

# ALBANIA SUPREME AUDIT INSTITUTION

## SAI PERFORMANCE REPORT<sup>1</sup>

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<sup>1</sup> SAI Performance Audit Report has been approved with the Decision of the ALSAI Chairman no. 225, date 02.12.2022

## Table of Contents

<b>Abbreviations .....</b>	<b>3</b>
<b>Acknowledgements .....</b>	<b>4</b>
<b>(a) Introduction .....</b>	<b>5</b>
<b>(b) Independent review statement.....</b>	<b>6</b>
<b>(c) SAI Management and Use of Results .....</b>	<b>7</b>
<b>(d) Key Findings and Observations on the SAI's Performance and Impact.....</b>	<b>7</b>
i) Integrated Assessment of SAI Performance.....	7
ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens .....	12
iii) Analysis of the SAI's capacity development efforts and prospects for further improvement.....	16
<b>Chapter 1: Assessment Methodology .....</b>	<b>17</b>
<b>Chapter 2 SAI PMF Scoring Methodology.....</b>	<b>18</b>
<b>Chapter 3: Country and SAI Background Information .....</b>	<b>21</b>
3.1 Description of country governance arrangements and wider environment in which the SAI operates.....	21
3.2 Description of public sector budgetary environment including public financial management and impact on SAI performance.....	21
3.3 Description of the SAI's legal and institutional framework, organizational structure and resources .....	26
<b>Chapter 4: Assessment of the SAI's Performance .....</b>	<b>26</b>
4.1 Domain A: Independence and Legal Framework .....	30
4.2 Domain B: Internal Governance and Ethics.....	40
4.3 Domain C: Audit Quality and Reporting .....	52
4.4 Domain D: Financial Management, Assets and Support Services .....	93
4.5 Domain E: Human Resources and Training .....	98
4.6 Domain F: Communication and Stakeholder Management.....	109
<b>Chapter 5: SAI Capacity Development Process .....</b>	<b>117</b>
5.1 Recent and On-going Reforms.....	117
5.2 Use of SAI Results by External Providers of Financial Support.....	119
Annex 1: Performance Indicator Summary .....	120
Annex 2: Sources of Information and Evidence to Support Indicator Scoring .....	121

## Abbreviations

SAI	Supreme Audit Institution
PMF	Performance Measurement Framework
ISSAI	International Standards for Supreme Audit Institutions
INTOSAI	The International Organization of Supreme Audit Institutions
EUROSAI	The European Organisation of Supreme Audit Institutions
IDI	The INTOSAI Development Initiative
CAAT	Computer assisted audit techniques
UNDP	United Nations Development Programme
ALSAI	Albania Supreme Audit Institution
ALSAI	High State Control (same as ALSAI)
GAO	U.S. Government Accountability Office
ECA	European Court of Auditors
FA Manual	Financial Audit Manual
CA Manual	Compliance Audit Manual
NGO	Non-governmental organization
SDG	Sustainable Development Goals
IFPP	INTOSAI Framework of Professional Pronouncement
CPA	Certified Public Accountant
QA	Quality Assurance
ACCA	Association of Chartered Certified Accountants
CISA	Certified Information System Auditor
IDR	Institute for Democracy and Representatives
UN	United Nations
IAFP	International Auditor Fellowship Program
PPP	Public-Private Partnership

## Acknowledgements

High State Control is the Supreme Audit Institution (SAI) of Albania. The SAI Performance Report assesses the performance of the ALSAI against the International Standards of Supreme Audit Institutions (ISSAIs) and INTOSAI good practices following the methodology prescribed by the SAIs Performance Measurement framework (SAI PMF) developed by the INTOSAI Working Group on the Value and Benefits of SAIs (WGVBS)

The SAI - PMF has played an important part in its effort to help ALSAI to improve in its audit methodologies, internal governance and ethics, capacity development and engagement of stakeholders amongst many others. The assessment measures the current performance of the ALSAI across 6 domains. The domains covered are as follows:

- A. Independence and Legal Framework
- B. Internal Governance and Ethics
- C. Audit Quality and Reporting
- D. Financial Management, Assets and Support Services
- E. Human Resources and Training and
- F. Communication and Stakeholder Management

This assessment was carried out in 2021 and 2022 as part of the SPMR programme of IDI, with the support of the latter as well as from SAI Norway.

*The assessment team would like to extend its gratitude to the support received from INTOSAI Development Initiative (IDI) and the Supreme Audit Institution of Norway throughout the assessment. The assessment team is also grateful to the Chairman of Albanian Supreme Audit Institution (SAI), General Director, Secretary General and the audit staff of ALSAI that was involved in this assessment in the support provided during the fieldwork.*

## (a) Introduction

The Supreme Audit Institution - Performance Measurement Framework (SAI PMF) is an objective performance measurement framework that provides Supreme Audit Institutions (SAIs) with a framework for holistic and evidence based on self-assessment of SAI performance. It aims to offer an objective basis for demonstrating SAI's ongoing relevance to citizens and other stakeholders.

The SAI PMF assessment is led by Albania Supreme Audit Institution (ALSAI), while supported by INTOSAI Development Initiative (IDI) and SAI Norway and it follows the SAI PMF methodology as endorsed in December 2016. The Decision of the Chairman no. 919/2, for conducting AL SAI PMF dates on 11.10.2021.

The purpose for undertaking the SAI-PMF assessment is to measure the performance of ALSAI and to see the state of affairs encompassing institutional framework, organizational systems and professional development spheres. The specific objectives are to:

- Benchmark the performance of ALSAI against the ISSAIs which were adopted by ALSAI as an authoritative standard and INTOSAI best practices; and
- Provide the basis for preparing a New Strategic Plan 2020-2025

The assessment process was based on ALSAI's structure (*ALSAI does not have regional offices*) and legal framework. It started in November 2021 and covered the financial years 2020-2021. The assessment covered all domains given in the SAI-PMF guidance and all indicators in the endorsed version of SAI-PMF 2016 with the exception of SAI 5 and 18-20 which are not applicable to ALSAI. The Terms of Reference to carry out the SAI-PMF assessment was approved by the Auditor General

**(b) Independent review statement**

**SAI Performance Report of the Albania Supreme Audit Institution (ALSAI)  
dated September 2022**

**Independent Review Statement**

The INTOSAI Development Initiative (IDI), as operational lead on SAI PMF, provides support to SAI PMF assessments where requested. Such support includes conducting independent reviews (IR) of draft assessment reports. A request for such an IR was received from the Albania Supreme Audit Institution in April 2022.

This SAI Performance Report (SAI-PR) was prepared by Ms. Aulona Jani, Head of Performance Audit Department and Team Leader for the Assessment Team, Ms. Xhuljeta Celaj, Senior Auditor, Performance Audit Department, Mr. Koco Sokoli, Senior Auditor, Legal, Ethics and Standard Implementation Department, Ms. Elisa Metaj, Specialist, Communication, Publishing and Foreign Relations Sector and Mr. Redi Ametllari, Senior Auditor, Audit Department of Assets and Environment. The five (5) team members received training in the application of the SAI PMF methodology prior to undertaking the assessment.

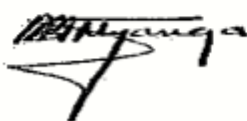
In compliance with the recommended SAI PMF methodology, the Head of the Albania Supreme Audit Institution received the draft report for review and official comment with the objective of ensuring that the report is factually correct. An internal review group that was not part of the assessment team, consisting of the General Director, Secretary General, Head of Cabinet, and Management Department Directors reviewed the draft report prior to submitting the report to IDI for an independent review. The assessment was based on the SAI PMF 2016 Endorsement Version (*Published on 24 February 2017/Modified on 5 September 2017*).

The IR arranged by IDI was conducted by Mr. Brighton Nyanga, Manager, SAI Governance Department at the IDI, who had no responsibility for preparing the SAI-PR and is considered to have the appropriate knowledge and experience necessary to perform this task. The objective of this review was to ensure that the SAI PMF methodology was adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores and that the analysis throughout the Report was consistent with the supporting evidence.

The review concluded that all the objectives for a quality assessment were satisfactorily met in the final report dated September 2022. In arriving at this conclusion, the independent reviewer relied on the quality control processes of the assessment team and the quality assurance processes of the SAI which were both aimed at ensuring the facts on which the conclusions are based are reliable and accurate.

All the significant matters raised during the independent review process have been adequately addressed in this version of the SAI-PR.

Prepared by: Brighton Nyanga



Date: 28 September 2022

## (c) SAI Management and Use of Results

The use of PMF assessment will be multidimensional, because the main purpose of this review is not limited to short-sighted process of benchmarking with the international audit standards (ISSAIs), but provides a broader perspective in using its results. In this view, we intend to formalize these results by making them part of the institutional managerial framework, including the ALSAI's new strategic development plan 2022-2027, updating our audit manuals to further improve the audit quality and making the PMF an integral part of the Performance Annual Report of ALSAI. Due to the fact that this assessment offers a transparent and objective in-depth analysis on the performance framework of the Albanian Supreme Audit Institution, ALSAI will undertake a new set of measures to address our institutional challenges, preparing a range of managerial changes, including proposing law improvements if needed, to further increase the financial and organizational independence of the ALSAI. Lastly, the results of the PMF will be delivered to the Parliament and other stakeholders, in order to increase the awareness regarding the importance that the PMF has on the public financial audit in Albania. Therefore, our overall objective is to encourage, through the PFM results, to take big steps towards boosting and enhancing the role of the ALSAI as a guardian of public finances.

## (d) Key Findings and Observations on the SAI's Performance and Impact

### i) Integrated Assessment of SAI Performance

This section includes the findings on how the SAI performs in its core functions and what causes the SAI's performance. For this section, the SAI PMF team conducted a root cause analysis based on all aspects that influences the SAI's performance. The root cause analysis results for ALSAI have been summarized into four, as follows:

- ✓ audit coverage,
- ✓ quality of audit reports and recommendations,
- ✓ Timeliness and publication of audit reports
- ✓ SAI follow-up on audit results,

#### 1. Audit Coverage:

<i>1<sup>st</sup> main cause identified:</i>	<i>The need for a Strategic Document on the identification of high-risk Areas periodically</i>
<i>Root of the cause:</i>	<i>Lack of a sound and unified base of the risky areas, for auditors, when proposing audit topics</i>
<i>Level of influence:</i>	<i>Within the SAI's control</i>

ALSAI is performing quite well under this indicator (SAI – 8 (ii) and during the past five years, it has issued reports covering sectors such as Education, Health, Revenue collection, Infrastructure, Public finance and public administration, Environment, Social security and labor market. However, in order to maximize the expected impact of the audit while taking account of audit capacities, as well as to ensure that this performance level is maintained or improved even further, ALSAI should develop a Strategic Document through an in-depth analysis, where to identify “high-risk areas” that pose a risk to public finances and institutions that provide services to citizens in Albania, and where the topic selection process, for the annual audit plan, should be based on. This Document should be revised 1-2 years, depending on the external and internal changes.

<i>1<sup>st</sup> main cause identified:</i>	<i>Compliance Audit</i>
<i>Root of the cause:</i>	<i>Insufficient human resources to audit all public entities within a financial year</i>
<i>Level of influence:</i>	<i>Parliament</i>

According to the Law no 154/2014 “On the organisation and functioning of ALSAI”, article 6, audit should cover compliance, regularity, financial management, 3 E-s in the administration of public funds and property. Whereas according to article 12, in compliance audits, ALSAI should assess whether: (a) incomes and expenditures has been in compliance with Budgetary legal framework and with principles of financial management and control Law; as well as (2) the general principles of a sound financial management in public sector and ethical behaviour of state officials are in place.

ALSAI has the mandate to conduct compliance audit in all public entities and budgetary funds. However, it is not possible for all public entities within the SAI’s mandate to be audited within a financial year due to the limited number of audit staff, thus the audit coverage cannot be 100%. There has not been an assessment on how many human resources are needed for the SAI to cover all public entities up to a significant extent.

<i>1<sup>st</sup> main cause identified:</i>	<i>Not mandatory for ALSAI</i>
<i>Root of the cause:</i>	<i>Public institutions are not obliged to deliver periodically their financial statements to the ALSAI</i>
<i>Level of influence:</i>	<i>Outside of the SAI’s control.</i>

According to the Law no. 154/2014 “On the organization and functioning of ALSAI”, article 10/ç, ALSAI is entitled on auditing, among others, the annual financial statements for general governance entities and giving an opinion on them. The SAI’s mandate, however, does not address specifically that the SAI should conduct mandatory financial audits on these entities. In this context, ALSAI conduct financial audits according to its annual plan as per article 9 of the Law no 154/2014.

It is important to note that regarding the term “received”, in the context of the Albanian Supreme Audit Institution, public institutions are not obliged to deliver periodically their financial statements to the ALSAI, but these are received upon request, during the audit phase in the respective audit entity.

Therefore, in almost all the financial and combined audits conducted in the public institutions, ALSAI has audited the financial statements. *However, there have been two cases<sup>2</sup> where financial statements have not been submitted to the audit team as requested. For that purpose, ALSAI followed all the necessary legal steps by also reporting accordingly to Parliament for the no submission of the latter.*

<i>2<sup>nd</sup> main cause identified:</i>	<i>Limited no of auditing staff to cover with financial audits all public entities.</i>
<i>Root of the cause:</i>	<i>Amendment of the Law on local government requires the annual auditing of financial statements of all municipalities (by ALSAI or private auditing companies)</i>
<i>Level of influence:</i>	<i>Parliament</i>

During 2021, due to the amendment of the local government law it is required for the financial statements of all municipalities to be audited externally on yearly bases (allowing also private auditing companies to conduct these audits). For that purpose, there has been approved an increased number of auditors for ALSAI, in order to meet this new requirement. However, considering the limited number of ALSAI audit staff, the annual audit plan is done based on risk and materiality, since there are only 148 audit staff, whereas a much bigger number of public entities, subject of audit as per ALSAI legal mandate. Furthermore, the newly recruited staff need to undergo trainings in order to fulfil this new audit obligation in accordance with the audit standards.

## 2. Quality of audit reports and recommendations

<sup>2</sup> Energy Regulator Entity (in 2020) and Public Supervisory Board (in 2021)

*1<sup>st</sup> main cause identified:* Lack of full comprehensibility of the financial audit process  
*Root of the cause:* Rotation of staff and new recruitments  
*Level of influence:* Within the SAI's control.

For quality control, ALSAI relies largely on the hierarchical review of the audit documents (audit plan, working papers, audit report, draft decision and decision of the Chairman, etc). The ALSAI Regulation of audit procedures specifies all phases of quality review<sup>3</sup>, initiated by the chief auditor of the respective department, the director of department, the quality assurance department by the General Director and finalized upon approval the Chairman. Also, annually ALSAI chooses a certain percentage audit files, applied to each audit department, to be subject to quality control.

ALSAI adopted the ISSAIs on financial, compliance and performance audits as the authoritative standards since 2015 and the respective Audit Manuals are closely aligned to the ISSAIs, governing the financial audit work. The new manuals are revised during 2020-2021.

However, considering the increased number of financial audits expecting to be conducted by ALSAI, with the new approved law on local government (and not only), more trainings should be done for the auditors to better understand the process based on ISSAI-s, respective manuals. On job trainings as well as pilot audits should be in the focus of ALSAI for 2022. It would also add value and increase the quality of ALSAI audit reports, if auditors would be certified with ACCA (for financial senior auditors) or CISA (for IT auditors), etc.

