for 2010-2011 is 19.1 ALL, for 2012-2013 is 52.1 ALL and 2014-2015 is 109.5 ALL (Check the graph in the ALSAI's Performance Report 2015). In other words, during the last four years, for each ALL of Albanian Taxpayers that is used for ALSAI, we have discovered and have requested for compensation more than 4 times funds than in 4 years 2008-2011.

ALSAI's annual report, on the Implementation of the Consolidated State Budget for 2014, prepared with 2015 and presented in the Commission in October 2015, gave several recommendations with high impact. An institutional performance cannot be understood without its impact. The figures can show a lot, but also less or nothing, in case of not linking them with the results' impact. For this reason, Column A. SAI's Performance" is attached in the SAI's Performance Measurement Framework with "Impact" sub column in the form of **SAI's contribution in Fiscal discipline, Effective**

² For further material please check "ALSAI's Performance 2015".

distribution of the resources, Good governance, Accountability and Fight against Corruption.

In 22nd Symposium of UN-INTOSAI in 2013, Dr. Josef Moser, Secretary General of INTOSAI, stated that: *“SAIs can totally use their potential in order to contribute in good public governance, only if they also engage in advising activities and offer specific recommendations for the audited entities and for decision makers.”*

For 2015, our effort for constructive recommendation and high impact has resulted in:

- a. For reaching a stability and credibility in public finances, for an improved planning in macroeconomic indicators and budget forecasting, aware of the fiscal risks that our country is passing through, we have recommended the legal inception of the Fiscal Council, which should have the status of an independent public institution and should have a clear and rigorous operational independence from politics. Such recommendation, which will provide the country that missing independent and professional opponency in our fiscal policies, was also given by the International Monetary Fund in its report “Country Report”, no. 16/5 for the Assessment of the Fiscal Transparency.
- b. For disciplined public finances and an increased financial credibility of the country, we have issued for the third year the recommendation that the Ministry of Finance should present in Parliament the legal inception to amendment in the Constitution and in the Law “On the Management of the budget system in the Republic of Albania” in order to set the public debt at a maximum level of 60% of GDP, reaching this level gradually in accordance with the objectives and the debt reduction phases specified in the Strategy for the Public Finances Management 2014-2020”. We think that this recommendation has served as a positive pressure in these three last years by inducing the proposed changes to the Ministry of Finances in the Budget’s Organic Law, with the disposition that obliges every government to decrease the public debt. Nevertheless, we will continue to insist in this inception which we consider as essential in improving the image and the seriousness of the reform in public finances.
- c. In terms of financial accountability, we have recommended to the Government and Parliament, for the second year in a row, the drafting of the law “For the Material Accountability”, which treats the financial responsibility of high officials and workers of every level for the economic damages caused intentionally or by neglecting, during or linked with the official duties. The highly missed financial accountability was emphasized even by the Progress Reports of the European

Union during 2014-2015. We are sure that with these steps towards the fulfillment of the Justice Reform, this responsibility will be increased, due to the Reform should proceed in this direction too. We judge that it is time that the Economy and Finances Commission should take the initiative in drafting this key law in increasing the responsibilities, accountability and in providing discipline for the decision makers and key managers of our public finances.

d. Aiming to increase the quality and the professionalism in preparation and providing the financial and fiscal information, reducing thus the fiscal risks, we have asked the Commission of Economy and Finances, in October 2015, that National Accounting Council should publish immediately the International Public Sector Accounting Standards IPSAS, as the main methodological basis, upon the state's financial statements will be composed. We have recommended that a special sector should be established within the Treasury Directory in the Ministry of Finances, which will adjust the statements in the form of consolidated financial statements. This sector should have the function to check the accuracy of the prepared statements from the public institutions. It will monitor and control professionally this important process for which IMF has raised an aware in the above mentioned report.

e. We have recommended that the privatization of AlbPetrol should be conducted by inviting companies with high professional potentials and credentials from strategic allies of our country (especially those with consolidated tradition in the oil industry, such as USA, UK or Germany).

f. We have recommended also that Oil research Institution should be reestablished as a scientific institute which should support every decision making in the hydrocarbon sector and which should cooperate with the Parliament and Government for the composition of the medium term and long term strategies in this sector.

g. We have recommended an independent ad-hoc commission with technical expert and economists, which can assess exactly the damage caused by the activity under the administration of CEZ a.s. We have asked for a strong financial discipline and a continuous control form the Parliament for each investment and strategic decision making concerning OSHEE.

h. We have asked from the State Attorney to quickly act towards the follow up of the collection of the receivables from the "Vetro Energy PTE Ltd", following the failure privatization procedures of the "AlbPetrol a.s. Patos". Further postponement from coordinating state institutions or the creation of artificial delays, seriously jeopardizes the warranty collection of 85 million Euros.

i. We have observed that hydrocarbon companies, have composed and signed contracts in high values with different subcontractors, local and foreign for services of technological hydrocarbons processes, technical or legal consultancy services, for civil construction work services (roads, squares, and buildings), etc., which are included later in the Cost Recovery and by leaving R Factor far from value 1. After repeating our findings, from audits of 2013 and 2014 that revealed the clear fiscal evasion, we appreciated the decision of the Directorate General of Taxes. It considered R Factor for 2011 more than 1 for the main concessionary in oil exploitation, by demanding the payment of the 57 million USD liabilities towards the State Budget. We believe that work will continue to discover the additional evasion cases in hydrocarbon's agreements and licenses implementation.

The consequences of the economic and financial world crisis during years 2008-2012 and abusive cases in using the public funds in institutions, state companies, which are recorded from the London's Summit of 12th May 2016 for an International Ally against Corruption, have brought a decrease of the citizens' trust towards governments. As Supreme Auditing Institution, we share with our international partners' and civil society's the concern that the trust of Albanian citizens in anti-corruption government policies is very low. Based on the law violations and abuses discovered in our audits during 2015, we have forwarded in the Prosecutors' offices, 51 criminal charges for 159 state officials compared with 41 criminal charges for 149 officials for 2014) or nearly a criminal charge in each three audits and in each calendar week by continuing with the same trend as an institution in these four years.

The economic damage for 51 criminal charges during 2015 is 85,837,736,000 ALL. We have forwarded criminal charges for high and mid-level officers. As ALSAI, we have increased the files preparation's quality for criminal charges and shortened the time for raising the charges. This is important for us. Compared to the four year period work 2008-2011, in which we had 52 criminal charges, these ones during 2012-2015 are 170 or 3.2 times more.

Our main concern is **the low level of implementation of the ALSAI's recommendations for job dismissals from civil service of those high level officials which have criminal charges.**

Its number is very high. After forwarding several times the name lists and the job positions of these high level officials which are still at their work places, to the respective Ministries and Public Administration Department, we will forward these lists

to the Parliament's Commissions. Based on the INCOSAI XXI Congress slogan "National Auditing in service of National Governance" and on the liabilities of our constitutional and legal mandate for strengthening the accountability and the transparency in governance, we will work hard that the anti-culture of impunity to be stroked and extirpated. In its recommendations, in the last Progress report for Albania, the European Commission emphasizes the systematic follow up and the implementation of the ALSAI's recommendations. Regretfully we can say that the follow up of the ALSAI's recommendations continues to be a formal process based on the order compilations and action plans from the legal representative of the institution, but with no final action especially in the removal from offices of high level officials.

The ineffective follow up of the recommendations brings above everything, unpaid financial invoices to the State Budget in huge amounts. The Law "for the Material Accountability of the Public Servant" or the Executive Order for the job dismissal of those who result in law violations and state's financial interest damages, would turn back the effectiveness of the ALSAI's recommendations.

II. Second Pillar of the SAI's Performance Framework "**B. Independence and Legal Framework**" which is perceived as legal environment, created by the legislation and executive, where SAI operates, that includes: 1. SAI's independence; 2. SAI's Chairman and employees independence; 3. SAI's mandate, is nowadays more complete than even, due to the Parliament's given support through the new ALSAI's organic Law, in the first place due to Your understanding and support, and due to Deputies of the Economic and Finances Commission, which we are thankful.

Immediately after the Law approval, we created the working groups to prepare and finalize the documents based on the institutions activity, for the implementation of the Organic Law. Based on the implementation of the Institutional Management Strategy 2013-2017 (revised), on the ISSAIs Implementation Strategy and on the forecasted activities in the Public Finances Management Strategy 2014-2020, Pillar 6 and based on the Budgetary Program "Triger Matrix", we drafted the Compliance Auditing Manual, Financial Auditing Manual, New internal regulation, and Performance Indicators of the Performance Auditing. The draft manuals were also sent to European delegation and to SIGMA for providing their opinion. ALSAI received high ratings from the European Delegation and from SIGMA that these manuals have been designed in accordance with the requests of the ISSAI standards and best case practices. We will continue to further improve these manuals, by testing them in

practice through pilot auditing. The widest auditing mandate guaranteed by the new law during the 2015, we have tried to fulfill through audit types diversification, by widening the activity and by certification of the financial statements prepared by the public institutions or in IT audits that have reached a wide spread in public services, as well as by minimizing the obstacles we face in auditing.

With this law of the institution, nearly in total accordance with the INTOSAI standards, our key challenges in the future is to provide a reasonable assurance on the reliability of government financial reports and to provide available recommendations for implementation of the clear regulations of the public financial reporting.

Professionalism and not being part of politics as Gene L. Dodaro, General Auditor in U.S. GAO states in his greeting for ALSAI in its 90th Anniversary of the institution *“Supreme Auditing Institutions are positioned as never before, to make the difference... We don’t do politics. That’s part of the Congress. We audit the implementation of the Government politics and programs.”* -has been and is a key part of our job.

III. **Third Pillar** of the framework has to do with the ability of SAIs in institutional management and covers: **“C. Strategy for development and management”, “D. Auditing Standards and Methodology”, “E. Supporting Structures and management”, “F. Human Resources and Leadership”, and “G. Communication and Stakeholders’ management”** which are under the SAI’s control.

C. Strategy for development and management.

The expansion of the auditing field with the new organic Law of ALSAI brought up the need for crosscheck of the Institutional Development Strategy 2013-2017 and of the Action Plan for the 2015-2017. Crosschecking of the strategy, aimed at determination of the priorities and the right resources allocation by focusing in achieving the objectives and risk management, is in compliance with the liabilities of the organic Law.

Strategic objectives as ALSAI’s institutional capacity development, increase of the auditing capacities and audit quality, increase of the number and the quality of the performance auditing, strengthening the institution’s anti-corruption role, development of the cooperation and communication with other local and foreign actors, etc., have reached a satisfactory level during these three first years of

implementing the strategy. During 2015, with the increase of the auditing capacities and quality, we have done more in Performance Audits.

In accordance with the Institutional Development Strategy, we have prepared the Implementation Strategy of the Auditing International Standards, ISSAIs, based on the signed Agreement on 12th March 2013 with IDI, INTOSAI's Development Institution. Usage of the "iCAT" techniques (Compliance assessment techniques) enabled us the identification of the ISSAI's requests for each type of auditing, by using SWOT analysis in each ALSAI's audit type. In June 2015, we reported to IDI on the liabilities fulfillment of the agreement, part of which are the Strategy Development and Action Plan of ISSAIs' Implementation.

During 2012-2015, the institution is using a new working philosophy. INTOSAI standards are incorporated in ALSAI, not only as professional training subjects but they serve as daily stable references on the findings, assessments and recommendations of each auditing group and specific auditor.

D. Auditing Standards and Methodology

ISSAIs implementation is a long process that is combined with other ALSAI's activities which are being held based on the IPA 2013 implementation project **"Strengthening of the External Audit Capacities"**.

Improvement of the Methodology is one of the factors that has had an positive impact in assuring a high quality audit for 2015. The preparation of the annual program of ALSAI's activity is linked with the defined priorities, on the risk assessment and materiality definition, by combining these audits with the ALSAI's constitutional and legal liabilities.

During 2015, we asked from other developed SAI's of EUROAI and INTOSAI for assisting the process of INTOSAI's "Peer Review". Austrian Auditing Court agreed to assess us based on this process upon our decision making and auditing independence. Based on the signed Cooperation Agreement, a group of Austrian Auditing Court undertook in February 2015 an assessment process "Peer Review" and actually we are waiting for the results of this assessment.

In 2015, the Center for transparency and free information (CTFI), in cooperation with USAID, has implemented the project "Strengthening of Law through ALSAI's recommendations", which can be considered a proper Mini Peer Review. The final report of this project and the recommendations are professional and useful for us.

As institution we are designing a detailed action plan for the implementation of the CTFI's recommendations.

Based on the ISSAI 40 "Quality Control" the group of the reviewed audit files, randomly selected 44 auditing files (cold review) or 27% of the concluded audits within December 2015, an increased amount compared with 2014 in which 32 files of 20% of the auditing were reviewed. There is a considerable increase of the cold reviews compared with the period till 2012 when only 10% of the audits were reviewed.

The Quality Control Group has been composed by experienced auditors from each department concerned and also external experts as well, leaded by Prof. Dr. Jorgji Bollano, Chairman of National Accounting Council. From the quality controls, it resulted that some auditing files don't contain documents for the auditing methods and techniques, such as the internal control system assessment, transaction verification, information, questionnaires, etc., in compliance with the Internal Regulation. In some other audit files it has been noticed that there is no prior information in the planning process, etc. All the deficiencies, together with the means of their correction in the future, have been reflected in the Group's reports and ALSAI is working in total implementation of its recommendations.

E. Management and Supporting Structures.

On 2015 ALSAI had its 90th Anniversary. This year combined better than previous years the tradition and values of our institution with the modern approach in auditing and implementing more accurately the International standards.

The new institutional managerial philosophy considers each auditors performance based on the knowledge level of the International Auditing Standards, a level which among integrity, professional abilities and working experience, is considered as a definition of the auditors' finding quality on which the auditor provides the recommendations.

F. Human Resources and Leadership

Based on the Standards Guides of ISSAI and on the best practices of developed SAI's for building and developing the capacities, the institution has continues to invest in development of the human resources by switching the employee's structure towards the auditing body. Employees with University degrees are nearly 95% of the total employees and we are trying to recruit those that have the scientific

degree Doctor of Science, that have two university degrees in different fields, internal certified auditors, accounting experts, etc.

National and international trainings for our staff have been seen as the best way to increase our capacities. In 2015 the training indicator has reached 27 training days per employee. This year 138 employees have been following training programs abroad, or 83% of the auditing staff. In 2011 the training indicator was 2.1 training days per year per employee; in 2012 this indicator reached the 19.4 days of training, in 2013, 22 days, in 2014, 26 days and in 2015, 27 training days per year. Training participation puts ALSAI at the same levels as the other European SAIs.

There have been conducted three forms of professional training:

1. On-line or e-learning training courses;
2. Face to face training;
3. Training through the exchange of mutual experiences with homologue SAIs and SIGMA experts, through seminars and workshops.

G. Communication and management of stakeholders

Communication strategy and the internal communication

The communication strategy helps us to achieve our objectives, effectively collaborating with the stakeholders and demonstrating our work accomplishment as well as ensuring that the citizens and our strategic partners understand what we are achieving. Within the IPA framework, we had planned to develop the communication strategy as a standalone initiative within the 2013-2015 General Institution Development Strategy, but because IPA started in March 2016, this strategy will be elaborated this year. Following the implementation of the Institution Development Strategy and with the IPA program support, ALSAI will rework its communication strategy aiming a closer interaction with the Parliament, the media and the citizens, bringing up constantly new ideas, which are a necessity in order to be innovative and cohesive.

We are aware that an effective communication is an important encouragement for the employees' commitment. We have made the best efforts to make sure that information is keeping its vertical and horizontal communications course, giving every ALSAI employee the possibility to freely present their thoughts on their work and internal issues.

Communication with the Governmental organizations and institutions

During 2015, we have tried to collaborate with the Ministry of Finances, but regardless our efforts, based upon the ISSAI 9150 Standard “Communication and collaboration between SAI and internal auditors in the Public Sector”, we couldn’t come out of the classic positions of auditor and audited entity. During this year, we are achieving a communication renewal between the two institutions and we are hoping that the agreement signed in 8 March 2012 will be carried through the near future. We are aiming to widen our collaboration with the Financial Inspection Department in the Ministry of Finance, as requested by EU.

Among the auditing activities, ALSAI will focus on fulfilling the recommendations of the audited entities on the dismissal of officials involved in actions which constitute penal acts, as well as carry on performance audits mainly focused on the concessionary agreements with public –private partners, in accordance with the privatization processes in the hydro-carbide industry, in the performance of accounting expertise in public companies, the implementation of the new administrative reform etc., with the intent of strengthening public finances and reduce fiscal threats.

Communication with Media, Citizens and Civil Society

Based on the ISSAI 12 standard, “Strengths and weaknesses of SAI – changing citizens’ life”, Albanian Supreme Audit Institution has adopted a renewed approach regarding public relation. Through 2015, we have received 382 complaints from citizens. From which, 252 felt under the ALSAI authority. From these, 143 have been responded accordingly and 109 are still under the verification process. We empathize that during 2011 have been addressed only 14 complaints through the whole year.

During 2015 ALSAI has strengthened its activities’ transparency, by raising 5 times its presence in the audiovisual media and 6.6 in newspapers and magazines compared to 2010.

We have published the complete decisions taken upon the audit process on the ALSAI web page klsh.org.al. These publications are the executive reports and recommendations that constitute the current year of work.

Transparency strengthens citizens’ trust, as stated in the 12th Standard, “In order to fulfill their function and make them valuable for the citizens, as well as being

reliable, SAI must act in complete transparency. SAI deserve trust only if they have been judged as objectively reliable, competent, independent and responsible for their actions ³”.

During the past year, the press has followed ALSAI’s public reports and statements on 922 articles, editorials and analysis, against the 867 during 2014, or 7 times more. ASAI’s auditors have written 116 articles in almost all national newspapers. In total 50 auditors. We express our gratitude to all these media which have always supported our work and our auditors.

As for 2015, ALSAI has signed co-operation agreements with the Albanian Helsinki Committee and the “Urban Integration” Organization, increasing thus to 18 the number of civil society organizations with whom ALSAI collaborates.

We have been part of several working groups and activities organized by INTOSAI and EUROSAI. It has been a valuable experience the participation in the working group of ISSAI 30 (Code of Ethics), where the institution has been active and has submitted its propositions during the three meetings in 2015, as well as in the two meetings of EUROSAI Task Force on “Auditing and Ethics”, which is one of the sought after theme for the public administration, directly linked to the efforts made against corruption and the integrity preservation.

After a disjunction in 2004, we reestablished the cooperation with the European Court of Auditors (ECA), benefiting from the experience of one of the best European auditing institutions. For the first time, four ALSAI auditors have been part of ECA’s administration for a five month internship program.

ALSAI has reestablished cooperation with GAO (Government Accountability Office), and in March 2016 one of our auditors was granted four months fellowship, which will be a positive and valuable experience for us.

In 2015, ALSAI completed 51 publications adding 16 new books to the ones published during 2012-2014. Among the 2015 titles we can single out the USA’s Governments Auditing Standards (GAO), The Performance Department Auditing Manual “Performance Indicators”, IT Auditing Manual, INTOSAI Ethics Code (ISSAI 30), The European Court of Auditors ‘Ethics Manual (ECA), ALSAI Ethics Code, “90 Years ALSAI”, a book on ALSAI’s history, as well as three volumes of the scientific magazine “Public Auditing” reaching its 11 issue. In completing these publications we have been collaborating with distinct Albanian and world personalities in the

³ ISSAI 12, page 4, penultimate paragraph, <http://www.issai.org/media/84539/issai-12-e.pdf>

field of economics with wide experience in the Supreme Auditing Institutions (SAI), as Prof. Assoc. Dr. Recai Akyel, EUROSAI's vice President and President of the Turkish Court of Accounts; Mr. László Domokos, President of the State Audit Office, several auditors from the Croatian SAI and the German Court of Auditing.

Honorable Deputies,

1. The ALSAI Performance document opens with a SWOT analysis, which comprises the Strengths, Weaknesses, Opportunities and Threats of the institution, emphasizing Weaknesses and Threats. We have performed this analysis with certainty to make clear our weak points as well as convicted that your recommendations in the Resolution will improve our work.
2. We think that is of great importance that the cooperation between the Parliament and ALSAI should be strengthened and developed furthermore. The experience of many European SAIs gives us a good example. A new sub-commission situated in the Parliament structures or the Economic and Finance Commission could address the external public auditing issues.
3. It is time that we present our findings to the Economic and Finance Commission more than once a year. We would like to suggest that the Commission should take into consideration the possibility of a hearing session on the performance audits completed by ALSAI during the last four years. We think that the March-April 2017 period, after the approval of the Parliament Resolution on ALSAI, would be appropriate, so we would have the necessary time to review the resolution. One of the most important performance audits (the liberalization of the automobile security control) was realized after following the suggestions made by the deputies of the commission, and we would like to profit from this collaboration in the near future.
4. We ask that the Parliament decision, initiated by ALSAI and the Economic and Finance Commission, on ALSAI's financial auditing, should be carried out.

REPORT ON ALSAI`s PERFORMANCE FOR YEAR 2015

I. SWOT ANALYSIS¹

SWOT Analysis is one of the managerial instruments that the ALSAI's managerial staff uses in identifying the factors that can potentially affect the targeted objectives and in assisting in the decision making for accomplishing these targeted objectives.

Other managerial techniques are trying to be implemented too, like: **PESTLE**

¹ **SWOT Analysis** is a strategic instrument on the institution's management hands that analyses the strengths, weaknesses, opportunities and risks of a subject compared to its competitors or the market in general. Implementation of the SWOT analysis, even for the small institutions supports in understanding the subject's situation and the action towards identification of the possibilities for improvement of this situation, means improvement of the activities' performance.

How is SWOT analysis implemented?

To implement a successful SWOT analysis, there should be clearly identified the analysis field of implementation, in order to be as real and as useful as possible. If the aim is to check the relationship between the company and different given competitors, then the best step is firstly the identification of the competitors and then the measurement compared towards each competitor. Analogically, the analysis is applied to the different market segments. Implementation of a general analysis taking into consideration specific analysis would provide a general picture of the business. On the other hand, implementing this analysis without implementing firstly the specific analysis would be more complicated and less correct.

After determining the field of analysis, all the internal and external factors that affect the subject's performance, should be identified. External factors are classified as opportunities and threats and are out of the managerial control of the institution. Internal factors are classified as strengths and weaknesses and can be affected directly or indirectly by the institution. The final goal is balancing the external factors with the internal ones in order to maximize the success. This balance is achieved through strategies and through tactical and operational plans. A visionary leader is capable to transform the threats in opportunities and weaknesses in strength.

(political, economical, social, technological, legal and environmental factors) or the **Balance Scorecard**.²

This analysis is arranged each year in institutional and department basis, in order to clarify and unify the environment perception inside and outside the ALSAI's affecting specter.



For the January – December 2015 period, SWOT analysis in an extended shape, found:

Strengths

1. **Clear constitutional mandate** – The Constitution of the Republic of Albania, in its XIVth section, articles 162-165, determines in a clear, explicit and unequivocal way the institutional independence, the focus of the work and the functional duties, as well as the position of the ALSAI's Chairman in relationship with the highest state institutions of the Republic of Albania. Such a mandate is the basis

² **Balanced scorecard** is a managerial and strategic planning system that is used in business and industrial environments, governmental institutions and nonprofit organizations for synching operational activities with the vision and the organization's strategy, for improving the internal and external communication and for controlling and monitoring the accomplishment of the plans and politics.

for the independence, objectivity, impartiality and professionalism of the provided opinions in different audits.

2. **Sanctioned independence through a clear and a strong mandate based on the Law 154/2014 “For the organization and the functioning of the ALSAI”** – The new Institutional Law, approved after a lot of debates in the Parliamentary Commissions in November 2014, expands through elaborating, detailing and fulfilling the institutional independence expressed in the Constitution.

The Law expands at first place, the ALSAI’s auditing field, by proposing two kind of contemporary audits, Performance and Information Technology auditing. The control term is switched in the audit one, in accordance with the international auditing standards and other SAI’s best practices. The Law specifies the access in gathering, analyzing and publication of the information including the confidential one. Addresses the transparency in the third parties relationship and emphasizes the professional ethics and integrity of the ALSAI’s employees and experts.

3. **Strategic vision and strategic plan approved and implemented on time** – institutional strategic vision formulated in the strategic plan, aims that ALSAI should fulfill its constitutional role and its role in increasing accountability for the whole community.

In fulfillment of its vision, ALSAI has formulated the strategic plan 2013-2017. ALSAI has updated it on 2015 and has detailed it in the Action Plan 2015-2017. The Strategic Plan has formulated objectives, which address the legal and regulatory framework, increase of the human resources and logistics capacities for an improved auditing function, fight against corruption, impact in Parliament, Government, stakeholders, public, etc.

Also, the Institutional Development Strategy of ALSAI for 2013-2017 and the updated one 2015-2017 converges with the INTOSAI strategy 2011-2016 and EUROSAI’s one 2011-2017.

4. **Regulatory and guiding framework as per INTOSAI, by promoting the integrity, as a key characteristic of perceived trust from Parliament and stakeholders.** – ALSAI has approved lately the new Institutional Regulation, which is built according to IntoSAINT. IntoSAINT is a self assessment tool that SAI should use for the risks assessment of the integrity and systems maturity for managing these risks. The new Institutional Regulation, together with the new

Code of Ethics, approved in April 2015, apply this managerial tactic to design an appropriate integrity policy by increasing the accountability of the auditing staff in this direction.

- 5. A clear formal structure and optimally layered in 2 authority lines and 3 decision making levels** – Hierarchical organization of the authority in an organization is critical in distinction of the roles and responsibilities, management of the professional and personal integrity and also in the success of the organization as a whole. In accordance with the IntoSAINT approach, in ALSAI there are two vertical hierarchical lines: the first one is for the primary auditing functions and the second one is for the supporting functions. Each of them is separated in three decision making levels:

1. The Chairman;
2. The Secretary/General Director, and
3. Directors of Department/ Directories.

Such layers are flexible, optimally bureaucratic and provide the quick and formal information flow.

- 6. Managers with scientific degrees, long institutional experience and deep knowledge in auditing field** – ALSAI has hired in its higher and middle managerial levels 2 associated professors in the jurisprudence and economic field, 3 doctors of science and several other officials that have accomplished master of science or professional master in social, economic, jurisprudence, communication sciences, etc. The departments or directories leaders are in charge since three years at minimum and a part of them are from the academic world. Meanwhile another part has advanced gradually in these positions within ALSAI by investing work and dedication for more than 15 years.
- 7. International Auditing Standards that are directly applied in the auditing work** – ALSAI is based in ISSAIs for accomplishing its primary auditing function. Such approach applies parameters in the auditing work, by making it comparable and readable for the foreign partners, increases the trust in stakeholders and the profile in the external environment. International Standards are translated, adapted and published by ALSAI itself, as part of the transparency and accountability in its auditing work.
- 8. Experienced auditors and from different academic training** – the biggest part of ALSAI's auditing staff is composed of economists, lawyers, engineers of

different fields, and lately even sociologists, IT engineers, journalists, etc, are being part of the staff. This expanded specter of the employees' academic trainings increases the perspectives in auditing approach of the problems, especially in the performance audits or in those audits that contain performance elements. The experience in auditing is crucial in generating a sound judgment and keeping the professional skepticism as required by the auditing standards.

- 9. Common and parallel audits with experienced SAIs in performance and other audits** – ALSAI has increased the cooperation with other regional and European SAIs in auditing. The performance audit department has performed parallel audits with SNAO, ECA, ZAP, Macedonian, Montenegrin, and Bosnian SAIs in “Road Safety” and “Energy’s Efficiency” audits. The same department is being prepared to continue the cooperation in a new audit together with ECA, while there are planned audits in IPA project under the guidance of Polish, Croatian, Dutch SAIs and etc. The cooperation in a professional level is crucial in implementation of the international standards and contemporaneous auditing practices.
- 10. Continuous training and education of the staff emphasizing the practices** – ALSAI’s staff (auditing and supportive staff) shall fulfill the institutional objective of 25 training days per year, from which at least 5 days are continuous trainings for specific issues. Each employee of ALSAI shall attend the training sessions without exemption. The training is organized in cooperation with local and foreign experts, certified in the auditing field and/or in gathering, analyzing and reporting of the information.
- 11. Auditing experiences and best practices exchange through promotion and continuous analysis** – ALSAI’s auditing departments, report continuously regarding the information, subjects and auditing methodologies, through meetings, workshops and work groups. This information exchange throughout discussions and interactive presentations supports the planning, auditing and reporting process by generating simultaneously new ideas.
- 12. Structured mentoring of new auditors from experienced colleagues** – each ALSAI’s senior auditor and director has to mentor a new auditor for a period of 4 months. Such organization helps the new auditors to quickly integrate, diminish the mistakes risk, and promote the cooperation in a professional and good willing way.

13. **Periodical structured tests for audit knowledge reviews and development to keep the job position and carrier advancement** – the job position in ALSAI is a linear function of knowledge and successful application of the auditing knowledge. Except the objective, balanced report and with great impact to the stakeholders, another way of promoting the professional values is the periodical testing of the adopted knowledge through training sessions, personal studying and experienced mentors. These kinds of tests apply at least two times per year and are part of each auditor's personal file, supporting in this way the further engagement in auditing functions, etc.
14. **Increase of the professional and scientific publications in audit field and increase of the ALSAI's presence in the press** – ALSAI is responsible not only for the identification of the added value from the public activity but also for the promotion of the accountability in the public funds management. ALSAI implements this educative aspect among many, through the publication of the Scientific Magazine "Public Auditing", the publications of different articles in local and foreign newspapers and magazines and also through the organization of scientific conferences and workshops with colleagues, professionals, national and foreign specialists.
15. The beginnings of Peer-Review with Austrian SAI and the implementation of mini Peer-Review with civil society organizations such as "center for transparency and free information" in cooperation with USAID that concluded with a final impactful and useful report, towards the increase of performance in the auditing activity.
16. **Leadership through examples, transforming and emotionally wise, institutionally and department based** - the managing staff of ALSAI is an integral part of the auditing daily routine, applying the INTOSAI's slogan: "Experientia mutual, omnibus prodest". Leading through the example strengthens the team spirit. It serves as a motivating factor and increases the mutual trust and transparency between superiors and subordinate and also between colleagues.

Weaknesses

1. **Difficulties in implementation of ISSAIs** – Although the regulative and legal

framework is being continuously improved, the implementation of the international auditing standards still remains an institutional challenge.

The difficulties are in the careful and integral study of the ISSAIs from every structure inside ALSAI, in their proper interpretation within the Albanian context of the public economic activity auditing. And as well as the limited access in the provided information from the audited entities.