*2<sup>nd</sup> main cause identified:* Overlapping of working papers  
*Root of the cause:* Revision of FA manuals  
*Level of influence:* Within the SAI's control.

The first Financial Audit Manual of ALSAI has been drafted with the support of SIGMA, and approved in December 2015; whereas the last revision of it has been done in July 2020<sup>4</sup> with the support of Polish SAI (NIK) in the context of IPA Funds, aiming to reflect also the revision of ISSAI-s with regard to financial audit. The Polish SAI supported ALSAI auditors since the beginning of the audit engagement for two pilot audits<sup>5</sup>, starting with planning stage, in field audit, risk assessment, audit procedures to be followed and developed, materiality, etc, ending up with the reporting stage.

Even though the FA Manual clearly indicates about audit documentation that is sufficient to enable an auditor, with no previous connection with the audit, to understand the nature, timing and extent of the audit procedures and the audit evidence obtained, still there are some working papers in the FA Manual that need to be revised in line with the Regulation of Audit Procedures.

*3<sup>d</sup> main cause identified:* Self-assessment of performance audit process  
*Root of the cause:* No independent assessment review conducted in the past three years  
*Level of influence:* Partly within ALSAI's control

Even though, based on the SAI PMF and the respective dimensions with regard to performance audit ALSAI results to perform well, still no independent assessment (e.g. quality assurance review, peer or independent review, iCAT subject to independent quality assurance) has been conducted within the past three years with regard to SAI's performance audit practice, in order to confirm that the SAI complies with all the level 4 ISSAI requirements relevant to this dimension.

*4<sup>th</sup> main cause identified:* Increased need to auditing PPP-s

<sup>3</sup> The procedures for quality control of audits are laid down more specifically in the Regulation of Audit Procedures (article 36).

<sup>4</sup> Decision of the Chairman no 64, date 22.06.2020

<sup>5</sup> Compliance and financial audit in Ministry of Finance, and in Social Insurance Fund.

<i>Root of the cause:</i>	<i>Lack of a manual/methodology on auditing PPP-s, in line with International Standards</i>
<i>Level of influence:</i>	<i>Partly within ALSAI's control</i>

Recently the Government has shown a great focus to create an enabling environment for PPP investments, through the decentralisation of utilities and the privatisation of former public assets. As the number of PPP-s has continuously increased, ALSAI needs to create and develop a nucleus of professional auditors, able to conduct professional and comprehensive audits in PPP area, in line with international audit standards.

<i>5<sup>th</sup> main cause identified:</i>	<i>Lack of proper determination of audit risk, materiality and risk of fraud in compliance audits</i>
<i>Root of the cause:</i>	<i>Overlapping audit engagements, tight timeframes and insufficient training on the risk of fraud assessment in the context of compliance audit</i>
<i>Level of influence:</i>	<i>Within the SAI's control</i>

*The Audit Rules of Procedures are internal regulations that are approved by the Chairman of ALSAI. In article 23 it is stated that the audit starts after a maximum of 14 days after the auditee has been notified about the audit. And the audit team has at his disposal this maximum of 14 days to plan the audit and draft the audit program. Audit Rules of Procedures set a specific timeframe for the planning phase, which is not enough to carry out all step required in order to fill in all the content required in document no. 3. Also the annual audit plan provides a predetermined timeline to which every audit department have to comply to. Lastly, the size of the SAI (number of available audit staff) compared to the SAI mandate directly impacts on this matter.*

<i>2<sup>nd</sup> main cause identified:</i>	<i>Not reader friendly audit reports</i>
<i>Root of the cause:</i>	<i>Over documentation of facts, findings and conclusions of the report</i>
<i>Level of Influence:</i>	<i>within the SAI's control</i>

The final audit reports present all the required elements, but the reports under review are long, repetitive and duplicate the information in many sections due to over documenting of facts, findings and conclusions. Nevertheless, the information regarding the findings is put in context with the criteria, situation, the effect that an infringement has created etc.

### **3. Timeliness of audit submission and publication of audit**

<i>1<sup>st</sup> main cause identified:</i>	<i>Some delays in submitting and making public audit reports</i>
<i>Root of the cause:</i>	<i>Covid19 situation; changes in the organisational structure of ALSAI</i>
<i>Level of influence:</i>	<i>Partly within ALSAI's control</i>

There is no legal timeframe as to when ALSAI shall report to the appropriate authority for individual entity<sup>6</sup>, except for the audit of Budget Execution Report of the Albanian Government and the ALSAI Annual Activity Report<sup>7</sup>.

The annual audit schedule 2021 (according to ALSAI annual audit plan as published in the official website) is used as basis for scoring on the timeline of submission of financial audit result, out of which came out that, 26% of financial audit reports and 25% of compliance audit reports, were submitted later of the required criteria. The delays were due to the Covid-19 situation which impacted auditees as well as ALSAI's auditors. On the other hand, during 2020-2021 some changes in

<sup>6</sup> Article 10 of Law no. 154/2014

<sup>7</sup> Article 31 of Law no. 154/2014

the organisational structure of ALSAI, reflected also in the quality assurance structure, took place, resulting in some delays.

Also approx. 81% of financial audit reports, are made public in ALSAI website<sup>8</sup>; and 55% of compliance audit reports and/or opinions are made available to the public through appropriate means within 30 days after the SAI is permitted to publish.

#### 4. SAI follow up on audit results

*1<sup>st</sup> main cause identified:* Lack of practice for evaluating materiality in order to determine when a follow-up requires new additional investigations  
*Root of the cause:* Not considered when drafting the Manual  
*Level of influence:* Within ALSAI's control

ALSAI considers that the recommendations addressed represent the instruments, through which auditing can bring added value to public entities. However, it is not the recommendations themselves or their acceptance, the decisive factors that adds value to audit activity. Further actions taken by entities, to address ALSAI audit recommendations are the real value. In this view, the effectiveness of monitoring the implementation of recommendations from ALSAI, is essential for maximum achieving benefits from the audit activity.

For that purpose, ALSAI has developed a Manual on Follow-up of Audit Recommendations. The Manual provides guidance for conducting the follow-up of audit reports and recommendations in a systematic way. It is mandatory for each audit department to follow up audit recommendations based on a dedicated audit program twice per year (June and December). For the status of each of the recommendations, ALSAI also sends to the Parliament the follow-up report, as well as populates with data the Parliament's Electronic Platform (as a legal requirement of the latter), every six months with regard to the status of each audit recommendation given.

*However, ALSAI has not established yet a practice for evaluating materiality in order to determine when a follow-up requires new additional investigations.*

*2<sup>nd</sup> main cause identified:* A more comprehensive follow-up procedure  
*Root of the cause:* Not considered when drafting the Manual  
*Level of influence:* Within ALSAI's control

According to performance audits, an effective follow-up mechanism is in place, in accordance with the Manual of Follow-up audit recommendations. The follow-up procedures allow the auditees to provide information on corrective measures taken. *However, improvements are desirable if the follow-up reports include an analysis of different audits, possibly highlighting common trends, themes across a number of reporting areas and the impact from these corrective actions.*

For that purpose, Albanian Supreme Audit Institution should take the necessary measures to analyse and then based on the results, to update the Performance Audit Manual and reflect the below mentioned in the Follow-up Audit Manual as well:

*-Follow-ups should not be restricted to the implementation of recommendations but should be focused on whether the audited entity has adequately addressed the problems and resolved the underlying situation after a reasonable period of time*

*-Follow-up reports, may in turn include an analysis of different audits, possibly highlighting common trends and themes across a number of reporting areas*

*-Establishing a practice for evaluating materiality and the importance of the identified problems in order to determine if a follow-up requires an additional audit.*

<sup>8</sup> www.klsh.org.al

## ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens

INTOSAI P-12 on the Value and Benefits of SAIs<sup>9</sup>, underscores that SAIs should act as model institutions and set an example in the way they plan and also govern their operations. This also includes: (1) Strengthening the accountability, transparency and integrity of government and public sector entities; (2) Demonstrating ongoing relevance to citizens, Parliaments and other stakeholders; and (3) being a model organization through leading by example.

### 1) Strengthening the accountability, transparency and integrity of government and public sector entities

The auditing of government and public sector entities by SAIs has a positive impact on trust of society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' audit results are made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration. 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.

In line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) Albania's constitutional and legal framework provides for independence of the State Audit Institution (SAI)<sup>10</sup>. From the "Trust in Governance 2020" Opinion Poll edition<sup>11</sup> conducted in November and December 2020 as a collaboration between UNDP, Austrian Development Cooperation Fund and Institute for Democracy and Mediation, resulted that the Albanian population surveyed tended to believe that the most effective domestic accountability mechanism is the Albanian Supreme State Audit Institution (60.7%), followed by the media (52.8%), parliament (48.1%), civil society (44.8%), and the Ombudsman (44.3%)<sup>12</sup>. ALSAI's audit reports are currently being used by different medias.

In line with transparency principle, ALSAI publishes its audit reports in the official website, audit on the implementation of recommendations included. The 2017 Memorandum of Understanding between the SAI and the Ministry of Finance on monitoring the follow-up of audit recommendations resulted in the creation of a technical secretariat with representatives of both parties, which became fully operational in 2020. The acceptance level and effective and timely implementation of audit recommendations has improved. In 2020, ALSAI reported that 75% of its recommendations are in the process of being implemented, and some of them have been fully implemented. Despite a high rate of recommendations being accepted by institutions, the rate of fully implemented recommendations needs to be improved. The electronic platform for the follow-up of audit recommendations is functional since end 2019, and in June 2020 the respective manual has been approved.

For 2022, ALSAI has planned to conduct a performance audit on the theme of Sustainable Development Goals (SDG-s) which audit is expected to begin in June 2022, aiming to make valuable contributions to national efforts by monitoring implementation, identifying improvement opportunities across the full set of SDG-s.

### 2) Demonstrating ongoing relevance to citizens, Parliaments and other stakeholders

<sup>9</sup> INTOSAI P-12 – The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens. Available at <http://www.intosai.org/en/issai-executive-summaries/detail/issai-12-the-valueand-benefits-of-supreme-audit-institutions-making-a-difference-to-the-lives-o.html>.

<sup>10</sup> [https://ec.europa.eu/neighbourhood-enlargement/albania-report-2021\\_en#files](https://ec.europa.eu/neighbourhood-enlargement/albania-report-2021_en#files)

<sup>11</sup> [https://www.al.undp.org/content/albania/en/home/library/democratic\\_governance/trust-in-governance-opinion-poll-2020.html](https://www.al.undp.org/content/albania/en/home/library/democratic_governance/trust-in-governance-opinion-poll-2020.html)

<sup>12</sup> <file:///C:/Users/ajonuzi/Downloads/Trust%2520in%2520Governance%25202020%2520-%2520Opinion%2520Poll%2520Report.pdf>

SAI's worldwide demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are carried out.

ALSAI, as an independent constitutional institution is aware of the crucial role it plays in informing the Albanian Parliament, considering it as the main partner. During 2021 ALSAI has informed the Parliament through the submission of reports which provide detailed information on the use of public money by both central and local self-government institutions. ALSAI during 2021 has submitted to the Parliament the following reports:

- Annual performance report for the year 2020
- State Budget Implementation Report for the year 2020
- Three reports on the follow up of the audit recommendations for the audits conducted in 2020
- Two statistical bulletins
- 57 audit reports

ALSAI has also updated the electronic platform<sup>13</sup> of the parliament with information on monitoring the implementation of recommendations for 12 central and subordinate institutions.

The Supreme State Audit during the period January - December 2021 has continued to treat with professionalism the requests and complaints of citizens.

During 2021 ALSAI has handled 399 letters and complaints, of which 117 outside its competence and mandate. Out of 282 complaints within the competence of ALSAI, 273 of them have been verified and answered, while 9 are in the process of verification.

In the framework of the right to information, as fundamental right recognized by the Constitution of the Republic of Albania and law no. 119/2014 "On the right to information" during 2021 by the coordinator for the right to information were treated 38 requests and complains, 35 of which were in the competence of ALSAI while 3 of them were outside the competence and jurisdiction of the institution.

In the framework of the celebration of the 96th anniversary of the establishment, in May 2021, ALSAI has organized the open week for citizens who had the opportunity to visit the premises of the institution, the museum of ALSAI and to get informed about the audit work. ALSAI has also participated in the 24th Book Fair "Tirana 2021", where the interested public had the opportunity to get acquainted with 110 titles published by ALSAI, over the years.

With focus on increasing its transparency and interactive communication with citizens, ALSAI has published 100 reports and issued 66 press releases with the intention to inform all stakeholders with the results of the findings and recommendations of its audit work. In the framework of ALSAI's engagement in the uncompromising fight against corruption and misuse of public funds, 12 of the press releases have informed the public about the penal charges submitted to SPAK<sup>14</sup> and the Prosecutor's Office for concrete violations related to abuse of office and violation of equality in tenders, etc.

The results of the audit work, ALSAI has also published in 2 statistical bulletins for the periods January-June 2021 and January-September 2021.

The audit activity of ALSAI has been widely covered by all media in the country. Audio-visual media and online media have reported in 400 TV chronicles and articles related to the findings and recommendations of ALSAI on specific issues addressed in audits. The problems identified in the ALSAI's audits were also addressed in 262 articles published by the print media.

ALSAI over the years has paid special attention and has been active in intensifying cooperation with various institutions within the country with the aim of increasing transparency and accountability for the use of public funds and uncompromising fight against corruption, to serve in this way of socio-

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<sup>13</sup> This platform was created by Albanian Parliament to monitor the follow-up of the recommendations of independent institutions. Parliament has requested by ALSAI the information on the follow up of the audit recommendations only for central and subordinate institutions.

<sup>14</sup> Special Prosecution against Corruption and Organized Crime

economic development of the country and realization of the strategic objectives of Albania for membership in the European Union.

During 2021, ALSAI has continued the cooperation with law enforcement institutions to contribute to the efficient management of public finances.

In the meeting that the Chairman of ALSAI had with the Director of the National Bureau of Investigation, in January 2021 the parties committed, amongst other things, to intensify the work for identifying and bringing to justice the public servants who abuse with public funds.

During the last ten years, ALSAI has signed 64 cooperation agreements, of which 37 with Non-Profit Organizations and Public and Private Universities, 18 with other SAIs and 9 with state institutions.

In 2021 ALSAI has signed a cooperation agreement with UN Women Albania. ALSAI and UN Women Albania, through this agreement, are committed on advancing the implementation of gender equality commitments and monitoring gender responsive budgeting.

UN Women will support ALSAI by providing trainings for the auditors on how to implement a gender perspective in monitoring and auditing activities, and providing technical support with experts in the process of developing a gender audit methodology.

ALSAI and the Institute for Democracy and Representatives (IDR) have signed in 2012 a cooperation agreement and based on this agreement, representatives of ALSAI participated in the online forum held in June 2021 on the topic "Fight against money laundering in Albania - The role of civil society", where it was discussed the current situation of money laundering in Albania. Also, representatives of ALSAI participated in the forum held in November 2021, on the topic "The role of civil society in the fight against state capture in Albania", where the main topic was the policy document drafted by IDR and the recommendations on how to strengthen the role of civil society in Albania against forms of state capture, its cooperation with other social actors and how to make the fight against corruption a joint effort.

In the framework of the project "Capacity Development, Cooperation and Culture on the Oversight Security Sector in Albania, Kosovo and Northern Macedonia (DECOS)" funded by the Ministry of Foreign Affairs of the Netherlands and implemented by the Institute for Political Studies and the Center for European Security Studies in the Netherlands, representatives of ALSAI have participated in trainings conducted during 2021, which were focused on the comprehensive and democratic oversight of the security sector in Albania, challenges in improving democratic oversight of this sector, processes dealing with state security, the security of citizens within security sector reform, and fundamental issues of security sector oversight by civil society.

### **3) Being a model organization through leading by example**

Albania Supreme Audit Institution, each year prepares and submits to the Parliament its Performance Activity Report for that respective year. This report is also published in the official website of ALSAI<sup>15</sup>, in order to increase the transparency.

In line with the objectives of the Development Strategy 2018-2022, ALSAI values that the cooperation with international institutions serves to the increase of institutional and professional capacities of its staff, thus fulfilling the vision of being a model institution that leads by example, which promotes accountability, transparency and effective, efficient and economical use of public property. In 2021, ALSAI has intensified its cooperation with various international institutions with the focus on the staff capacity building for specific areas such as public procurement, audit of concession contracts and those of public-private partnership, as well as the performance of audits in specific areas.

ALSAI has started the cooperation with the OSCE and the Italian Anti-Corruption Agency regarding the training of its staff on best practices and models for conducting audits for public procurement procedures. In the first training session held in November 2021, 50 auditors were trained and the first training session were focused on the new Public Procurement Law: processes, critical points and

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<sup>15</sup> [https://www.klsh.org.al/cat\\_list/13](https://www.klsh.org.al/cat_list/13)

modalities of investigation, as well as the award of the contract and its implementation, specific areas related to the economic damage resulting from procurement procedures, designated costs and effective costs of contract implementation. The trainings of ALSAIs staff will continue during 2022.

ALSAI has agreed to be part of IDI initiative "Strategy, Performance Measurement and Reporting (SPMR)". As part of this initiative, ALSAI with the supported by IDI through training and expert assistance will:

- conduct its self-assessment on the institution's performance using the INTOSAI Performance Measurement Framework Methodology,
- draft a new Development Strategy 2023-2027
- Monitor the action plan for the implementation of this strategy.

Currently, a working group has been set up which, with the assistance of IDI experts, is working on drafting a self-assessment report on the performance of ALSAI.

During 2022, IDI will continue the training of the SAI working group that will draft the new Development Strategy of the SAI, given that the current strategy ends at the end of 2022.

In the Development Strategy 2018-2022, ALSAI has considered SIGMA one of the main and important partners, not only for the contribution to the annual monitoring and evaluation of the activity of ALSAI since 2000, but also for the substantial support in the process of adopting the new Organic Law. ALSAI has also has provided trainings for the ALSAIs staff on financial, compliance, performance and information technology.

Currently ALSAI has agreed with SIGMA the assistance of their experts for drafting of the Communication Strategy 2022-2025 and drafting of the budget audit manual.

In recent years, the number of concession contracts concluded by the Albanian government with private entities has increased and the public-private partnership has expanded more and more in providing services to citizens. In order to inform the Parliament and the wide public on the use of public funds and the usefulness of these contracts, ALSAI has aimed to increase the professional capacity of staff to provide complete, impartial and objective assessment regarding the tendering of concessions contracts and their monitoring. For this purpose, in the framework of the agreement signed with the Swiss Embassy for the financing by the secretariat of Economic Affairs of Switzerland (SECO) of the Project "Strengthening the supervision of concession contracts and public private partnership in Albania", ALSAI is currently in the tendering process of experts who will train our auditors on the legal framework of PPP, will draft specific guidelines for the audit of concessions and PPP contracts and will assist auditors in identifying specific audits risks that focus on these matters.

Although the Covid-19 pandemic limited the performance of activities with physical presence in the premises of INTOSAI and EUROSAI members, in order to meet the objectives of the strategy of INTOSAI 2017-2021 and EUROSAI 2017-2024, meetings, seminars, roundtables, workshops and trainings were conducted online. At the center of activities organized by counterpart institutions and other international institutions have been issues related to:

- Independence of SAI's
- The contribution of SAI's in the fight against corruption
- Audits conducted by SAI's to prevent the consequences of the Covid-19
- Exchange of experiences for conducting performance and IT audits
- Audit of public procurement procedures
- Follow-up of the implementation of SAI recommendations

During 2021, representatives of ALSAI have participated in 44 meetings, seminars, workshops and trainings with a total of 437 days/people.

### **iii) Analysis of the SAI's capacity development efforts and prospects for further improvement**

The Albanian SAI's main focus in the last decade has been increasingly directed towards capacity development as the only way to build up a solid institution, whose value for the citizens is widely recognized through the quality of its work.

For this reason, the SAI has undergone significant changes in this direction and has also made capacity development as one of its most important goal of its two consecutive development strategies. In this context, a significant emphasis has been placed on trainings, tutoring, and mentoring. These efforts have produced an undisputable impact on the SAI's work through the revision of its internal regulation and manuals in order to meet the requirements of the ISSAIs.

In the future prospect, despite significant positive steps forward, there is still a lot more to be done, mainly due to the fact that in the past two years the annual retirement rate has increased and new staff has been hired to cover those positions. This is a normal process that occurs in every organization, but in the context of Covid-19, with limited movements and social distancing the learning process is negatively affected. In order to face this situation, our SAI has put in place annual training programs carried out virtually (not only for newly recruited staff), and also participated in other international on line trainings and projects. Generally speaking, it takes at least two years for a junior auditor to acquire the necessary confidence to carry out its audit tasks without any form of supervision, and with limited movement and social distancing this time frame might cross the two years' threshold.

Also in the course of the of the Government, to create an enabling environment for PPP investments through the decentralisation of utilities and the privatisation of former public assets, and the increased number of PPP-s, it becomes essential for ALSAI to create and develop a nucleus of professional auditors, able to conduct professional and comprehensive audits in PPP area, in line with international audit standards.

On the other hand, considering the increased number of financial audits, deriving also from the requirements of the recently amended law on local government, it is necessary to give a strong tone on financial audit trainings, in order to further enhance the professional capacity of the auditors by availing long term studies as well as short term trainings.

ALSAI, as part of the IDI initiative "Strategy, Performance Measurement and Reporting (SPMR)", is being supported by IDI and SAI of Norway, through training and expert assistance, in order to: conduct the self - assessment of the institution's performance using the INTOSAI Performance Measurement Framework Methodology, and also to draft our new Strategic Planning.

## Chapter 1: Assessment Methodology

SAI PMF assessment is an objective and evidence-based assessment. The evidences were drawn principally from desk reviews, interviews, documentation and completed audit files as per approved Terms of Reference, reviewed by IDI and approved by ALSAI. The Audit files included planning documentation, risk assessments, working papers, and draft reports, communications with the audited entities, quality control documentation and the final reports.

The assessment team randomly selected three financial and compliance audit files for assessment against the financial audit indicators and the compliance audit indicators; two financial audit files for assessment against the financial audit indicators; two compliance audit files for assessment against the compliance audit indicators; and three performance audit files for assessment against performance audit indicators. The selection of the sample has considered the involvement of different departments as agreed according to TOR-s.

The objective of the assessment is to:

1. Offer a transparent and objective in-depth analysis on the performance framework of the Albanian Supreme Audit Institution;
2. Identify the institution's strengths, weaknesses, opportunities;
3. Further increasing the ALSAI's cooperation with the international audit community;
4. Provide a new set of recommendations, after the assessment, to address our institutional flaws, including preparing a range of law improvements if needed to further increase the financial and organizational independence of the ALSAI;
5. Making the PMF an integral part of the Performance Report of ALSAI.
6. Informing the Parliament and the other stakeholders on the assessment, in order to increase the awareness regarding the importance that the PMF has on the public financial audit in Albania.

The SAI - PMF assessment started in September 2021 with an intensive course and guidance through webinars on the SAI PMF framework and tools. The assessment fieldwork was conducted during November 2021 in SAI Albania with an onsite visit on the part of the IDI expert and the Norwegian SAI expert. During this period, the team also carried out the data collection for the assessment.

To ensure the assessment's quality, the team opted to exclude team members that were involved with an audit report from assessing their own work. Furthermore, on the stage of audit file review, additional audit staff were engaged for specific types of audit with regards to their audit specialty.

Initially, responsibilities for specific domains were allocated to each team member. The team worked together to conclude on scorings for each indicator under its respective domains.

Members of the assessment team possess all the necessary qualifications to perform their assessment according to SAI PMF and they have all participated at the training organized for this purpose by IDI.

The draft report walked through three stances of quality control for any factual correctness as part of quality assurance, in order to provide feedback for any possible error corrections, such as:

✓ **First Stance of Quality Control** (in team review): Team leader was in charge to ensure that tasks assigned accordingly to TORs were carried out by each team member within the approved time table and using the designed methodology for this assessment. The first version of the PMF Assessment Report is submitted to the third stance of quality control (external review) involved in quality control as well as the second stance of quality control (internal review). Prior to submittal, the first draft report is reviewed by the team leader, who ensured that the assessment team has reflected the relevant comments provided by the internal and external review stakeholders included in the process.

✓ **Second Stance of Quality Control** (internal review): The Quality Control Department, General Director, and the Secretary General reviewed the draft report and provided feedback to correct any possible errors and inaccuracies.

✓ **Third Stance of Quality Control** (external review) is carried out by SAI of Norway and IDI expert, which not only support the assessment team during the assessment process (continuous on line consulting and on-site visits), but they also provide their valuable comments. The Final Report, drafted and approved accordingly to this methodology, will be published by the SAI on the official website, and thus made available for interested parties.

The lists of sample files that went through review process can be found in the table below:

Nr	Compliance audits - 2	Financial audits - 2	Regularity audits (financial and compliance) - 3	Performance audits - 3
Audit Department of Central Gov. Institutions	Regional Directorate of pre-university education, Durres			
Audit Department of Central Gov. Institutions			Ministry of Internal Affairs	
Department of Performance Audit				Effectiveness of parking in the cities roads.
Audit Department of Central Gov. Institutions				Managing plastic waste
Audit Department of Central Gov. Institutions				Development of Mountain Tourism
State Budget Audit Department		Regional Tax Office, Durres		
State Budget Audit Department			Ministry of Finance	
Audit Department of local government	State Inspectorate for Market Supervision			
Audit Department for state owned companies and foreign investments		Modernisation of Social Assistance in Ministry of Health		
Audit Department for Assets and Environment			General Directorate of Cadastre and Regional Offices	

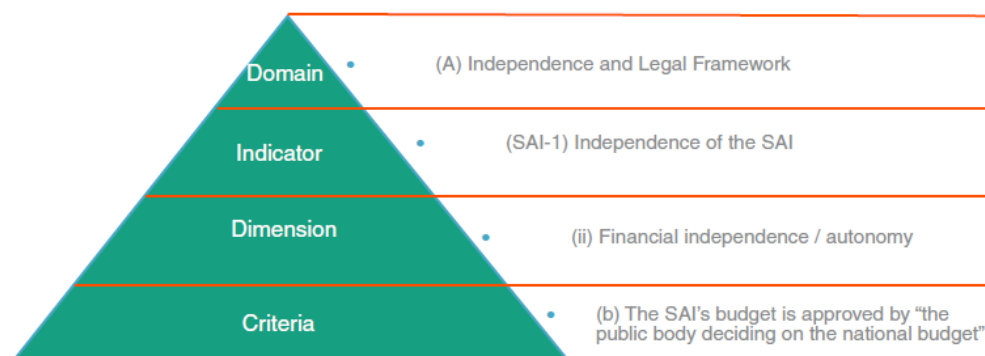
## Chapter 2 SAI PMF Scoring Methodology

The SAI PMF consists of 6 domains that assess the SAI performance in the key areas as follows:

- A. Independence and Legal Framework
- B. Internal Governance and Ethics
- C. Audit Quality and Reporting
- D. Financial Management, Assets and Support Structures
- E. Human Resources and Training
- F. Communication and Stakeholder Management

Each of the domains contains a specific number of indicators that make 25 in total. Each indicator may then be split into some dimensions, which the latter may be further split into several criteria. An illustration of how the indicator system is built up is presented in diagram 1 below.

Diagram 1. SAI PMF Terminology



In many cases, the criteria are taken directly from the INTOSAI Framework of Professional Pronouncements (IFPP) or other international good practice. After each criterion is assessed against appropriate evidence and scored either "met" or "not met", the score at the dimension and indicator level is aggregated using the conversion tables in the SAI PMF document.

Indicators and dimensions are scored using a numerical scale from 0 to 4, where 0 is the lowest level, and 4 is the highest. Scores broadly correspond to the level of development in the area measured by the indicator. The SAI PMF does not provide an aggregated score at the domain level or for the sum of the SAI's activities like some other tools do. The level of development and hence the scores, may vary widely across the SAI's activities. The indicator score levels 0-4 reflect the level of development for the different activities as described below:

### Score 0: The feature is not established or barely functions

There is no activity or function, or the particular feature only exists in name."

### Score 1: The founding level

The feature exists, but is very basic. For example, an SAI is conducting performance audits, but these are so irregular that a systematic approach, and accumulated experience and knowledge have not been obtained, and this is reflected in the quality of the work."

### Score 2: The development level

The feature exists and the SAI has begun developing and implementing relevant strategies and policies, but these are not complete and are not regularly implemented. For example, the SAI may have a strategic and development action plan, a human resource strategy and a communications strategy. However, if these are weak and/or only partially implemented, this will be reflected in the score."

**Score 3: The established level**

The feature is functioning broadly as expected under the ISSAIs (levels 1-3). Under Domain C, this would mean that compliance, financial and performance audit are all undertaken broadly following the principles in level 3 in the ISSAI framework. A large proportion of the financial statements received are subject to financial audit. Audit reports give a holistic view on the use of all public resources and on the performance of audited bodies. The majority of audit reports are published in a format that is appropriate for the intended audience.”

**Score 4: The managed level**

The feature is functioning following the principles in the ISSAIs (levels 1-3) and the SAI implements the activities in a way that enables it to evaluate and continually improve its performance. For Domain C, compliance, financial and performance audits are all undertaken following the principles at level 3 in the ISSAI framework and are seen as adding value by audit clients. In addition, the SAI has undertaken an independent review of its audit practices, for example using the ISSAI Compliance Assessment Tool (iCAT), confirming that the SAI’s audit practices comply with level-4 ISSAIs.”

It is also important to point out that even with a top score, it should also be evident that the SAI is making efforts to maintain this level of performance. This could be described in the narrative and drawn into the performance analysis.

## Chapter 3: Country and SAI Background Information

This chapter provides information about the Republic of Albania and background information of their SAI. This information aims to provide the reader with a sufficient understanding of the wider context of the SAI's performance and other core characteristics.