- 2. Difficulty in providing the opinion for the audited entities financial statements** – ALSAI doesn't provide an opinion for the financial statements of the subjects which are being financially audited. This is due to limited professionalism of the financial auditors.
- 3. Delegation of two or more parallel duties to the auditors causing distractions from the auditing work** – engagement of the auditors in several parallel works duties for providing a higher profile and institutional impact. This distraction causes delays, decreased quality in their work, demotivation, ineffectiveness, and increases the possibility for mistakes.
- 4. Partial perception of the institutional vision and strategy in accordance with the new regulatory framework** – ALSAI's employees still have a lot to do in understanding and sharing the same vision with their supervisors, colleagues and themselves. The institutional activities' dynamism, interdepartmental rotation, low profile studies of the professional publications, and differences in academic trainings are some of the deviation causes from the common vision.
- 5. Limited study of the auditing documents and a partial approach towards the found problems** – there are still mechanical and outer study of the auditing findings, deficiencies in information gathering and analyzing techniques which result in a partial auditing research of the truth. Generally there is a reactive approach towards the detected problems.
- 6. Audit applications deficiencies based on risk and deficiencies in the auditing methodology** – Audit is a consolidated theoretical and practical discipline. It is a dynamic field and it is in expansion. Hence, new methodologies, already easily applicable, due to the IT should be learned and applied in priority. ALSAI has a shortcoming in this direction, a part of this is inherited and partly because of the staff's resistance towards fast changes.
- 7. Insufficient reassurance of the quality control** - ISSAI 40 addresses the

development and the functioning of the quality control. In ALSAI, the system is already developed but, due to the huge auditing information flow, limited human resources and dynamic environment, quality control is still critical in reassuring the quality in the audit report, especially in the new auditing fields.

- 8. Deficiencies in logical formulation of the findings, conclusions and recommendations** – An audit report should be balanced, fulfilled with arguments, objective and written in an easy language from the readers' perspective. ALSAI is missing a specialized unit for editing the semantic and literal meaning of auditing reports. This weakness is due to quality control problems.
- 9. Insufficient capacities in data electronic processing** – the IT system is developed and has been continuously improved, but the electronic access, process, analyzing, division, publication, protocol and stocktaking of the data is fair. Problematic factors are partly the age of the staff and partly the quick development of the IT.
- 10. Training inconsistency compared with the auditors' knowledge level and perspective** – the trainings are not always in consistency with the auditors' requirements and the needs. The trainings held by foreign partners, are not always suitable for the auditors' knowledge level and profile.

Opportunities

- 1. Promotion of the motivating factors in the work place** – The managerial staff of ALSAI can use better and more efficiently the external motivating factors, such as: Ability assessment, responsibilities delegation, career advancement, moral and material remuneration.
- 2. Increase of the team spirit in decision making** – following the motivating factors, consensual decision-making and sharing the same vision, increases the chances for success.
- 3. Unique perception of the value chain in public administration** – due to legal mandate and access in information, ALSAI has a unique opportunity in deriving a full landscape of the public economic activity. This landscape gives ALSAI opportunities to build data bases at a national level, to arrange macroeconomic analysis and to provide consultancy during the public decision making.

4. **Increase of the impact in public, due to limitation from the external interferences** – ALSAI is a depoliticized institution. Therefore, ALSAI can enlarge furthermore the influence of its reports by professional development. This legal independence should be combined with the increase of the auditors' capabilities in order to transform it from a potential opportunity to a reality.
5. **Implementation of IPA 2013 project – Support for the institutional modernization but also a challenge for ALSAI** – within the assistance framework for Albania and within the application of Pre Association Instrument, IPA 2013, the first component, ALSAI has been financed with 2.1 million Euro by the European Union for **“Strengthening of the External Audit Capacities”**.

The twinning project will be implemented from two European partner SAIs, Polish NIK and Croatian SAI, which, lately, have had a very successful cooperation with ALSAI. The project itself will be an important technical support for the implementation of the new Law, the further diversification of ALSAI's audit types and the increase of the auditing capacities in accordance with the International Auditing Standards ISSAI and fields' best practices.

The expectations from the implementation of the twinning project will be merged with the below components:

- a) Review and improvement of regulatory framework for the auditing institutional activity.
- b) Development of the auditing methodologies and reporting capacities, specifically:
 - b.1) Development of the fraud and corruption auditing manual;
 - b.2) Development of the financial and compliance audit manual and implementation of pilot auditing;
 - b.3) Improvement of the performance auditing methodology and implementation of the pilot audits;
 - b.4) Development of the IT audit methodology and implementation of the pilot audits;
- c) Improvement of the auditing report, auditing control and quality reassurance;
- d) Strengthening the institutional capacities and increasing the impact through communication.

6. **Encouragement of the homologue institutions, organizations, different unions and academic units for common training activities and experience exchange** – ALSAI has continuously organized conferences, open workshops and roundtables with the participation of different actors from the civil society. Such tradition should be further consolidated and transformed into an institutional culture in creating a transparent, value adding and contemporary profile.
7. **Field's experts and NGO participation encouragement in specific auditing problems** – ALSAI has signed different cooperation agreements with several NGOs and has contracted external experts, specialists in defined areas. Such cooperation should be strengthened further more in the future in order to increase the professionalism in auditing, train capacities and enhance the audit reports' impact to the stakeholders.
8. **Monitoring of the financial instruments in private sector but still undeveloped and irregular in the public sector** – The main challenge has to do with the state budget, because it is considered a very crucial aspect in the financial and legal structures' reformation process that govern its application. ALSAI will intensify its role in the budget reform, financial and fiscal regulation and each other area connected with the public expenditures especially referred to the strategy of the Public Finances Management 2014-2020. These reforms' priority is result-oriented by simplifying the financing rules, by increasing the EU budget conditions and maturity. They provide a considerable number of cases for the public accountability and auditing.

Threats

1. **Weak perception from the public and stakeholders** – Nevertheless the communication in which ALSAI has invested in recent years, there is still much to be done in this direction. Lack of perception or low perception of ALSAI's work threatens several objectives of the strategic planning for the impact growth through communication.
2. **Further consolidation of the impunity culture of the high officials** – it still remains a problem the application and the follow up of the recommendations that ALSAI charges the governmental institutions. Even though the international

organizations have raised several times this issue, the threat still continues to sabotage the ALSAI's auditing work. At most, it strengthens the idea of impunity.

- 3. Increasing risk due to high auditing numbers and expansion of their specter based on the new Institutional Law** – The expansion and the depth of the auditing functions, now part of the legal mandate, should be carefully managed in order to diminish the risk of any mistake.
- 4. Insufficiency of the human resources and logistic capacities to audit most of the public institutions** – It is impossible for ALSAI to audit in each auditing type the public economic activity in Albania, which makes an urgent need for an increased number of auditors. The internal audit activity in the public sector is covered by 368 internal auditors and the public entities are covered by 70 non public auditing units. External auditors in the public sector are 125 (auditors and senior auditors). Therefore, selection of the auditing subjects should be arranged in compliance with the limited resources at hand.

II. RESULTS OF AUDIT ACTIVITY IN 2015

Audit activity is analyzed through performance indicators, according to the best practices defined by INTOSAI, which provides an overview of audit activities and results of a SAI. Performance measures in the form of indicators make the results appropriate and comparable to the activity performance of the SAI-s in a dynamic way even with other SAI-s, thus creating a unified system of values and standards, as expressed in INTOSAI's motto: "On mutual experience everyone benefits."

This assessment dimension is closely connected to the audit reports according to their nature, compliance audit, financial and performance. Generally, the indicators of this dimension are mainly related to the number and impact of audits, namely the audit activity and addressing the recommendations of the reflection/reaction of the subjects to the ALSAI's recommendations, bringing a different approach to the perception of the audit work as an added value to the audited entities.

ALSAI has used the following indicators for measuring and reporting the performance of its audit activity:

1. Indicators that evaluate the usefulness of audits performed. The influence and impact of recommendations made based on the percentage of implemented recommendations.
2. The coverage by the audit to the aspects that are related to the scope of audits, in number and nature. Another aspect is the extent of audits by each department, thus, how many audits are realized in the central government institutions, in the units of local government, in tax and customs administration and how many audits in the state owned companies.
3. The aspect of reporting and communication of audit results. The impact of audit activity of ALSAI in the area of managing public finances and economy.

1. THE LEVEL OF ECONOMIC DAMAGE FOUND ON PUBLIC FINANCES

From the audits conducted during 2015 there are found financial infringements that generally belong to the financial-economic activity during 2013-2015.

A. Irregularities and financial infringements in revenues and expenses incurred with the total economic damage of 125,763,051,000 ALL (or 919.9 million euros).

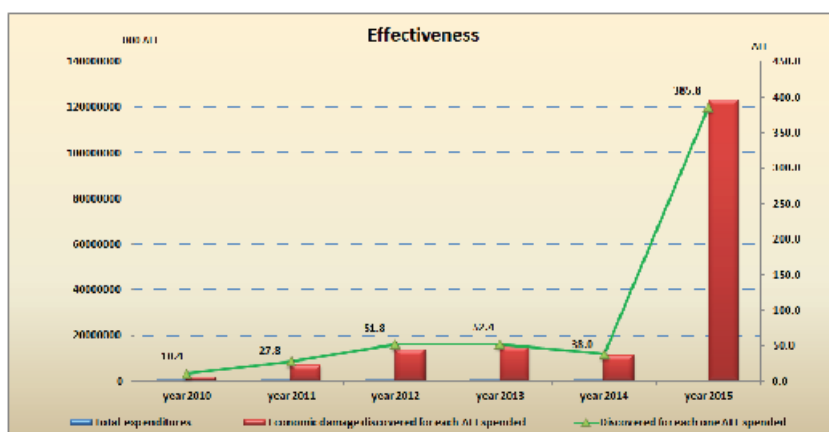
B. Violation of financial discipline with negative impact on the performance of the audited entities, totaling 35,312,076,000 ALL (or 257.7 million euros).

Audit activity and usefulness of the results

The indicator of the usefulness of audit results, which puts in proportion budget expenditures of the institution with the amount of funds required for compensation by ALSAI. One of the key indicators of developed SAIs performance is presented for year 2015 for each **1 ALL** that is spent for ALSAI are required for compensation **180.1 ALL**. Here it is not included the damage found in MEI (caused by the Agreement of the understanding solution).

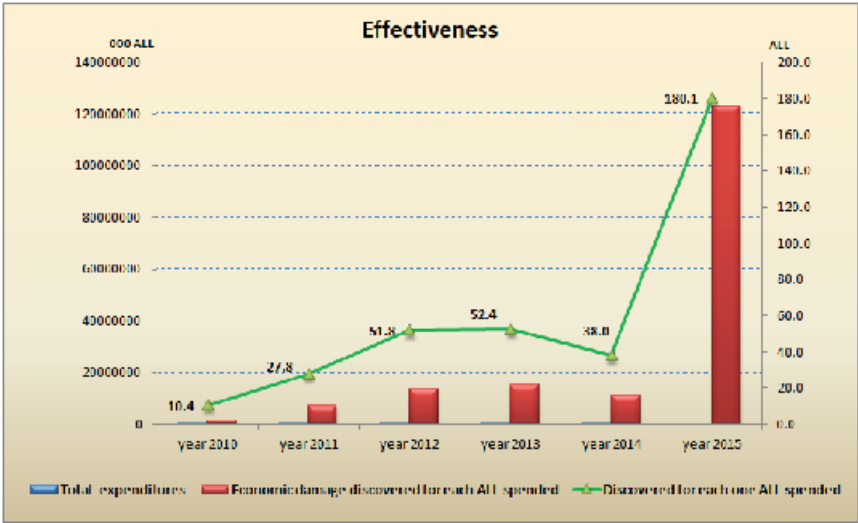
This indicator for 2015 marks a huge increase compared with 2014.

The indicator of the usefulness of audit results, as one of the most significant indicators of the performance of Supreme Audit Institutions for 2015, results that for every (1 ALL) spent for the ALSAI institution, are required to reimburse 385.8 ALL. This indicator over the course of 6 years from 2010 to 2015 is as follows:*

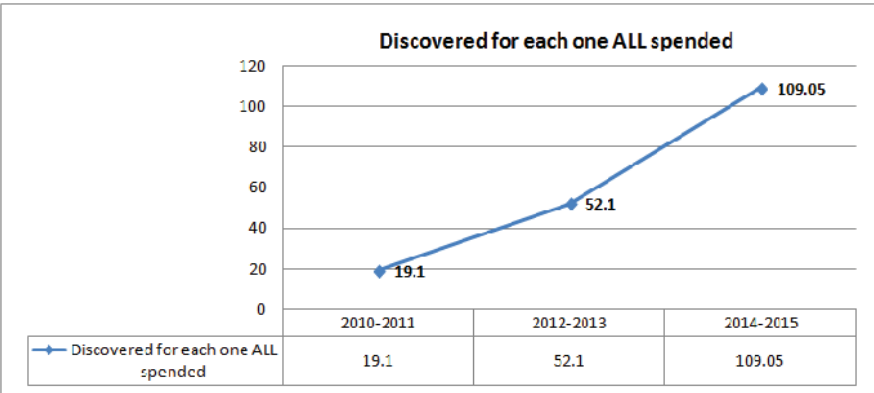


***The indicator of the usefulness of audit results to the damage found in MEI is 385.8 ALL.**

The indicator for 2015 without the damage found in MEI (caused by the Agreement of the understanding solution) (67.060 billion ALL or 479 million Euros) which we have classified it as an economic damage without collection opportunity results **180.1 ALL**.



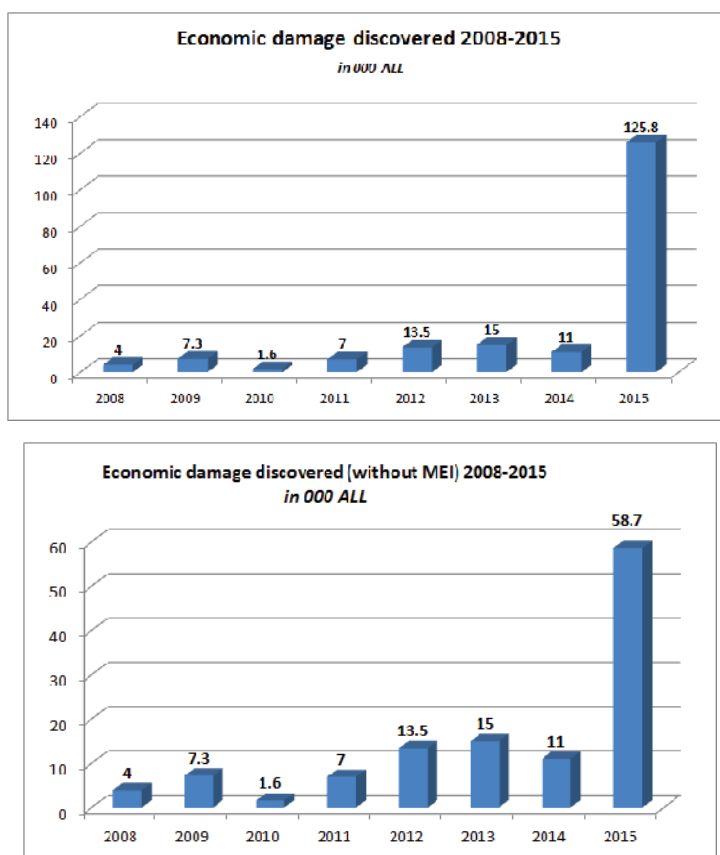
From a comparative analysis is concluded: for years from 2010-2011 on average for **1 ALL** spent by the state budget are required **19.1 ALL** for compensation, for 2012-2013 for every 1 ALL spent is required for compensation **52.1 ALL** and for 2014-2015 for every 1 ALL spent is required for compensation **109 ALL**.



In the indicator of effectiveness for the years 2014-2015 is not included the economic damage found in MEI (caused by the Agreement of the Understanding Solution).

If the observed damage along the years would be analyzed we should have seen a significant increase in this indicator during 2015, index which is in the growth due to the damage realized by the CEZ Agreement, but not only.

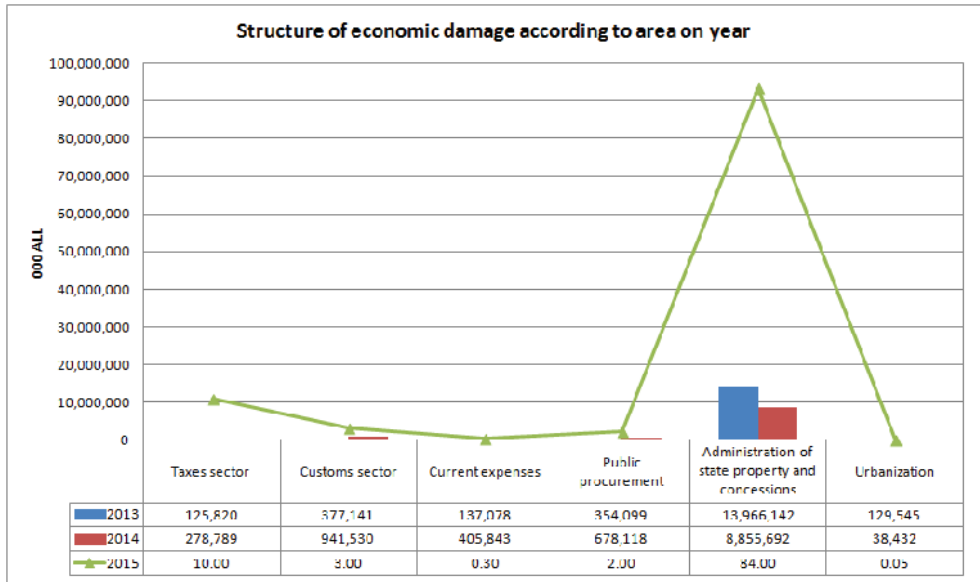
In the graphic, is provided the reflection of this indicator with and without the damage found by the audit on MEI.



The structure of **economic damage** according to areas where it was found in a trend for the past three years is as follows:

Table 1. Structure of economic damage according to area 000/ALL

Nr	Structure	2013		2014		2015	
		Value	%	Value	%	Value	%
1	Taxes sector	125,820	1	278,789	2	12,612,237	10
2	Customs sector	377,141	2	941,530	8	4,242,496	3
3	Current expenses	137,078	1	405,843	4	399,592	0.3
4	Public procurement	354,099	2	678,118	6	2,621,594	2
5	Administration of state property and concessions	13,966,142	93	8,855,692	79	105,823,810	84
6	Urbanization	129,545	1	38,432	0.3	63,322	0.05
Total		15,089,825		11,198,404		125,763,051	



It is concluded that for 2015, the hugest part of the economic damage mainly comes from the **area of management of state property**, where it results that about 84% of the total damage is found in the energy sector and the petroleum sector.

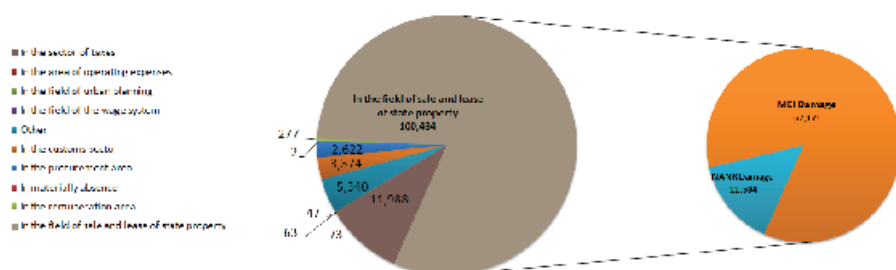
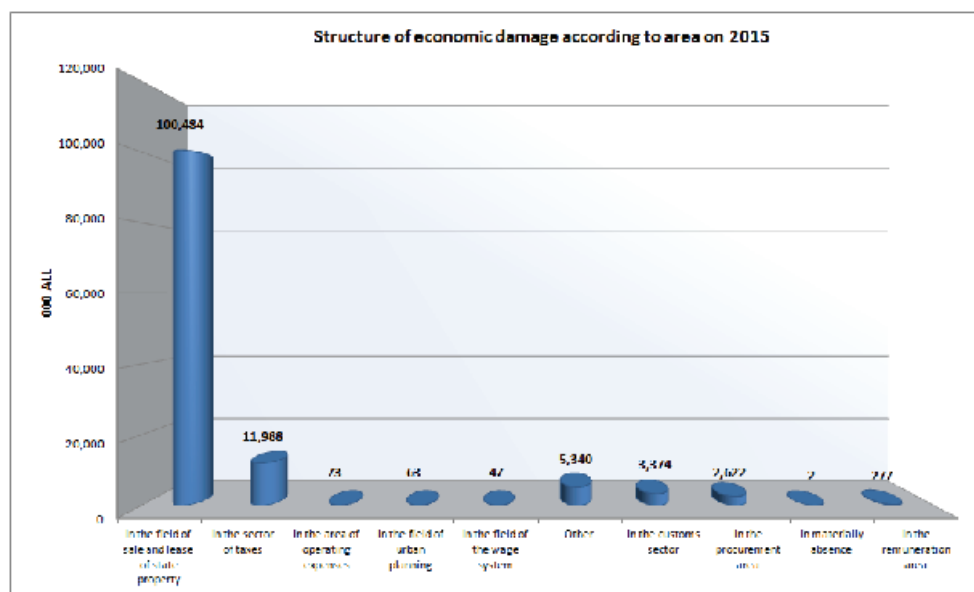
Verification of the same trend according to the damage in the energy sector shows that it remains a risky sector and addresses the need of greater attention on these key sectors of the economy.

In 2014, the damage in this sector was at 79% of total damage found, while in 2013 the damage was about 92% of the total damage found.

The structural composition of economic damage by fields found 2015 results as follow:

1. **In the sector of taxes**, on the total value of 12,612,237,000 **ALL** (or 92 million euro);
2. **In the customs sector**, in total value of 4,242,496,000 **ALL** (or 31millionë euro);
3. **In the procurement area**, the total value of 2,621,594,000 **ALL** (or 19 million euro);
4. **In the field of sale and lease of state property**, in a total amount of 100,484,212,000 **ALL** (or 733.4 million euro);

5. **In the area of operating expenses**, the total amount of 73.079,000 ALL, (or 533.423 euro);
6. **In the field of urban planning**, in a total of 63.322,000 ALL, (or 462.204 euro);
7. **In the remuneration area**, in a total of 276,721,000 ALL (or 2,019,861 euro);
8. **In the field of the wage system**, the total amount of 47.513,000,000 ALL, (or 346.810 euro);
9. **In materially absence**, in a total of 2,279,000 ALL (or 16.635 euro);
10. **"Other"**, violation of financial discipline on the total amount of 5,339,598,000 ALL (or 38.9 million euro).



For 2015, a significant damage is realized **in tax and customs sector** where it is about 13% of total damage found versus 10% of the damage found in these sectors in 2014 and 3% in 2013.

If we consider the growing trend in the amount of damage in the area of taxation and customs we will see an increase of 14 times compared with the damage observed in 2014. Thus from 1,220,319,000 ALL of the 2014 findings in these sectors it has reached 16,854,733,000 ALL in 2015.

For 2015, it has been significantly increased the value of the damage found in the area of public procurement compared with 2014. Thus, it is concluded that the damage in procurements reached to 2,621,594,000 ALL, compared to 678.118,000 ALL observed for 2014 with an increase of 3.8 times.

2. ANALYSIS ON REALIZED AUDITS

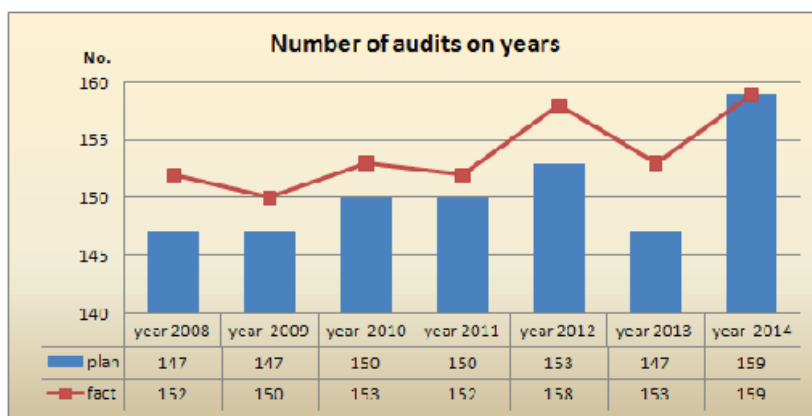
Albanian Supreme Audit Institution (ALSAI), for the period January-December 2015, has completed 158 audits of 155 planned, of which:

- 120 compliance audits, legality and financial regularity;
- 12 financial audits;
- 12 thematic audits;
- 12 performance audits;
- 2 IT audits.

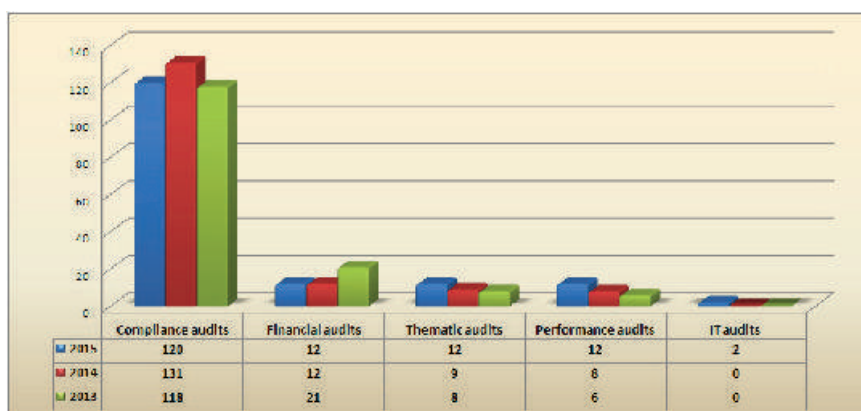
Table.2: Audits by type

No.	Description	2015		2014	2013
		Plan	Fact	Fact	Fact
1	Compliance audits	120	120	131	118
2	Financial audits	12	12	12	21
3	Performance audits	10	12	8	6
4	Thematic audits	10	12	9	8
5	IT audits	3	2	-	-
	Total	155	158	160	153

For 2015, ALSAI has conducted 174 audits in total, of which 158 have been completed and archived, 5 audits were completed but not yet archived and 11 audits are in process.



The trend in the number of audits according to typology in years results in:



Performance audits in 2012-2015 have recognized qualitative and quantitative development rising over 2.5 times compared with the period of 2008-2011 referring to the number of audits, and nearly 4 times referred the number of institutions covered by this type of audit. The development of audits is on the line and in full compliance with the preset objectives in the strategic plan 2013-2017 (revised) and the 2015 annual plan.

For the first time, ALSAI in 2015 **gave an opinion on the financial statements** prepared by public institutions, despite the fact that this audit was conducted in several dependent units (not in central institutions), the initiative is positive. This choice was intended to achieve the objective of initiating and conducting financial

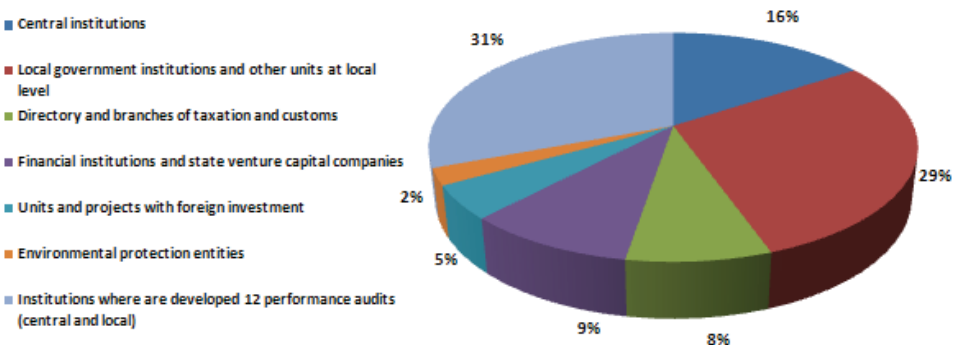
audits in line with the institutional strategic priorities.

In connection with **compliance audits** exercised during 2015, it is estimated that they met the criteria of this audit methodology ensuring security in accordance standards of INTOSAI. The gained experiences combined with a new set of methodological basis provide auditors with a clear guidance on the audit activity. This methodological and practical consolidation achieved is reflected in the realization of the planned number of audits to be realized based on the annual audit plan.

For 2015, the situation of the audits by the levels of state management, fiscal administration and state-owned companies, is presented in the table below:

Table 3. The audit activity of ALSAI according to institutions

No.	Description	2015
1	Central institutions	33
2	Local government institutions and other units at local level	61
3	Directory and branches of taxation and customs	17
4	Financial institutions and state venture capital companies	20
5	Units and projects with foreign investment	10
6	Environmental protection entities	5
7	Institutions where are developed 12 performance audits (central and local)	65



Audits by the above classification in volume (expressed in percentage) have occupied:

- Ministries and central institutions 16% of total audits;
- Institutions of local government administration and in other units at the local level 29% of total audits;
- The audits in directories and branches of tax and customs departments 8%;
- Financial institutions and state venture capital companies 9%;
- Units and projects with foreign investment 5%;
- Environmental protection entities 2%;
- Performance audits on central and local institutions account for 31% of total audits.

In 2015 was the beginning of work on the creation of an institutional regulatory framework in full compliance with European and consolidated model of a Supreme Audit Institution. ALSAI's methodology audit reflected the requirements of international audit standards and any practice or experience that refines our approach to audit with the fulfillment of our mission as a "watchdog" of public finances and on how we can increase accountability and strengthen the institutional responsibility in the public sector.

3. ON THE IMPACT OF AUDIT ACTIVITY OF ALSAI IN THE AREAS OF MANAGEMENT OF PUBLIC FINANCE AND ECONOMY

One of the aspects where the audit work is focused is that of making recommendations for the improvement of systems and operations of public finance management. In the audits conducted in 2015, ALSAI has asked through its recommendations interventions that aim at improving the regulatory framework and reflect best practice in the management of public finances. In this regard, ALSAI has addressed 35 recommendations for legislative improvements primarily associated with implementation of the budget but also essential intervention especially in key sectors for the country.

Recommendations addressed to the Parliament and Ministry of Finance in recent years had as their objective, compliance and implementation of the targets of the

Strategy Reform of Public Finance Management from 2014 to 2020. Advisory approach of ALSAI is oriented towards meeting the objectives of this Strategy focusing the design and implementation of a well-balanced and sustainable budget coupled with the reduction of the public debt ratio GDP while effectively managing public finances and developing and strengthening the system of internal public control and internal audit.