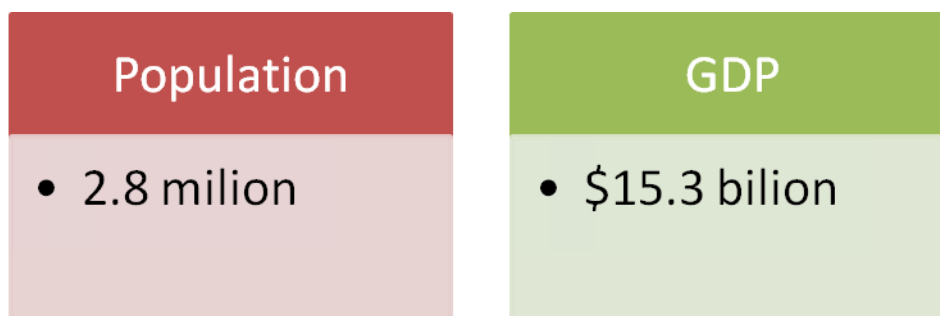
### 3.1 Description of country governance arrangements and wider environment in which the SAI operates

- **Country context**

According to the Factbook of CIA<sup>16</sup>, Albania, a formerly closed, centrally planned state, is a developing country with a modern open-market economy. Albania managed to weather the first waves of the global financial crisis but, the negative effects of the crisis caused a significant economic slowdown. Since 2014, Albania's economy has steadily improved and economic growth reached 3.8% in 2017. However, close trade, remittance, and banking sector ties with Greece and Italy make Albania vulnerable to spill over effects of possible debt crises and weak growth in the euro zone.

Remittances, a significant catalyst for economic growth, declined from 12-15% of GDP before the 2008 financial crisis to 5.8% of GDP in 2015, mostly from Albanians residing in Greece and Italy. The agricultural sector, which accounts for more than 40% of employment but less than one quarter of GDP, is limited primarily to small family operations and subsistence farming, because of a lack of modern equipment, unclear property rights, and the prevalence of small, inefficient plots of land. Complex tax codes and licensing requirements, a weak judicial system, endemic corruption, poor enforcement of contracts and property issues, and antiquated infrastructure contribute to Albania's poor business environment making attracting foreign investment difficult.

Albania's economy is based on the service (54.1%), agriculture (21.7%), and industrial (24.2%) sectors. The country is rich on natural resources, and the economy is mainly bolstered by agriculture, food processing, lumber, oil, cement, chemicals, mining, basic metals, hydro power, tourism, textile industry, and petroleum extraction. The strongest sectors are energy, mining, metallurgy, agriculture, and tourism. Primary industrial exports are clothing, chrome.



Source: Data from World Bank

According to the World Bank<sup>17</sup>, the poverty rate (at US\$5.5 per day) is projected to fall in 2021 by 1.8 percentage points relative to 2020. Although the extent of the poverty increase in 2020 is not confirmed, projections suggest that by end-2021, the poverty rate could be 0.9 percentage points below its 2019 estimated value. However, this assumes that employment recovers to long-term trends and that recent price increases are temporary.

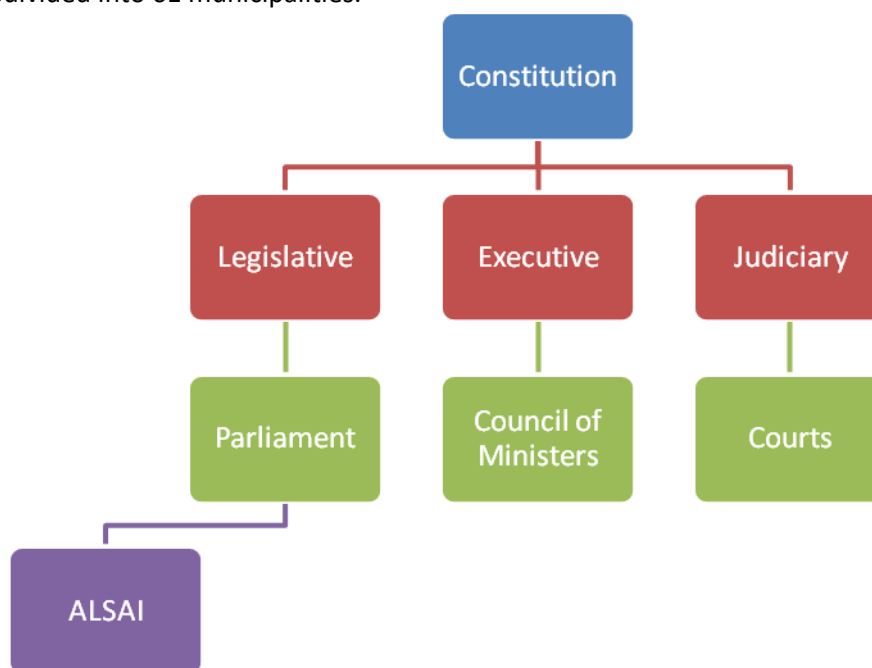
Higher fiscal revenue collection and new debt allowed the Government to increase infrastructure spending. Fiscal consolidation and the achievement of a positive primary balance were postponed to 2024.

- **Country Governance arrangements**

<sup>16</sup> <https://www.cia.gov/the-world-factbook/countries/albania/#economy>

<sup>17</sup> <https://www.worldbank.org/en/country/albania/overview#3>

Albania is a unitary parliamentary constitutional, republic multi-party system, where the President of Albania is the head of state and the Prime Minister of Albania the head of government. The executive power is exercised by the Government and the Prime Minister with its Cabinet, Council of Ministers. Legislative power is vested in the Parliament of Albania. The judiciary is independent of the executive and the legislature. The Parliament is a unicameral legislative body of Albania. The number of representatives is 140, which are elected by popular vote to serve four-year terms. Albania is a member state of the North Atlantic Treaty Organization (NATO) and also an official candidate for membership in the European Union. Albania is divided into twelve administrative, which are further subdivided into 61 municipalities.



According to the Report of Transparency International<sup>18</sup>, “Corruption Index Perception for 2021”, Albania has been assessed with a negative decline from 36 points to 35 points, which means that the perception of corruption has been increased recent year. Also, the European Commission Progress Report for 2021 highlights that “*Convictions in cases involving high-level officials still remain limited, fostering a culture of impunity within the higher levels of the State. The specialized structures against anti-corruption (SPAK and the anti-corruption and organized crime courts) should significantly strengthen the country’s overall capacity to investigate and prosecute corruption. Overall, corruption is prevalent in many areas of public and business life and remains an issue of serious concern*”<sup>19</sup>.

Regarding media freedom, according to the assessment of the *Reporters without Borders*, although Albania’s constitution and international legal commitments guarantee press freedom, protections for the confidentiality of sources are insufficient. Moreover, the so-called anti-defamation package, which would give the state disproportionate power over online media content and reinforce self-censorship, has still not been clearly taken off the political agenda, although its initial version has been slammed by Council of Europe, the European Union—which Albania wants to join—and by international press freedom organizations. Media professionals investigating crime and corruption are especially threatened. Female journalists, who in fact make up most of the profession, face online harassment and in some cases gender-based discrimination in editorial offices, an area which has nevertheless seen progress. Self-censorship is wide-spread. Despite this threat to their editorial independence, media outlets created a platform for ethical self-regulation, the first of its kind in

<sup>18</sup> [https://images.transparencycdn.org/images/CPI2021\\_Report\\_EN-web.pdf](https://images.transparencycdn.org/images/CPI2021_Report_EN-web.pdf)

<sup>19</sup> Albania-Report-2021, page 5

Albania<sup>20</sup>. For the year 2022, Albania ranks 103rd out of 180 countries in the world, which is a decrease of 20 countries, compared to 2021 when it was ranked 83rd.

Regarding the Civil Society organizations, the EU Progress Report for Albania 2021<sup>21</sup> emphasizes that Albania's legal and regulatory framework on the right to freedom of assembly and association is generally in line with international standards. However, since the beginning of the COVID-19 pandemic, temporary rules and protocols aimed at preventing the spread of the infection brought limitations to the freedom of assembly. The law on registration of Non-Profit Organisations, adopted in June 2021 aims at introducing an electronic register, which will ease the registration process and increase transparency and accuracy of the register of non-governmental organisations (NGOs). It also aims at fulfilling the FATF Action Plan (see Chapter 24 – Justice, Freedom and Security). Nevertheless, the ability of the National Council for Civil Society to voice priorities of civil society organisations (CSOs) in policy-making processes is still weak. The Law on the National Council has not been amended to reflect changes in ministerial portfolios and representation in the Council, and to improve its functioning. The Agency for the Support of Civil Society remains the main public body providing financial support for civil society, but its budget was reduced by 40% in 2020, making public funding insufficient to sustain CSOs' activity, in particular in social services.

### **3.2 Description of public sector budgetary environment including public financial management and impact on SAI performance**

The legal and regulatory framework for PFM in Albania has origins in the Constitution (1998). Most laws governing PFM were revised in the recent years to support fiscal consolidation efforts. The main PFM law is the Law on the Management of the Budgetary System (2008, amended in 2016) which defines the elements of the budgetary system and main PFM processes, and regulates management of public finance for all levels of government. Detailed procedures for budget preparation and budget execution are documented in the standard instructions for these processes approved in 2012 and amended in 2016. New legislation regulating expenditure controls and internal audit has been adopted in the last two years, adjusting or improving the previous laws in financial management and control, procurement, internal and external audit. The framework law in tax management is the 2008 Law on Tax Procedures, amended in November 2016. Separate laws regulate the main types of taxes, including the law on VAT, law on income tax, law on excises, and laws on national and local taxes, all amended in the last three years. Renewed emphasis has been placed by the government on ensuring stability and predictability of local finances through amendments to the local finance law, approved in late 2015.

The table below presents an overview of the main laws and regulations that guide the PFM systems in Albania. The main guidance of the legal framework in respect to specific areas is discussed in more detail in the narrative of the respective performance Indicators.

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<sup>20</sup> <https://rsf.org/en/country/albania>

<sup>21</sup> Page 13-14 of the Report

Area	Description
General	<ul style="list-style-type: none"> <li>• The Constitution (1998) sets the basis for PFM.</li> <li>• Law "On the management of the Budgetary System in the Republic of Albania" (2008, as amended in June 2016) defines the elements of the budgetary system and main PFM processes</li> </ul>
Budget preparation and execution	<ul style="list-style-type: none"> <li>• Standard Instruction on the Medium Term Budget Preparation (2012, as amended in 2016);</li> <li>• Standard Instruction on Budget Execution (2012, as amended in 2016)</li> </ul>
Debt	<ul style="list-style-type: none"> <li>• Law No. 9665, dated 18.12.2006, "On State Borrowing, State Debt and State Loan Guarantees in the Republic of Albania" (amended by the Law No. 181/2014); defines the authorities and procedures for debt administration</li> </ul>
Tax administration	<ul style="list-style-type: none"> <li>• Law No.9920, dated 19.5.2008, "On Tax procedures in the Republic of Albania", last amended with Law No. 112/2016, dated 03.11.2016 and entered into force in 2017</li> <li>• General laws for direct and indirect taxes: <ul style="list-style-type: none"> <li>- Law No. 8438, dated 28.12.1998, "On Income tax" last amended with Law No.156/2014, dated 27.11.2014 and, entered into force in 2015</li> <li>- Law No. 92/2014, "On Value Added Tax in the Republic of Albania", last amended with Law No.71/2017, dated 27/04/2017</li> <li>- Law No.9975, dated 28.7.2008, "On National Taxes" last amended with Law No.127/2016, dated 15.12.2016</li> <li>- Law No.9632, dated 30.10.2006, "On the system of local taxes", last amended with Law No.142/2015, dated 17.12.2015</li> <li>- Law No. 61/2012 dated 24.05.2012, "On excises in the Republic of Albania", last amended in 2016</li> </ul> </li> </ul>
Local finances	<ul style="list-style-type: none"> <li>• Law no. 68 /2016 "On self-governance local finances"</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• Law No. 9643 dated 20.11.2006, "On Public Procurement", last amended in April 2017</li> </ul>
Financial management control and internal audit	<ul style="list-style-type: none"> <li>• Law "On Financial Management and Control" (2010), defines management responsibilities for execution and control of budgets.</li> <li>• Law "On Internal Auditing in the Public Sector" (2015).</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>• The Constitution (1998) Articles 162-165</li> <li>• Law "On the Organization and Functioning of the High State Control" (2015).</li> </ul>
Legislative oversight	<ul style="list-style-type: none"> <li>• The Constitution (1998) Articles 155-160.</li> <li>• Rules of Procedure of the National Assembly</li> <li>• Law "On Organization and Functioning of the Council of Ministers".</li> </ul>

*Source: Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report of Ministry of Finance and Economy, Albania*

**Ministry of Finance** has been assigned with the leading role in public financial management. This includes formulating and monitoring fiscal policy, preparation and implementation of the budget, public internal financial control, managing the internal and external public debt, integrating fiscal and monetary policies in the national economy in cooperation and coordination with the Central Bank and related institutions. The Ministry consists of several General Departments – Treasury, Budget, Public Debt, Fiscal Policy, and Central Harmonization Units for Public Financial Management and Control and for Internal Audit. Institutions subordinate to the MOF include the General Directorates of Taxation, Customs, Anti Money Laundering. In light of the devastating earthquake of November 2019 and the Covid-2019 Pandemic, the Public Financial Management strategy for 2019-2022 was revised to address these challenges and was published in March 2021. The Ministry of Finance is the

authority responsible for approving instructions and manuals for financial management and control in public sector units, including:

- methodology for the operation of financial management systems and control;
- the form, content and deadlines for periodic reporting to the first authorizing officer about operation, suitability, efficiency and effectiveness of existing systems financial management and control, irregularities found and measures taken;
- the form, content and manner of submission of the financial statements on the quality and conditions of internal controls for the previous year;
- standard documents of audit trails, related to the unified procedures in it all public sector units;
- standard procedures for a complete, accurate and timely accounting
- etc.

Furthermore, the Minister of Finance may approve joint instructions, upon the proposal of the heads of specific public units, in certain areas of financial and management control. In this regard, for the audit of local government units carried out from other external auditors (besides ALSAI), according to the law no. 38/2017 "On local finances", article 50/3, the Minister of Finance and the Chairman of the Albanian Supreme Audit Institution determine by a common instruction the cases when an audit can be conducted by other statutory auditors, as well as procedures, deadlines and external audit standards which the other external auditors should follow.

*According to the Albania Public Finance Management Sectorial Strategy 2019-2022, a specific Objective (no. 5) seeks enhanced accountability and transparency through better financial and non-financial performance reporting in line with international standards to improve coverage, quality and accessibility of information on public finances since yet the legal framework for public sector financial accounting and reporting is complex, fragmented and ambiguous<sup>22</sup>.*

Financial Reporting Framework in Albania public sector consists of: Law no. 9936, dated 26.06.2008 "For the management of the budget system in the Republic of Albania" as amended, annual Law on Budget, as well as an annual Guidance "On the procedures for the preparation, presentation and reporting of annual financial statements". There is also the Law no. 10296 dated 08.07.2010 "On financial management and control", as amended. In Albania, there is not yet a set of standards approved for the public sector financial reporting framework. The legal framework for public sector financial accounting and reporting is still complex, fragmented and ambiguous. There is an ongoing project form part of Ministry of Finance, for the development of public sector accounting and financial reporting in line with IPSAS.

**Internal audit:** According to the EU Progress Report for 2021, the legislation on internal audit practice is in line with international standards, but the internal audit function still does not issue audit opinions on the effectiveness of the internal control systems across budget entities. The internal audit quality control procedures still need to become generally compliant with the standards and fully operational. In October 2020, the Ministry of Finance and Economy approved guidelines and instructions for improving the monitoring and reporting of the implementation of internal audit recommendations.

**External Audit:** The function of the public external audit is performed by the High State Control (Supreme Audit Institution). The Law 154/2014 dated November 27, 2014 on the organization and functioning of the state supreme audit institution established the legal basis for ensuring that the High State Control operates as a modern SAI. Law 154/2014 prescribes the types of audit that can be undertaken by the SAI, such as financial audits, compliance audits, performance audits and IT audits. In order to provide a more objective assessment, the work of ALSAI is periodically assessed by the EU. For the year 2021 the EU Report<sup>23</sup> highlights that, in line with the standards of the International

<sup>22</sup> [https://cfrr.worldbank.org/sites/default/files/2020-10/ENG\\_ALBANIA\\_PATHWAYS.pdf](https://cfrr.worldbank.org/sites/default/files/2020-10/ENG_ALBANIA_PATHWAYS.pdf)

<sup>23</sup> EU Progress Report for 2021, Page 66

Organisation of Supreme Audit Institutions (INTOSAI) Albania's constitutional and legal framework provides for independence of the ALSAI. In accordance with its 2018-22 strategic development plan, the ALSAI is implementing actions to improve its institutional capacity. In 2020, detailed tasks in the field of ethics and integrity were defined. In this report it is noted that ALSAI continued to raise awareness among academic and civil society on the importance of external audit. The quality of audit work needs to be further improved to fully comply with the INTOSAI standards. In June 2020, regulations of audit procedures were revised to improve quality control and assurance procedures. ALSAI follows a risk-based external audit approach.

Regarding the actions to boost the implementation of the recommendations, in 2017 was signed a Memorandum of Understanding between ALSAI and the Ministry of Finance on monitoring the follow-up of audit recommendations. Based on this cooperation, it was established the technical secretariat with representatives of both parties, which became fully operational in 2020. The monitoring of the effective and timely implementation of audit recommendations has improved. In 2020, ALSAI reported that 75% of its recommendations are in the process of being implemented, and some of them have been fully implemented. Despite a high rate of recommendations being accepted by institutions, the rate of fully implemented recommendations needs to be improved. The electronic platform for the follow-up of audit recommendations is functional since end 2019, and in June 2020 the corresponding financial manual has been approved.

**Public Procurement:** According to the data from the Agency of Public Procurement, the amount of budgeted spent in public procurement for 2020 is around 14% of the GDP, compared to 6.5% in the year 2019. In 101 entities audited by ALSAI for the 2020 budget, it is found that in 39 entities have conducted 1625 procurement procedures in the value of 417 million euro. From 356 procurement procedures which were audited, which constitute 22% of the total number of procedures or 50% of the value of contracts concluded with economic operators, 191 procedures (54% of audited procedures) were found with infringements for the amount of 99 million euro or 48% of the audited funds.

The above irregularities have resulted in economic damage to the state budget in the amount of 1 million euro. In addition, it was found a negative financial effect in the use of public funds in the amount of 30 million euro<sup>24</sup>.

**Budget Process and accountability:** The institutional arrangements in Albania for management of budget resources could be described as moderately centralized, with certain degree of devolution of operational controls to the line ministries and subnational governments. The overarching regulatory framework is set centrally. PFM procedures used at the central and local level are largely uniform and determined by the central authorities. Budget planning combines top down and bottom up elements with the line ministries formulating their sector objectives and priorities within the centrally determined resource envelope. Ministries and other spending units do have some flexibility to determine detailed spending plans, however, once set, these become hard budget execution controls in the centralized treasury system, which can only be amended with the approval of the Ministry of Finance. Spending units are also responsible for their internal financial management controls. The main IT system operated by the MoF at present is the treasury information system (officially called Albanian Government Information System, AGFIS10). The functions automated through this system include budget execution, commitment management, cash management, accounting, and reporting. Implemented in 2010, the system was initially used by the GD Treasury, the Treasury District Offices, and GD Budget. However, it was recognized that the system would be more effective if the spending units would also be granted access.

### 3.3 Description of the SAI's legal and institutional framework, organizational structure and resources

ALSAI was firstly established with the law of 20 May 1925 under the name of "The Council of Control" and it was collegial by nature with e Chairman and two members. The mandate of the Chairman and

<sup>24</sup> ALSAI's Report on Budgeted Execution for year 2020, page 310

the members was 5 years. Also, the Council of Control had a prosecutor attached to the institution. Its mandate was regulated by the constitution and by a specific law.

The Council of Control had the mandate to conduct two forms of control:

a Preventive Control,

- Audit of all expenditure invoice, for the purpose of observing the regularity of expenditures.

b. Definitive control

- Audit of financial statements of all government units

In 1946, with the communist regime taking power, a complete reorganization of the control bodies took place, both in form and content. By a special law of the People's Assembly, the State Control Commission was established, not as an independent institution.

In 1992, after the fall of the communist regime, a special law established the Supreme Institution of State Control. This institution was renamed the State Audit Service. The State Audit Service had the attributes of an independent body from the government. The management of the institution was carried out collegially by a chairman consisting of three members (chairman and two vice-chairmen) who were appointed by Parliament. Their term was set for 7 years.

On December 23, 1997, in order to perfect the legal and institutional basis of the State Control Institution, with the help of SIGMA, was approved the law no. 8270, dated 23.10.1997 "On the Supreme State Control". This law, after the adoption of the Constitution of the Republic of Albania, in November 1998, was enriched in April 2000 with several additional amendments. The institution is called "Supreme State Control" (KLSH actual name).

In 2014 was approved the new law of ALSAI, nr.154/2014 which aligned the institution in accordance with the international standards, by setting new rules on the mandate of ALSAI, audit coverage, financial and organizational independence, Chairman's competences, auditees responsibilities as well as for the first time included the notion of performance audit and IT audit.

The Albanian Supreme Audit Institution follows the Parliamentary system, headed by a Chairman which is nominated by the President of the Republic and elected from the Parliament, by 50%+1 of the votes.

ALSAI is a constitutional independent institution and the principles of its organizational and functioning aspects are regulated by the Constitution, in view of:

**The authority of ALSAI**, as the highest institution of economic and financial control in the Republic of Albania, which in its activity is subject only to the Constitution and laws.

**The election of the Chairman of ALSAI**, who is elected and dismissed by the Parliament, on the proposal of the President of the Republic for a mandate of 7 years, with the right of re-election (Article 162).

**The object of audit activity**, which is based on the economic activity of state institutions and other state legal entities; the use and protection of state funds by central and local government bodies; the economic activity of legal entities, in which the state has 50%+1 of the shares or stocks, or when loans, credits and other obligations are guaranteed by the state (Article 163).

**The relations with the Parliament**, according to which ALSAI submits to the Parliament the report on the implementation of the state budget and its opinion on the report of the Council of Ministers on the expenditures of the previous financial year, before it is approved by Parliament. Information on the results of audits is also delivered whenever requested by Parliament. In addition, ALSAI submits to the Parliament the annual report of its activity (Article 164). The reporting is conducted through the Committee on Finance and Budget, but this committee does not represent the classical Public Account Committee. In recent years, the Parliament has expressed its willingness to establish a subcommittee in the Committee of Finance and Budget that will be dedicated solely to the audit activity of ALSAI.

**The relations with the Government**, represented by the right of the Chairman of ALSAI to be invited to attend and speak at meetings of the Council of Ministers, when issues related to his functions are considered (Article 165 / 1).

**Legal protection of the Chairman of ALSAI**, whose immunity is equal to the immunity of the Supreme Court Judge of the Republic of Albania (Article 165/2).

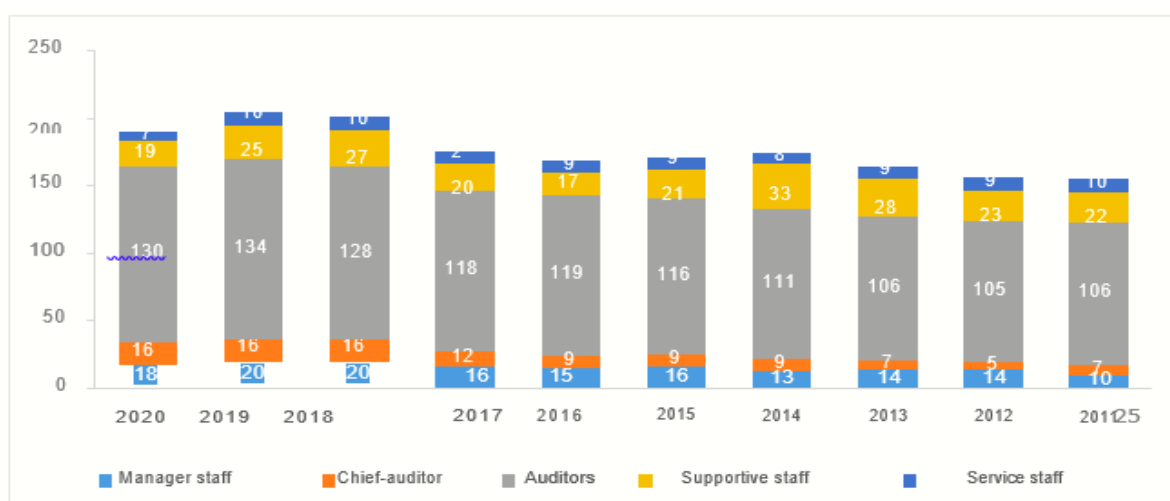
**Structure:** The new organizational structure of ALSAI has taken into the consideration the IPA “Twinning project” recommendations and also the new challenges in order to provide a more efficient institutional configuration. In this line, each audit department has been established to cover both a specific level of governance combined with a specific area of public sector, thus every economical or financial activity has a dedicated correspondent audit department.



**Staff:** From 2011 and the structure had a total number of 156 employees which has been increasing from year to year reaching:

- for 2020 a total number out of 190 employees (out of 203 planned), out of which 146 audit staff or 77% of the total actual number of employees; and
- for 2021 a total number out of 188 employees (out of 218 planned), out of which 148 audit staff or 79% of the total actual number of employees;

The structure of employees is reflected below, which has continued to change in favor of the audit body.



**Graph: The structure of audit, non/audit staff**

## Chapter 4: Assessment of the SAI's Performance

This chapter aims to provide an assessment of the key elements of SAI's performance, as measured by the indicators. Low scores will highlight opportunities for improvement, whereas high scores will be a sign of good practices.

### 4.1 Domain A: Independence and Legal Framework

Domain A covers the legal mandate of the SAI and its independence. The purpose of the domain is to consider the institutional basis for the SAI's operations, to support the understanding how the SAI performs as an organization. The SAI's independence and legal framework are not directly under the control of the SAI, but the domain has nevertheless been included in the SAI PMF because the SAI's independence and legal framework significantly contributes to its effectiveness.

The following table provides an overview of the scores. Section 4.1.1 and 4.1.2 provide further details:

Domain A: Independence and legal framework <sup>25</sup>		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-1	Independence of the SAI	4	3	4	4	4
SAI-2	Mandate of the SAI	3	4	4	-	4

#### 4.1.1 SAI-1: Independence of the SAI – Score 4

SAI-1 measures the degree of independence enjoyed by the SAI, by assessing the key aspects of independence as set out in the Lima Declaration (ISSAI 1) and the Mexico Declaration (ISSAI 10)".

"The indicator is separated in four dimensions":

- (i) Appropriate and Effective Constitutional Framework.
- (ii) Financial Independence / Autonomy.
- (iii) Organisational Independence / Autonomy.
- (iv) Independence of the Head of SAI and its Officials.

The assessment of SAI-1 was mainly based on the Albanian Constitution<sup>26</sup>, the law no.154/2014 "On the Organization and Functioning of the Albanian Supreme Audit Institution.

#### ***Dimension (i): Appropriate and Effective Constitutional Framework***

All constitutional, statutory and legal framework call for the ALSAI engagement towards this goal, while carrying its audit activity in the respect of these same acts and calling for other institutions to do so, through issuing recommendations.

The establishment of Albanian Supreme Audit Institutions is laid down in the Constitution, in articles 162 - 165; details [including the role, powers and duties of the SAI] may be set out in legislation. ALSAI's independence is stated in article 162 in which it stated that:

"1. The Supreme State Audit Institution is the highest institution of economic and financial control. It is subject only to the Constitution and laws.

2. The Chairman of the Supreme State Audit Institution is elected and dismissed by the Assembly with proposal of the President of the Republic. He stays in office for 7 years, with the right for re – election.

In this context the Albanian Constitution states the independence of the institution since it is subjected to the Constitutions itself and the law. There are also other elements in the constitution which further elaborate on this concept.

The independence of Supreme Audit Institutions provided under the Constitution and law also guarantees a very high degree of initiative and autonomy which is elaborated in the law no. 154/2014 "On the Organization and Functioning of the Albanian Supreme Audit Institution", article 4

<sup>25</sup> Additional detailed evidence about the above scorings is provided in Annex 3 Scoring sheets Domain A.

<sup>26</sup> Law no. 8417, dated 22.11.1998 "The Constitution of the Republic of Albania", as amended.

- The status of the Institution - which cites that the SAI is the highest institution of external audit in Albania. It exercises its competencies according to the constitution and the law. It is a depoliticized and apolitical body.

The appointment, term, cessation of functions of the Head of the SAI and the independence of their decision making powers are guaranteed in the Constitution and also in the law no. 154/2014. In article 162 paragraph 2 of the Albanian Constitution it is stated that the Chairman of the Supreme State Audit Institution is elected and dismissed by the Assembly with proposal of the President of the Republic. He stays in office for 7 years, with the right for re – election. This means that the institution is a monocratic institution lead by the chairman whose appointment, dismissal and re – election is independent from the executive branch of power.

This characteristic is further specified in the Law no 154/214 in:

Article 9 – Audit Plan - were it is stated that “1. The Supreme State Audit decides independently and at all times on the plan of his activity. 2. The Supreme State Audit, in determining its audit plan, may take on also consider the proposals made by other units of general government.”

Article 19 were it is stated that “1. the Supreme State Audit is headed and represented by the Chairman of the Supreme State Audit. 2. The Chairman of the Supreme State Audit is elected by Parliament, on the proposal of the President of the Republic, for a seven-year term, with the right of re-election. ( ... )”

Article 23 Mandate and Dismissal from duty of the Chairman – “1. The mandate of the Chairman ends when: a) the seven-year term of office ends; b) is punished by a court with a final decision for committing a crime; c) does not appear in office for unreasonable reasons; ç) resigns; d) is declared incapable of acting by a final court decision; dh) reaches the retirement age; e) dies. 2. The Chairman of the Supreme State Audit may be dismissed by the Parliament, upon the proposal of the President of the Republic, when: a) he violates the Constitution or seriously violates the law during the exercise of his functions; b) is considered by the court with a final decision as incapable of performing his duties; c) is punished by a court with a final decision for committing a crime; ç) commits acts or behaviours that seriously discredit his position and image; d) cases of incompatibility of its function are detected. 3. In case the position of the Chairman remains vacant, the Chairman, within 15 days, proposes the new candidacy to the Parliament. The Parliament elects the Chairman within 15 days from the submission of the candidacy.”

The SAI is guaranteed adequate legal protection by a Constitutional Court against any interference with a SAI's independence which is stated in article 18 of the Law no. 154/2014 in which is stated that in cases when, during the exercise of activity, the Supreme State Audit institution notices inconsistencies of laws and bylaw with each other, it has the right to recommend to the competent bodies their change, revocation or abrogation or addresses the Constitutional Court. This provision is the one that guarantees the right to recourse of the Albanian SAI to the Judiciary in general and to the Constitutional Court in particular. There are other dispositions in the law which deal with specific situations such as in the case of article 22 on the Immunity of the Chairman which states in paragraph 3 that the Chairman of the Albanian Supreme State Audit Institution may not be arrested or deprived of his liberty in any form or subjected to personal or apartment search without the authorization of the Constitutional Court, unless he is apprehended pending or immediately after the commission of a crime. In this case, the Prosecutor General immediately notifies the Constitutional Court, which, if it does not give its consent within 24 hours to be sent to court, the competent body is obliged to release him.