Some of the most important aspects where SAI deems to have improved the most delicate sectors with high impact on public finances, are:

3.1 PUBLIC FINANCE AREA

1. **ALSAI has addressed recommendation to intervene in order to ensure fiscal sustainability, such important for public finances.** In this regard we have requested from the Ministry of Finance, that the process of preparing the draft budget not be governed by implementing formal requirements related to the stages of its preparation, but to be based on a detailed analysis in terms of meeting not only the indicators of the medium-term budget, in line with the strategies of public finances, making visible not only its pathway but also measurable achievements. The draft budget must be as realistic as possible by eliminating the changes that occurred during the year by normative acts.
2. We asked the design of a fiscal regulatory framework, which aim at reducing the level of public debt at defined levels, in order that within a period of several years to ensure that the indicator of public debt to GDP reaches 60% level. This would require the filing of a legal initiative to establish in the Constitution and the Law "On budget system management in the Republic of Albania" an acceptable level of public debt in accordance to GDP, coupled with a level of variance acceptable in reference of macroeconomic conditions of the nation. In addition to the above, we wanted to respect the requirements of the Strategy of Public Finance Management for reducing public debt.

Referring to the fact that the present indicators are "red flags" and serve as indicators of the capacity of the central government to intervene in cases of crisis aiming to avoid the loss of credibility of the country among foreign creditors and enabling monitoring and identifying the level of external debt government, which when too high, can affect the transfer of revenue from cost

impact on economic performance to the amortization of external debt. In this context, we recommend a full and deep analysis in cooperation with the Bank of Albania in order to have “rescue scenarios” for public finances.

In the Budget Report of 2013, we recommended the creation of an independent Fiscal Council institution, which will provide advice and guidance to the government's macro policies that would ensure fiscal sustainability. We encourage the acceleration of the establishment of such an institution.

3. **Given the worrying levels of public debt there must be caution regarding the management of public debt in full coordination with Macroeconomic Policies.** It is the fourth year in which we are seeking intervention with perseverance in order to maintain under control public debt levels and especially an effective strategy to address the potential risks that this aspect of public finance is characterized. Orientation mainly towards government securities with long maturity which improve the structure of domestic debt and may reduce the risk of refinancing, as this risk is associated with high levels of instruments which mature within one year, but they seek a careful planning of needs for domestic borrowing, based on thorough analysis and careful assessment of the levels of liquidity.

In the context of keeping under control the risks of the portfolio, risk management of the exchange rate, the priority must be to keep under control the foreign debt while putting annual ceiling for total external debt on consists of public debt in line with medium-term strategy of public debt management.

We concluded that the energy sector is supported by government policies and commitments for exit from the crisis of liquidity, in which energy operators are placed from several years (*internal and external funding, as well as VKM no. 198, dated 03.04.2014 “On remission of debts”*) from KESH it could not be repaid any obligation for funds borrowed by foreign financing. In our assessment covering the financial needs of KESH power purchase should not continue to be borrowed, as it happened until now, but they should be intended to regulate the financial relations within the energy sector and the settlement of liabilities between them. The Ministry of Finance may initiate and facilitate a process of negotiating with creditors to revise the terms and conditions of overdraft loan portfolio.

4. **Regarding the preparation of the consolidated financial statements of the**

state, we have concluded the absence of a unified basis of accounting, various references responsibilities for the preparation of consolidated financial statements of the Government. It is noticed the absence of consolidated state financial statement by several years, problem that in our judgment affects not only the level of transparency, but also is closely related to the pursuit of prudent public finance and analysis of macroeconomic indicators. In Albania, accounting by the general government institutions is currently implemented based on cash for revenues and based on accrual for expenses. Financial reporting is oriented through the way of budgeting and control of implementation of the state budget. In “Strategy for Public Finance Management 2014-2020” it is noted that: *“A prerequisite for good reporting is accurate accounting. During the planned period of 7-year, accounting standards will be revised gradually with the ambition of eventually full compatibility with international accounting standards IPSAS when these will be totally adopted, what may happen only in the future planning”* - while following this strategy it is talking about EPSAS not IPSAS. IPSAS are not binding, but experience has shown that the quality of reporting and the positive impact of the financial reporting in the decision-making process are higher in those countries that use IPSAS. The European Commission recently decided to prepare the European Public Sector Accounting Standards, EPSAS - SEKP) based on IPSAS – SNKSP. Conceptual framework SEKP – EPSAS is projected to be operational in 2019 and most of the standards by the end of 2020. Given this context, we recommended implementation of harmonized upward accounting standards (considering that public accounting in Albania is currently carried on cash basis for income and on the basis of modified cash for expenditures). Given that IPSAS standards have been translated into Albanian in 2006, but they continue not to be included in our legislation. On the other hand, since around this period has not been worked either for the recognition of this standards the public administration, we have considered it necessary to be published by the National Accounting Council, as the main methodological basis on which to draft financial statements of the state. The Ministry of Finance should prepare and lay the technical level discussion on the draft-law “On Public Accounting”, by completing the regulatory framework required to achieve a certain quality of financial reporting in the public sector.

5. The environment control, risk management, control activities, information, communication and monitoring are evaluated by ALSAI in general opinion,

stating that **our public administration, with all efforts, is still far from the standards and best practices in the field of financial management and control.** ALSAI has identified numerous problems towards the recognition and understanding of the elements of the Law “On financial management and control” and shortcomings in its implementation.

6. The necessity of drafting the law “On the material responsibility”

ALSAI, with an ongoing commitment constructive in the fight against corruption considers it necessary to draft a law to address in every manner cases of material responsibilities of employees in the public sector, in order to prevent occurrences that promote damage to public funds and assets. **In terms of low financial responsibility by public officials we have continuously recommended to the Parliament** for the past two years in a row to draft the law “On the material accountability”, in which it is addressed the financial responsibility of employees of public entities (senior officers and employees at all levels) for the economic damage caused intentionally or by negligence, during or in connection with the process of execution of official duties. This recommendation is addressed to the President of the Commission of Economy and Finance, Speaker of Parliament, Prime Minister, Deputy Speaker of Parliament, Chairman of the Parliamentary Group of Democratic Party, Chairman of the Parliamentary Group of the Socialist Party, President of the Committee for legal issues, Public Administration and Human Rights Assembly and the Minister of Finance. By its audits, ALSAI has found many problems and violations of legal provisions in considerable public funds, which have made inappropriate and inefficient expense or even worse, economic damage by bad financial management. We have tried to determine the material responsibilities of public servants who have contributed to the misuse of public funds by proposing measures in the form of sanctions against financial irregularities caused by them.

We note that the assessment and measurement of harm and material responsibility requires addressing specific detailed procedures. Mutual responsibility also appears in the form of public accountability for decision-making. A wrong decision, following a collegial body (board of directors, supervisory council, committee, etc.) may cause considerable damage in the management of public funds. Practice has taught that in many cases collegial decisions have caused considerable damage to the state funds, but we do not

have a single case where the amounts lost are recovered, as a result of compensation by persons who are materially responsible. It should be noted that important roles in collegial decision-making forums do not have only the members of the forum concerned (board, council, etc.), but above all senior managers as well as employees of institutions that prepare decisions, taking part in the decision-making process. They cannot be left out of the material responsibility solidarity. Public material liability may be complete and partial. Despite the full responsibility of the employee (a civil servant), the amount of compensation for the damaged fund or asset may be direct or indirect. Thus, for damages caused by the employee, who has direct responsibility, managers at higher levels (head of the sector, the department up to the head of institution) can be indirectly responsible because they have not properly exercised monitoring and functioning controls to subordinates that directly caused the harm. Indirect responsibility of higher levels of management occurs even when the damage is not only monetary but also when it is related to the diversion of public resources, violation of financial and budgetary discipline. The object of this law should be to set the compensation of the damage, according to the participation and the role of public servants in causing damages. The law must also provide a clear and transparent process of awarding damages to public interests, establishing a balance between real possibilities of remedial employees and maintaining the subsistence minimum. It should provide the holder of the material liability of public entities to wrong decision making at the expense of public interests. The law should also specify the criteria that the material liability becomes criminal responsibility.

As stated above we have recommended: *Setting up a working group with specialist and representatives of the legislature, which will evaluate and work on drafting the Law "On the material responsibility" which addressed the financial responsibility of employees of public entities (senior and employees at all levels) for the economic damage caused intentionally or by negligence, or in connection with the process of executing official duties.*

- 7. We have requested improvements and legal intervention in the law of the Bank of Albania.** Based on the experience of central banks in developed countries that the representation of management Supervisory Council to be made only by the governor, we believe that such representation would give the necessary space to the Supervisory Board to perform precise the

supervisory functions that are attributed by law and avoids the “dominant” position of the management in the Supervisory Council. In order to increase the credibility and accountability in the governance of the Bank, we have sought to make legal amendments to ensure the effectiveness of the structure of internal audit in providing assurance to fit the functions and control systems within it, transforming the function of General Inspector into Audit Committee consisting of three members elected by the Parliament. The law must express the necessity of institutional interaction of these control subjects (internal and external audit and Supreme Audit Institution) in order to provide a maximum security in terms of the emergence of various risks associated especially with activity investment and the Bank's operational and financial results and for increasing confidence in the Central Bank. We have underlined the need for higher accountability in the expenditure of funds and increase the efficiency of its economic activity. Any change in the amendment of the organic law of the Bank of Albania should be implemented in close cooperation and consultation with the International Monetary Fund, World Bank and the European Central Bank.

3.2 IN ENERGY SECTOR

The energy sector as one of the strategic sectors in the country has been the focus of ALSAI's audit activity and commitment of resources for over three years aiming at increasing the accountability of state institutions in well managing sectors that are vital to the economy of a country.

1. Ministry of Energy and Industry;
2. National Agency of Natural Resources;
3. Albanian Energy Corporation;
4. Energy Distribution System Operator;
5. In AlbPetrol.

Emphasizing that this was the sector in which the SAI has managed to find greater damage due to quite violations and problems in administration and decision-making on which has given a number of valuable recommendations for intervention. The following are the main recommendations:

3.2.1 ENERGY SECTOR

Audit in MEI and State Attorney

Albanian Supreme Audit Institution, in the audits conducted in MEI and the State Attorney, has been focused on the procedures followed and the negotiations that led to the preparation of the agreement signed on 23.06.2014, by the **Working Group** set up under the VKM no. 969 DT. 25.10.2013 *"On increase of the working group for resolution in the dispute between the Albanian government and CEZ a.s."*, convey to the Council of Ministers and Parliament. ALSAI audited the process of negotiations, the activity of the working group and the mutually agreed resolution of the government and which was not approved by the Parliament.

We concluded that in the absence of necessary documentation (at least a record that shows the meetings of the working group) on the basis of which can be proved and judged in connection with the work done by the group of negotiation to the legitimate interests of the State in this negotiation process (the arguments and counter arguments data for accepting or rejecting the claims of CEZ a.s., the attitude towards the preceding claims of the Albanian State, analysis of evidence, documentation and expertise provided by contracted foreign experts, and the accumulated expertise during this time by the state institutions ERE and the State Attorney's Office, which with the document no. 526/34 dated 24.07.2013 filed a criminal complaint to the prosecution to the representatives of CEZ Distribution).

The audit was based on the International Audit Standards:

- ISSAI 400, "Fundamental Principles of Compliance Audit";
- ISSAI 4000, "Compliance Audit Standard";
- ISSAI 300, "Fundamental Principles of Performance Audit" ;
- ISSAI 1500, "Audit Evidence";
- ISSAI 200, "Fundamental Principles of Financial Audit";
- ISSAI 1610, "Using the work of internal auditors";
- ISSAI 1620, "Using the Work of an Auditor's Expert.

Based on these standards, ALSAI examined and used during the audit: official correspondence, materials and technical reports of experts contracted by the Albanian state which reflects claims of the Government, the published financial

statements of the companies of the CEZ group, the procedure followed in the agreed conditions in the “Memorandum of Understanding”, materials and observations run to the audit group, and **concluded that the Albanian State has suffered economic damage fully assessed to the amount of 479 million euro as defined below:**

1. **The value of 95 million euro** for agreed payment in the agreement, based on financial documentation for the use of credit and secondary loan, or rights recognition of CEZ Distribution (unrecoverable economic damage);
2. **The value of 352 million euro**, as the difference between short-term obligations and recognized short-term rights (lack of working capital) of CEZ Distribution, according to the company's financial statements (damage that will have a negative impact on the society's financial future);
3. **The value of 32 million euro**, for depreciation of the market value of 24% of state shares in CEZ Distribution. The difference between the value of the shares of the Albanian Government during the privatization (CEZ has paid 102 million euro to control 76% of the package distribution operator, the moment when the value of the 24% stake in the Albanian state was 32 million euro) and **zero value** of its shares on January 21, 2013, the Albanian society has suffered damage that will aggravate its financial situation in the medium term).

Given the condition by the “Memorandum of Understanding” *the Buyer acknowledges and agrees that Seller has no information concerning the financial condition, operational or any other company's state, and with the continuation of the purchase of shares provided by the Purchaser makes this by considering his risk and responsibility.* Consequently, the Purchaser shall purchase and agrees to buy shares “as they are” “where they are” and “with all faults”, **the amount of 95 million euro is an unrecoverable economic damage due to recognition of the obligations not only undocumented but also in terms of flagrantly violation of obligations arising under the SPA, while the amount of 384 million economic damage will burden the finances of society (state) for a long time, looking a strong financial control regime.**

Given the fact that ALSAI could not audit financial and legal documents of companies with 76% private shares, CEZ Distribution, or private companies that were created during the activity of CEZ in Albania (CEZ Trade and CEZ Albania), because in reference to the Constitution Article 163/c letters “ALSAI supervises the

economic activity of legal entities, in which the state owns more than half of the shares or if the loans, credits and liabilities are guaranteed by the state”, so we have approached Parliament for:

The establishment of an independent ad-hoc commission, with technical and economic experts who will realistically and accurately assess the damage from the activity under the management of CEZ, as well as to determine the best chance for recovery of Distribution Operator on basis of careful monitoring of all indicators for the current period, defining in each case the individual and institutional responsibilities for all stakeholders that allowed this situation to which the public finances were added economic damage effects in the short and long term. It is required a strong financial discipline and a constant control by the Parliament for every investment and strategic decision makings regarding the Distribution Operator in order to enable concrete steps to improve the situation of verification.

The audit in the Operator of the Electricity Distribution (OSHEE)

During the audit in the company “Operator of electricity distribution a.s. (OSHEE), Tirana”, we found that despite the commitment of this company to reduce costs and increase revenues, there were found violation of laws and regulations with an economic damage to the company “CEZ Distribution a.s.”, company in state interim administration (currently OSHEE) and the state budget in the amount **4,467,003,000 ALL, or 32,000,880 euro**.

We found a lack of revenues for OSHEE and the state budget, created by exporting energy by KESH, and import energy from OSHEE in value **124,388,000 ALL, or 891.096 euro**. We also have found damage in the area of purchasing electricity from the company “CEZ” (temporary status) in the amount **2,959,350,000 ALL, or 21,200,302 euro**, caused as a result of the purchase of electricity at higher prices than the market value.

From the Audit of the **purchase of materials and electrical equipment** by CEZ Distribution, during 2014, resulted that it caused economic damage **amounted 608.596,000 ALL or 4,359,882 euro**, as a result of violations of the bidding procedures set by ERE in “Procurement Regulation of CEZ a.s.”, associated with handling procedures as emergency cases, their implementation with a phase of negotiation, performing extensions of contracts in considerable amounts totaling up to 50% or 70% of the basic contract value, and in some cases the purchase of

materials and electrical equipment without tendering procedures.

By the partially audit due to the lack of economic and financial documentation of some of **debt collection companies** of electricity resulted that these companies have unfairly benefited from CEZ Distribution a.s., at least the value **847.936,000 ALL or 6,074,478 euro** for which the ALSAI's audit group opinion is expressed with reservation due to the lack of a full inventory accounts (physical inventory of assets and accounting inventory) of the company "CEZ" a.s., at the moment of transition in the company under the interim administration of state dated 21.01.2013, as well as after this date until the time of completion of the audit. The unavailability of authentic software by "CEZ a.s." (SAP-Program of Accounting, Billing-billing program and Mobirid-meters reading program), on the basis of which this company managed and operated its activity, from the moment the passage of this company under the interim administration of the state and to the completion period of this audit and as a result it has brought at the existence of contradictory data documentation disposed by OSHEE economic department, legal and sales department. From the documentation made available to the group it was found that four companies audited by the Company "CEZ a.s.", it was not disposed the full documentation to justify the payments given to these collecting debts companies, raising serious doubts about the amounts unfairly these companies benefited from "CEZ a.s.".

In the absence of the existence of the complete documentation justifying the implementation of contractual obligations to debt collection companies, **the value of 847,936,000 ALL regarded as the economic damage** unjustly benefited by them.

The audit in APC (KESH)

Besides the data declared by the audits in AKBN and MEI, in this sector's damage there are included even the damages found by the **audit in the company "Albanian Power Corporation (APC), Tirana**. We found that the performance of economic and financial indicators is no satisfactory, with the creation of a difficult financial situation impact, which has come from lack of liquidity due to financial backwardness debt by "Former CEZ a.s.", with a value **58,415,650,000 ALL**. As a result of the decisions by Energy Regulatory Office nr 149 and 150, dated 07.12.2011 "On determining the unit price of electricity sales for the production of electricity from new hydro plants, the sale price of electricity from **APC** set by the Energy Regulatory Office is 2.2 ALL/kwh while the price of buying electricity from

private producers and concession is respectively 9.3 ALL/kwh and 7.77 ALL/kwh. The difference between purchase and sale price of RSD 7.1 ALL/kwh and 5.57 ALL/kwh adopted a negative financial effect on the amount **4,898,858,000 ALL**. **Debit and credit situation for APC company is in alarming amount**, while by its governing bodies is not analyzed and reviewed with responsibility, and the appropriate measures to reduce them are not still taken. By the Audit were found **violations of laws and regulations with an economic damage to the state budget amounted 139,839,000 ALL and a missing income for "APC a.s." in the amount 5,726,096,000 ALL**.

3.2.2 PETROLEUM SECTOR (AUDIT IN AKBN AND MEI), ALBPETROL a.s.

1. From the audit of MH and LMH of Patos - Marinëz oilfield (MH which accounts for about 97% of oil production in our country, with a potential indicator of oil production and therefore the impact on the economy and state finances), it showed that for the period from the beginning of the evaluation operations so far have been carried out a series of changes in Development Plans for the years 2005, 2009, 2011. In the event that there would be no different Development plans, Work plans and Budget, **Albanian state will have benefited by the end of 2014, in addition to the royalty of USD 199.4 million and an amount of approximately USD 305 million, as part of the profit from oil production (due to Factor R <1)**. From the audit of certificates of exemption from VAT and relevant contracts made available by AKBN, has resulted that these certificates are not justified why the services provided by the subcontractor comprise operation hydrocarbon or content that does not lead to a hydrocarbon operation which is required to AKBN confirmation. ALSAI has identified that AKBN has issued unsupported exemption certificates at value 316 million ALL (only in one contract and for a very limited period of audit).

2. Along audit Petroleum Agreements and License Agreement, ALSAI focused over the legality and regularity, and Excise for VAT exemptions-in operations using diesel hydrocarbons (thinners) in the technological process. In view of the fact that declared quantities used and what should be used in reference to technical levels, results that are used around 100,000 m³ gasoline diluent 1000 PPM more than the actual technological needs. This amount multiplied by the average value of the minimum purchase price the supplier resulting in about 1000 USD/m³, gives a value of 100 million USD direct negative effect on the valuation factor R <1. This claimed used amount (for the reason that it lacks monitoring structures of the Albanian

state to the final destination of its use), leaves a serious cause to raise the hypothesis for tax evasion and smuggling to the Albanian market. At the same time, AlbPterol became a source of oil sales (selling the amount of PEP), for the purpose of the lack of monitoring of final destination by the state structure. We note that in the value of 100 million USD, we have not added the price difference of the diluent purchase and sale of the diluent after the technological process, so the undeclared part of the oil that should have been extracted by the addition of the diluent have brought undeclared income (tax evasion) in the value of 81,682,623 USD.

3. This situation was verified by audit of both contracts, Stream Oil & Gas and Transoilgroup Ltd operating in the field of oil extraction because it used thinner (Diezel 1000 ppm) in hydrocarbon operations but not concluded reflection of that amount solvent in the amount of oil extracted. Lack of income results for Stream Oil&Gas in 2.32 million USD and 2.48 million USD for Transoilgroup Ltd. Tax evasion in these cases, associated with significant effects on Factor R, multiplied the economic damage of the Albanian state coming from the lack of control and supervision of hydrocarbon processes.

4. We concluded that state structures MEI, AKBN and AlbPetrol, were almost inexistent in terms of monitoring all of the technical operations in accordance with the approved plans and financial results related to hydrocarbon activities. They are satisfied only with visual observation, sporadic oriented control without legal, financial, technical and scientific implementation of this agreement. It is understood that R factor cannot come equal to 1 and furthermore greater than 1 in the event that these institutions do not perform the functions of the law, especially related to the monitoring and audit of legal and financial guarantees for the authenticity of the expenditure incurred (furthermore the Patos Marinza gas field is considered in exhaustive stage, Depliti stage).

5. **From the Audit of “AlbPetrol a.s.” Patos**, we found damage caused by hydrocarbons operations. Thus in connection with the implementation of contracts in hydrocarbon zones Ballsh-Hekal, Gorisht-Kocul, Cakran-Mollaj and the origin root of Delvin, AKBN and AlbPetrol have confirmed dhe passing of the interests of the agreement by the company Stream Oil&Gas Ltd to the company Transatlantic Albania Ltd, on the contrary with hydrocarbons agreements. Transatlantic Company has taken over the repayment of a portion of the liability worth USD 7,424,000 or 942,940,000 ALL, but not the full duties, and as a result AlbPetrol suffered loss in a value of USD 10.5 million, or 1,336,167,000 ALL. The last month facts where this

company sold shares to another company complicates it further the recovery of duties.

From this audit resulted unjustified expenses worth **USD 121,326**, for the period from October to December 2012 and **USD 231,187**, for the period January-September 2013. From production division of this area are incurred liabilities to Albpetrol to the amount of 39,220.31 tons of crude oil worth USD 15,679,000. Having pre-existing liability production (PPE) and the share of crude oil of AlbPetrol (PPA), not submitted to AlbPetrol till 31.03.2015 by contractors amounts to **220.818,000 ALL**.

On the legal violations in the implementation of other hydrocarbons agreements associated with foreign companies operating in the exploration and extraction of oil has resulted that in the implementation of hydrocarbon agreements on areas such as Cakran-Mollaj, Gorisht-Kocul, Ballsh-Hekal and gas field of Delvina, area Patos-Marinës, Visoka, Kuçova, starting from 2011, contractors have created liabilities in the amount of oil liquidate part of AlbPetrol from the separation of production under the agreement. Obligations are created in periods when the price of crude oil has been several times higher than the current price. Liabilities have been accumulating and their settlement in this period is accompanied by a loss due to the very large decline in the price of fuel at the Exchange. For area Cakran-Mollaj referred to the program production was reduced to 25% of the forecast, for area Ballsh-Hekal decreased 50% and area Gorisht-Kocul increased 50%. This result comes from the reduction of investment in hydrocarbon operations, although they are reported in lower value because coefficient R is at less than 1. **While the contractor does not comply with planned investments, fictitious expenses are involved in hydrocarbon costs; furthermore it does not liquidate even the part of AlbPetrol coming from the manufacturing division.**

We notice that the quantities of crude oil AlbPetrol benefits have been decreasing because old wells that are made available to the contractor for use have been decreasing, while new wells opened by the Contractor have been increasing. At the current stage, **AlbPetrol receives only about 5.8% of production, which after a few years (with the emergence of old wells function) will move less than 2%.**

Although the agreement stipulates that during petroleum operations, contractors must use methods and technologies that are internationally recognized, but by AlbPetrol there are not taken measures to meet these conditions of contracts.

The audit conducted during 2015 showed that AlbPetrol had no information and adequate data on the status of assets of which contractors have registered them in the cost of petroleum operations. ALSAI has recommended AlbPetrol to require detailed information from all contractors for the assets included as a value in costs hydrocarbons which can be used as collateral for credit, in order to prevent losses in case of potential withdrawal by hydrocarbons agreement from Contractors. The audit conducted in AlbPetrol found violation of legality causing economic damage at 32,632,933,000 ALL.

Given the fact that the findings of this audit and other audits that ALSAI has realized in AlbPetrol and MEI remain in their entirety, very complex, both in terms of their administrative nature and economic nature, considering the fact that the realized problem concluded about the factor "R" is a matter of extending in years, taking also into consideration the fact that ALSAI has no jurisdiction to audit direct private companies operating in the hydrocarbons sector but audits on the basis of documents made available from state institutions (which in this audit has been very deficient because those were made available to us with the excuse of the confidentiality claim), ALSAI has addressed at higher state institutions such as: President, Prime Minister, Speaker of Parliament, Chairman of the Committee for Economy and Finance and the Attorney General, a more detailed information about the problems encountered, recommendations, **the immediate need of the institutional interaction and the responsibility of structures and state officials over the years.**

Given the importance of the oil sector to the national economy and national security, we have presented to the highest state structures a platform of recommendations for reforming and strengthening the state control in this sector. **We have requested that in case of reactivation of the privatization procedures of AlbPetrol or in such proceedings related procedures to the petroleum sector, responsible state authorities be sure to include in these processes, with high priority, companies with high potential and credentials professional from our country's strategic allies (especially companies with consolidated tradition in this sector, as from US, UK and Germany), as well as to assure the achievement of transparency in the bidding process by participating companies. In this way, our country will not only get economic and financial, but also political benefits.**

Also, we recommended that from the responsible structures to be foreseen the needs for professional human resources and met them for the purpose of the completion of audits within the deadlines from submitting financial statements of the

year (production), and within 3 months from submitting the filing ratio of quarterly recoverable costs (for those agreements that are in research stage). Measures to establish effective monitoring instruments for the reassessment of development target plans, technical operations and financial audits and independent professional regarding the actual costs involved in hydrocarbon activities to be put in efficiency related agreements. In any case it should be determined the level of responsibility of the individuals involved in this process in order to stop formality of the monitoring path where state interests are seen the last.

We have recommended compensation of the villagers Marinza for damage done from the eruption of the fountain, **and the re-establishment of the Scientific Institute of Petroleum** as an institute pledged to research, which support all decisions related to the development of the petroleum sector in our country and to cooperate with the Parliament and the government on the development of medium-term strategies and long-term developments in the sector, making the role of technician opponent during the negotiation of agreements, reviewing proposals and development of hydrocarbon operations. Given the importance of the sector of hydrocarbons to the economy and national security, we present to the highest state structures a platform of recommendations for reforming and strengthening the state control in this sector.

We have concluded that the State Attorney has not acted in order to prosecute the collection guarantee by “Vetro Energy PTE Ltd” after the failure of the privatization procedure of the company “AlbPetrol”, Patos in 2013. At a time when further postponement of state institutions coordination, or the creation of artificial delays it is seriously threatened, and unjustifiably the excess of proper process research deadline and collection of the guarantee of 85 million euro we recommended that the State Attorney's Office, operate in conjunction with the initiation and pursuit absolute priority for its part, the issue of security of supply collection presented by “Vetro Energy PTE Ltd” in the privatization of the company “AlbPetrol a.s.”, Patos amounted 85 million euro.

3.3 IN THE FIELD OF SOCIAL SECURITY

We found that contributor-beneficiary ratio remains deteriorated in levels **1 and 1.11**, far from indicators of a healthy insurance scheme, while the deficit of the pension branch is **high**. It is verified that between DPT, the Regional Tax Branches, Labor Inspectorate and the Regional Social Security branches have no cooperation,

coordination, exchange of information for this purpose, hence the indifference of these institutions it is created a big annual deviation in contribution to the state, a fact that brings a deepening deficit year after year in this scheme. We recommended immediate action toward increased monitoring implementation of revenue by the Institute of Social Security, as well as prepare the scenarios complement, if noted that the scheme is not responding properly to the implemented reform. Proper administration is seen as the best way to bring turnaround in this scheme that so far has been a failure and did not realize its mission. We have requested the implementation of public communications and recurrent levels of participants in the scheme associated with indicator report beneficiary/contributor, aiming publishable data and transparency to the public by analyzing the growth of participants in the scheme based on sectors of this growth so the contributors from the public, private and self-employed in agriculture, which would allow a perception of right and in time whether the scheme is recouping the number of contributors who turns out that missing if we refer to the data tier forces declared work by the Statistical Institute. We requested the analysis of the problems identified by the Regional Social Security and cooperation with local government to identify all small businesses under special areas and the possibility of determining the policies of differentiated fiscal to stimulate particularly social security contributions and health of every employee or self-employed.

3.4 HIGH EDUCATION SECTOR

Given the problems identified by the audit, assessing the role that this institution should have in setting, meeting and maintaining high standards and unifying for doctoral cycle in all public and non-public higher education in the country, we recommend setting monitoring mechanism at the Ministry, aiming at strengthening the role of this institution in the progress of the programs of the third cycle of studies, which in our opinion it should firstly be full-time study.

Also, we have requested the creation of a separate database, unified and updated data indicating the leaders, doctoral threads, which is public and accessible to all interested parties. We have recommended public control instruments associated with the identification/definition individual and institutional responsibility for the process of acquisition/approval of academic titles, aimed at regulating the full and long-term research and benchmarking/conditions to progress in academic career.

In order to improve and increase the effectiveness of the performance of public or

private institutions of higher education we have recommended to the Ministry of Education and Sports to take measures for continuous monitoring of the implementation of standards or criteria required in these higher education institutions.

3.5 ADMINISTRATION OF JOINT - STOCK COMPANY

Given the problems identified in terms of the constitution of the Supervisory Boards and their remuneration, ALSAI has recommended the Ministry of Economic Development, Trade, Tourism and Entrepreneurship to undertake the initiative regarding the amendment of Law no. 10 264, date 04.08.2010 "On the amendment to the Law no. 7926, dated 04.20.1995 "On transformation of state enterprises into commercial companies", revised.

We requested a review and revision of the regulatory framework essential to draft a new act of the Council of Ministers and the new guidance reflecting all the problems of the past 15 years because as VKM no. 642 dated 11.10.2005 as amended by VKM no. 677 dated 03.10.2007 "On the Supervisory Boards of State joint stock companies and Minister's Instruction no. 318 dated 08.04.2009 "On the appointment, operation and remuneration of the Supervisory Board in state joint stock companies" dating back before the release of Law No. 10264 date 08.04.2010.

We requested interventions in terms of defining the criteria for selection of candidates based on the fact that they are making such appointments where individuals take considerably monthly payments as bonuses but professionally and technically cannot provide the necessary expertise, therefore they receive bonuses for a work that do not offer with abusiveness impact of public funds. Besides the above, we have recommended that the review and revision of the selection criteria of appointment of members of the Supervisory Council of Joint Stock Companies aimed at determining the specific criteria in terms of qualifications, experience, experience and technical expertise to properly dispose each candidate and related to organic activity that JSC develops. The primary criterion should be the candidate field personality, appointed by State agencies that administer the state joint-stock company.