ALSAI has the right to report on any matters that may affect their ability to perform their work in accordance with its mandate and the legislative framework, which means that it reports to the Parliament twice a year. The First Report is on the Budget execution and the second one is on its Performance/Activity. The latter is the one which deals with the ability to perform in accordance with the mandate and legal framework (inter alia). (Constitution art. 164, Law 154/2014 art. 31) Besides this two binding reports that the SAI sends to Parliament, the ALSAI chairman has the right to ask for hearings and decide to submit to relevant parliamentary commissions audit reports which are considered important. The ALSAI Chairman may also decide to send relevant audit report to other branches of government such as relevant ministries, the Prime Minister's Office, the Minister of

Finances and the President of the Republic. He/she may also decide to send to the NGOs with which the institution has cooperation agreements, to the Council of Ministers and other central institutions reports, studies and other audit materials that specifically deals with matters that concern the activities of the abovementioned counterparts.

All constitutional, statutory and legal framework call for the ALSAI engagement towards this goal, while carrying its audit activity in the respect of these same acts and calling for other institutions to do so, through issuing recommendations.

***Dimension (ii): Financial Independence/Autonomy***

The legal framework in place, as far as financial independence and/or autonomy is concerned states that the budget of the institution is financed by the State Budget. According to the Law no 154/2014 Article 7 (The Budget) paragraph, the SAI proposes every year its draft budget to the Commission on Economy and Finances, which reviews it and sends it for approval to Parliament. No direct interference from the executive towards the SAI is in place on the proposal phase, but there is some kind of interference since the Ministry of Finances sets spending ceilings every year for every institution that is financed by the annual budget law. Also there are some constraints in place that refer to the midterm budgetary planning that apply equally to every institution, and in this context the SAI, generally speaking, has to place the requests for budget within this limits. It does not mean that the SAI cannot request for more, but it does not even imply that requests above the set limits will be approved. In this context we can say that the SAI is guaranteed financial autonomy. The SAI could refer directly either through official letter to Parliament about concerns over its resources, or in its Annual Performance Report, or both of course.

***Budget approval process***

The annual expenditure budget of ALSAI is approved by the annual budget law according to the budget definitions divided into: Current expenditures, capital expenditures with internal financing and capital expenditures with foreign financing. With this regard, we would like to mention that the approval of a request for additional funding is not at the discretion of the executive, but of the legislative. According to the Law no 154/2014 Article 7 (The Budget), the SAI proposes every year its draft budget to the Commission on Economy and Finances, which reviews it and sends it for approval to Parliament. No direct interference from the executive towards the SAI is in place on the proposal phase, but there is some kind of interference since the Ministry of Finances sets spending ceilings every year for every institution that is financed by the annual budget law".

The detailing of funds for current expenditures and capital investments according to investment projects is done with a letter from the Ministry of Finance and Economy in implementation of the annual budget law, instruction on standard budget implementation procedures and the SAI letter. Subsequently, ALSAI sends a letter to the Treasury Branch in the Ministry of Finance and Economy "Register of public procurement forecast of ALSAI for the fiscal year". According to the definitions of LOB, redistributions of investment project funds within the same program of the central government unit are approved by the Minister of Finance and redistributions between current expenditure items within the same program are approved by the first authorizing officer in the Ministry of Finance. In no case has the Ministry of Finance and Economy denied such reallocations to ALSAI.

***Dimension (iii): Organisational Independence/Autonomy***

The legal framework ensures that the SAI has the functional and organizational independence required to accomplish its tasks. The law no.154/2014 "On the Organization and Functioning of the State Supreme Audit Institution", in article 35 states that the organization, competencies, duties and development of the activity of the State Supreme Audit Institution are done in accordance with this law and the procedures approved by the Chairman of the Supreme State Audit.

In practice, the SAI is free from direction or interference from the Legislature or the Executive in the organization and management of its office.

Law no.154/2014 "On the organization and functioning of the Supreme State Control", Article 25: in practice, the legislator or the executive has no legal power to interfere or dictate audit activity,

organization or management aspects of ALSAI. By law, these are a direct responsibility of the Chairman.

The SAI has the power to determine its own rules and procedures for managing business and for fulfilling its mandate, consistent with relevant rules affecting other public bodies.

Law no.154/2014 "On the organization and functioning of the Supreme State Control", Article 35: The organization, competencies, duties and development of the activity of the Supreme State Audit are done in accordance with this law and the procedures approved by the Chairman of the Supreme State Audit.

The Head of SAI independently decides on all human resource matters, including appointments of staff and establishment of their terms and conditions, constrained only by staffing and/or budgetary frameworks approved by the Legislature. In particular, the abovementioned law (article 25, letters: ë, g, gj) states that the Chairman of ALSAI is entitled to decide on the structure, staff and functions management of the Supreme State Audit. He/she is entitled to decide on the structure of staff salaries and bonuses, in accordance with the legal framework in force, and also is entitled to decide on the rules and instructions, which the personnel must adhere to.

The level of wages in the ALSAI staff is according to the law no. 152/2013 "On the civil servant" as well as law no. 154/2014 "On the organization and functioning of the ALSAI".

The relationship between the SAI and the Legislature and also the Executive is clearly defined in the legal framework, namely in the law no.154/2014 "*On the organization and functioning of the Supreme State Control*", articles 17, 31,32.

Article 17: For issues related on drafting of a law related to the function, activity, duties and competencies of the State Supreme Audit institution, state bodies consult in advance with the Supreme State Audit. The Chairman of SAI may be invited to attend and speak at the meetings of the Council of Ministers, when considering issues related to the functions and activity of SAI. ALSAI can make proposals regarding the improvement of legislation in areas within its competence.

Article 31: "Reporting on Parliament", which covers all the reports, on budget implementation, activity report, audit report and also allows the Chairman of ALSAI to request to the Parliament, the Committee on Economy and Finance, or any other committee, to be heard and reported on issues that he considers important for the function of his activity.

Article 32: ALSAI must submit it to the Council of Ministers, to other authorities' state, non-profit organizations, with which has cooperation agreements, the public and other interested parties, when necessary and in the interest of the state and public, reports, studies and other materials related to the Council of Ministers, ministries and other central institutions

The legal framework provides for accountability and transparency by covering the oversight of the SAI's activities specified in law no.154/2014 "On the organization and functioning of the State Supreme Audit Institution".

Transparency and public information - Article 34: The Supreme State Audit, in respect of its legal obligation to inform the public, ensures the transparency of his work through :a) publication of reports submitted by ALSAI to the Parliament; b) publication of audit reports electronically; c) press conferences and other methods of information in the media; ç) publication of press releases and any other information determined by the Chairman of ALSAI, with the exception of information and materials, which constitute a state, trade secret or are considered confidential, as provided in Articles 27 and 28 of this law.

Accountability - Article 7: ALSAI prepares its financial accounts every year, in accordance with budget legislation. The accounts are audited by a selected group of independent auditors by the Committee on Economy and Finance and approved by the Parliament. This group of auditors reports on its activity in the Parliament. However, despite the fact that ALSAI has officially continuously requested to be audit by the Parliament, so far the Committee has not yet acted upon these requests.

The SAI is entitled to call on and pay for external expertise as necessary. Law no.154/2014 "On the organization and functioning of the Supreme State Control".

Article 40: In order to exercise the activity of the institution and depending on the needs, the Chairman of ALSAI may temporarily contract external experts. Temporary external experts are obliged to maintain the confidentiality of data that provide during the expertise, in accordance with the legislation on personal data protection and for information classified as state secret. They must abide by the Code of Ethics and internal regulation of the Supreme State Audit. The expenses of the experts are covered by the budget of the Supreme State Audit. The Chairman approves with a decision in advance the rules for their selection and method of payment.

***Dimension (iv): Independence of the Head of the AGDSL and its members***

The applicable legislation specifies the conditions for appointments, reappointments, and removal of the Chairman of the SAI by a process that ensures their independence. The Chairman of the Supreme State Audit is elected and dismissed by Parliament with proposal of the President of the Republic. He stays in office for 7 years, with the possibility of re - election. The term of 7 years is a sufficiently long mandate to ensure the independence of the institution from the executive branch whose term is of 4 years (specified in article 162 paragraph 2 Law no. 8547 dated 22.11.1998 Constitution of the Republic of Albania and article 23 of the law no. 154/2014 "On the organization and functioning of the State Supreme Audit Institution".)

Article 23 of the - Mandate and Dismissal from duty of the Chairman

"1. The mandate of the Chairman ends when:

- a) the seven-year term of office ends;
- b) is punished by a court with a final decision for committing a crime;
- c) does not appear in office for unreasonable reasons;
- ç) resigns;
- d) is declared incapable of acting by a final court decision;
- dh) reaches the retirement age;
- e) dies.

2. The Chairman of the Supreme State Audit may be dismissed by the Parliament, upon the proposal of the President of the Republic, when:

- a) he violates the Constitution or seriously violates the law during the exercise of his functions;
- b) is considered by the court with a final decision as incapable of performing his duties;
- c) is punished by a court with a final decision for committing a crime;
- ç) commits acts or behaviours that seriously discredit his position and image;
- d) cases of incompatibility of its function are detected.

3. In case the position of the Chairman remains vacant, the Chairman, within 15 days, proposes the new candidacy to the Parliament. The Parliament elects the Chairman within 15 days from the submission of the candidacy."

As per criterion (c) of this indicator, the Chairman of SAI and is immunity to any prosecutions for any acts that result from the normal discharge of their duties; He/she has the immunity of the Supreme Court Judge. The above is sanctioned in articles 19 and 22 of Law no. 154/2014 "On the organization and functioning of the Supreme State Audit".

The last appointment [or re-appointment] of the Chairman of the SAI was done through a transparent process that ensured his/her independence. The Parliament of Albania, with decision no.34/2020 has approved the candidacy of the new Chairman of ALSAI, based on the decree of the President of Republic of Albania with no. 11498, date 04/06/2020 "On the proposal of the Chairman of the SAI"

During the last 3 years there have been no cases when the Chairman of ALSAI has been dismissed through an illegal act or in a way that compromises the independence of ALSAI. There are not recorded any such cases even for longer periods of time.

The legal framework ensures that in their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organizations and must not be dependent on such organizations, accordingly to Article 41 of the law no. 154/2014 as follows:

Principles of duty of state auditors and external experts

1. In the exercise of their duties, state auditors and external experts, contracted by the State Supreme Audit Institution, should be independent and should not be subject to any restriction or pressure regarding their opinions.

2. The professional relationship between them and the audited entities should be based on honesty, integrity, correctness, confidentiality and independence from the audited entity, in compliance with the legislation on prevention of conflict of interest in the exercise of functions public. During the performance of their duties and competencies, state auditors and external experts should not seek or accept, directly or indirectly, for themselves or for other persons, gifts or other benefits.

4. The disciplinary responsibility of state auditors is regulated by the legislation on the civil service, the Code of Ethics and the internal regulation of the State Supreme Audit.

### ***Assessment Findings and Observations***

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Appropriate and effective Constitutional and Legal Framework</b>	<p>All criteria have been met.</p> <p>The Albanian SAI is guaranteed by an appropriate and effective Constitutional and Legal Framework. The establishment, appointment, term, cessation of functions of the SAI and the Head of SAI are set out in the Constitution. The independence of the SAI is interpreted throughout the legislation articles.</p> <p>The Constitution and the Law on the organization and functioning of the SAI provide for judicial protection for any illegal interference through its judiciary system and specifically the Constitution Court.</p>	4
<b>(ii) Financial Independence/ Autonomy</b>	<p>Criteria d) and e) have not been met.</p> <p>Criteria a), b), c) and e), f) and g) have been met.</p> <p>The SAI is guaranteed financial autonomy. ALSAI uses its funds within the Treasury System and it still needs approval from the Ministry of Finance for reallocations. There are certain controls put in place by Ministry of Finance and Treasury regarding budget execution that apply to the SAI just like any other budget institution. For example daily limits on budget expenditures etc.</p>	3
<b>(iii) Organisational Independence/ Autonomy</b>	<p>All criteria have been met.</p> <p>The SAI is guaranteed independence with regards to its internal organization, human resources, audit work, audit planning etc. It has the power to determine its own rules and procedures for managing business and for fulfilling its mandate.</p>	4
<b>(iv) Independence of the Head of the SAI and its Officials</b>	<p>All criteria have been met.</p> <p>The Chairman of the Supreme State Audit is elected and dismissed by Parliament with proposal of the President of the</p>	4

	Republic. He stays in office for 7 years, with the possibility of re - election. The term of 7 years is a sufficiently long mandate to ensure the independence of the institution from the executive branch whose term is of 4 years (specified in article 162 paragraph 2 Law no. 8547 dated 22.11.1998 Constitution of the Republic of Albania and article 23 of the law no. 154/2014 "On the organization and functioning of the State Supreme Audit Institution"	
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#### 4.1.2 SAI-2: Mandate of the SAI - Score 4

SAI-2 aims to assess the breadth of the SAI's mandate in terms of the scope and nature of the duties and responsibilities of the head of SAI and SAI as well as the SAI's ability to access all information it requires to fulfil its functions and its right and obligation to report. The indicator has three dimensions:

- (i) Sufficiently Broad Mandate.
- (ii) Access to Information.
- (iii) Right and Obligation to Report.

*The assessment of SAI 2 is mainly based on the law no. 154/2014 "On the Organization and Functioning of the State Supreme Audit Institution".*

##### **Dimension (i): Sufficiently Broad Mandate**

All public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by Supreme Audit Institutions, accordingly to:

Article 3, paragraph 8 of the Law no. 154/2014 "On the organization and functioning of the State Supreme Audit" defines "Budget" as follows: "'Budget" is the total of revenues, expenditures and financing of central and local government and special funds, which are approved by law by the Assembly of Albania or by decision of the council of the local government unit."

And also article 10 "Competencies": "1. The Supreme State Audit, in accordance with its function, has the competence:

- a) audit of budget implementation by general government units, including annual budget accounts;
- b) audit of public revenue collection;
- c) auditing the use, administration and protection of public funds and public or state property by general government units;
- ç) auditing the annual financial statements for the units of general government and giving an opinion on them;
- d) audit of public sector internal audit systems;
- dh) the audit of users of public funds provided by the European Union or other international organizations, unless otherwise provided by a special law;
- e) auditing the use, administration of funds and public or state property, as well as the protection of economic and financial interests of the State in legal entities, in which the state has more than half of the shares or stocks, or when loans, credits and their obligations are guaranteed by the state;
- ë) auditing, in order to protect public interests, in activities or sectors regulated by concession contracts;
- f) auditing of political parties, public entities or associations for the funds allocated to them from the State Budget;
- g) auditing of other entities, defined in special laws.

2. The Supreme State Audit, every year, gives an opinion on the annual report on the implementation of the consolidated budget, which includes the assessment made, based on Article 15 of this law."

At is can be seen from the above dispositions, the SAI's mandate specifically ensures it is responsible for the audit of all central government activities.

The SAI is free from direction and interference in the selection of audit issues, planning, conduct, reporting and follow-up of their audits which are activities that are carried out accordingly to art. 9 of

the law no. 154/2014 and other relevant decisions, manuals and rules of audit procedures approved by the ALSAI Chairman in order to regulate its internal operation.

There has been a case of interference in the SAI's selection of audit clients or subjects within the last three years, risking to compromise the SAI's independence, with the amendment of the Law no. 68/2017 "On local self-government finances", for the annual audit by HSC of the financial statements of local self-government units. However, to SAI has been granted additional budget and human resources in order to fulfil its mandate.

The specific article of the Law no. 68/2017 "On local self-government finances", has been claimed by ALSAI in the Supreme Court. Due to the Decision of Supreme Court no. 9, on 23.02.2021 which has left in force the obligation deriving from article 50 of law no. 68/2017 "On local self-government finances" for the annual audit by ALSAI of the financial statements of local self-government units, ALSAI has submitted its request for additional funds in order to recruit 30 auditors. And the Parliament has approved the proposal by increasing the number of ALSAI's auditors by 30.

The SAI has the mandate to audit the legality and regularity of government or public entities' accounts, as it is stated in article 6 of the law no. 154/2014:

"1. The Supreme State Audit audits in accordance with the Constitution, laws, bylaws, applicable manuals, as well as international auditing standards.

2. The audit covers the areas of compliance, legality, regularity, financial management, accounting, as well as economy, efficiency and effectiveness of the administration of funds and public or state property.

3. The Supreme State Audit, in its activity, should reflect the highest degree of international standards of INTOSAI and IFAC, as well as the resolutions of the Congresses of INTOSAI and EUROSAL."

The SAI has the mandate to audit the quality of financial management and reporting as it is stated in article 12 Compliance audit:

In compliance audits, the Supreme State Audit must determine:

- a) if the revenues and expenditures have been in accordance with the law of the State Budget, with the relevant legal and sub-legal acts and with the principles of the law on financial management and control;
- b) whether the general principles of the public sector financial management system and the conduct of public sector officials have been applied.

The SAI has the mandate to audit economy, efficiency and effectiveness of government or public entities' operations as it is stated in article 6, paragraph 2 – Scope of the audit: 2. The audit covers the areas of compliance, legality, regularity, financial management, accounting, as well as economy, efficiency and effectiveness of the administration of funds and public or state property.

### ***Dimension (ii): Access to Information***

The law provides the SAI with unrestricted right of access to records, documents and information, and also with the right to decide which information it needs for its audits. These concepts are stated in article 26 of the law no. 154/2014 - Access to official documents:

1. The Supreme State Audit has the right to have access to all official documents, written or electronic, to electronic databases as well as to any other information or documentation of audited entities provided in this law, which may constitute a state or confidential secret, and that are considered necessary in order to exercise its legal powers and duties.

2. All audited entities are obliged to provide the Supreme State Audit with access to official documents according to the above paragraph. In case of obstacles, actions or omissions contrary to the above rights, the Supreme State Audit addresses, as the case may be, the highest administrative body or judicial authorities.

In case the access to information required for the audit is restricted or denied, there is an established and appropriate process for resolving such matters in place stated in paragraph 2, of article 26 abovementioned.

SAI staff have right of access to the premises of audited bodies in order to do the fieldwork the SAI deems necessary. ALSAI audit work is carried out at the premises of the audited bodies always, mainly because there are not always systems in place to acquire the information on line. Still to date it is necessary to carry out paper review in order to complete an audit.

### ***Dimension (iii) Right and Obligation to Report***

The SAI is required by the Constitution to report its findings annually and independently to Parliament. This requirement is stated in article 31 of the law no. 154/2014:

Reporting to the Assembly

1. The Supreme State Audit submits to the Assembly:

- a) the report on the implementation of the State Budget;
- b) the opinion on the report of the Council of Ministers on the expenditures of the previous financial year before being approved by the Assembly;
- c) information on the results of audits whenever requested by the Assembly;
- ç) the final audit reports when deemed necessary by the Chairman of the Supreme State Audit or when required by the Assembly.

2. The Chairman of the Supreme State Audit may request the Assembly, the Committee on Economy and Finance, or any other committee of the Assembly, to be heard and to report on issues that he deems important in view of the activity.

3. The Supreme State Audit submits to the Assembly an annual report on its activities within the first quarter of the following year.

The SAI has the right to publish its annual audit reports accordingly to the rules set out in article 24 of the law no. 154/2014:

Transparency and public information

The Supreme State Audit, in respect of its legal obligation to inform the public, ensures the public nature of its work through:

- a) publication of reports submitted by ALSAI to the Assembly of Albania;
- b) publication of audit reports electronically;
- c) press conferences and other methods of information in the media;
- ç) publication of press releases and any other information determined by the Chairman of ALSAI; with the exception of information and materials, which constitute a state, commercial secret or are considered confidential, as provided in Articles 27 and 28 of this law.

The SAI is guaranteed the right to report on particularly important and significant findings during the year. Law no. 154/2014 Article 31 Reporting to the Assembly.

2. The Chairman of the Supreme State Audit may request the Assembly, the Committee on Economy and Finance, or any other committee of the Assembly, to be heard and to report on issues that he deems important in view of the activity of the institution. ( ... )

The SAI is free to decide the content of its audit reports and also is free to decide on the timing of their reports except where specific requirements are prescribed in law. Law no. 154/2014 "On the organization and functioning of the State Supreme Audit": Article 9 Audit plan 1. The Supreme Audit Institution decides independently and at any time on its action plan. 2. The Supreme State Audit, when determining its audit plan, may take into account the proposals made by other units of general government. Suggestions from units of the general government on specific audits have been reviewed and taken into account in the annual planning of audits, accordingly to the dispositions of the law no. 154/2014.

There is no legal mandate for any other institution and/or other parties to interfere with the SAI's competence to decide on the content of audit reports and publication of audit reports.

### ***Assessment Findings and Observations***

Dimension	Findings	Score
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<b>(i) Sufficiently Broad Mandate</b>	<p>Criteria a), b), c), d), e), g), h) and i) have been met. Criterion f) has not been met.</p> <p>ALSAI generally is guaranteed a broad mandate in order to audit all public financial operations, regardless of whether and how they are reflected in the national budget.</p> <p>There has been a case of interference in the SAI's selection of audit subjects within the last three years, risking to compromise the SAI's independence, upon the amendment of the Law no. 68/2017 "On local self-government finances", requiring from ALSAI to annually audit the financial statements of local self-government units. However, for that purpose to SAI has been granted additional budget and human resources in order to fulfil its mandate.</p>	3
<b>(ii) Access to Information</b>	<p>Criteria a), b), c) and e) have been met. Criterion d) is not applicable.</p> <p>The right to access information is guaranteed to all official documents <u>that are considered necessary in order to exercise its legal powers and duties</u>. In case of obstacles, actions or omissions contrary to the above rights, the SAI is granted the right to recourse/claim to the highest administrative body or judicial authorities.</p>	4
<b>(iii) Right and Obligation to Report</b>	<p>All criteria have been met</p> <p>The right and obligation to report is sanctioned in specific dispositions of the Constitution and the law no. 154/2014, which describe the SAI's obligation to report its findings annually and independently to Parliament; the right to publish its annual audit reports; the right to report on particularly important and significant findings; the right to decide the content of its audit reports and also to decide on the timing of the reports.</p>	4

## 4.2 Domain B: Internal Governance and Ethics

Domain B seeks to assess whether the SAI is managing its own affairs effectively and through good governance setting an appropriate example to others. Domain B has five indicators.

Domain B: Internal Governance and Ethics <sup>27</sup>		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-3	Strategic Planning Cycle	4	3	4	4	4
SAI-4	Organisational Control Environment	4	2	4	4	3
SAI-5	Outsourced Audits	Not Applicable				
SAI-6	Leadership and Internal Communication	3	4			3
SAI-7	Overall Audit Planning	4	3			3

### 4.2.1 SAI-3: Strategic Planning Cycle - 4

Strategic planning is a vital component of any SAI as a way of ensuring that the organisation has a clear direction and vision and a properly thought out plan to deliver it. SAI 3 stresses the importance to an SAI of having a Strategic Planning process to ensure that vision can be transformed into reality in a coherent and logical manner. Strategic Plans need to be supplemented with Annual Operational Plans that will transform Strategic visions and aspirations into operational and institutional reality".

This indicator has four-dimensions:

- (i) Content of the Strategic Plan.
- (ii) Content of the Annual/Operational Plan.
- (iii) Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan).
- (iv) Monitoring and Performance Reporting.

*The assessment of SAI - 3 is mainly based on the Development Strategy 2018 -2022, the Action plan for this strategy.*

#### **Dimension (i): Content of the Strategic Plan**

The current Development Strategy 2018 – 2022 is based on a needs assessment covering the main aspects of the organization and an identification of gaps or areas requiring performance improvements, and for this purpose in the Development Strategy has been included a specific section on the SWAT analysis which has identified the main aspects and organizational gaps.

The Development Strategy incorporates a results framework, logical framework which has a logical hierarchy of purposes. In Chapter V of the Development Strategy 2018 – 2022 have been identified 3 strategic goals and 22 goals with specific activities, roles and responsibilities for the implementation of this strategy.

The strategic plan contains indicators measuring the achievement of the SAI's strategic objectives stated in the Action Plan no. 1353/4, date 24.04.2018.

In the Strategic Development of ALSAI 2018 - 2022 there is a specific chapter titled "Strategic partners" which includes: 1. Citizens; 2. President of the Republic. 3. Parliament; 4. NGOs, Homologue SAI's and international audit organizations; 5. SAI of Poland (IPA Project); 6. U. S. GAO and European Court of Accounts; 7. EU Delegation in Albania, the Directory of Budget of European Commission, Sigma Program and USAID. There has been a tight cooperation with the strategic partners identified in the strategic plan over the years (before and after the drafting of this plan) which has resulted in many activities organized (such as round tables, signed memoranda etc) and also reports published on the work of the ALSAI that have stressed out the role of the SAI in the Albanian context. These relations have been widely viewed in the media and press, and are also

<sup>27</sup> Additional evidence is provided in Annex 4 Scoring sheets Domain B.

displayed in the official webpage of ALSAI. ALSAI takes into great consideration reports and opinions expressed by its stakeholders about the SAI's work.

The strategic plan is based on the respective assessment as required by the criteria. In more detailed, Chapter I of the Strategic Development of ALSAI 2018 - 2022 titled "The dynamic of historical development" includes three sections: 1. External audit in Albania during 1925 - 1990. 2. ALSAI in the political transition in Albania and the Institutional Reform; 3. Evaluation of the implementation of the Strategic Development Plan 2013 – 2017.

***Dimension (ii): Content of Annual/Operational Plan***

The Action Plan on Implementing the Strategy plan is in form of a matrix and has defined activities, timetables and responsibilities. Coverage of all the SAI's main support services, like financial management, HR and training, IT and infrastructure are detailed in objective no. 2 and no. 2.3 of the Action Plan. All the objectives are linked to the strategic plan, but there are no annual action plans, but one general action plan, which does not contain links to a budget. There is some evidence that considerations have been made about the resources needed to complete the activities in the plan, but since budget wise the SAI has constrained because it has to fulfil its objectives with no extra resources. There is a risk assessment for each objective which has been reflected into the SWOT analysis. For each objective it is included the product on which a specific objective will be considered as met, but there are no baselines of current performance and milestones for major objectives.

***Dimension (iii): Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan)***

The Development Strategy of the Albanian SAI for 2018 – 2022 determines the main directions of the activity of the audit institution, in fulfilment of its constitutional mission. The philosophy of this institution as a supervisor of public funds, aims to seek the value for money of public funds, through their use effectively, efficiently and economically, for a better and more responsible service to the Albanian citizen and taxpayer.

Throughout the process of drafting and also implementation of this strategy, high - level ownership of the process from the head of SAI and SAI management involved in the process, has been guaranteed. The process of the strategy drafting has started with the decision of the ALSAI Chairman no. 228, date 31.12.2017, involving all managing directors in this process. External stakeholders have also been identified and engaged in order to gain insights about the work of the SAI, its strengths and weaknesses: Albanian citizens, the President of the republic, the Albanian Parliament, Civil Society, Media, Professional Association, other SAIs, EUROSAI, INTOSAI, the Polish SAI, US – GAO and the European Court of Auditors, EU Delegation in Tirana, SIGMA, DG Budget, US AID.

The feedback or the challenges of the last strategic plan have been included in the strategic plan as a specific chapter.

During different phases of the drafting of the strategy staff members were provided with the opportunity to provide input into it in some form. Generally speaking, after the initial draft has been reviewed by all managing director and the Chairman, it is sent out for comments to the staff by official mail. Every staff member is free to reach out to managing directors to provide its insights on the drafting of the development strategy at any stage of the drafting process.

After the conclusion of the internal consultation process on the drafting of the strategy, the first draft plan has been sent for further comments to all identified stakeholders. During the phase of the drafting of the Development Strategy for 2018 – 2022, also the IPA project provided insight about it. Furthermore, a joint secretariat with the Ministry of Finance as a discussion platform about the common work in the public finances has been established, not only for the purposes of the strategic plan, but generally for a broader discussion on the trends on public finances and institutional efforts. The Development Strategy 2018 – 2022 after the final approval by the Chairman has been published in the official webpage of the Albanian SAI.

The Development Strategy 2018 – 2022 is integrated with an action plan in which roles and responsibilities are assigned for each objective, but there is not an annual consolidated plan for the duration of the strategy. The last strategic plan in place was the Development Strategy 2013 – 2017. There has been in place a monitoring process and yearly reports on the strategic plan implementation have been produced and published on the website. There are responsibilities and activities identified to be carried out to implement the strategy even though It is recommended to draft a consolidated annual plan, on which must be integrated all the individual plans for each directory and unit. There has been continuity in the strategic planning process since 2013 with evaluation processes in order to get input from previous strategic periods. The strategic plan is also published in ALSAI website

#### ***Dimension (iv): Monitoring and Performance Reporting***

The Albanian SAI has assessed and reported on their operations and performance in all areas covered by the Development Strategy 2018 – 2022. Reports are made available in the official webpage of the SAI. The Albanian SAI has used performance indicators to measure achievement of internal performance objectives. The results of indicators are analysed on the Report on Monitoring the Strategy Plan. The Albanian SAI uses performance indicators to assess the value of audit work for Parliament, citizens and other stakeholders. For example, we evaluate per each day how many times the ALSAI's report have been published in the media as an indicator about the use of audit report by relevant stakeholders, which indicates the value of audit work. This is a way to measure not only the quality of the audit work, but also the impact of specific audits on the media.

ALSAI publishes monthly statistics measuring the impact of the SAI's audits, such as savings and efficiency gains from the budget money spent form the SAI for its audit activity compared to the economic damage uncovered during audits, in a specific publication called "Statistical Bulletin".

ALSAI publishes all the results of peer reviews and independent external assessments on its webpage at disposal for the general public. The INTOSAI audit standards are translated in Albanian and are published hardcopy and are uploaded in the ALSAI's webpage.

ALSAI follows up their public visibility, outcomes and impact through external feedback, especially by monitoring the press and media coverage our audit results get after publication. Also many audits have been the basis for initiating investigation by the special prosecutor's office. An Investigation ad-Hoc Committee has been created as a result of problems emerging from the findings of an audit conducted by the SAI.