As a specific criterion for candidates should be the orientation to university professors who are experts in the field such as economic journalists etc, therefore, prominent individuals in the field and activities covered in society. In regulatory

framework for boards, commissions, councils of central government institutions and joint stock companies should be established restriction for individuals who have the status of “retired” to not be appointed members of oversight boards, commissions, councils or other collegial bodies. Exceptional cases may be only the fields of art, culture and science personalities still active.

3.6 OVER THE AUDIT OF INVESTMENTS AND PROJECTS BY FOREIGN FUNDING

During 2015, ALSAI has performed 11 audits in terms of investment and foreign funded projects.

For these audits there have been recommended a total of 166 organizational measures in order to improve the performance of projects, while the value of economic damage found in the audited entities amounts to 1,071,293,000 ALL or 7.8 million euro, an amount which is recommended for 100% reimbursement.

In the table below are listed foreign-funded projects and the respective damage found:

No.	DESCRIPTION	Value in ALL
1	Project “The new Dispatcher Center”, the system of broadcast operator	899,882,000
2	Project” Strengthening dams”	88,223,000
3	Project “Water supply in Shkodër”	29,219,000
4	Project “Management and administration of land”	24,030,000
5	Project “Agency of development of Mountain Areas, MADA”	16,955,000
6	Project “Reconstruction and development of secondary and local roads in the Municipality of Tirana”	4,751,000
7	Project “Loops lines of 110 kv”	4,251,000
8	Project “Building of Durrës Bypass”	3,982,000
9	Total	1,071,293,000

Key findings from the audit of projects and investment with foreign funding:

- State Institutions and Managing Entities have failed to coordinate and harmonize their activities to realize disbursements under the provisions set forth in Financial Arrangements, which has led to the extension of contracts of consultancy supervision, causing negative financial effects in the growth of project cost.
- Project Implementation units haven't made a plan in years for the disbursement funds (loans/credits) allocated, bringing in all the projects that are audited to be sought and extended deadline for implementation of disbursements. Thus, in all projects audited, results that it is not fulfilled the disbursements deadline in the projects: "Strengthening the security of dams", "Water supply and protect the environment of Lake Shkodra", "Line loops 110kv of southern Albania" "The construction of by-pass Durres and Vora node", "Construction of the new dispatcher center", "Improvement of sewage system for greater Tirana", "Reconstruction and development of local and secondary roads in the Municipality of Tirana", "rehabilitation of five polyclinics", "Management and administration of land" etc., the postponing deadline of disbursement is more than 4 years.
- State Institutions could not fulfill all obligations specified in the Financing Agreements regarding acquisition of land and did not commit land expropriations needed for project implementation. Actions which must be performed before the start civil works projects, so the project "Building By-pass Durres and Vora node", "Improvement of sewage system for greater Tirana", "Management and administration of land" the problem of expropriation and the law on land has brought significant delays in the project.
- It is concluded that the Units of Project Implementation haven't implemented continuous monitoring for supervision of contracts works for consulting services, resulting to the economic damage for outstanding works, poor quality, increase volumes of works and further delay the constructions without arguments in the implementation of specific components and the overall project.
- Units of Project Implementation, in some cases are not established in accordance with Financial Arrangements, there are frequent changes of NJZP staff, or changes of their structure, bringing not organized, poor supervision and monitoring of projects.
- Units of Project Implementation or Units of Project Management have shown irregularities in the implementation deadline of contracts (mainly for construction works), and do not have sought the application of penalties for contractors who have failed to fulfill the obligation of the contract within the set deadlines. When the need for extension of the projects implementation is showed up, there has not

been a detailed analysis for the reasons of the delay, the measures taken to implement projects, the determination of the new deadline, and there are not taken any responsibility for the delays caused. There is lack of action plan for the implementation of project activities.

Project Implementation Units do not manage project documentations in accordance with the internal legislation and these documents are not archived properly in compliance with the legal requirements for the archives, so it is generally concluded that the documentation is held in a foreign language what makes the audit work difficult. Technical dossier lack the correspondence held between contractors, consultants and implementers of the project, which do not contain all the necessary data in order to identify contract and applicable terms. Also, there are found deficiencies in the documentation for the procurement of technical dossier.

3.7 ON THE AUDIT OF THE ENVIRONMENTAL AUTHORITIES

For 2015, the ALSAI has exerted environmental audit in four entities in the environmental field, with the object of the audit "On the financial-economic activity and assessment of fund management in the environmental field".

The focus of the audit for environmental entities have been those subjects, which referred to their legal functions, handle the issues and supervision of environmental protection. In these institutions, the object of the audit were not only the implementation of legislation and compliance with the law on the use of budgetary funds they manage, but also an overall assessment of the performance of functional tasks for which these institutions were created and their institutional effectiveness.

- One of the main deficiencies observed is the failure of the legal obligations of inspection to complete its full cycle (inspection, control, implementation of tasks given by inspection, collection of fines imposed on offenders in terms of environmental pollution).
- Gaps have been also observed in inter-institutional cooperation and information between institutions which provide environmental permits and inspection institutions of law enforcement requirements for environmental protection and fulfillment of the conditions of environmental permits.

- We have also found gaps and deficiencies in the way and quality of information and in many cases the denial of information on environmental indicators by the institutions (Ministries and Local Government) to those environmental indicators that these institutions have a legal obligation to monitor and report, for the purpose of implementing the National Monitoring Program, with the aim of presenting the Environment Annual Report with more inclusive and real indicators.

In total, the economic damage concluded from these audits for 2015 is **ALL 9.463 thousand**, an amount which is recommended to be reimbursed 100%. A total of 105 organizational measures have been recommended for these audits.

In the table below are listed the environmental entities audited for 2015 and the respective economic damage found:

No.	Name of Entity	Value in 000 ALL
1	The National Environment Agency	2,311
2	State Inspectorate of Forest	1,998
3	Directory of Forest, Elbasan	4,362
4	Regional Branch of the State Inspectorate of Environment and Forests, Fier	792
	Total	9,463

3.8 AUDITS OF INFORMATION TECHNOLOGY

During 2015 two audits were conducted for the first time in information technology systems.

- Information technology audit in Pharmaceuticals and Medical Devices Agency;
- Information technology audit in the Public Procurement Agency.

In addition to the above several audits were also conducted using CAAT techniques and information visualization.

The audit performed in Pharmaceuticals and Medical Devices Agency was a Pilot Audit supported by the INTOSAI Development Initiative (IDI) conducted after the one year online training.

No	FINDING	IMPACT
1.	Measures taken by the PPA to ensure the business continuity plan (BCP) and Disaster Recovery Plan (DRP) are insufficient. APP does not comply with Change Management Policy.	Service interruption, loss of information and confidentiality.
2.	In the organizational structure and operational tasks of the Agency staff, the function that ensures system security and information protection of the integrity of the data available has not been adjusted.	Abuse of information assets, threatening the integrity of procurement data, the risk of unauthorized access to data.
3.	PPA does not have sufficient policies of human resources development.	The lack or inadequacy of policy of the development of human resources constitutes a threat to security in the field of information technology.
4.	Policies on tracks (logs) of Procurement System are not implemented.	Risk of unauthorized access to data security threat in the field of information technology and lack of transparency.
5.	Keeping and manual synchronization of time (hour) of the Procurement System.	It does not guarantee the necessary transparency to procurement procedures.

These findings have been accepted by the entity which started their implementation in cooperation with the World Bank which has approved the project for investments in the procurement system (WB project FOR PPA).

3.8.1 VISUALISATION OF INFORMATION, AN AUDIT TECHNIQUE OF ALSAI

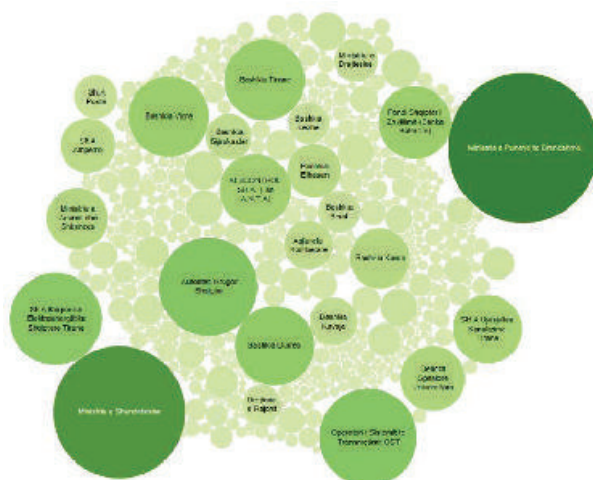
Using visualization techniques in audit is today a reality dictated not only by the large amount of information that is increasingly surrounding the audit environments but also for the added values it offers to it.

Techniques for **Interactive Data Analysis** included every area of life and no doubt that of the audit.

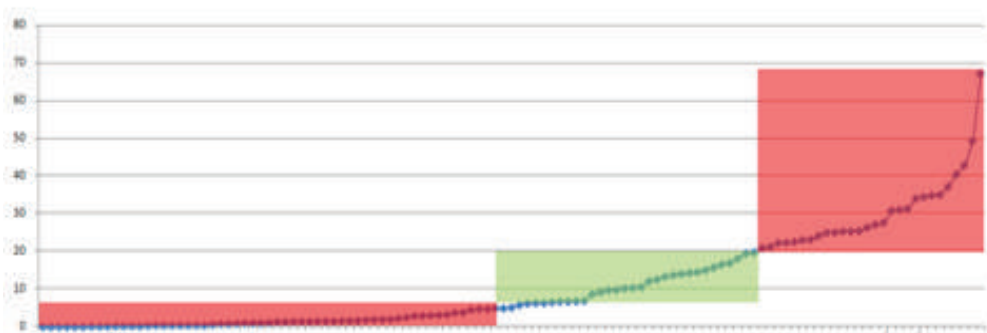
ALSAI in implementing the recommendations of the Symposium on Information Technology held in March 2014 on the occasion of the 300th anniversary of the Court of Audit of Germany as well as IX EUROSAl Congress held in June 2014 in The Hague, for the implementation of Innovative Techniques in Audit through their visualization is investing in **human resource** development and visualization and analysis tool.

During 2015, for the first time in ALSAI was used Interactive Risk Analysis in audit.

These methods were used in the identification of risk areas on public procurement and will be extended to other areas of the audit in 2016.



Visualized view of public procurement in 2014.



The effectiveness of procurement in the case of procurement obtained from consortium of economic operators

Using these methods will serve in risk analysis that ALSAI performs in audits planning and in detecting areas where public interests require legislative improvements to use effectively, efficiently and economically the public funds and human resources.

4. RECOMMENDATIONS ADDRESSED AND THEIR IMPLEMENTATION

One of the key indicators of audit performance is the level of implementation of recommendations. In reference to international audit standards the pursuit of implementation of the recommendations is one of the main objectives of the activity of Supreme Audit Institutions.

In our audit work, we intended that the recommendations have a significant impact on improving the situation of the audited entities to better administer the funds, in order to increase the good governance.

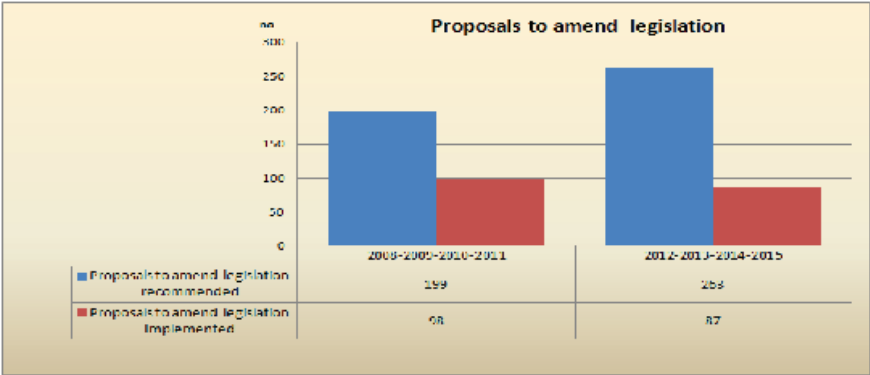
The following table provides recommendations addressed to subjects during the period 2013-2015.

No.	Type of Measure	2013	2014	2015
1	Proposals to change legislation	82	88	35
2	Organizational Measures	2,003	2,603	2,510
3	Administrative measures	236	302	276
4	Disciplinary Measures	925	1,135	1,314
	TOTAL (1 - 4)	3246	4,128	4,135
6	Redress Measures 000/ALL	15,077,225	11,085,084	58,703,079
7	Criminal Charges			
7.a	<i>Criminal Charges – no.</i>	38	41	51
7.b	<i>Criminal Charges - persons</i>	94	149	159
7.c	<i>Criminal charges 000/ALL</i>	1 166 061	5 069 494	85 837 736

4.1. RECOMMENDATIONS FOR IMPROVEMENT OR AMENDMENTS OF LEGISLATION

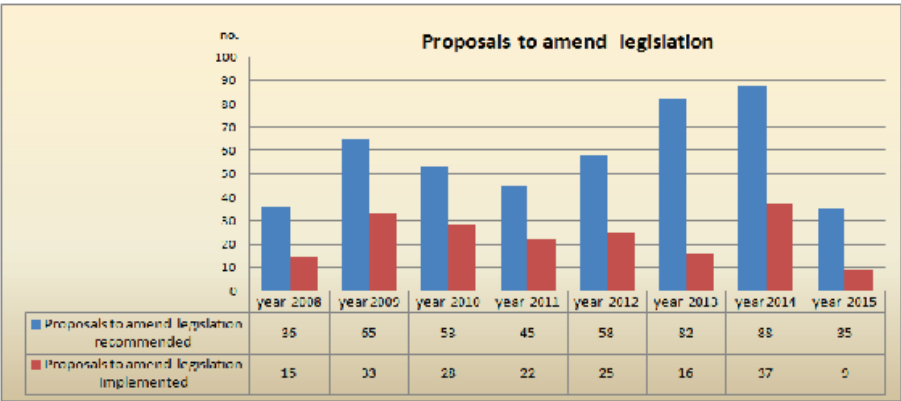
During 2015, a total of 35 proposals were recommended for amendment of legislation.

Comparative analysis shows that the number of recommendations addressed during the four year period 2012-2015 is about 25% greater than the number of recommendations made in the four year period from 2008 to 2011. We also noticed a decrease in the implementation of recommendations during the four-year period 2012-2015.



The spectrum of proposals recommended by ALSAI is very wide including **constitutional amendments**, amendments to the basic laws and amendments to the Decisions of the Council of Ministers or other regulatory acts.

The dynamics of indicators of the recommendations proposed and implemented for the amendment of legislation, annually, for 2008-2015 is presented as follows:



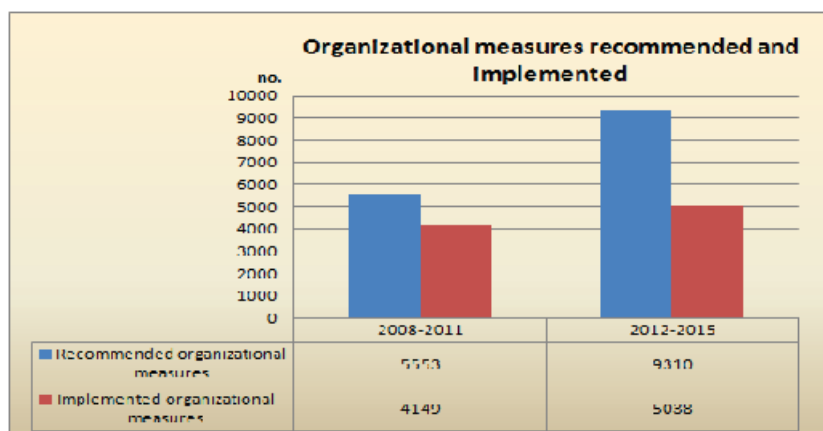
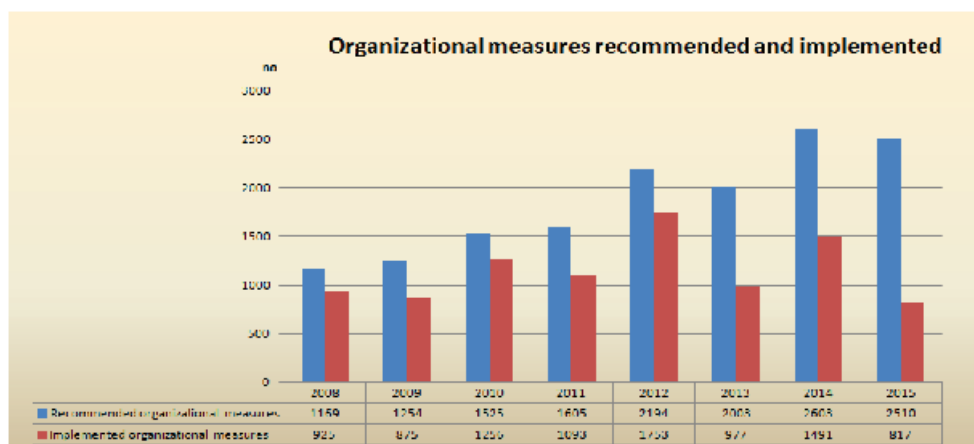
4.2 ORGANIZATIONAL RECOMMENDATIONS

Recommendations for organizational amendments take special importance given the very preventive nature that they have. Measures proposed to organizational amendments in the audited entities not only aimed at correcting cases of efficient malfunctioning of rules and controls but rather aimed at developing and improving the future.

During the year 2015, ALSAI has proposed 2510 recommendations aimed at improving the organizational systems of audited entities.

From 2510 recommended measures a total of 817 of them are fully implemented, 335 of them are partially implemented and 529 of them are in the process of implementation.

Regarding the measures recommended for the period 2012-2015, ALSAI has recommended about 40% measures more than the four-year period from 2008 to 2011.



4.3 RECOMMENDATIONS FOR ADMINISTRATIVE AND DISCIPLINARY MEASURES

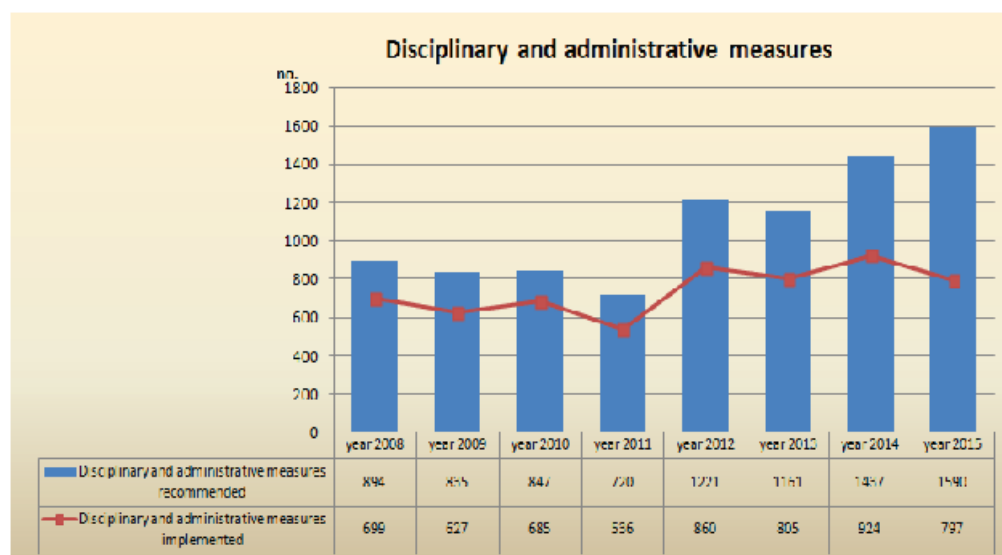
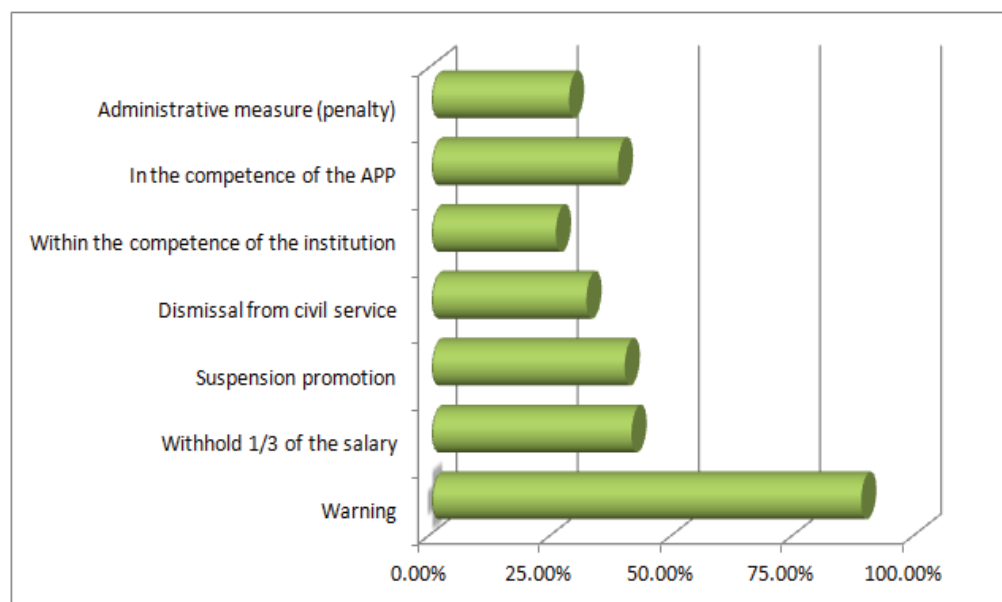
For the shortcomings and violations for each entity audited, ALSAI has asked the respective bodies to undertake **1590** disciplinary and administrative measures, according to their type and implementation, based on official announcements of the respective institutions and verification of their implementation in audited entities.

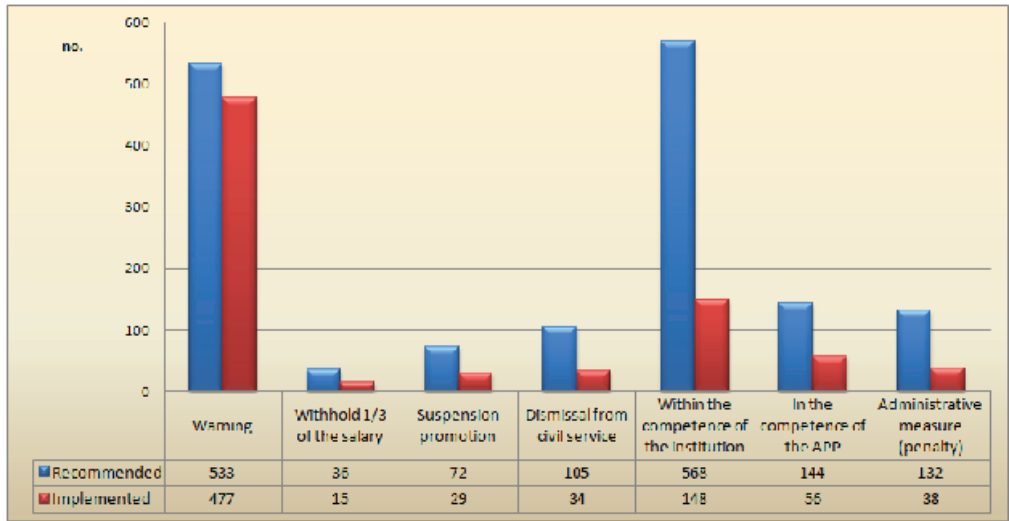
It is concluded a relatively low level of implementation of recommendations at 50%. With the exception of disciplinary action "warning" all other measures have resulted under the 50% of implementation. The lowest level is found in the measures within the competence of the institution at 26%, and in administrative measure at 28.7%.

The level of implementation of the measures "Dismissal from civil service" appears to be very low, at around 32% of the implementation of the measures recommended, and even lower is the indicator for high-level officials.

The current state of implementation					
No.	Type of measure	Total proposed	Implemented	Unanswerable	% of realization
1	Warning	533	477	56	89
2	Withhold 1/3 of the salary	36	15	21	41.6
3	Suspension promotion	72	29	43	40.2
4	Dismissal from civil service	105	34	71	32.3
5	Within the competence of the institution	568	148	420	26
6	In the competence of the APP	144	56	88	38.8
7	Administrative measure (penalty)	132	38	94	28.7
	TOTAL	1590	797	793	50.1

In the graph below, are illustrated the percentage of implementation of disciplinary measures according to type of action, where it has been noticed that "Warning" measures have the highest implementation indicator.





More specifically, for 2014 and 2015, administrative and disciplinary measures appear as follows:

Comparing the data with 2014, where the level of implementation of disciplinary and administrative measures have been around 64%, and for 2015 is about 50%, a much lower level results in the implementation of these measures. This shows that the top executives of institutions are not reacting properly to punish institutional infringements.

Notwithstanding the foregoing, we are determined to continuously and legally seek the implementation of our recommendations, particularly the implementation of these recommendations against the middle or top managers, incompetent or corrupted managers of public audited bodies, thus contributing in reducing the culture of impunity in public administration. This essential requirement to achieve an acceptable standard of good governance, imposes the necessity of having a strong and constant institutional will, not to tolerate any corruption, regardless of where it occurs or the extent of his degree.

Over the four recent years, the Supreme Audit Institution has consistently shown its willingness and contribution to institutional strengthening of the culture of impunity, particularly against senior officials of the state administration, flagrant violators of law and skeptical of the existence of punitive force of the state, where senior officials of the state administration have been included in the significant number of our recommendations for disciplinary measures, removal from office as well as making criminal charges.

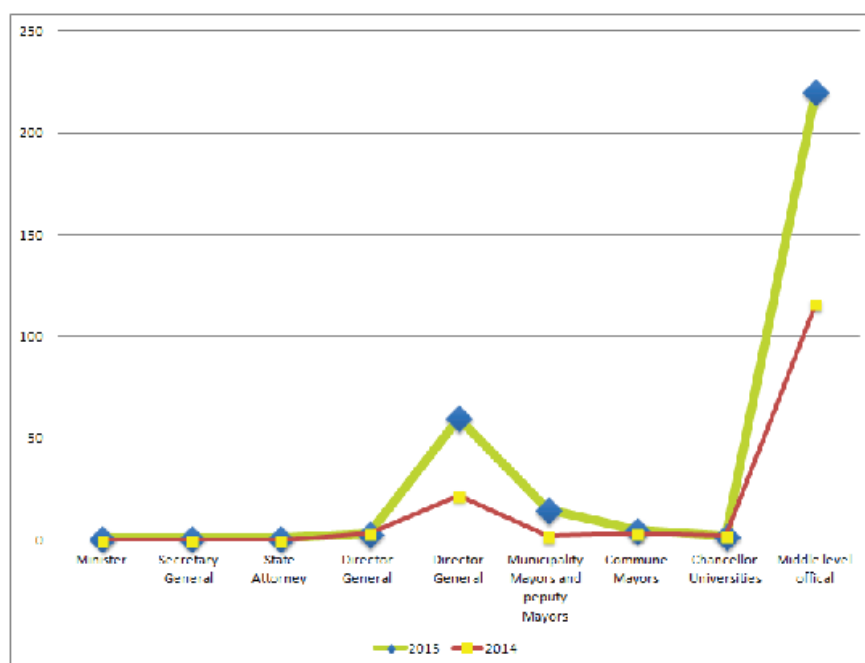
4.4 CRIMINAL CHARGES

A number of deliberate violations of the legal provisions and regulations into force, by a considerable number of public officials and former public officials of the state administration at all levels, have been found in audits conducted during 2015, resulting not only in causing economic and financial damage to the state budget, but also other damage to the legitimate interests of the Albanian state, for which ALSAI have submitted the corresponding criminal charges to the prosecution office.

The total number of criminal charges in 2015 was 51 criminal charges for 159 individuals, of which:

- 1 Minister;
- 1 State Attorney General;
- 1 Ministry Secretary General;
- 38 Director of Directorates;
- 13 Municipality Mayors;
- 2 Commune Mayors.

The trend of criminal charges under management levels for 2014-2015 appears to be as follows:



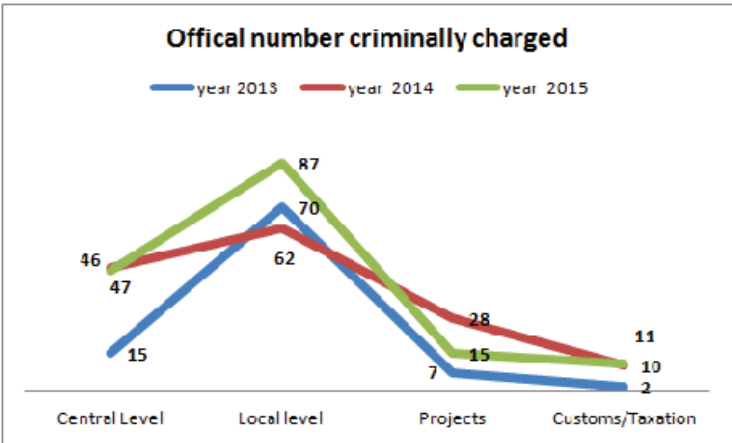
While referring to criminal offenses committed during 2014, ALSAI made 41 criminal charges in prosecution for 149 people, of which:

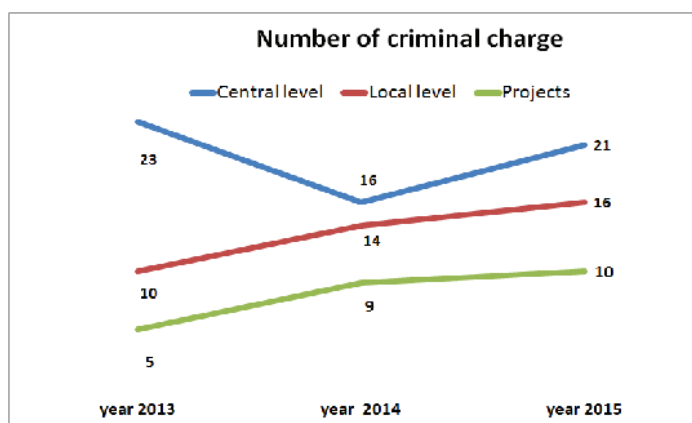
- 3 Director General;
- 22 Directorate Director;
- 2 University Chancellor;
- 3 Commune Mayors;
- 1 Deputy/Mayor;
- 1 Chairman of the municipally Council.

In detail, according to the audit departments, criminal reports submitted:

Audit Department	2013		2014		2015	
	The number of charges	The number of persons reported	The number of charges	The number of persons reported	The number of charges	The number of persons reported
Central Institutions	10	15	14	47	16	46
Local level institutions	23	70	16	62	21	87
Joint ventures and foreign-funded projects	5	7	9	29	10	15
Customs/Taxation	2	2	2	10	4	11
Total	38	94	41	149	51	159

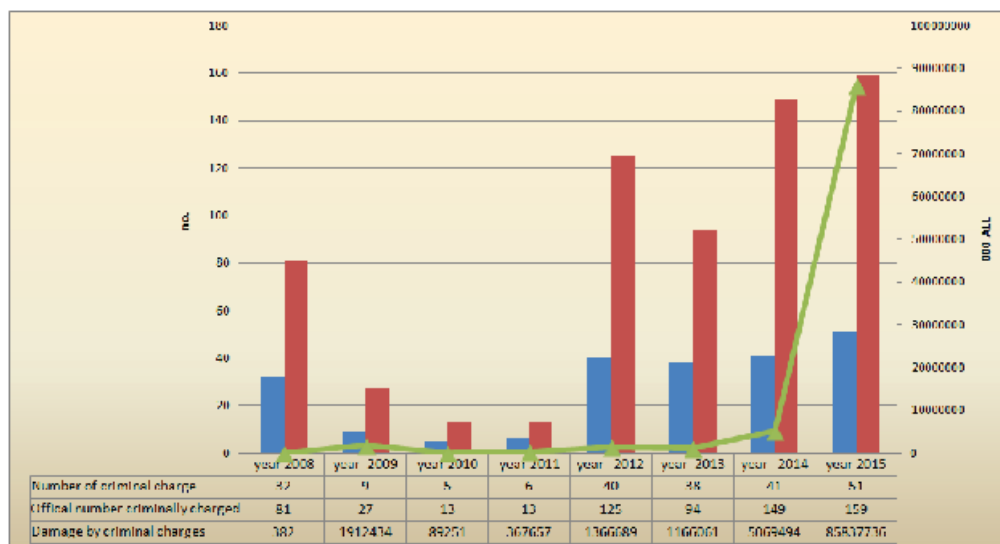
As indicated by the graphs, there is an increase in criminal charges, both in audits of the institutions of the central level and in local levels. Increase appears both in number of cases and in the number of persons reported.





For 2015, the **economic damage** caused to the budget as a result of the violations addressed in these criminal charges totals **ALL 85,837,736** from **ALL 5,069,494** that was in **2014**, and **ALL 1,166,061** in **2013**.

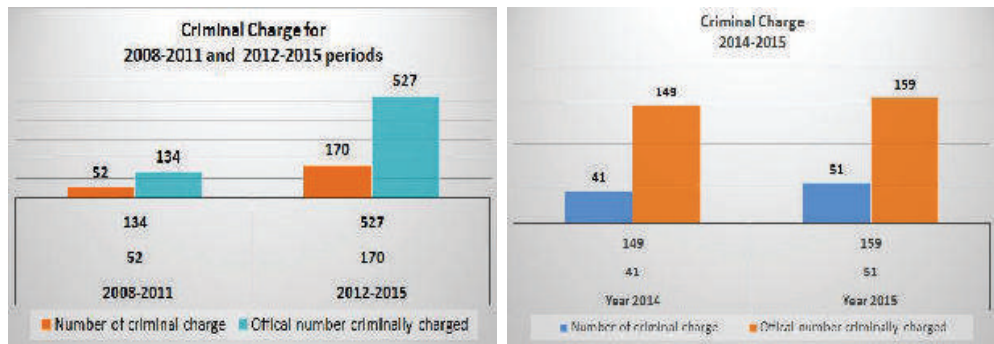
The number of criminal charges/criminally reported individuals/damage caused for the years 2008-2015:



What is worth mentioning for 2015 is the increase in the quality of the preparation of the criminal charges files, a fact that has shortened the time of preparation of criminal charges. Comparing the number of criminal charges carried out in 2008-2011 with those carried out in 2012-2015, it results that they increased by 3.2 times.

Results of auditing activity in 2015

According to the group of years 2008-2011 and 2012-2015 number of criminal charges / criminally reported individuals appears to be as follows:



In detail, criminal charges for 2015 were as follows:

No		Subject	No. Pers.	Offense	Damage at 000/ALL
	Municipality:				
1	10	Memaliaj	2	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions".	5,035
2		Fier	4	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions".	36,137
3		Rrëshen	4	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions".	726
4		Pogradec	6	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions".	7,981
5		Kucovë, County Berat	5	Article 248 of the Criminal Code "Abuse of office"	9,847

No		Subject	No. Pers.	Offense	Damage at 000/ALL
6		Kavaja	7	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	9,605
7		Kavaja	5	Article 248 of the Criminal Code "Abuse of Office	
8		Kavaja		To be estimated	
9		Kukës	3	Article 248 of the Criminal Code "Abuse of Office	
10		Patos	4	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	903
Municipality					
11	5	Armen, Vlora	1	Article 248 of the Criminal Code "Abuse of Office	6,177
12		Perondi, County Berat	7	Article 248 and Article 258 of the Criminal Code, “Abuse of office”, and Violation of equality of participants in public tenders or auctions	14,340
13		Gryk-Çajë, Kukës	3	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	18,256
14		Novosela	3	Article 248 and Article 258 of the Criminal Code, “Abuse of office”, and Violation of equality of participants in public tenders or auctions	
15		Velipoja	10	Article 248 of the Criminal Code "Abuse of Office "	
16	4	Customs Tirana	2	Article 248 of the Criminal Code "Abuse of Office	
17		DPD	6	Article 248 of the Criminal Code	152,405

No		Subject	No. Pers.	Offense	Damage at 000/ALL
		Berat		"Abuse of Office	
18		DPD Tirana	1	To be estimated	
19		DRT Berat	3	Article 248 and Article 181/a of the Criminal Code, "Abuse of office" and "Dereliction of duty by the tax authorities"	
	Central Institutions				
20	7	Ministry Education and Sports	2	Article 248 and Article 258 of the Criminal Code, “Abuse of office”, and Violation of equality of participants in public tenders or auctions	78,745
21		Ministry Education and Sports	1	Article 248 of the Criminal Code "Abuse of Office "	29,275
22		Ministry interior	12	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	42,137
23		Ministry interior		To be estimated	
24		Ministry of protection	7	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	30,800
25		Ministry of protection	5	Article 248 of the Criminal Code "Abuse of Office	89,571
26		MEI/ASH Tirana	2	Article 248 of the Criminal Code "Abuse of Office	67,060,000
27	5	KESH Project “Strengthening dams”	1	Article 248 of the Criminal Code "Abuse of Office	85,396
28		OSHEE Tiranë	3	Article 248 of the Criminal Code "Abuse of Office	5,532,546

No		Subject	No. Pers.	Offense	Damage at 000/ALL
29		OST Tiranë	2	Article 248 of the Criminal Code "Abuse of Office	868,711
30		AlbPetrol Fier	1	Article 248 and Article 258 of the Criminal Code, “Abuse of office”, and Violation of equality of participants in public tenders or auctions	
31		AKBN Tiranë	1	To be estimated	11,503,500
32	6	ZVRPP Saranda	3	Article 248 of the Criminal Code "Abuse of Office	6,242
33		ZVRPP Elbasan	4	Article 248 of the Criminal Code "Abuse of Office	
34		ZVRPP Pogradec	5	Article 248 of the Criminal Code "Abuse of Office	
35		ZVRPP Fier	5	Article 248 of the Criminal Code "Abuse of Office	101,125
36		ALUIZNI Korçë	3	Article 248 of the Criminal Code "Abuse of Office	1,485
37		ALUIZNI Fier	3	Article 248 of the Criminal Code "Abuse of Office	
38	14	FSDKSH Tirana	4	Article 248 of the Criminal Code "Abuse of Office	30,710
39		ISSH Tirana	3	Article 248 of the Criminal Code "Abuse of Office	544
40		Directory of Foreign Service		To be estimated	
41		POSTA a.s. Tirana	1	Article 248 and Article 164 of the Criminal Code "Abuse of office" and “Abuse of powers”.	
42		POSTA a.s. Tirana	1	Article 248 of the Criminal Code "Abuse of Office	

No		Subject	No. Pers.	Offense	Damage at 000/ALL
43		QKR Tirana	2	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	8,208
44		QSUT Tirana	3	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	10,803
45		University Student Residence Tirana	2	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions	16,452
46		Printing presses Securities	1	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	43,172
47		Hospital Durrës	2	Article 258 of the Criminal Code "Violation of equality of participants in public tenders or auctions".	3,390
48		Water supply Korça	1	Article 248 of the Criminal Code "Abuse of Office	
49		AKK BARNAVE		To be estimated	
50		AKT Tirana	1	Article 248 and Article 258 of the Criminal Code, "Abuse of office", and Violation of equality of participants in public tenders or auctions "	15,533
51		ALBAFILM a.s Tirana	3	Article 248 and article 186 of the Criminal Code "Abuse of office" and "Forgery of documents".	17,976
		Charges	Persons		85,837,736

4.5 ALSAI'S CONTRIBUTION IN FIGHTING CORRUPTION

The fight against corruption, in which the ALSAI and other state institutions must engage, is a continuously war without compromise to any institution or officer, based on expectations of the wider public opinion about our work in this regard.

This necessary requirement, to achieve an acceptable standard of good governance, imposes the necessity of having a strong and constant willingness of institutional intolerance of any corruption case where it is displayed regardless of the level or the extent of its degree.

During the last three years, Albanian Supreme Audit Institution has steadily shown this willingness and contribution to fight the culture of impunity, particularly against senior officials of the state administration. In this regard we have made a considerable number of recommendations for disciplinary measures, removal from office as well as making criminal charges.

Given the degree of implementation of the Order of the Prime Minister Sali Berisha, no. 70, dated 18.04.2006 "On measures to implement the recommendations of the Supreme State Audit, Internal Audit and Internal Control Administrative Department and Anti-Corruption Council of Ministers, in institutions under the Prime Minister or Ministers" and the results it has been able to produce so far in practice, for the actual conditions of the state administration and the level of corruption perceived and found widely, it is required the renewal of this order.

Consequently, the ALSAI stands still in proposing **a renewal of this order by the Council of Ministers** or redesigning its full form, which will be appreciated not only as a further step in the fight against corruption but it would serve as a constructive instrument for optimizing the results of the audit activity of ALSAI.

Regarding the fight against corruption, the ALSAI has strictly complied its institutional obligations and commitments as the highest independent external audit in the Republic of Albania, as sanctioned in its organic Law no. 154/2014 "On organization and functioning of the Supreme Audit Institution"¹ and ALSAI's

¹ Article 15 / f of Law no. 154/2014, states: "The Supreme Audit Institution, as appropriate, at the beginning, during and / or at the end of the activity, should be directed to the prosecuting authorities in cases where further tracking of findings from the audit is their responsibility".

Strategic Plan 2013-2017 (Revised)², which it is in full compliance with the INTOSAI Strategic Plan 2011-2016³.

For the period January-December 2015 ALSAI has filed to the prosecution 51 criminal charges for 159 people, officials and former officials of the state administration at all levels, including the current Minister of Energy and Industry and the State Attorney.

Referring to criminal charges filed by the ALSAI in these charges, most of them belonging to the offenses of "Abuse of office" provided by Article 248 of the Criminal Code (57% of criminal charges) and "Violation of equality of participants in tenders or public auctions" provided by Article 258 of the criminal Code (43% of criminal charges).

In violations found by ALSAI during audits, which are forwarded afterwards to the prosecution office in the form of criminal charges, the ALSAI identifies and argues mainly the existence of the elements of the criminal offense of "abuse of office", "Violation of equality of participants in public tenders or auctions", "forgery", etc.

Besides ALSAI commitment, as the supreme audit institution in the fight against corruption, there are two main problems that trouble and in some way inhibit the achievement of concrete results in the fight against corruption: 1) Failure to implement the recommendations of the ALSAI from state institutions, particularly regarding disciplinary removal from office of officials and senior ones, for which ALSAI has found a number of serious infractions in execution of their functional duties, by filing at the prosecution concrete criminal charges; 2) The current effort and deliberate tendency of various political forces to label some of the ALSAI audits as political audits.

²ALSAI's Strategic Plan 2013-2017 (Revised), in its fifth objective "Increasing the contribution of ALSAI in the good governance, through the fight against corruption", states: "The institution will impose more emphasis on the analysis of risks and vulnerabilities of systems audits, aiming at reducing these risks and the effective prevention of corruption, based on the standard 1240, which clearly defines the role of SAls. ALSAI would continue to play an effective role in strengthening good governance, enforcement of ethical standards, as well as raising awareness of the risk of fraud and corruption. *The main function of the ALSAI in this war is fostering a deterrent environment against fraud and corruption, including financial management systems, assessment of internal audit systems, as well as identifying and correcting deficiencies*".

³The INTOSAI Strategic Plan 2011-2016, in support of the four goals of the Strategic Plan of INTOSAI (professional standards, institutional capacity, knowledge sharing and creation of a model as an international organization), has identified six strategic priorities to assist it in its work in the coming years, where the fifth priority concerns the "furtherance of the fight against corruption".

In relation to the first issue, particularly regarding disciplinary measures of removal from office of officials and senior state executives found with serious violations by audits of ALSAI, it is worth mentioning that ALSAI has asked the Prime Minister of Albania⁴ to take all necessary institutional measures to maintain a legal clear and argued position towards the recommendations of the ALSAI, which are not being implemented by the institutions under the jurisdiction of the Council of Ministers. At the same time, we forwarded a summarized list of 18 senior executives of the state administration who still remained in their official positions, despite the violations found and reported by ALSAI audit reports (these forwarded to the Parliament and its relevant Committees as well), despite criminal charges that ALSAI sent to the Prosecutor's Office concerning these officials and despite clear recommendations that ALSAI has addressed to the relevant institutions for their immediate removal from their official positions.

Despite the fact that the state institutions implemented about 60% of the recommendations made by ALSAI, there is a relatively low level, around 50%, in terms of implementation of recommendations regarding the disciplinary administrative measures, where it is worth mentioning the fact that some of state institutions pose no legal argumentation regarding the reason for the failure to implement them, especially with regard to the removal from office of senior state executives found with serious violations by ALSAI audits and for whom ALSAI has submitted criminal charges to the Prosecutor.

The level of performance of 32% of disciplinary measures "for removal from the civil service" of employees of public administration recommended by ALSAI clearly proves as argued above.

Regarding the second issue, that of deliberate politicization of ALSAI audits, although this is not the only case in the world where political factor tends to politicize the work of an supreme and independent audit institution, it should be noted that the attack which is made to independent state institutions is the best defense conducted towards corruption.

It is worth mentioning that ALSAI, in all cases of election campaigns in recent years (central or local), has suspended the development of certain audits, issuance of

⁴ALSAI's document no. 739, dated 31.07.2015 addressed to the Prime Minister of the Republic of Albania "On the implementation of audit recommendations and institutional cooperation against anti-culture of impunity,".

press releases on the results of audits, as well as following-up specific criminal charges at the organ of prosecution, with the aim to not involve the institution in political election processes.

According to international audit standards, ALSAI does not engage in policy making policy but audits implementation. For this, the ALSAI has asked Albanian Parliament and the respective parliamentary political forces the organization of a special parliamentary session, in which ALSAI would explain not only Parliament but also the general public about the findings and the issues found in its audits.⁵

In good spirit and institutional efforts to contribute and cooperate closely in the fight against corruption, the ALSAI has maintained over the years a very positive and supportive attitude towards institutional report with the Prosecutor's Office. Thus, the ALSAI has asked the Prosecutor body⁶ to design and update accurate statistics from this institution regarding the situation in which criminal reports submitted by ALSAI are situated, and the establishment of a joint working group at an expert level between our two institutions to analyze cases of dismissal or initiating prosecutions by the prosecution, to conclude subsequently in an argued list of issues, which will be forwarded as a recommendation to the General Prosecutor, to reopen the investigations.

As above we found the full support of the Prosecutor General who always supported us in our work.

5. AUDIT OF PERFORMANCE IN ALSAI

Performance audit in the span of four years 2012-2015, has become one of the pillars of development and modernization of ALSAI. The institution is facing every day a strong challenge to focus its work on performance audit. The biggest challenge for this type of audit is that it should not be implemented simply as a procedure, but must be conceived as a philosophy of thinking and acting by the

⁵ALSAI documents no. 118/14 dated 17.10.2015 and no. 118/15 dated 18.10.2015, addressed to the President of the Assembly, Chairmen of parliamentary groups and the Chairman of the Economic and Financial Committee in Parliament.

⁶ALSAI's document no. 747, dated 31.07.2015, addressed to the Prosecutor General "On revaluation of criminal charges filed by SSA".

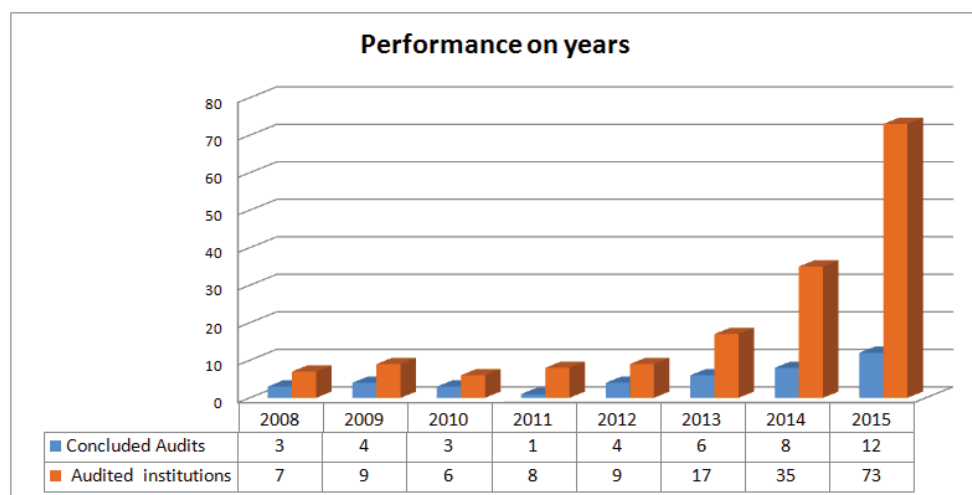
entire staff of ALSAI. A philosophy that considers that the audit is not an aim in itself, but primarily a prevention, correction and counseling instrument for the audited institution.

Areas where audit activity is focused for the period 2012-2015:

1. Government reforms;
2. Projects and socio-economic services,
3. Infrastructure projects,
4. Environmental and energy projects;
5. Projects and social-cultural services.

During 2015, the ALSAI has conducted a total of 12 performance audits.

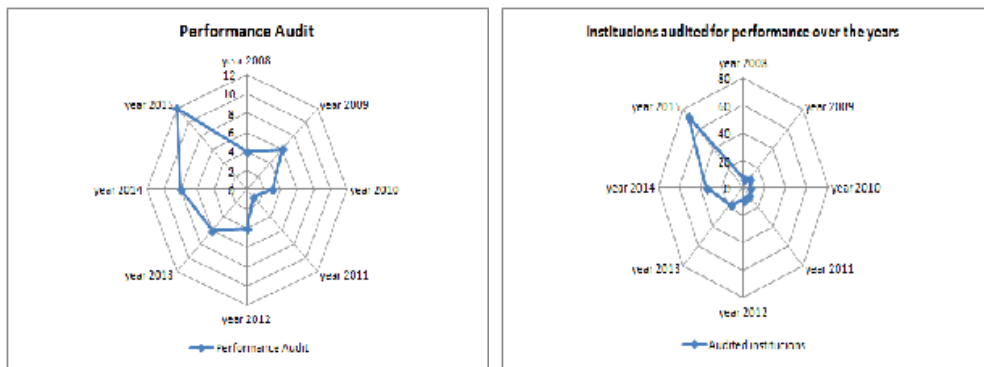
The progress of performance audits has increased, both in terms of quality as well as quantity.



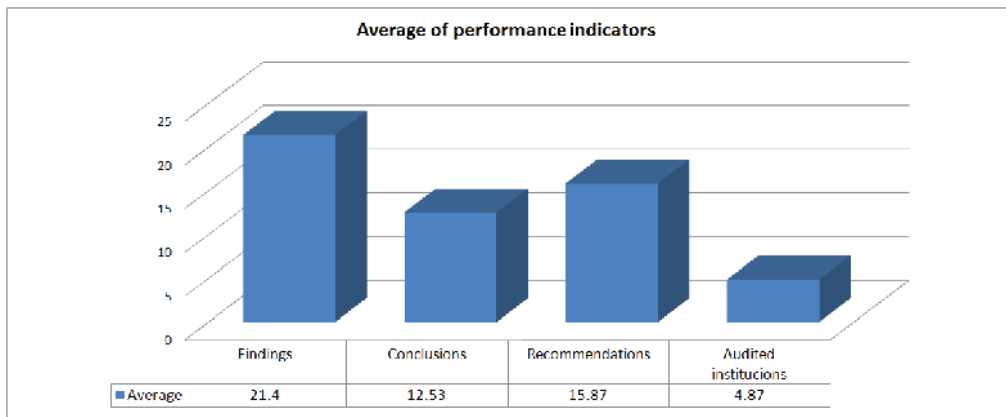
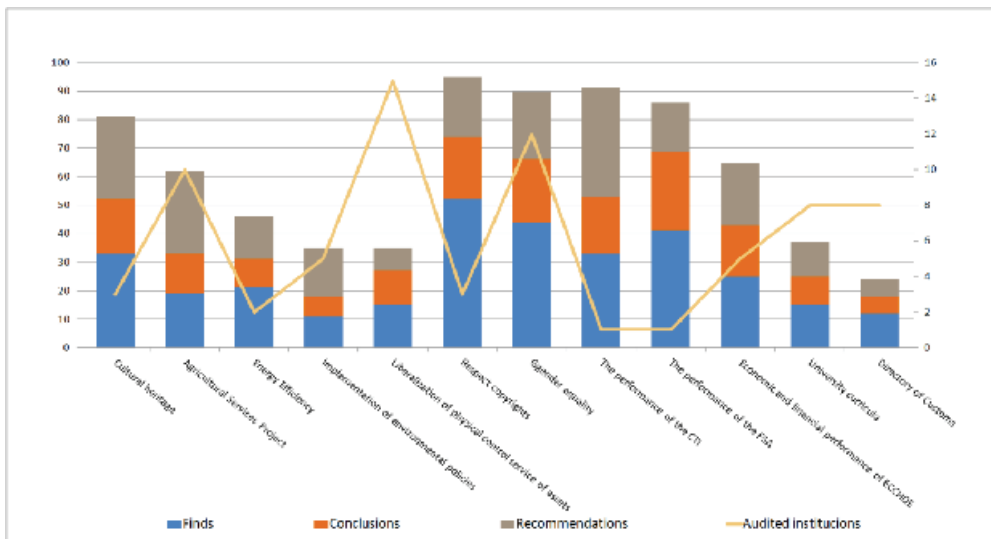
From a comparison between the periods 2008-2011 and 2012-2015 it is concluded that during the period of 4 years from 2012 to 2015 the number of audits has tripled while the number of institutions audited quadrupled.

For the period 2018-2011, performance audits are conducted as pilot audits (not fully consolidated) in the framework of a twinning project with the Dutch SAI and under their direction. It is noticed a growing trend in the performance of audits as well as audit entities resulting in a tripling of the number of audits in 2015 versus 2012.

Results of auditing activity in 2015



Throughout 2015 the following audits were conducted and after the completion of the audits and ALSAI has addressed the main messages.



1. Implementation of environmental policies

The audit context: Although the structure of the environment in Albania has well-organized institutions, environmental issues are not phenomena that can be easily obtained or even worse, can be unnoticed. As we have dozens of hotspots documented and undocumented, inherited from the communist system, we also have dozens of hot spots or other environmental problems created by these polluting industries the last twenty years. Although some improvements have been noted in landfills and wastewater treatment, progress has generally been minimal and in some places are observed regression, featuring a dangerous trend for the environment and achieving environmental criteria of the EU. Destruction of natural parks, pollution of rivers and seas, soil pollution, deforestation and the rapid extinction of biodiversity and ecosystems may be irreversible, if it continues at the current pace and may result in a serious risk to life and population in the long run, as well as a barrier to successful integration of Albania into European structures.

Audit Message: Although the Ministry of Environment has drafted legislative framework aligned with the requirements of the scope of the EU, it has not fully implemented the relevant legal acts, mainly concerning the Directive on Environmental Impact Assessment and Environmental Crime. Apart from the above, the lack of enforcement of environmental legislation remains a considerable issue with negative impacts on air quality, due to the climate of impunity of environmental crime.

The performance of institutions and officials responsible for monitoring and controlling air quality is low also because of lack of funds, the mismatch of demand of the workplace with their professional preparation and consequently low level of legal consciousness to provide legal solutions to environmental problems.

As a result, taxpayers and public opinion even though enjoy the constitutional right to be informed on the state of the environment in which we live, are informed and consulted in an incomplete manner on these issues.

2. Agricultural Services Project

The audit context: The external audit (by ALSAI) of specific projects and on issues mainly of financial character has been a characteristic until now, with detached elements of performance, only for the period of project implementation, since its launch until its end. For this project with foreign financing and others within and

outside the ministry, it remains vital determining the performance of the Project implementation with foreign funding, as well as the impact after its completion, in view of increasing the effectiveness and successful resolution of relevant issues.

The audit message: Agricultural Services Project 2003 - 2009 has partially achieved its objectives for agricultural development and poverty reduction of the rural population since, it did not provide the expected development of the seed sector; failed to consolidate and simplify the procedures of agricultural land market; improved agricultural marketing process only in two areas from 6 involved in the project; the transfer of knowledge and agricultural technologies has been fragmented and inconsistent, all these as a result of weak monitoring by the inability of Project Implementation Unit, as well as the impacts of these investments after project completion had been at low levels due to lack of monitoring facilities by the beneficiary institutions.

3. Cultural heritage

The audit context: In principle, the protection of Cultural heritage (CH) represents a public action. For this reason, the decisions taken in this field should be accepted as actions in favor of the public and society. Acknowledgment of some rules is necessary to ensure the protection of CH against private interests. Commercial and construction activities are allowed in violation of the rules, which resulted in the destruction of protected archaeological sites and monuments. Maintenance of archaeological museums is deteriorating because of the lack of funds. The pursuit of unlawful interference in centers and areas of CH and in areas with archaeological potential has been insufficient, this also due to the lack of interagency cooperation and cooperation over the years and maintaining the relations with local government, without which the maintenance and the protection of CH is impossible.

This situation has come as a result of the lack of a strategy and formulating clear objectives and priorities in protecting CH. Protection and preservation of CH assumes the establishment of ethical principles, supported by normative instruments and reinforced by collective responsibility of stakeholders.

The audit message: Very little has been done by the responsible institutions in adopting policies and continuous monitoring of processes for the Protection of the

Archaeological Heritage and the Monumental Heritage, wealth of generations, as our major obligation towards the past and the future.

4. Energy Efficiency

This audit was conducted in cooperation with the Swedish National Audit Office and parallel with the Republic of Kosovo, Bosnia-Herzegovina and Montenegro.

The audit context: The most important problems that the future economic development of the country and the energy sector in particular currently face and will continue to face, are the increase in energy consumption per capita and maintaining at the same time a relatively low level of the intensity of energy, which requires the promotion of an efficient and competitive economy.

Energy intensity in Albania is considered high compared with countries in the region, therefore, the energy sector in Albania will continue to face two major challenges: (i) maintaining this intensity at a moderate level, and (ii) increase energy consumption per capita, due to trends for improvement of living conditions.

The audit message: Although the country has not fully committed approximation of legislation as required by the EU and has drafted the Draft National Action Plan for Renewable Resources and Energy Efficiency, it has failed to improve the sustainability of electricity supply, as: National Energy Strategy has not been monitored and implemented by the respective scenarios; The National Action Plan for more than three years has not been adopted yet; Law on renewable still continues to be in updating process even after more than two years without other bylaws; as well as public initiatives in this field have been missing due to the poor performance of MEI and AKBN by lack of budget funding and allocation of administrative competence duplication within and between them.

5. Liberalization of physical control service of assets

The audit context: In National Strategy for Road Safety 2011-2020, road safety as a right and a responsibility for all, inter alia, is stated that: "Spending on road safety should be seen as a high priority and as an investment, but not a cost, so we all need to work together to resolve this urgent issue. Road safety is everyone's responsibility and everyone must see what we ourselves can do to influence our families, friends and co-workers to adopt safe ways of conduct on road safety".

The reforms undertaken to privatize the very important sectors for the economy of the country, where one of them has been even the control service of road transport vehicles, require adaptation to the new directive of the EU concerning the new rules on concessions, which requires the application of the principle of transparency and determining the criteria "the tender with the best economic advantage".

The audit message: Albanian government must promote an action plan in the field of technical inspection service of tools, improving the functioning of the internal market by promoting safe services, with the aim of providing a new approach in the service of citizens.

6. Respect copyrights

The audit context: Given the continuous disturbance of composers, scriptwriters, textbook authors, interpreters, executors and producers for infringement, use and exploitation of works without their consent, without rewarding them and against the law, as well as due to the limited knowledge that users of copyright have, ALSAI has planned to conduct a performance audit concerning copyright in Albanian music and cinematography.

The audit message: Despite a detailed plan, an integral part of the National Strategy for Industrial and Intellectual Property 2010- 2015, aimed at substantially improving the respect of copyright, the delay in the adoption of a law which would reflect global and European best practices and the lack of coordination of actions of the institutions charged with monitoring the observance of this right, has resulted in low respect the rights of authors/interpreters in music and cinematography.

7. The effectiveness of the national strategy for gender equality

The audit context: Social problem that attracted our attention are the cases of domestic violence and particularly those based on gender, which are often highlighted in the media. Consistently, we observe that in the cases of domestic violence victims are women. Another feature of this phenomenon is the fact that most of the cases come from rural families or family environments where education level is low or absent. But there are cases when the so-called "intellectual" families, with well-educated individuals, faced with the phenomenon of domestic violence. The role of man is the Almighty of the family of whom depend all other family members both in economic as well as social view. He makes the decisions for

himself and the whole family. These families lack the freedom of thinking. Here it begins the verbal violence and then it degrades into emotional violence and up to the physical violence. In our society such families bring negative effects. A violated woman loses her authority in the family and in the family circle. Children are the ones who suffer the consequences and indirectly become victims of domestic violence. Children-girls, when they see the mother violated, create the false impression that as you are a woman, violence is normal. Another negative effect is the fact that a family subjected to violence creates a child-abuser. When violence is a behavior in the family, many of these children that tomorrow can be police, prosecutors or judges could not be impressed by violence and when they exercise their duty they are ambiguous on the solutions they should provide, particularly in cases of rape.

The audit message: There is a legal framework for the protection of victims of domestic violence, but is not complete and needs improvement. The mechanism which should provide administrative protection does not work. NRM stakeholders, the police, the prosecution must assume the responsibilities that were imposed by law. Financial and human resources are insufficient. The professional level of persons providing services in accordance with the respective positions are lacking specific professional and technical training of staff needs. Responsible authorities have adopted services standards based on international services but their implementation leaves much to be desired. There are possibilities that the social services for vulnerable social group should be provided by the licensed private operators in this field and the winner will be selected the provider of the highest quality of service and not the lower price.

8. The performance of the Central Technical Inspectorate

The audit context: Prevailing energy source which still continues to hold the major share in the national energy balance is the oil with its derivatives, in the extent of 53.17% of the total in 2012. Based on the consumption of oil and its respective byproducts, the main customer continues to be The Transport Sector with 44% of total final consumption of energy sources, within which road transport dominates almost fully 86% of the total sector, followed by Sectors of Housing Industry. The massive use of private vehicles is also done due to the lack of a qualitative urban and interurban transport.

According to the Directorate General of Customs, the amount of fuel imported in the years 2011-2014 has averaged 859, 765 tons per year, recognizing the lowest amount in 2014 for this period of 817, 731 tons. But precisely in this year, 300,000 tons of oil have been processed by two refineries in the country, or over 237, 775 tons more than the previous year. Avoiding the analysis of conjectures of the international oil market over the years regarding the amount imported, the above figures show that fuel consumption in Albania is growing, along with increasing the amount of oil produced and processed domestically. The trend of increased consumption of fuel over the years is mainly related to the number of road vehicles, whose inventory in 2013 has reached 445,956 pieces or about 26,000 more than in 2010.

For 2014 it is estimated that Albania has produced an average of 26,600 barrels per day (ranking in the 77th place in the world) and in 2013 consumed 28,000 barrels of oil per day, which means that consumed an average of 4,451,644 liters per day or 10 liters of fuel per day per vehicle.

Apart from the above, the ever broader usage increase of oil produced in the country in recent years, threatens even more the indicators of quality standards, not only because of its low cost compared with that of import, but mainly as a result of the old technology in processing refineries.

In this context, the state determines the policy of development activities in the field of processing, transportation and marketing of oil, gas and their derivatives, as well as acting as regulatory agencies, in accordance with the needs of the country, national defense and public security while respecting the principles of market economy.

The audit message: Albanian consumer protection in terms of supply of qualitative oil, gas and their by-products within the standards by State Technical and Industrial Inspectorate (ISHTI) is deficient, due to uncoordinated and not well harmonized regulatory framework for the functioning of the institution; due to untrained, untested, unqualified and mismanaged HR; defective implementation of the inspection procedures; lack of materials and modernization of laboratory equipment and conduct of a limited number of indicators analysis; the problems in investment and financial management, and reduction of entities punished and failure to collect fines.

9. Economic and financial performance of Economic Centre for Children Development and Education (QEZHFE)

The audit context: The protection and establishment of a more qualitative system of services to children and their alignment closer to the needs of the community have a significant role in the social protection policies in the country.

Civil, economic, social, cultural and political rights should be protected with priority by every individual, family and institution, because we are dealing not only with human beings generally vulnerable but also because the current level of their physical and mental development, however, will determine tomorrow's the future of our country.

ALSAI has undertaken this audit and is focused on results and process, stressing the need for change, responsive and continuous improvement of management, and through it, we also point out the pros and cons of this complex management, in view of the policies, management and dependence.

Offering a better service, given the concern about the design of policies and strategies on dealing with children in nurseries and kindergartens; increasing the capacity and the opening of new facilities; obstacles in management as a result of institutional interdependencies; lack of funds and delay of their opening; the functioning of this service; low salaries of educators and support team that deals with the treatment of children; treating children equally; fighting corruption; etc.

Improving the quality of service provided to children in nursery and kindergarten is a necessity that can be reached through the increase and better management of funds by the central to local governments which aim at: infrastructure transformation; reconstruction and construction of new facilities; enhancing the quality of food; treatment of children by educators and medical team; which will bring a positive impact on the investment made for the future of the generation that grow in service of the country.

The audit message: The local government in cooperation with the central government must promote an action plan to unify and improve the performance of service management in nursery and kindergartens with the aim at providing a new approach to serving the child and his personality, because this issue affects us all and all of us must be part of the solutions.

10. The performance of the Financial Supervision Authority

The audit context: The main problems that have been on focus of the media have involved the insurance market, fluctuations in premiums, non-payment of damages, compensation fund, arbitrary decisions of courts, provision of natural disasters, etc. Some of these concerns were raised by the Financial Supervisory Authority itself, as well as international financial institutions. Exactly those social problems could not be outside of our attention and prompted us to further research in this field.

The insurance sector in Albania is still underdeveloped, with revenue at around 0.66% of GDP and consumption of 20 euro/capita for 2012 (FSAP, 2013), remaining at the bottom of the Southeast European and Central countries. According to the annual report 2014 Financial Supervision Authority (FSA), about 91% of revenues come from non-life insurance and 9% of life insurance. 12 reports of IRIS's tests (Regulatory Information System Security) have been identified as key performance indicators in the market of non-life insurance in Albania.

Some of the most important reports attract our attention because they are outside the levels suggested by the World Bank for developing countries. Thus, the current value of damages/premiums ratio in the Albanian market is very low, ranging to 34%, from 50-80% suggested by the World Bank, while the opposite occurs with expense/premium ratio exceeding the maximum 50%.

Therefore, poor performance of these indicators, the lack of information by insurance companies on financial and technical reports, as well as other issues related to the financial health of the insurance market, push us naturally to the social issue:

“Can insurance companies fulfill all obligations arising from contracts and are they able to pay them according to the terms of payment?”

The audit message: FSA must improve its performance for achieving statutory objectives, besides guaranteeing the solvency of the insurance market and should build:

- a. A more effective regulatory framework to establish criteria of solvency in accordance with the EU Directive, which ensures the higher durability and reliability of the market, as well as the timely intervention of regulators to eliminate problems.
- b. An effective supervisory system in the monitoring and verification of the credibility and transparency of the financial health of the market, passing the focus

from conformity assessment to profile and the quality of risk management of insurers,

c. More effective and transparent schemes in investigation, decision-making and implementation of enforcement measures, aiming to provide security in respect of law and protection of consumers' interests.

11. University curricula and the progress in the academic career

The audit context: This audit was conducted to evaluate the reforms undertaken by the Ministry of Education and Science and public universities in the field of higher education, programs promotion, improving curricula, and career progress. The public education in our country is currently facing a number of challenges that needs everyone's attention. As a young aged population which are already *de-facto* transforming the high education in a compulsory education, the young Albanians should enjoy equal access to education as their peers in the West. Implementation of the Bologna Declaration profiling students in programs that respond and develop the labor market, the quality of teaching-award and literature offered, the laboratory work and access to information are some of the main guidelines that require special attention. Investing in the education field is a long-term investment in a small country like ours with limited resources and a regressive past and it should be conceived as a national strategic advantage.

The main message of the audit: The university curricula reflect the secession of the public higher education from the labor market. They are not supported by local studies and have a high-frequency change creating a lack of consolidated tradition of education.

The academic career progress of young researchers is fictitious, artificial and with no added value in the domestic and international market of research and study.

12. Effectiveness and economy of the premises rented by the Customs Administration"

Audit context: taking into consideration the problems resulting from previous audits carried out at the General Directorate of Customs and Customs Branches ALSAI conducted a performance audit in order to assess the procedures followed by the General Directorate of customs and customs branches for renting the premises for the activities of some customs branches.

Audit message: In accordance with its mission the customs administration should be engaged in the context of a long-term solution of the permanent provision of premises for the activities of customs houses, in order to minimize costs but without forgetting and neglecting the quality increase of work and services to taxpayers. This objective can be achieved through a cost / benefit analysis with the final goal the efficient use of public money and maximizing its value.

The application of the instrument:

The performance indicators associated with Dimension A (Reporting) are related to aspects of covering the risk areas in the annual audit planning and reflection of the strategic plan for the audit of ALSAI. Indicators associated with Dimension A measure or assess the mandate of ALSAI in terms of audit as many subjects as possible, publishing audit results and the level of implementation of recommendations. In conclusion, reviewing all indicators evaluated by departments in institutional level for compliance and financial audit, the progress is considered moderated.

III. INSTITUTIONAL MANAGEMENT

The main axis of the institutional management philosophy is to focus on the fulfillment of strategic objectives in the context of institutional of ALSAI in line with the International Standards of Supreme Audit Institutions (ISSAIs).

The Standard document of INTOSAI has a set of indicators to measure the performance of SAIs in accordance with the best international practices in terms of institutional management in six areas:

1. Independence and Legal Framework;
2. Organizational Development Strategy;
3. Auditing Standards and Methodology;
4. Management and Support Structures;
5. Human Resources and Communication;
6. Stakeholder Management.

Based on the framework of performance indicators and based on the environment and specific conditions of the country, ALSAI has defined 7 key performance indicators namely:

1. Legal framework;
2. ALSAI Strategy;
3. Development of human resources;
4. Quality control;
5. Transparency and communication;
6. Partnership ability (with local and foreign partners);
7. Research and publications.

1. Progress of institutional development following the adoption of the new Law 154/2014 "On organization and functioning of the Supreme State Control"

The organic Law of ALSAI reflects in itself the best practices of the regulatory framework of the Supreme Audit Institutions. With the adoption of Law no. 154/2014 "On the organization and functioning of the Supreme State Control,"

ALSAI is fully committed to the design of the regulatory framework to fulfill its institutional obligations in meeting and adopting the relevant legislation in order to implement this law and perform the institutional activity in accordance with the requirements of the International Standards ISSAI. Immediately after the adoption of the organic law of ALSAI and with the respective decisions of the Chairman there were established some working groups to prepare documents finalizing some basic activities of ALSAI. The first concrete step was the ***review process of the Institutional Development Strategy 2013-2017*** and its action plan for the period 2015-2017.

The necessity of revision of the Institutional Development Strategy 2013-2017 came as a result of not meeting some targets and planned activities to be conducted during 2013-2014 which were conducted after two years due to two external factors that cannot be influenced by the activity of ALSAI. These factors were:

- The delayed approval of the Organic Law "On organization and functioning of ALSAI".
- Failure to make effective the IPA 2013 twinning project within the deadlines set (designed to begin in the second strategy, since 2014 and actually started on March 16, 2016).

The need for a clear leadership and a coherent strategy is a prerequisite of a successful organization and as such ALSAI redefined and prioritized its most important goals which were already embodied in the revised Institutional Development Strategy for 2015-2017. The revised Strategy aimed at setting priorities, allocating the appropriate resources, focusing on achievement of the objectives and management of risks in the context of the institutional progress achieved during the years 2012-2015 and challenges for the period ahead. ALSAI strategic objectives of the revised objectives are an inclusion of the INTOSAI objectives designed in accordance with the environmental requirements of the ALSAI institution. With the aim to bring a new image of public audit ALSAI has continued working intensively during 2015 to introduce a new dimension.

In the Basic Assessment Report on the Principles of Public Administration drafted by OECD's SIGMA which was the basis for the EU Progress Report for Albania in 2015 it was noted that:

"The independence, the mandate and the organization of ALSAI are located and protected by the Constitution and the new laws. ALSAI has developed the Strategic

Development Plan 2013-2017 in order to comply with the ISSAIs. The Implementation of this plan has struggled mainly due to external factors". The Institutional Development Strategy and its action plan are a basic reference for policy development and installation of effective and efficient systems in ALSAI. Based on the revised strategy all institutional management policies are focused on the implementation of the Strategic Objectives and the action plan for the next period 2015-2017.

2. Development of the Implementation Strategy of the International Standards

Pursuant to the strategic objective of *"increasing the audit capacities and quality"* ALSAI has signed a Commitment Agreement with representatives of IDI and EUROSAI on the "3i Programme" Initiatives for the Implementation of ISSAIs. The member states of this program, part of which is also Albania, are committed to develop strategies which ensure not only the adaptation of ISSAI standards but also all the consistency in their implementation.

The "3i Programme" is a global initiative to support SAIs in the ISSAI implementation of level 1 (ISSAI 10-99)¹ and level 4 (ISSAI 1000-5999)².

This program aims to raise awareness regarding the implementation of ISSAI, exchange of experience, addressing the problems of challenges and formulating strategic objectives to ensure the implementation and performing the audit in accordance with INTOSAI standards.

The Implementing Strategy Framework is designed based on the Decision of the Chairman of ALSAI no. 19, dated 02.03.2015. Under the IDI guidance and the action plan for building a strategy for implementation, was established a working group which aimed to assess the compliance of the activity of ALSAI with the ISSAI requirements.

Using the ICAT techniques enabled the working group to identify requirements for each type of audit that are not reached or are fully/partly reached paving the way for a SWOT analysis for each type of audit. By using the SWOT analysis conclusions it was designed the Action Plan on the Implementation Strategy of ISSAIs.

¹ Prerequisites for the functioning of Supreme Audit Institutions

² Audit Guidelines

In June 2015 ALSAI reported to the IDI on the fulfillment of its obligations on the engagement agreement which is part of the development of this Strategy and Action Plan.

The Implementation of the ISSAIs is a long process and combined with actions and activities that will be carried out in the framework of the IPA 2013 "Strengthening of the Supreme Audit Institutions) project which started on March 16, 2016 with the assistance of the Polish NIK and the Croatian SAI.

With the aim of conducting audits in accordance with International Standards on Auditing of INTOSAI, the implementation process is a process of inclusion and multidimensional which includes not only ISSAIs publications but also covering the execution of a series of activities with impact on the creation and strengthening of the individual and institutional capacity.

3. Development of the Financial and Compliance Audit Manuals

In the framework of the requirements of the institutional Management Strategy 2013-2017 (Revised), the Strategy Implementation of ISSAIs and the activities envisaged in the Strategy of Public Finance Management 2014-2020 Column 6 "external audit oversight" a working group was set up to draft the Compliance Audit Manual and Financial Audit Manual.

Both manuals were developed based on the requirements of ISSAI standards, the priorities in the Implementation Strategy of International Standards ISSAI 2015-2016, the requirements on the IDI INTOSAI guidelines and the best practices in the field (Manual of the European Court of Auditors), namely:

- ISSAI 100, "Fundamental principles of public-sector auditing";
- ISSAI 400, "Fundamental Principles of Compliance Auditing";
- ISSAI 200, "Fundamental Principles of Financial Auditing";
- ISSAI 4000, "General Introduction to the guidelines for compliance audit";
- ISSAI 4100, "Guidelines for auditing compliance audits performed separately from the audit of financial statements";
- International Standards on Auditing (ISA) of the International Federation of Accountants IFAC;
- International Accounting Standards for the Public Sector (IPSAS);

- *Financial and Compliance Audit Manual of the European Court of Auditors;*
- *Requirements from the IDI, INTOSAI guidelines "For the implementation of International Standards on Auditing";*
- *And best practices in the field.*

The manuals were approved by the Chairman of ALSAI on 31.12.2015 and were sent to the European Delegation, SIGMA and to the public opinion in order to improve them.

Application of the instrument:

From the assessment based on instrument of the performance indicators referred to dimensions and aspects estimated results that both Financial and Compliance Audit Manuals meet the requirements at their highest level (all 4 dimensions)

- Auditing Standards;
- Ethics and independence;
- Quality control system;
- Management and skills of auditors.

4. Drafting of the new Code of Ethics

Considering the fact that ethics and integrity are key components and prerequisites for establishing trust in the Supreme Audit Institutions, ALSAI was involved during 2015 in drafting a new code of ethics that was approved with the Decision of the Chairman No. 56 dated 30.04. 2015.

ALSAI's Code of Ethics reflects the best practices of the field, being designed as an integral document which included: Code of Ethics for SAIs, Code of Ethics of the European Court of Auditors and ISSAI 30-Code of Ethics of INTOSAI.

It is now confirmed that for the first time in the new Code of Ethics a set of principles and ethical values are addressed in a contemporary profile and optics and reflecting the challenges faced by public auditors globally.

The ethical dimension in general and the integrity in particular are addressed not only as a requirement that must be met by all staff but also in a profile and institutional level as a priority activity of the management that tends in creating an

institutional stature so that ALSAI could be a model of excellence and leads by example.

ALSAI is currently a member of two bodies of INTOSAI referring to ethics and integrity issues, the Task Force on Ethics and the Working Group to review the Code of Ethics ISSAI 30 of INTOSAI.

5. The Risk Management Strategy of ALSAI.

The Risk Management Strategy is one of the basic documents of the managerial activity of ALSAI which was approved with the Decision of the Chairman No. 42, dated 30.03.2015. The aim of the Strategy is to ensure that the concept of risk management is at the core of the organizational culture through the philosophy of reducing risk for each activity carried by ALSAI.

This document sets out the general principles of risk management. This is a systematic method used to identify, analyze, evaluate, address, monitor and communicate the main risks associated responsibilities of ALSAI in order to minimize adverse events and maximizing opportunities.

The Risk Management Strategy is designed based on ISSAI 9130 "Guidelines for Internal Control Standards for the Public Sector - expanded information on the Institutional Risk Management" and the Law no. 10296, dated 08.07.2010 "On Financial Management and Control". The strategy also refers responsibilities and objectives set in the revised Development Strategy of ALSAI 2013-2017.

In order to be effective, ALSAI considers that risk management must become part of the culture of a SAI integrated plans and its daily work activities and should not be seen as a detached program. In addition risk management is the duty and responsibility of every employee at every level, up to the highest managerial hierarchy.

The Risk Management Strategy is focused on the strategic level risks as well as the operational ones. The Risk Management Strategy in ALSAI provides a comprehensive and structured approach to identify and manage the risk of the institution. It aims to build and promote development based on regular review and updating the estimations processes.

The strategy is built based on some fundamental principles that define the position of the institution and the ALSAI toward risk management which are as follows:

- Risk management establishes and protects values;
- Risk management is an integral part of the ALSAI processes;
- Risk management is part of decision making;
- Risk Management addresses uncertainty;
- Risk management is systematic, structured and timely;
- Risk management is based on the most accurate information possible;
- Risk management takes into account the human and cultural factors;
- Risk management is transparent and inclusive;
- Risk management is dynamic, interactive and responsive to change;
- Risk management facilitates continual improvement of the institution.

6. Changes in the organizational structure

Changes and developments that have occurred in recent years and expectations that came as a result of the adoption of the new law highlighted the need to review and adjust the organizational structure and forms of interaction between the units. ALSAI already owns an effective organizational structure that best adapts institutional goals and commitments tasks for each organizational unit, department, directorate or sector in the framework of the strategic objectives of the institution.

In order to achieve the expectations for institutional modernization and the implementation of International Standards on Auditing ISSAI it was established the Department of the Audit Policies. The main axis of its activity is the development of audit policies. Also during 2015 it was established the Department of Law and on the Implementation of Standards in fulfillment of the strategic objective of auditing in line with the International Standards ISSAIs and strengthening the component of control and quality assurance.

As part of its strategic objective it was also established the Department of IT Audit as part of the Audit Department of Central Budget, High Public Administration, Financial Management and Internal Audit.

During 2015 it was also revised the previous internal regulation and it was drafted the document on the Internal Rules of Organization and Functioning of ALSAI which was approved by the Decision of the Chairman no. 85, date 06.30.2015.

This document contains the rules for the organization and administrative functioning of ALSAI based on the principles of correctness of the implementation of legislation to increase the quality of audit activity and transparency.

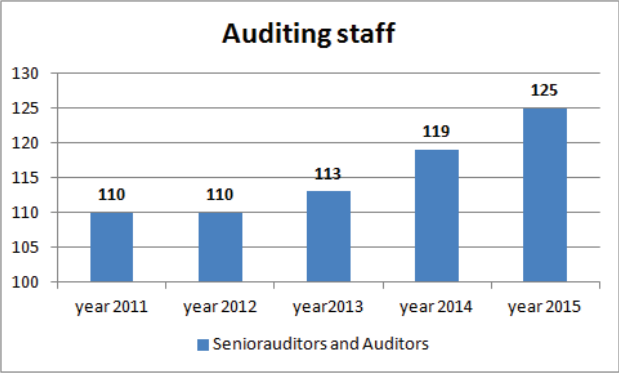
7. Development and management of human resources.

The direct impact and importance in the quality of audit activities leads the need of the development of human resources as one of the most important challenges of ALSAI.

Relying on the guidelines and best practices for building and developing the capacities of Supreme Audit Institutions, ALSAI has continued to invest in the development of human resources.

Relocation of the staff toward the audit body

The total number of auditing staff in 2015 was 123 employees (from 119 in 2014, 113 in 2013, 110 employees in 2012 and 2011) that occupies about 72% of the total number of employees.

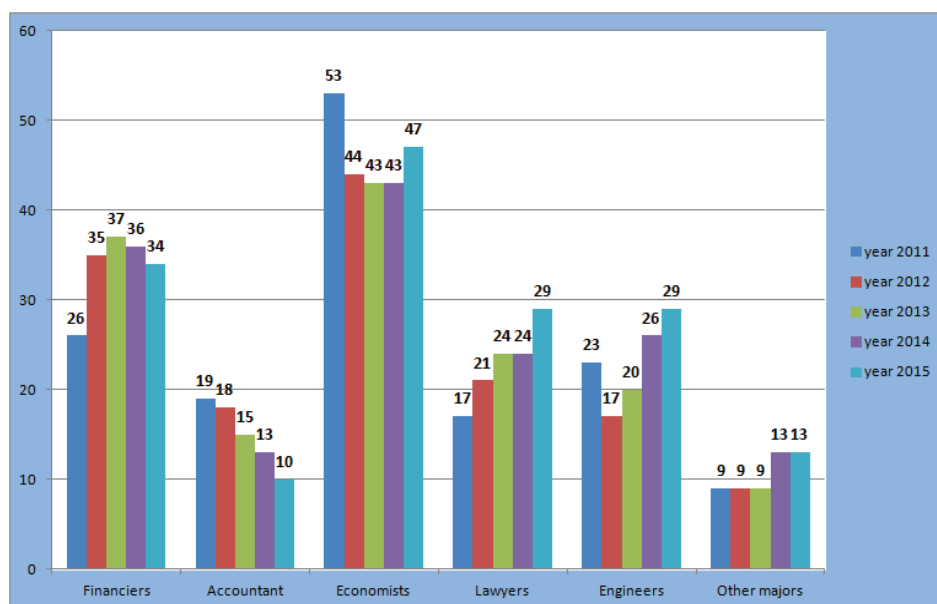


Classified by education the organic structure for 2015 involves 162 employees with higher education or about 94.7%.

The classification of employees according their profile is as follows:

Profile	2011		2012		2013		2014		2015	
	no.	%	no.	%	no.	%	no.	%	no.	%
Financiers	26	16.6	35	22.4	37	23	36	21.6	34	20
Accountants	19	12	18	11.5	15	9.3	13	8	10	5.8
Economists	53	34	44	28.2	43	26.7	43	26	47	27.4
Lawyers	17	10.9	21	13.4	24	15	24	14.5	29	17
Engineers	23	14.7	17	11	20	12.4	26	15.6	29	17
Other majors	9	5.7	9	5.7	9	5.6	13	7.8	13	7.6

The chart for 2011-2015:



In order to improve their performance and to gain knowledge, skills and techniques, and pursuant to the Order no. 3, dated 15.09.2012 of the Chairman on "Recommendations for education and professional improvement of ALSAI auditors" some employees have graduated in a second branch which enable them to use the skills they already have more effectively:

- 2 employees were ranked as Prof.Assoc.Dr;
- 3 employees were ranked as "Doctor of Science";
- 14 (8.1%) employees have a second degree from which 9 in justice, 3 in finance and 2 in other areas;
- 2 employees have the International Baccalaureate in Accounting and Audit (CIPFA);
- 4 employees have a certificate as accountant and 1 employee has the Chartered Accountant;
- 20 employees have the certificate of Internal Auditors;
- 11 employees have the certificate of the Real Estate Assessment;
- 8 employees have on-line training certificates developed by IDI (Development Initiative of INTOSAI);
- 4 auditors are trained (internship) at the European Court of Auditors for a period of 5 months.

7.2 The employees recruiting process

Considering an important factor the efficient management and rational use of human resources for ensuring the quality of audit work, and given the fact that policies for human resources should support the maintenance and development of qualified and competent staff, during 2015 ALSAI pursued effective policies in terms of recruiting staff with high qualification for the performance quality of the assignment of competence. The recruitment and selection process is the starting point for the management of human resources. It is closely related to the strategy, structure and functioning of a SAI. Recruitment and selection are important because they help the SAI to ensure that it has the right staff with the right qualifications, skills and experience to meet current needs and those of the future.

During 2015 there have been followed all procedures according to the rules and legal provisions on civil servant recruitment of 27 employees. 25 employees were recruited in 2014, 21 employees were recruited in 2013 and 25 were recruited in 2012.

7.3 Career development and promotion

A special attention was indicated for career development within the institution considering it an important factor that serves the best management and increasing the quality of audit work. Already ALSAI evaluates the professional development and career advancement achieved through a system of periodic assessment of performance and individual skills, and testing knowledge (as important as recruiting process) for the supreme job positions.

Given the international standards where a supreme audit institution should maintain and develop a dynamic staff during 2015 there were conducted 6 tests and was approved the promotion in category for 27 auditors, in 2014 there were developed 6 tests and 20 changes occurred, during 2013 there were conducted 3 tests and 23 changes in category. While there have occurred 6 cases of decrease in categories.

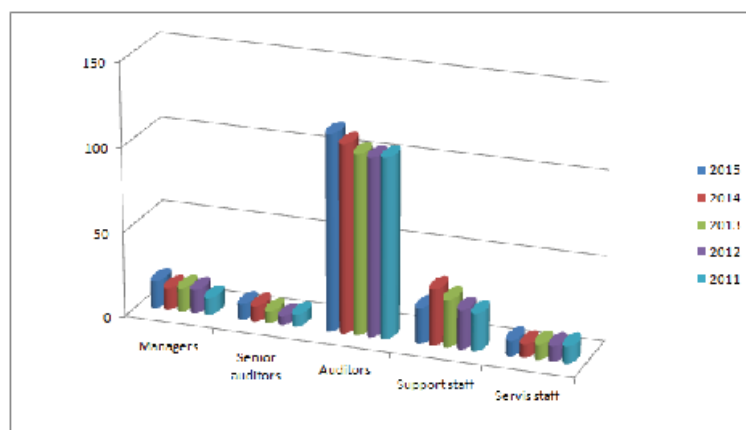
7.4 Structure according to functions

The management policies of human resources are focused on the engagement of high-level executives and employees with secondary degrees accompanied by experienced employee and operations with experience in the audit field. During 2015, ALSAI recruited two associate professors in the field of economy, three

doctors of sciences and a number of other officials or professionals in the field of social sciences, economics, law, communication, etc. From the high management of our institution (The Secretary General, Head of Departments, Head of Directories and Head Auditors) 11 of them have over 10 years of experience in ALSAI while 11 others have over 3 years of experience and most of them have scientific degrees.

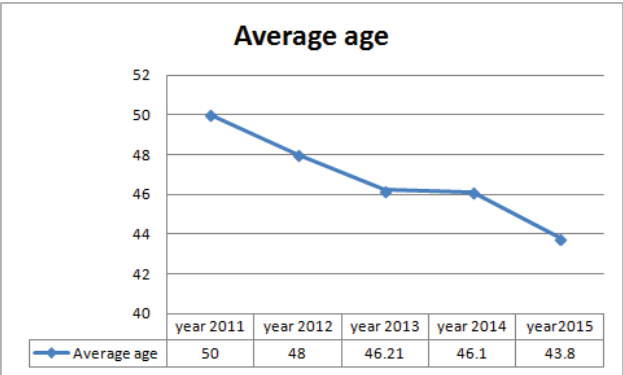
For 2015, the composition of the staff by reference to the structure and functions that performs tasks has been:

- 6 managers or 9.3% of the total number of employees (13 in 2014, 14 in 2013, and 10 in 2012);
- 9 senior auditors or 5.3% of the total number of employees in 2015 (9 or 5.4% in 2014, 7 or 4% in 2013, 5 in 2012 and 7 in 2011);
- 116 auditors or 66.7% in 2015 (111 auditors or 67% in 2014, 106 auditors or 66% in 2013, 105 auditors in 2012 and 106 in 2011);
- 21 supporting staff (head of sectors, specialists, lawyers, spokespersons, service employees) representing 13.4% of the total number of employees in 2015 (33 in 2014, 28 in 2013, 23 in 2012 and 22 in 2011);
- 9 Service Employees which represents 5.2% of the total number of employees (8 in 2014, 9 in 2013, and 10 in 2012).

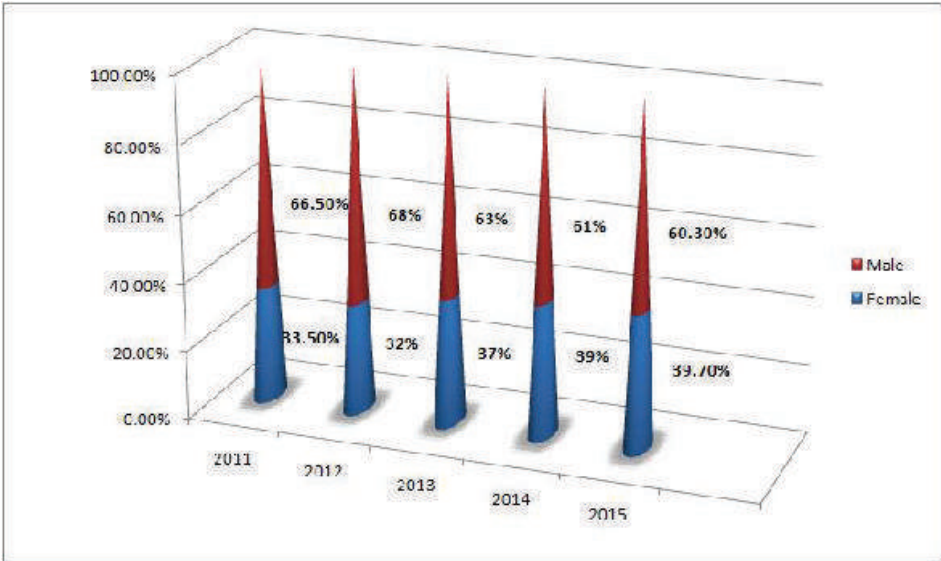


Other important indicator for the human resources is their age and the ratio male/female during 2011-2015, respectively, as shown below:

- The average age at the end of 2015 was 43.8 years (46.1 years in 2014, 46.21 years in 2013, 48 in 2012 and 50 in 2011).



- Seniority in the institution is 7.2 years (8 years in 2014, 8.2 years in 2013, 5.5 in 2012, and 9.1 in 2011).
- There are 25 employees under the age of 30 years, 71 employees between 31-50 years and 75 employees over 51 years.
- The ratio female/male was 39.7% to 60.2% in 2015 (39% to 61% in 2014, 37% to 63% in 2013, 32% to 68% in 2012, and 33.5% to 66.5% in 2011).



They are 68 female employees in the institution. 11 of them in leadership positions (Secretary General, Director General, Director of Department, Director of Directorate, Head auditors, Head of Sector), 15 females in the supporting sectors and 42 females in auditing positions.

Application of the instrument:

From the assessment based on the performance indicators on the “Staff Management” dimension it results a maximum rating of 4 points for all requirements related to the organizational structure of staff;

- Approval of the job descriptions covering the responsibilities for each employee;
- There is a management system on the conflict of interest (declaration of conflict of interest) and
- There are applied control policies and procedures not only to the audit activity but also for the implementation of ethical requirements.

8. Training and Professional Development of Staff.

During 2015 ALSAI has continued to define and apply policies and procedures to develop and train its employees to enable them to perform their task effectively defining thus the basis for advancing professional audit staff. Staff trainings and the continuous professional development has been the focus of its institutional development.

Capacity building through the promotion of learning and development methodology is part of the recommendations of all international factors expressed in the Development Strategy of ALSAI.

Through the directive 10/2012 section of the report "On the effectiveness and development of staff in the European Commission" the European Court of Auditors suggests continuous staff training as a key element in achieving institutional results.

The European Commission considers the quality of our reports and recommendations as one of the criteria for evaluating our institutional performance. The Commission bases its decision on policies within the EU on the statistics previously certified by the SAIs of the respective countries highlighting the importance of the institutional development.

The International Monetary Fund also stipulates this for the Albanian Government through the Code of Fiscal Transparency which reflects the best practices around the world “improvement and high levels of external auditor provides a lower risk in assessing the performance of the government”.

Following the second Resolution of the United Nations dedicated to foster and support Supreme Audit Institutions, their organization INTOSAI and in implementing the recommendations of the Progress Report of the European Union, our institution experienced a major step forward in accordance with INTOSAI and EUROSAI standards, and the new law.

Article 39 "Professional Training" of the Organic Law of Organization and Functioning of ALSAI is defined that "Employees of the Supreme State Audit have the right to professional trainings according to schedules drafted by the institution in accordance with the identified needs " and also "ALSAI provides systematic and planned trainings, professional development and certifications, which includes adding and updating the knowledge and skills required for the effective discharge of the duties of the audit in collaboration with ASPA and other institutions of higher audit or professional organizations".

The necessity for training events is expressed clearly in Article 8 paragraph 2 which states "Cooperation means membership and participation in a suitable way for the audit, exchange of experiences and conducting joint training, where in each case ALSAI represents and defends the interests the Republic of Albania ".

Training events in ALSAI are seen as an agent of change to an evolution where each staff member must create confidence, high level of training, and a coordination and cooperation climate. In this context and in the fulfillment of the above legal provisions ALSAI has organized an intensive training activity with counterpart institutions and foreign experts.

8.1 The continuing Professional Training process

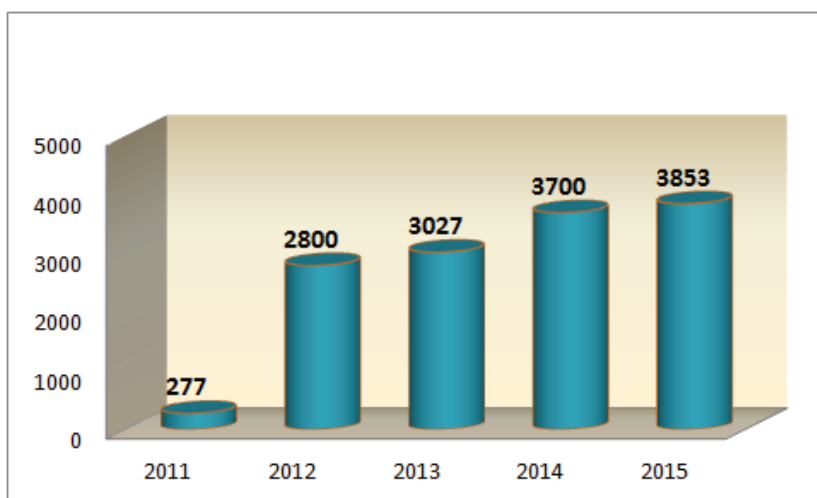
The dimension of the continuous professional development that contributes to the growth of individual skills is expressed in the annual training plan for 2015 which provides not only the amount of training days, seminars and conferences, but also an extension of the training events throughout the year.

The performance indicator of participation in training leads ALSAI in the high levels among Counterpart Institutions. The results achieved suggest a consistent and successful approach toward the training process as the main way for professional development.

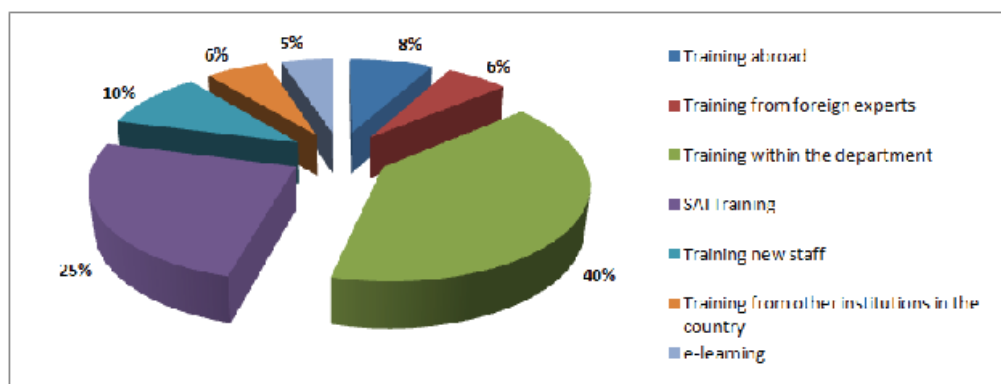
Referring to the information regarding participation data for the 5 year period 2011- 2015, it is apparent that the reform of the training system, as an integral part

of the institutional reform in ALSAI, is fully developed and includes every aspect of building and strengthening the audit capacity.

Pursuant to the Development Strategy 2013-2017 (revised) the capacity development policy is translated into 3853 audit training days of which 2899 days were conducted by ALSAI and 954 days outside it. The data on the training days in the last five years is as follows:

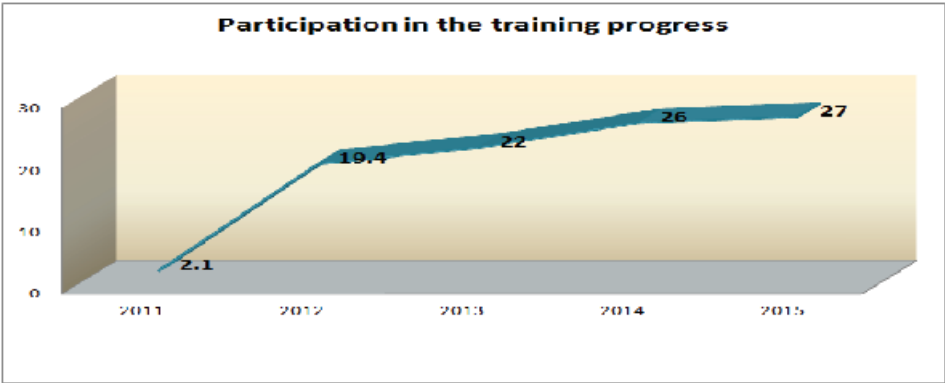


Training events organized in ALSAI by local and foreign experts:



The training performance achieved its maturity reflecting a consolidated process. The training events are conducted with a stretch throughout the year covering all the staff.

The chart below shows the very important progress regarding the participation of 27 days of training/person in 2015 compared to 2 days/person in 2011:



The training events include all levels of management and are based on the needs drawn from discussions with directors of departments and head auditors. For 2016 we intend to work further towards improving the drafting of the plan by identifying personal needs and individual development of each individual.

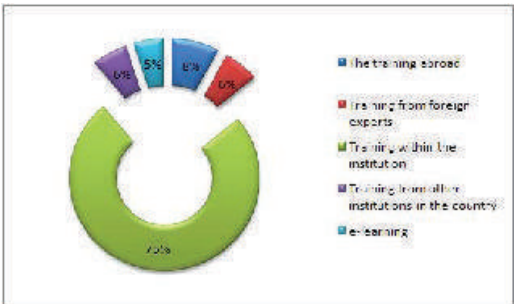
Trainings with differentiated modules by experience remain a challenge for the future since its limitation from funding and training sources. ALSAI includes a variety of professions such as economists, lawyers, engineers, IT engineers, mathematicians, etc.

This diversity which in itself is an advantage should be driven by policy coordination and differentiated training.

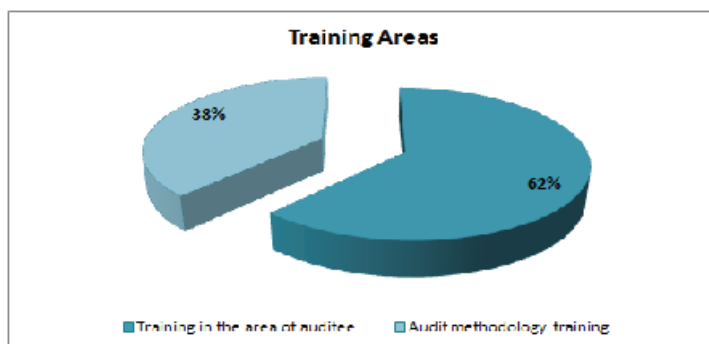
8.2 Exchange of knowledge in function of the professional development

According to the dimension of exchange of experiences and the cooperation with SAIs regionally and beyond, during 2015 we conducted a variety of information sources.

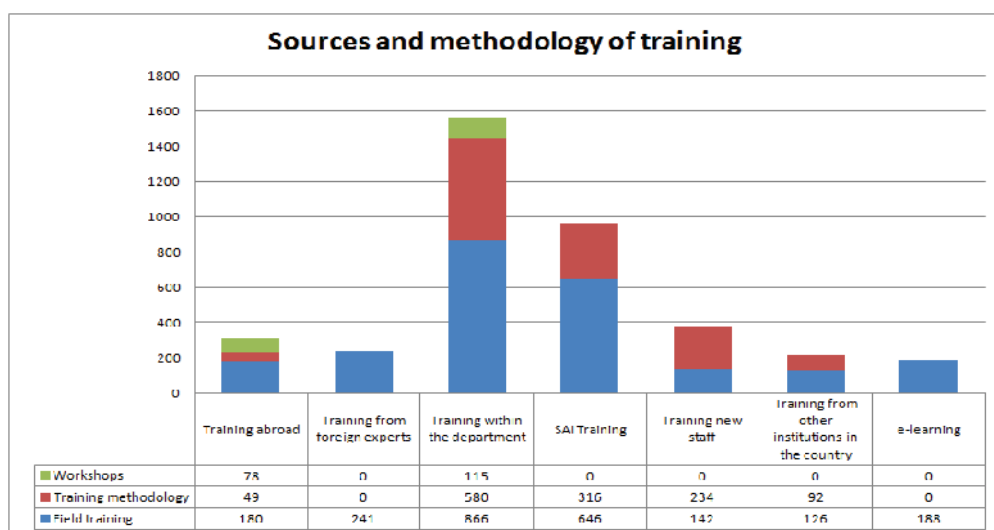
The main sources outside the institution were the training events from foreign experts from other institutions within the country and trainings and seminars abroad in cooperation with homologue institutions.



Through these sources there were conducted trainings in the area of audit methodology and the regulatory framework in the audit field.

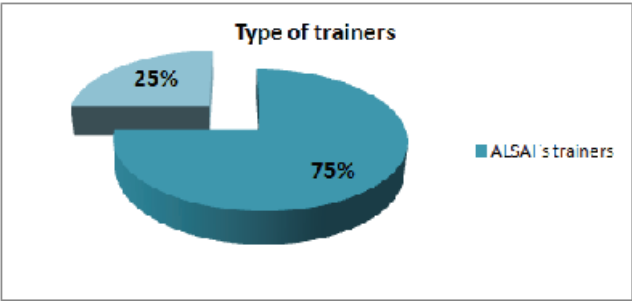


These trainings are conducted by a variety of sources covering all the possible areas of training. During 2015 it was noted a predominated need for knowledge in the field of audit methodology because auditors have knowledge of the regulatory framework but improvements are expected in the approach to audit entities.



Trainings from outside the institution are organized in cooperation with counterpart SAIs in other countries or other international institutions that provide training in the field of auditing and participation in international conferences in the field.

A special attention was given to the organization of special trainings for new staff. These trainings enabled that the indicator of 30 days of training/person for the newly recruited staff to be achieved in less than a year.



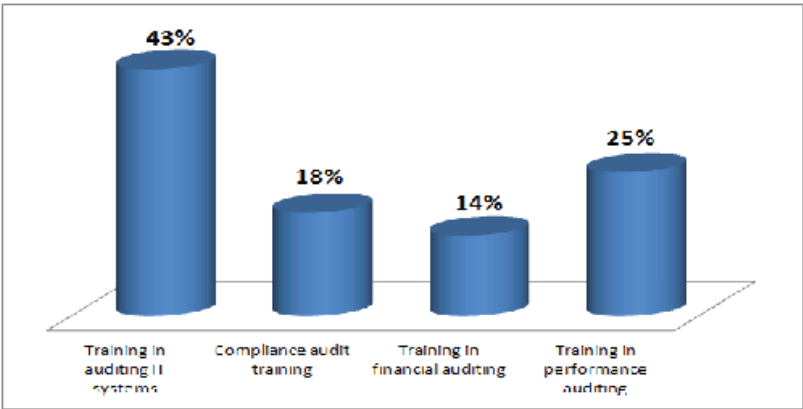
During 2015 there were organized trainings by external experts. The challenge still remains increasing the training events from experts from abroad in order to exchange experiences and organizing peer reviews which will provide important information on the progress of the work.

8.3 Training methodology and format

In order to increase the level of absorption of knowledge for further professional development during 2015 it conducted a great job in developing the methodology and diversification of forms of trainings.

Training events by type of audit includes knowledge on:

- 1. Audit of IT Systems;
- 2. Compliance Audit;
- 3. Financial Audit;
- 4. Performance Audit.



During 2015 there were conducted three types of trainings: online courses or *e-learning*; *face-to-face trainings* or training with direct contact; and professional

development through sharing of common experiences and participating in *seminars/workshops*.

Classroom trainings with direct contact or Face-to-Face trainings. With a high flexibility in the eligibility for training needs, this type of training has taken a leading role compared to the other training types. These types of trainings were conducted in the form of discussions between trainers and trainees. The presentations through PowerPoint materials and video projector provided a methodology that facilitates the process of obtaining knowledge. During 2015 ALSAI invested in building a dedicated training room in the institution. It is worth mentioning the benefits from this training method due to the high level of interaction between participants.

Trainings within the country being supported by internal and external experts, and national or international institutions as follows:

- Trainings at the institutional level in ALSAI which are organized on a daily basis by senior auditors, senior auditors and senior management and are focused on updating knowledge on specific fields;
- Trainings within each audit department individually in the form of roundtable discussions in terms of professional practices and audit cases;
- Trainings from foreign experts which includes addressing specific topics of the audit profession in the format of presentations combined with case studies from other countries' experiences;

Trainings abroad: Trainings organized in cooperation with counterparts SAIs in other countries or other international institutions that provide training in the field of auditing and also participating in international conferences in the field.

This year 136 persons participated in training events abroad (83% of the audit staff).

Trainings organized in the form of study visits and training in counterpart institutions of different countries in the framework of Cooperation Agreements that ALSAI has signed and continues to sign with these institutions to exchange experiences and knowledge between different countries. Turkey's Court of Accounts and the Polish NIK continued to be the main trainers for ALSAI's staff and they can be considered the strongest supporters in the process of building audit capacity by sharing knowledge and experience.

Trainings through the computer/e-learning. The online training was offered mainly by CEF, Slovenia. These trainings were in the area of budgeting and were attended by 13 employees. This form provides an extensive library of training according to user needs and constitutes a challenge for future development. Currently are working towards developing our virtual library, using our valuable publications, training materials within ALSAI and experiences from trainings abroad.

Conferences-seminars-workshops. Sharing common experiences constitute the main feature of professional advancement. Participating in the Congresses of the International Professional Organizations, INTOSAI, EUROSAL, etc., made it possible to ALSAI the introduction of a new profile, oriented towards the future for a modern public audit.

Training seminars organized by international public institutions in the field of public finance management and auditing. Despite the limited possibilities ALSAI tried to use the best participation in seminars and training events by professional international public workers such as the CEF/Center of Excellence in Finance, trainings on the IT Audit at the ECA Luxembourg, training on "Public Finance Management" in Hague, Netherlands, etc.

Active participation and contribution in the meetings of the Working Groups and Committees organized by INTOSAI and EUROSAL; the policy toward international experiences in the field of public audit has brought a radical change regarding the public audit conception in Albania. The ALSAI's staff engagement in Working Groups, Task Forces and other international activities has been beyond just participating. ALSAI is among the most active contributors showing a high level of professionalism.

Today ALSAI is part of several working groups of INTOSAI and EUROSAL as well as part of the Task Force on Ethics, etc.

Achieving the dimension in this area suggests a satisfactory level of the institutional commitment and a high level of representation.

8.4 Trainings, in accordance with the audit needs

During 2015 there has been made a considerable development regarding the various training programs, in order to increase the auditing capacity. The Training Plan for 2015 defined the main directions of training courses, including new topics, participants and duration of the trainings. It should be noted that, as a result of the

periodic review and assessment of staff's needs, training were organized outside the program which aimed to conduct trainings in realistic terms and as close to the actual needs of professional knowledge in specific areas.

The main challenge remains individual trainings, in order to organize courses that take into account professional and personal specifications.

Novelty trainings this year have been conducted in the information technology such as "IT Manual Audit", "Use of CAAT Technique" the "Performance Audit", in addition to topics in the field of methodology such as "On Financial Audit" "On Compliance audit", "On the field of Procurement audit", etc.

Trainings include knowledge about four audit types: IT Systems, Compliance Audit, Financial Audit and Performance Audit.

In the future the aim will be to draft a development plan for each profession or auditor. To achieve this, there will be carried out trainings and qualifications at a managerial level.

The structural reforms of this year have had in focus the professional development of the staff, engaging them in audits or departments suitable for their specific profession.

Instrument applications:

From the assessment based on the performance indicators instrument (capacity building through the promotion of learning and exchanging knowledge) and referring to the evaluated dimensions, it turns out that promotion and continuous professional development, individual as a group is performed at high levels. Dimensional requirements are:

- Professional and Development Plan, assessed with 3 points out of 4. The main challenge is the individual training based on a specific profession;
- The Procedure and Practice in selecting staff for trainings based on the required competencies, estimated 3 out of 4 possible points where the challenge remains obtaining information on the individual needs of everyone;
- Monitoring and evaluation of knowledge acquired from the training, estimated 3 out of 4 possible points where the challenge remains individual testing for specific training topics;
- Engaging in high levels of training, estimated 4 out of 4 points, 28 day average

individual training with full coverage of the staff;

- Cooperation with external experts and exchanging experience with SAI counterparts, evaluated with 4 out of 4 possible points where the level of institutional representation appears high;
- Prompting the exchange of knowledge and capacity building in support of the delivery of results, evaluated by 3 out of 4 possible points where the challenge remains to increase the level of information and the knowledge of the trainees.

9. Quality assurance control

Quality assurance control, a process which aims to ensure a continuous improvement of the audit work in implementing the national and international standards of auditing, has been and remains consistently one of the main objectives of ALSAI's activity.

Quality assurance, based on international standards, is considered a prerequisite to identify objectively the shortcomings, the improvements to be made and the effective measures to be taken to further improve the performance in the future, in order to ensure a higher quality work. Also it serves to legislators, the executive and the public to get acquainted with transparency in the use and management of public funds.

In implementing the ISSAI 40 "Quality Control", the Chairman's Act No. 149, date 03.12.2015 "On Quality assurance control", reviewed with the Act No.155, date 17.12.2015, the quality control group randomly selected 44 audit files or 27% of audits completed in December 2015, compared to 10% that were cold files reviewed in 2011.

The quality control group was composed by senior auditors from each audit department and by external experts.

In reviewing the quality of audits, the group of auditors was based on the practice of the last year and on the three types of evaluation forms on legality-regularity, financial and performance.

One of the factors that had a positive impact in insuring a quality audit work for 2015 is the preparation of the annual program of SAI relating to the work done in determining the priorities in the audit program, on the basis of risk assessment and determination of materiality.

In drafting the annual audit program of SAI are kept into consideration the audit

requests and complaints made by the public opinion and media on various subjects and issues.

The design and implementation of audit programs according to the Internal Rules of ALSAI and the audit manuals, the selection of audit groups with the required skills to ensure implementation of the program, drawing the right conclusions and formulating the right recommendations, the proposals for improving the provisions of the legislation and the measures taken by the entities for the implementation of the recommendations suggest all the achievement of satisfactory quality assurance, increasing thus the reliability and objectivity of the conclusions of ALSAI.

Referring to the findings resulting from the review of audit files, it is concluded that in addition to the work done and the results achieved in terms of quality assurance in the process of programming, implementation, reporting the findings of audits and monitoring the implementation of recommendations were also noted some handicaps and gaps in the follow-up of the implementations of the recommendations, for which it is required to be addressed with concrete technical and administrative measures, in order to achieve a higher level of security quality in all activities of ALSAI: These measures will consists as follows:

A. Audit planning phase

- Drafting a proper audit plan, in accordance with the Internal Regulations.

From some audit files has resulted that even though in the annual audit program are defined the reasons why the subject has been chosen for audit, the methods used in accordance with the internal regulation of ALSAI.

In the annual audit plan, drafted in accordance with the Internal Regulation, are included the tasks and time-frame of the audit. Meanwhile, in the audit files attached to this program there are no arguments on the selections of the subject, based on materiality and risk assessment and on the documentation collected.

- Was any preliminary information collected for the audited entity?

Regarding this point of assessment, from some files reviewed results that there wasn't any prior information collected that is necessary for the audit team to design the audit program aimed at determining accurately the audit aspects, like the time-frame of audit and the number of external experts needed for the audit.

It was found that the audit team hasn't made the collection of preliminary

information about the audited entity and analyze of the facts in order to reach reliable and valid conclusions on the audit. As a result, the audit programs are overloaded, which has led to the inclusion of subjects often without risk in the audit program.

In several audit files are found shortcomings in the planning process which consists in the fact that the audit file does not contain precursory information.

The absence of this preliminary information on the subject to be audited before drafting the program has in some cases resulted in a non precise definition of the audit guidelines.

B. Fieldwork.

- Appropriate procedures and audit techniques are used in obtaining evidence, conform the Internal Regulation, but in some cases was found that the audit file didn't contain sufficient evidence to serve as justifying documentation for the audit work, such as (act reconciliations for revenues and expenditures of the treasury branch, evidence of implementation of the investment, the register of forecasting and execution of procurement, compliance verification leases, verifications acts and records held by the entity, different information, etc.)

In some audit files it was founded that there were no documents for the audit techniques and methods to assess the internal control systems, verification of transactions, etc., in accordance with internal regulations.

Transactions, verifications acts and other documents of audit work are held in accordance with the law and internal regulations.

In some cases, records and verifications acts are signed only by an auditor, contrary to the Internal Regulation.

It was found that the documented findings didn't include any specific accountability because the conclusions and findings are general, without concrete results and not addressed in accordance with the functional position of each employee pursuant to the applicable legal provisions.

C. Reporting phase

According to the needs to improve the audit manuals, to further increase the professional development of the auditors are structured recommendations:

- Audit groups should take measures in considering the observations brought by

entities and the persons responsible;

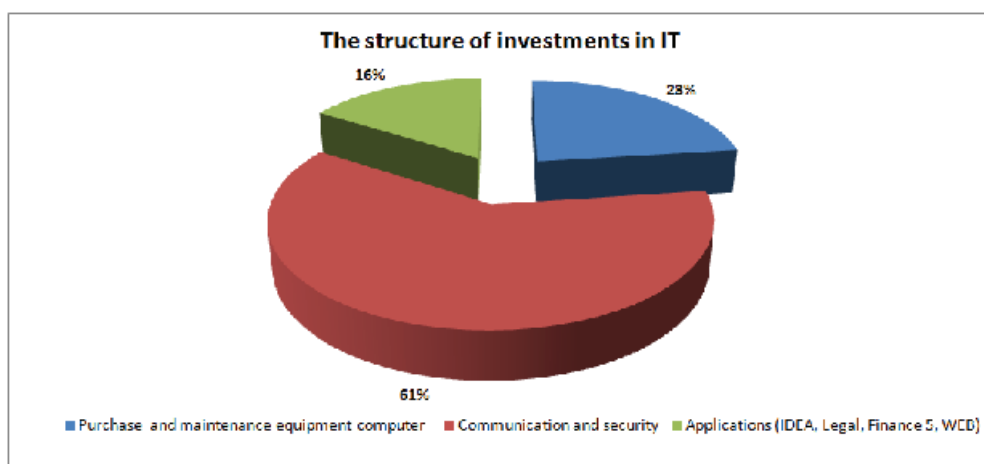
- Audit groups should take measures to improve the draft reports and in particular the Final Report because they are too long and are simply copies of the minutes and verifications acts held during audit;
- Audit groups should take measures to prove the realization of the closing meetings with the entity, before drafting the project-report;
- Audit teams should take measures that the project-report, in case of serious legal violations, contains disciplinary measures for all persons responsible;
- Head of the audit team and team members should take measures to complete the audit file with working papers and records kept by the auditor;
- In order to improve the audit quality and avoiding problems encountered in its implementation should be improved the fulfillment of standard forms.

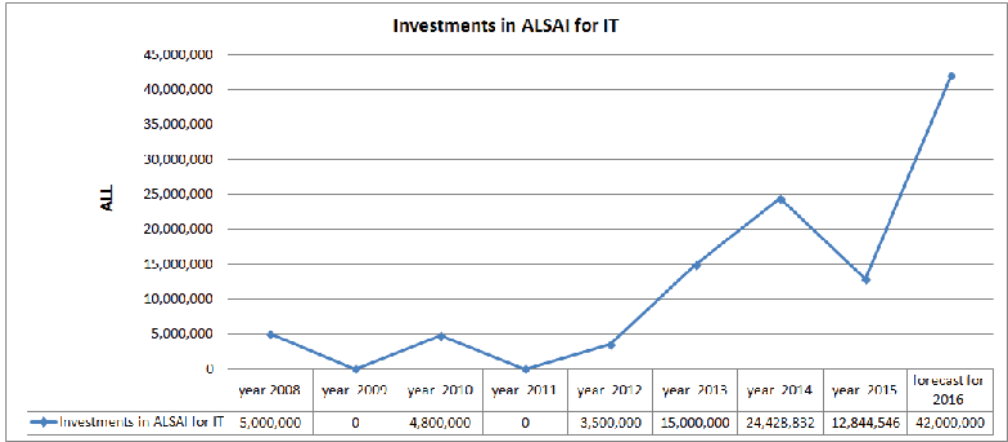
10. Modernizing the IT infrastructure

The development and consolidation of the Information Technology audits and the use of IT audit is one of the strategic objectives of ALSAI.

10.1 Modernizing the IT infrastructure

Considering as crucial the modernization of the IT infrastructure and the role of IT systems in its activity, ALSAI has focused its efforts in this area and the IT infrastructure over the years 2012-2015 has been renewed completely.





SAI met the investment needs for 2012, 2013, 2014 and 2015 by using the support of international partners such as TIKa which in 2014 awarded 15.9 million for pc, laptop, printers and setting up infrastructure network, software for data analysis etc. For 2016, the investments of ALSAI will focus in computerization and consolidation in the use of information technology in auditing.

To accomplish this challenge, we have engaged internal resources, using the experiences of our counterparts of the Turkish Court of Accounts, NIK of Poland, the Audit Office of Switzerland, for the computerization of the ALSAI’s audits.

Performing this process undoubtedly will provide a significant impact to increase the quality and effectiveness of audit and in the modernization of ALSAI.

10.2 IT Audit

The Development Strategy 2013-2017 of ALSAI defines the objectives of the institution to include the IT audit and the best practices in this field. Considering that the IT audit is a main challenge, in 2014 in ALSAI has established the IT Directory and during 2015 it was further consolidated.

The first steps toward towards this new audit began initially with the SIGMA support and by IDI Programme. Alongside these trainings, a number of courses are offered by the counterpart SAls in Turkey, Poland, Slovenia and Croatia. During the year 2015, the training program was concluded and three employees were certified as IT auditors. Also, with the mentorship of IDI was conducted a pilot audit.

These developments created the general conditions on increasing the IT audit capacity, providing thus for the auditors the knowledge and skills needed to perform IT audits.

During 2015, ALSAI has conducted two IT audit:

- a. IT audit in National Agency of Natural Resources;
- b. IT audit in Public Procurement Agency.

The staff of this directory continues to train in different systems such as the IDEA program, CAAT techniques, IT risk management IT audit, etc.

In addition to the trainings, the focus is set also in the methodological field of IT audit.

Throughout 2015, the ALSAI has published "Control Objectives for Information and Related Technologies (COBIT) and ISSAI 5310" as well as the IT Audit Manual.

11. On the ethics commission and operation of Ethics and Integrity Sector

Strengthening the system of ethics and integrity is among the priorities of institutional management and as a member of Task Force for the audit and ethics, ALSAI has already established its ethical structure, the Sector on Ethics and Integrity, has adopted the Code of Ethics and in implementing the best practices has established the Commission on Ethics.

The Commission on Ethics functions as *ad-hoc* body of professional judgment and covers issues related to ethics and integrity. The committee is composed of 3 members, Head of the Ethics, an auditor with a 25 years experience in the ALSAI, who is retired but in its curriculum professional has demonstrated a high profile of ethics and integrity in the exercise of duty, and an audit of the ALSAI who is nominated by the direct vote of the institution's staff.

In order to fulfill the objective that ethical behavior of staff SAI is an integral part of the activity of each auditor, during 2015 the activity of the Commission and the sector on ethics is focused on addressing cases of non-compliance of norms and requirements under the Code of Ethics.

To ensure an efficient ethical system, the Sector on Ethics and Integrity has carried out 711 inspections, from which 85 in ALSAI and 626 in audited entities.

For all those cases in which were found infringement of discipline by the auditors, the relevant department directors were informed to initiate disciplinary measures in 14 cases.

In addition, the Section on Ethics and Integrity has carried out 8 inspections in respect of the complaints received from citizens. Following this complaints, verifications were carried out.

12. Institutional Cooperation

12.1 Communication and stakeholder management

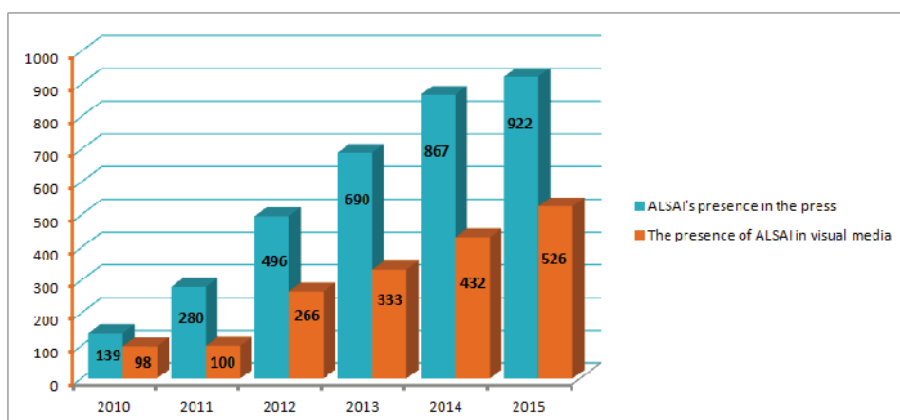
Increasing the impact through communication and cooperation is a strategic priority of ALSAI.

The institution is continuing with the application of institutional management policies through a new communication strategy, emphasizing the relations with the Parliament, including also other partners in national and international level.

ALSAI has a new whole approach in its communication with the public, referred to the International Auditing Standards, according to which *"...An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy"* (ISSAI 12, "The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens). In this regard, ALSIA has increased its transparency and in the end of 2015 its presence in the press has been increased 6.6 times and 5 times in the audiovisual media, compared with 2010.

We want to express our appreciation for all the Medias, which have published the articles of ALSAI's auditors, emphasizing thus the importance of the topics of these articles.

In 2015, the press has published our reports and statements with a total of 922 articles, reports, editorials and analytical reviews, comparing to 867 in total during 2014, or 7% more. Press and electronic media have reflected our activity from audits performed by ALSAI and various events during the year. The Transparency of ALSAI is growing from year to year and we are more open and cooperative with the media, as it is presented in the following graph:



The presence of ALSAI auditors in the daily press is no longer a novelty for ALSAI, but is a permanent need for auditors, so the findings and the recommendations of their audit work can be elaborated in articles. From the topics that are published in the Albanian press and the solutions provided, auditors obtain ideas and impetus for other writings.

That is why the final volume of the book “ALSAI's auditors in the daily press” contains more and more articles, which address concrete problems often encountered in daily life of the citizen who receives public services.

During 2015, we have been present in almost all the newspapers with 116 articles, written by 50 auditors of ALSAI.

The articles published during the years 2013, 2014 and the first half of 2015 have already been published in a summary book in four volumes, entitled "ALSAI's auditors in the daily press”.

ALSAI publishes its quarterly statistical bulletin, which includes data to determine the economic damage, lost income, and administrative disciplinary measures recommended, as well as criminal charges submitted to prosecution for audits completed in the respective periods.

ALSAI has increased cooperation and partnership with civil society organizations in carrying out joint surveys and analysis of the level of corruption and the degree of transparency in public administration.

Following the example of the SAIs in the developed European countries and the implementation of International Standards of INTOSAI, the principles of complete transparency and integrity, based on the standard ISSAI 5600 " Peer Review

Guideline" SAI is trying to engage different partners (SAI and NGOs in the field) in mini "Peer Review", in order to improve the work in certain directions.

Following the positive experience we have had in this regard during 2014, in which we have conducted four Mini Peer Review, with the European Movement Albania, Institute "G & G" Group and the Economics Journal, in 2015 the "Center for Transparency and Free Information", in collaboration with USAID conducted the project "Strengthening the law through the implementation of ALSAI's recommendations", which can be considered a genuine Mini Peer Review.

The Final report of the project and the recommendations issued for ALSAI in terms of improving the work to implement these recommendations are professional and beneficial for us.

All these projects are seen as Mini Peer Reviews and have produced concrete results of cooperation with NGOs. All the recommendations by these organizations will be regarded with high priority by the ALSAI in order to improve the audit work in the future.

ALSAI, responded positively to the request of INTOSAI in 2015, addressed to all Supreme Audit Institutions, members of this organization, through which the SAIs were invited to be part of a Peer Review on their independence. ALSAI accepted to be part of this process, considering that the independence is crucial for its constitutional mission. This process was conducted by the Austrian Court of Audit, during the period 8-19 February 2016. ALSAI has received the conclusions of the Working Group on the Peer Review and currently is carefully analyzing these results that will provide us with independent information concerning the assessment of the compatibility of our activities with the International Standards of Supreme Audit Institutions ISSAI 1, 10, 11 and 12.

During 2015, ALSAI has signed cooperation agreement with the Albanian Helsinki Committee and the Organization "Urban Integration", increasing to 18 the number of partners with whom we have signed a cooperation agreement.

In implementing the agreement, the ALSAI will be committed to cooperate with the Albanian Helsinki Committee, as one of the most experienced NGOs, especially concerning the protection of human rights and beyond.

Through cooperation with the organization "Urban Integration", we will use the data published by the organization, which may serve as indication for initiation of audits by the ALSAI.

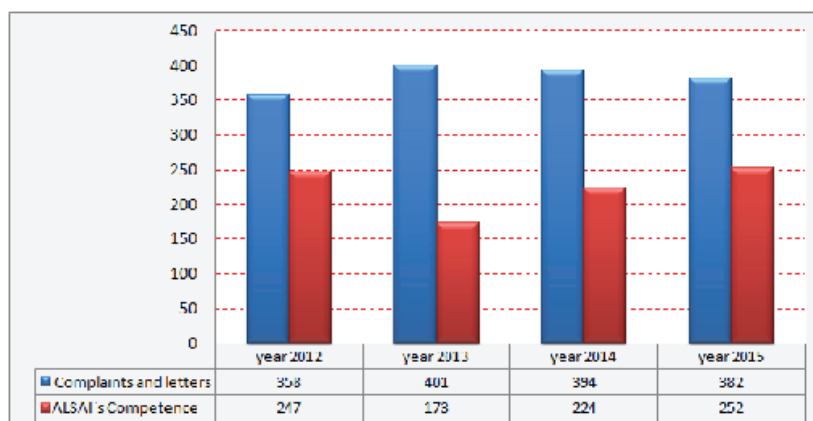
Cooperation with the professorship of Universities, with professional organizations and with NGOs has continued during 2015, which is reflected in their contribution in the scientific Journal, scientific conference, trainings and staff recruitment in ALSAI. A concrete example is the realization of the annual analyze of ALSAI for 2014 at the University "Ismail Qemali" in Vlora and the realizations, in the end of 2015, of the first phase of the analysis work of Audit Departments in the Public Universities in different districts of the country such as "Alexander Xhuvani" University in Elbasan, "Ismail Qemali" University in Vlora, "Luigj Gurakuqi" University in Shkodra and Tirana University.

In increasing the transparency and informing the public, the publications of ALSAI, 51 editions in total in four years, play an irreplaceable role.

Intensifying the communication of ALSAI has been very productive, particularly in sensitizing the media on audit reports and for the institution as a whole, as well as enhancing the reliability of the citizens on the institution.

ALSAI is very open to the citizen complaints, which are addressed to us by regular mail or electronically. These complaints of citizens are managed with the proper expertise by ALSAI's employees, in accordance to the topics, except when the issues raised do not fall under the ALSAI competence. During 2015, ALSAI has treated 382 letters and complaints, of which 130 resulted beyond the powers and jurisdiction of the institution. From 252 requests and complaints submitted to ALSAI, 143 of them have been verified and the appropriate response is given, while 109 are in the process of verification.

Communication with citizens:



In implementing the Institution Development Strategy and with the support of IPA of European Union, ALSAI will revise its communication strategy in order to be closer to the Parliament, the media and citizens, by introducing constantly new ideas, which are imperative to be innovative, attractive and consistent with the rapid changes of IT.

12.2 Cooperation with SAIs and international partners

In pursuance of all orientations and objectives issued by the Chairman of ALSAI for 2015, were followed all the procedures for the organization and realization of activities, such as visits and participations of the Chairman in the following events:

- Work meeting at GAO, U.S. Government Accountability Office, with Mr. Gene Dodaro, Comptroller General of the United States;
- Participation at the 23rd Symposium, UN/INTOSAI in Vienna;
- Participation in the Conference of EUROSAI/OLACEFS in Quito, Ecuador;
- Participation in the V Conference of EUROSAI-ARABOSAI in Qatar;
- Participation in the 10th Conference on "Debt Management" United Nations Conference on Trade and Development (UNCTAD);
- Official visit in the Croatian SAI;
- The 7th annual conference of National Audit Office of Kosovo;
- The participation of our counterparts in the celebration of the 90th anniversary of ALSAI, etc.

ALSAI has participated in numerous working groups and activities organized by INTOSAI and EUROSAI and specifically in the working group for the revision of ISSAI 30 (Code of Ethics). ALSAI has been active and has submitted its proposals in three meetings during 2015. The complete version of ISSAI 30 will be presented for approval at the next Congress of INTOSAI, which will take place in 2016.

During 2015, the ALSAI has participated in two meetings of the EUROSAI's Task Force on Audit and Ethics (TFA&E). As a member of this group and in light of the growing interest of the institution on this matter, the ALSAI has followed with great interest the activities of this important working group of EUROSAI, which addresses one of the most essential issue of public administration, the ethics, which is directly

related to the prevention and fight against corruption. Addressing this priority topic is important for Supreme Audit Institutions, in overseeing the management of public finances.

ALSAI has also been active and has participated in two meetings of the Working Group on the audit of funds allocated to disasters and catastrophes, in meetings of the working group on environmental audit, the Working Group on IT audits, etc.

During 2015, ALSAI has participated in 59 important activities like congresses, conferences, meetings, seminars, training, (the latter in the framework of cooperation agreements with counterpart SAIs), etc.

Most notably has participated in:

- Working meeting of the "Stabilization and Association Committee "in Brussels;
- Seminar on integrity and anti-corruption, organized in Hungary;
- Congress on Public Procurement;
- Conference of Young EUROSAs held in Israel, etc.

Throughout 2015, it continued successful cooperation with SNAO and JWGA. ALSAI's auditors have participated in various training sessions, workshops, etc.

Very important and fruitful is the participation of ALSAI's auditors in the training organized by the Turkish Court of Accounts, which in 2015 trained 36 auditors (in total 176 auditors in 2012-2015).

Referring to the Cooperation Agreement signed with the Polish NIK, 24 auditors were trained at this institution on topics related to different types of audit carried out by the institution.

In 2015, participated in activities abroad 136 auditors or 775 days in total, in other words all employees of ALSAI have been at least once abroad (with the exception of auditors who for personal reasons couldn't travel abroad).

Internship in ECA and fellowship in GAO

Achieving the status of candidate for EU brought for ALSAI the intensification of relations and cooperation with ECA, European Court of Auditors, one of the most prestigious European institutions. For the first time, three auditors of ALSAI have been part of ECA's structure for a period of 5 months.

In view of this successful cooperation, the President of ECA, Mr. Vitor Caldeira, with the invitation of the ALSAI's Chairman, Mr. Bujar Leskaj, honored us with his presence at the ceremony of the 90th anniversary of ALSAI, held in May 2015.

ALSAI has advanced its cooperation with GAO and since March of this year, an auditor of ALSAI has conducted a 4 month fellowship in this institution, which will undoubtedly be a positive experience and very beneficial for ALSAI.

12.3 ALSAI's editions in 2015

In the last four years 2012-2015, ALSAI has published periodically 51 titles. Each year the dynamics of the publishing institution increases by 10 percent, while maintaining the quality, depth of analysis, breadth of information in each title. The editions of ALSAI, apart being faithful to the contents of audits, the findings and recommendations of each audit, convey also the strategic directions of its modernizations, which is to increase the contribution to the improvement of public governance, through increasing the fight against corruption and the audit work of ALSAI's auditor at the level of a modern European auditor.

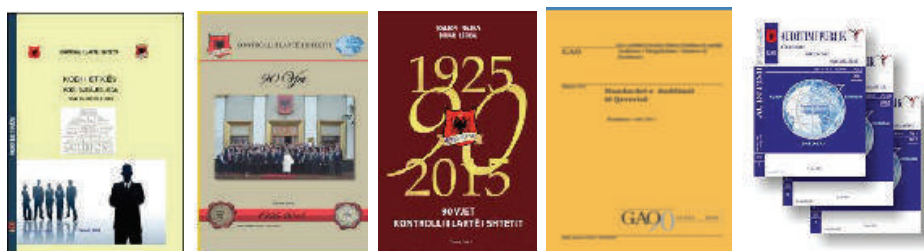
The year 2015 marked the 51th number of ALSAI's editions. 16 new editions in 2015 were added to the 35 that were published during 2012-2014:

- Annual Analyze of ALSAI 2014;
- Annual Report on Performance, ALSAI 2014 (Albanian/ English);
- Scientific Journal "Public Audit", No 9,10 and 11 (Albanian/English) ;
- Performance Audit Manual and the Performance Indicators;
- IT Audit Manual;



- Cobit 4.1, The It audit control;
- ALSAI's auditors in Daily Press, Volumes III and IV;

- 90 years ALSAI, ceremonies and activities;
- Album, 90 Years ALSAI;
- The Code of Ethics of INTOSAI (ISSAI 30), The Code of Ethics of European Court of Auditors and The Code of Ethics of ALSAI;
- The Audit Standards of GAO, U.S. Government Accountability Office.

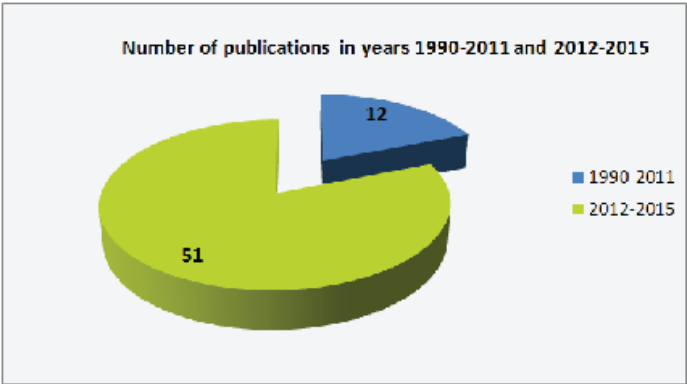


In publishing 15 of its editions, ALSAI has spent an average of 520 ALL for a publication (250-300 copies) with about 300 pages and 250-300 copies for publication.

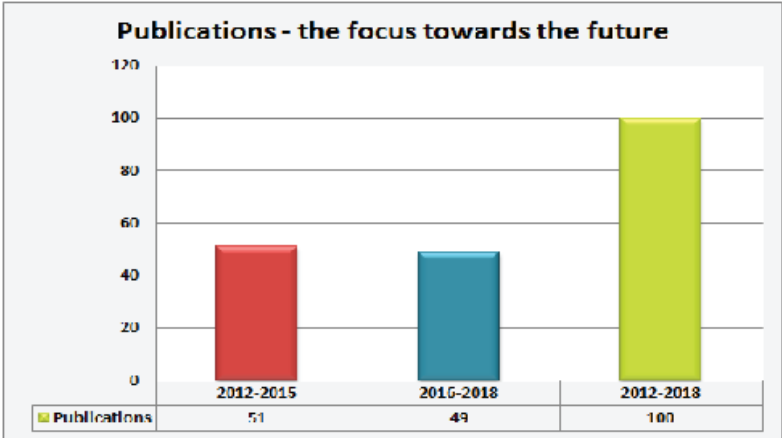
Among these titles, it's important to highlight the three numbers of Scientific Journal "Public Audit", which has reached its 11 edition.

This year has continued the contribution to the journal of distinguished personalities, in the field of economics and from the homologue SAIs of the region and world, like Dr. Josef Mosser, General Secretary of INTOSAI; Prof.Assoc.Dr. Recai Akyel, vice/President of EUROSAI and President of Turkish Court of Accounts; Mr. László Domokos, President of the State Audit Office and auditors from SAI of Croatia, from the German Court of Audit and Albanian personalities like Prof.Dr.Ilia Kristo, Prof. Dr. Hysen Çela, Prof.Assoc. Adriatik Kotorri, auditors from ALSAI, etc.

Focusing on the professional education of auditors, ALSAI presents to the interested readers, which include not only the auditors but also students, professionals in other fields related to auditing, the edition of "Audit Standards of the US Government", the review of 2011 as a guide advisable to read, studied and used when appropriate, since the principles and guidelines that this publication brings are one of the most advanced international practices of state audit, as it is the U.S. Government Accountability Office.



SAI will continue to enrich its publications for 2016, during which are anticipated to be published 16 titles and if we look forward at the end of 2018, the column of ALSAI will have 100 publication.



ALSAI is working hard in this regard and we are convinced that ALSAI will accomplish these goals, as an integral part of the implementation of the 2013-2017 strategy (revised for the period 2015-2017) to increase transparency and communication with the public, aiming in modernizing the institution.

12.4 IPA 2013 Twinning project

In view of the assistance for Albania and in implementing the Pre-Accession instrument, IPA 2013, component I, ALSAI received a funding worth 2.11 million Euros from the European Union on "Strengthening the capacity of External Audit". This twinning project was selected among seven EU projects, to be implemented in a decentralized manner, from the Albanian institutions. This project is funded by

the EU, with duration of 2 years and has started on 16 March 2016. Unquestionably it is a strong support but also one of the main challenges for the ALSAI, which has shown in recent years that is working hard in realizing its objectives qualitatively, walking safely on its way to modernization, that of carrying out audits in full compliance with INTOSAI standards and best practices of the European Union. SAI, as the beneficiary institution of the project has included in its 2016 budget the co-financial sum and has set up the appropriate structures in ALSAI, which will deal with the management and implementation of the project, in collaboration also with the Ministry of Integration and the Directorate of Contracting and Financing at the Ministry of Finance, in order to accomplish in time all the objectives of the project.

12.5 The 90th anniversary of the ALSAI

On May 26, 2015, in the plenary hall of the Parliament, was held the ceremony of the 90th anniversary of the ALSAI. In this ceremony participated distinguished personalities from Supreme Audit Institution of Europe, leaders of the International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI) and personalities of the Albanian state, parliamentarians, representatives of NGOs, professionals in the field of Economics and Audit.



A special appreciation and gratitude was addressed to the President of the Republic, H.E. Mr. Bujar Nishani; President of Parliament, Mr. Ilir Meta; President of the Constitutional Court Mr. Bashkim Dedja; former President of the Republic, Mr. Bamir Topi; Head of the Economy and Finance Committee in Parliament Mr. Erion Braçe; members of Parliament, members of the Supreme Constitutional Court and local leaders, who praised the anniversary and honored ALSAI with their participation.



The ceremony was honored by the participation of: Mr. Josef Moser, President of the Austrian Court of Audit and also General Secretary of INTOSAI; Mr. Vitor Caldeira, President of the European Court of Auditors; Mr. Recai Akyel, Vice President of EUROSAI and President of the Turkish Court of Accounts; Mr. Ivan Klesic, Auditor General of Croatia; Mr. Milan Dabović, President of Montenegro's SAI; Mr. Milenko Sego, Auditor General of Bosnia and Herzegovina's SAI; Mr. Radoslav Sretenovic, President of Serbia's SAI; Mr. Wojciech Kutyla, Vice President of the Polish NIK; Mr. Naser Ademi, Vice Auditor General of Macedonia's SAI; Mr. Cosmin Nicula, vice-president of Romania's SAI; Mr. Artan Venhari, Vice General Auditor of Kosovo's SAI; as well as representatives of relevant institutions of the EU as Mr. Robert Gielisse from DG Budget and Mr. Joop Vrolijk from SIGMA.

A very special greeting to the 90th anniversary was that of Mr. Gene Dodaro, Comptroller General of the Audit Office of the US Government, which through a video message conveyed to the ALSAI's staff his congratulations for the 90th anniversary of institution.



Institutional memory of a constitutional body like the ALSAI is of a paramount importance to understand its values and contribution over the years, but also mistakes and the moments of lapses. Hence all the ceremonies organized on this occasion are summarized in two publications of ALSAI, "90th anniversary of ALSAI" and "Album of the 90th anniversary of ALSAI" which will serve to us and the auditors to come in the future to have a better understanding of the institution. It will serve also to the public opinion and citizens to better understand the role of this important constitutional institution.

Instrument application

Field: Communication and Stakeholder Management

From the assessment based on performance indicators for the dimension "Internal communication" results a maximum rating (4 points) to all the criteria dealing with this dimension.

For the dimension on the foreign communication, the estimate results 3 out of 4 possible points, because ALSAI in view of implementing IPA project will have a new "communication strategy" that will be completed in 2016.

Referring to the dimension "Communication with the media, citizens and NGOs" the estimate results with maximum 4 point in all criteria

13. Social cultural activities

13.1 Visit in Art Gallery. On the occasion of the 90th anniversary of the institution, ALSAI organized a visit to the National Gallery of Art. The event was attended by the President of the European Court of Auditors, Mr. Vitor Manuel da Silva Caldeira; Secretary-General of INTOSAI, and also President of the Austrian Court of Audit, Dr. Josef Moser; President of the Turkish Court of Accounts, Prof. Assoc. Dr.Recai Akyel; Vice President of the Polish NIK, Mr. Wojciech Kutyla; Auditor General of Croatia, Mr.Ivan Klesic; President of the Senate of the SAI of Montenegro, Mr. Milan Dabović; President of SAI of Bosnia and Herzegovina, Mr. Milenko Sego; Vice Auditor General of Macedonia's SAI, Mr. Naser Ademi; President of the SAI Romania, Mr. Cosmin Nicula; Vice General Auditor of Kosovo's SAI, Mr. Artan Venhari; and representatives of academic world and civil society, SAI auditors, etc.

During this event, guests had the opportunity to get acquainted with the masterpieces of the most famous Albanian painters.



Visit to the Archaeological Museum, Durrës



On May 26, 2015 following the celebrations of the 90th anniversary of ALSAI, for all the participating delegations was organized a visit to the Archaeological Museum of Durrës.

The event was attended by the President of the European Court of Auditors, Mr. Vitor Manuel da Silva Caldeira; President of the Turkish Court of Accounts, Prof. Assoc. Dr. Recai Akyel; Vice-president of

Polish NIK, Mr. Wojciech Kutyla; President of the Senate of the SAI of Montenegro, Mr. Milan Dabović; President of SAI of Bosnia and Herzegovina, Mr. Milenko Sego, President of the SAI Serbia, Mr. Radoslav Sretenovic; and representatives of the Union of auditors of the OAG Kosovo and accompanying delegations.

All the participants followed with great interest the organized pavilions guide in the Archaeological Museum.

13.3 Participation of ALSAI in the 18th edition of the Book Fair

ALSAI participated for the third consecutive year in the Book Fair held in Tirana on 11-15 November 2015. The 18th edition of the Book Fair opened this year with the slogan "Digital Book" and it was attended by 107 publishing houses. ALSAI was

presented at the fair with all of its publications for the period 2012- 2015, a total of 46 publications, of which 11 publications were presented for the first time.



In view of this fair, ALSAI organized the promotions of its publications for 2015. The Chairman, Mr. Bujar Leskaj, in his speech praised the participation of ALSAI at the fair and emphasized that the book is among the most effective tools in communicating with the public institutions and citizens. Each year the dynamics of the institution's books increased by 10 percent, while maintaining the quality, depth and breadth of information analysis.

13.3 The joint activity between young auditors and a group of young student from University “Washington and Lee” University, Virginia, USA

On 26th November 2015, at the premises of the ALSAI took place a meeting between a group of students of the School of Law of the "Washington and Lee" University, Virginia USA and some of the young auditors newly recruited in ALSAI.



The Group of American students were accompanied in this meeting *by the International Law Professor Thomas H. Speedy Rice*. During the meeting, the students were informed about the role that a supreme audit institution can play in the fight against corruption and in enforcing the rule of law.

Throughout 2015, ALSAI has organized numerous events with prominent intellectuals, academics, personalities of culture, art and science. Most notably was the meeting that ALSAI organized at the premises of the State University of Tirana, with one of the prominent figures of the Albanian Jurisprudence, Prof. Ismet Elezi.

IV. FOCUS FOR THE FUTURE: PROSPECTS AND CHALLENGES IN 2016

2016 will constitute a challenging year for ALSAI's staff, in view of modernization and institutional reform.

The application of institutional performance instrument enabled us to determine correctly the aspects of institutional development of ALSAI for the future.

ALSAI will focus its activity on the following issues during 2016:

A In terms of audit activity

- Performing for the first time in the history of the activity of ALSAI the certification of financial statements in full compliance with the International Standards and the Financial;
- Consolidation of the compliance audit, applying the requirements of international auditing standards in accordance with the new manual of compliance audit;
- Increasing continuously the number and the quality of performance audits. Capacity Building with a view in conducting financial audits will be a priority in subsequent periods;
- During 2016, ALSAI will continue to improve its performance in IT audits;
- Development of infrastructure and IT assets during the audit process is one of the objectives of ALSAI. For 2016 the project will be implemented the project of computerized management of the audit process with a direct impact on increasing effectiveness of the auditing activity;
- *Deepening* the fight against corruption will be the focus of our activity, denouncing the corrupt acts in public, media, the prosecutor and beyond.

B. In the area of methodology and professional development, considering professional development as an integral part of the strategic development, in the future ALSAI will focus on aspects such as:

- Consolidation of the component "Professional Development";
- Constant application of results-oriented training model;

- Learning during development, which requires the creation of a system to evaluate the effectiveness of training in order to achieve progress and continuous improvement;
- Creating a high professional and ethical profile of the Senior Public Auditor, part of ALSAI's staff;
- Preservation and further development of training activity rates and meeting contemporary needs;
- The development methodology guided by scientific research activities and the publications of ALSAI have to serve as the primary source of training and staff development.

C. In communications, publications and foreign relations, the main goal remains to increase primary role in bringing new ideas, especially in the field of communication, in finding the most efficient way of communication with the Parliament, citizens, media, public sector entities, etc.

The challenges of the future:

- Realization of 16 publications planned for 2016, while improving their quality will continue to be a priority for the institution because it affects directly the growth of audit capacity, increasing thus the transparency to the public;
- For this year are planned to be publish 16 publications, which increases to 67 the number of editions and if we move at this pace, at the end of 2018 the periodical publications of ALSAI will have 100 titles;
- Implementation of the IPA project which will certainly have difficulties, given that it will be the first year of application;
- Implementation of the communication strategy of the ALSAI, as an output of IPA;
- Continuation of the implementation of concrete projects of cooperation agreements with NGOs and associations of professionals and conducting other Mini Peer Review. In this regard, we have made recently a request to the institution of Ombudsman for the realization of a mini Peer Review by this institution. Given the role and mission of the Ombudsman, we have proposed

to carry out a Peer Review, sending a group of commissioners of the Ombudsman in the ALSAI, which can treat one of the following topics:

- Assessment of letters and complaints from citizens of ALSAI;
 - Evaluation of work relations in the SAI (recruitment, promotion and professional careers, etc.), from the viewpoint in respecting human rights, the legal framework, etc.
- Concrete cooperation with the representatives of the World Bank and the OSCE in Albania, the possibility of joint projects for the development of audit capacity;
 - Organization of the IV Scientific Conference of ALSAI, "Risk Analysis";
 - Preservation of the scientific nature of the articles of Scientific Magazine.

ACRONYMS

ALSAI	Albanian Supreme Audit Institution
ALUIZNI	Agency for Legalization, Urbanization and Integration of Informal Areas / Constructions (Agjencia e Legalizimit, Urbanizimit dhe Integritetit të Zonave/Ndërtimeve Informale)
AKBN	National Agency of Natural Resources (Agjencia Kombëtare e Burimeve Natyrore)
APP	Public Procurement Agency (Agjencia e Prokurimit Publik)
AMF	Financial Supervisory Authority (Autoriteti i Mbikëqyrjes Financiare)
a.s.	anonymous society
ARABOSAI	Arab Organisation of Supreme Audit Institutions
BCP	Business Continuity Plan
CAAT	Computer Assisted Audit Tools
CEZ	Ceske Energeticke Zavody
DRP	Disaster Recovery Plan
DRT	Regional Tax Directorate (Drejtoria Rajonale e Tatimeve)
DP	General Directorate (Drejtoria e Përgjithshme)
DPT	Directorate General of Taxation

	(Drejtoria e Përgjithshme e Tatimeve)
DPD	Directorate General of Customs (Drejtoria e Përgjithshme e Doganave)
ECA	European Court of Audit (Gjykata Europiane e Auditimit)
EEF	Extended Fund Facility
EPSAS	European Public Sector Accounting Standards
ESA	European System of Accounts (Sistemi Europian i Llogarive)
EUROSAI	European Organisation of Supreme Audit Institutions
FSDKSH	Insurance Fund of Compulsory Health Care (Fondi i Sigurimit të Detyrueshëm të Kujdesit Shëndetësor)
GAO	Government Accountability Office
IDI	INTOSAI Development Initiative
INCOSAI	International Conference of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IntoSAINT	A Tool to Assess the Integrity of Supreme Audit Institutions
ISSH	Instituti i Sigurimeve Shoqërore
ISSAI	International Standards of Supreme Audit Institutions
IPA	Instrument for Pre Association
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
JWGAA	Joint Working Group on Audit Activities
KESH	Albanian Power Corporation (Koorporata Elektroenergjetike Shqiptare)

KKK	National Accounting Council (K ëshilli K ombëtar i K ontabilitetit)
KVO	Bid Evaluation Commission (K omisioni i V lerësimit të O fertave)
Ltd	Private L imited Company
LMH	Hydrocarbon License Agreement (Licencë M arrëveshje H idrokarbure)
MF	M inistry of F inance
MEI	M inistria e E nergjetikës & I ndustrisë
MH	Hydrocarbon Agreement (M arrëveshje H idrokarbure)
NAO	N ational A uditor O ffice (Dhoma Kombëtare e Auditimit)
NIK	Supreme Audit Office of Poland
NjP	Procurement Unit (N jësia e P rokurimit)
OECD	O rganisation for E conomic C o-operation and D evelopment
OLACEF	O rganización L atinoamericana y del C aribe de E ntidades F iscalizadoras S uperiores
UNO	United Nations Organizations
NGO	N on G overnmental O rganizations
OST	Transmission System Operator (O perator i S istemit të T ransmetimit)
OSHEE	Electricity Power Distribution Operator (O perator i S hpërndarjes së E nergjisë E lektrike)
PMF	P erformance M easurement F ramework

QSUT	Tirana University Hospital Centre, Tirana (Q endra S pitalore U niversitare e T iranës)
QKR	National Registration Center (Q endra K ombëtare e R egjistrimit)
QNIL	Centre for Transparency and Free Information (Q endra për T ransparencë dhe I nformim të L irë)
SAI	Supreme Audit Institution
SNISA	Standardet N dërkombëtare të I nstitucionit S uprem të A uditimit
SNAO	Swedish National Audit Office
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
t.v.sh.	value added tax (t atimi mbi v lerën e s htuar)
TCA	Turkish Court of Accounts
TFA&E	Task Force for Audit and Ethics
ZAP	National Audit Office of Kosovo
ZVRPP	Local Office of Registration of Immovable Property (Z yra V endore e R egjistrimit të P asurive të P alujtshme)
VKM	Decision of the Council of Ministers (V endim i K ëshillit të M inistrave)

CIP - Katalogimi në botim - BK Tiranë

RSH. Kontrolli i Lartë i Shtetit.

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