#### ***Assessment Findings and Observations***

Dimension	Findings	Score
<b>(i) Content of the Strategic Plan</b>	All criteria have been met.  ALSAI has a Development Strategy 2018 – 2022 in place, based on a needs assessment covering the main aspects of the organization and an identification of gaps or areas requiring performance improvements.	4
<b>(ii) Content of the Annual/Operational Plan</b>	Criteria a), b), c), e), f) and have been met Criteria d) and g) have not been met.  There is an Action Plan in place for this strategy, in which all objectives are linked to the strategic goals, but there are no annual plans linked to a budget as evidence that considerations have been made about the resources needed to complete the activities in the plan.	3

<b>(iii) Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan.</b>	<p>All criteria have been met.</p> <p>The process of drafting and also implementation of this strategy has involved high - level management starting the head of the SAI to all the SAI's staff.</p>	4
<b>(iv) Monitoring and Performance Reporting</b>	<p>All criteria have been met.</p> <p>The Albanian SAI has assessed and reported on their operations and performance in all areas covered by the Development Strategy 2018 – 2022. Reports are made available in the official webpage of the SAI.</p>	4

#### 4.2.2 SAI-4: Organisational Control Environment - Score 3

SAI 4 provides the principles and expectations for an SAI in terms of: ethical behaviour and standards; internal control within the SAI; quality control throughout the audit cycle; and quality assurance on selected completed audits to assess compliance with the auditing standards and audit manuals”.

Well-developed arrangements for establishing, maintaining and developing these competencies are essential for an SAI to operate within an environment that results in audit outputs that can be relied upon by end-users.

This indicator has four-dimensions:

- (i) Internal Control Environment – Ethics, Integrity and Organisational Structure.
- (ii) System of Internal Control.
- (iii) Quality Control System.
- (iv) Quality Assurance System.

*The assessment of SAI-[4] is mainly based on the ISSAI 30 Code of Ethics as a mandatory document for the auditors, approved by the Decision of the Chairman No. 54 date 30.04.2015 and the Code of Ethics for the Chairman and other high officials of ALSAI approved by the decision of the Chairman no.27 date 20.04.2018, the Law on whistle-blowers’ protection, etc.*

##### **Dimension (i): Internal Control Environment – Ethics, Integrity and Organisational Structure**

The Albanian SAI has adopted the ISSAI 30 Code of Ethics as a mandatory document for the auditors, approved by the Decision of the Chairman No.54 date 30.04.2015. The Code of Ethics includes criteria which address integrity, independence, objectivity, competence, professional behaviour confidentiality and transparency. The Code of Ethics approved in 2015 has changed the previous one. It requires all staff to always engage in conduct consistent with the values and principles expressed in the code of ethics, and provide guidance and support to facilitate their understanding. It also requires that any party it contracts to carry out work on its behalf commit to the SAI’s ethical requirements. This is the case for external experts, who have to follow the code of ethics which is also included in their work contract. The code of ethics is available on line in the official webpage.

The SAI has implemented an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing. This is carried out also in the view of the implementation of the law on whistle blowers’ protection.

The SAI has established an organizational structure in order to ensure that responsibility is clearly assigned for all work carried out by the SAI. This structure is called Ethical commission within the

ALSAI and there is also a unit of Ethics and Integrity which deals with this kind of breaches in the conduct of ALSAI staff.

The Albanian SAI through the adoption of the Internal Regulation on the Organization and Functioning of the Institution has clear job descriptions covering the main responsibilities throughout the organization, in which all staff has clear views on their tasks and reporting lines.

The Albanian SAI has assessed its vulnerability and resilience to integrity violations, through the use of the IntoSAINT tool in 2018.

The SAI applies high standards of integrity (...) for staff of all levels” by adopting an integrity policy based on an assessment using IntoSAINT or a similar tool. For this reason, with the decision no. 27 date 20.04.2018, the Chairman has approved the Code of Ethics for the Chairman and other high officials of ALSAI, which makes mandatory for the high managerial level of ALSAI to implement the Code of Behaviour of the Members of Parliament.

***Dimension (ii): System of Internal Control***

The Albanian SAI operates a clearly defined system for identifying, mitigating and monitoring major operational risks. The system includes two components: Directory of Internal Control and the Unit for Ethics and Integrity. The operation risks are included in The Strategy for Risk Management approved by the Order no.250 date 31.12.2018.

The SAI as well ensures its internal control policies and procedures are clearly documented and applied, since it is a requirement that derives from the application of the law on financial management and control. It means that all the chain of control, from the specialist to the Secretary General is documented.

The SAI has a Risk Management Strategy available on line, and also annual risk analysis is carried out by each department and its consolidated at an institutional level.

The Head of the SAI signs a statement of internal control which is published as part of the SAI's annual report, since it is a requirement of the law on financial management and control and also the law on internal audit. Furthermore, the SAI has an Internal Audit Directory whose audits are signed by the head of the SAI, but the SAI has not undertaken a review of its internal control systems and reported upon it within the past five years. There has been an assessment on internal controls from SAI Netherland in February 2020 aiming more specifically the assessment of integrity and ethics. However, review of the internal controls has been carried out for separate departments within ALSAI.

The SAI has assigned clear responsibility for the Internal Audit Directory and has ensured that the internal auditors have the appropriate mandate, independence, skill set, experience and resources to do the job. On this latter aspect, the SAI follows the rules set out in the Law on Internal Audit, which requires for the internal auditors to be certified by the Ministry of Finance. To date all internal auditors in ALSAI have this certification.

The Albanian SAI has ensured that its internal auditors are independent from management and report directly to the highest level of authority in the organization. Specifically, the Internal Audit Directory reports directly to the Chairman, in accordance with the law on internal audit and also the Chairman is the one who approves the internal audit “audit plan”.

A system for monitoring the implementation of recommendations from the internal audit directory has been put in place, in accordance with the requirements of the law on internal audit.

There is a notification procedure in place for employees to report suspected violations in accordance with the law on whistle blowers’ protection.

The SAI has put in place a system in which conflict of interest is periodically declared by all staff members, but there is no job rotation policy on this matter. Usually, when a conflict of interest emerges, solutions are provided on a case by case basis. The team members (auditors) change from time to time. The composition of the teams always varies and often move from one department to another according to the decisions made by the Chairman. Even though there is a specific department responsible for auditing some specific institutions (this is the way how ALSAI is organized), team members for specific audits are changed from time to time (an evidence for that are the audit programs or audit reports showing the names of the team members).

***Dimension (iii): Quality Control System***

The SAI has a system of quality control in place for all its audit work and non-audit activities, for example procurement processes (etc.) which has the following characteristics:

The Albanian SAI follows all relevant legal acts at national level concerning procurement procedure, expenditures, budget implementation and spending according to the relevant legislation, just like any other institution in Albania.

Quality control policies and procedures are clearly established and the Chairman of the SAI retains overall responsibility for the system of quality control. Regarding the internal quality control procedures, the SAI follows the rules and responsibilities accordingly to the Law on financial management and control, the Manual on Financial Management and Control, the Law on Internal Audit and all relevant guidance and bylaws approved by the Ministry of Finance for this matter.

Regarding quality control for audit work, the institution follows the Rules of Audit Procedures and the Quality control and Quality Assurance Policies. In the Audit Rules of Procedures are set out all the control activities that are carried out throughout the audit process in order to guarantee that the audit product was released in accordance with all the requirements. It means that there is quality control within the audit team carried out by the team leader; quality control within the audit department by the chief auditor and the department director, quality control by the quality control department, quality control by the General Director, and lastly quality control from the Chairman. All these phases need to be followed in order to have an audit report.

The Chairman of the SAI may delegate authority for managing the SAI's system of quality control to a person or persons considered individually or collectively with sufficient and appropriate experience to assume that role. In the case of the Albanian SAI, the person responsible for quality control procedures regarding non audit activities the responsibility is delegated to the Secretary General, which is also responsible for all the budget implementation process in the SAI. While as for the quality control procedures for the audit, the responsibility has been distributed in different levels of the organization and each of them is responsible so that the final audit report that goes to the Chairman for the final approval respects all the requirements.

The Albanian SAI has established systems to consider the risks to quality which arise from carrying out the work, which is stated in the Strategy for Risk Management approved by the Decision of the Chairman No. 25 date 31.12.2018 and updated Risks Register.

The Albanian SAI has considered its work programme and the resources available to deliver the range of work to the desired level of quality and it is reflected in the strategic plan, the annual audit plan and the actual audit work.

***Dimension (iv): Quality Assurance System***

The SAI's Quality Assurance (QA) System of its quality control system should have the following characteristics:

The Albanian SAI carried out on-going activities on the consideration and evaluation of the SAI's system of quality control (QC), which means that the SAI on yearly basis reviews 30% of the audit work carried out during the previous year.

The SAI has written procedures and/or plans for QC which specify the frequency with which QC reviews should be carried out, and QA is carried out according to the frequency specified in this plan. In the case of ALSAI, the procedures specify that there should be a random selection of 30% of the completed out files at the beginning of each year, regarding audit of the previous year.

At the beginning of each year, the responsibility for the quality assurance monitoring process is assigned by the Chairman to a group of auditors (headed and assisted by the Directory on Quality control and quality assurance) with sufficient and appropriate experience and authority in the SAI to carry out the work.

The quality assurance process results in a report with respective recommendations that are submitted to the Chairman for evaluation and approval.

Auditors selected to carry out the QC review are independent, which means that they do not go through their own work, they do not select audit files to be reviewed.

The results of the quality control process are presented in the Annual Activity/Performance report that is submitted to Parliament and discussed in the Commission on Economy and Finances. The report for 2021 and other reports are available on the official webpage of the institution.

The Albanian SAI has undergone an external review process of its quality control and assurance policies and procedures during the IPA project, which was carried out by the SAI of Poland and Croatia for time period 2016-2018.

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Internal Control Environment – Ethics, Integrity and Organisational Structure</b>	<p>All criteria have been met.</p> <p>The SAI has established its organizational structure in order to ensure that responsibility is clearly assigned for all work carried out by the SAI. This structure is called Ethical commission within the ALSAI and there is also a unit of Ethics and Integrity which deals with this kind of breaches in the conduct of ALSAI staff.</p>	<b>4</b>
<b>(ii) System of Internal Control</b>	<p>Criterion e) is not met. Criteria a), b), c), d) and f), g), i), h), j) have been met.</p> <p>-The SAI has an Internal Audit Directory whose audits are signed by the Head of the SAI. Even though ALSAI has not undertaken a full review on its internal control system and reported upon within the past five years, reviews of the internal controls have been carried out for separate departments within ALSAI and also there has been an assessment on ALSAI's internal controls from SAI Netherland, in February 2020 aiming more specifically "the assessment of integrity and ethics".</p> <p>- The SAI has put in place a system in which conflict of interest is periodically declared by all staff members. Usually, when a conflict of interest emerges, solutions are provided on a case by case basis.</p>	<b>2</b>

<b>(iii) Quality Control System</b>	<p>All criteria have been met.</p> <p>- Regarding quality control for audit work, the institution follows the Rules of Audit Procedures and the Quality control and Quality Assurance Policies. In the Rules of Audit Procedures are set out all the control activities that are carried out throughout the audit process, in order to guarantee that the audit product was released in accordance with all the requirements. There is quality control within the audit team carried out by the team leader; quality control within the audit department by the chief auditor and the department director, quality control by the quality control department, quality control by the General Director, and lastly quality control form the Chairman.</p>	4
<b>(iv) Quality Assurance System</b>	<p>All criteria have been met.</p> <p>-The SAI has written procedures and/or plans for QA which specify the frequency with which QA reviews should be carried out. QA is carried out according to the frequency specified in this plan. In the case of ALSAI, the procedures specify that there should be a random selection of at least 30% of the completed files at the beginning of each year, regarding audits performed on the previous year.</p> <p>At the beginning of each year, the responsibility for the quality assurance monitoring process is assigned by the Chairman to a group of auditors (headed and assisted by the Directory of Quality control and quality assurance) with appropriate experience and authority in the SAI to carry out this assessment work.</p>	4

#### 4.2.3 SAI-6: Leadership and Internal Communication - Score 3

SAI 6 seeks information on the leadership style of the SAI and how it communicates its decisions and requirements internally. Leadership style is important in all organisations to ensure that senior management establish the 'tone at the top' through setting personal standards of behaviour in, for example, ethical, personal, integrity and objectivity attributes".

All SAI personnel must be kept up to date on all developments affecting the SAI and these can be technical and non-technical information and guidance. In the absence of an effective communication strategy and SAI will run the risk of important messages being missed by intended receivers with the result that expected actions or decisions are not delivered.

"This indicator has two-dimensions":

- (i) Leadership.
- (ii) Internal Communications.

*The assessment of SAI-6 is mainly based on internal rules and policies put in place by the SAI management across all the organization that express the way leadership is exercised by the ALSAI Chairman and other managing directors.*

##### **Dimension (i): Leadership**

In the Albanian SAI there are periodic meeting that are held at managing director's level requested by the Chairman and also at the auditors' level especially regarding specific issues related to audit activities such as the formulation of the annual audit plan, the review of rules, procedures and strategic documents et alia. The communication top – down can be carried out in variety of forms. It can be formal, in cases of scheduled meetings, and also in a more informal way, in case the Chairman needs specific on the spot clarifications for certain issues. An example of this was when where

discussed the new changes in the Rule of Audit Procedures, for which auditors were requested to send their recommendations that would better address the quality of audit work.

The decision making process always ends with the adoption of a Decision by the Chairman that is always communicated to all staff by email. Some of these decisions are also published on the official webpage as part of the approval of specific audit documents that are available to the public.

The Albanian SAI leadership has identified and disseminated the SAI's values and promotes these in its public activities, core documents and regular communications, such the Annual Book Fair, press notices for the media, articles to newspapers about the audit work of the institution, the publishing of a Quarterly Journal on the Public Audit etc. The mission and vision are published on the official webpage just like any other strategic document of the institution.

The Rules on the Organization and Functioning of ALSAI establish that all the managers are to be held accountable, and for this reason with the Decision no.27 date 20.04.2018, the Chairman has approved the Code of Ethics for the Chairman and other high officials of ALSAI, which makes mandatory for them to implement the Code of Behavior of the Members of Parliament.

The Albanian SAI leadership has adopted strategies to promote better performance, and has implemented these, such as the Development Strategy 2018 - 2022, the Communication Strategy, the Risk Assessment Strategy, etc in order to increase the audit quality and the impact of the audit work.

ALSAI leadership has demonstrated initiatives to set a tone enabling accountability and strengthening the culture of internal control, by making the Code of Ethics an integral document for the assessment of the performance of the employees and also establishing a dedicated unit of integrity and ethics. ISSAI 30 "Code of Ethics" is mandatory for the auditors and provides an institutional mechanism addressing misconduct. The Code of Ethics is also part of the training program, for the purpose to bring this document in the constant focus of the auditors. Also, each year, the Annual Department Meetings create an open space for all the auditors to discuss sensitive and difficult questions with the director of the department and the general director.

Every strategic document or decision making by the leadership is linked primary to the quality. Every single strategy that ALSAI has adopted encompasses goals that are oriented towards improving the quality, in every aspect of the institutional activity.

### ***Dimension (ii): Internal Communications***

ALSAI has established principles for internal communication, and monitors the implementation of these. The SAI has a communication strategy and internal communication is set on the internal organization rule and also via the ALSAI's official electronic mail. There is also an audit management system which enables communication and reporting on audit matters in the prospective of the audit process.

The SAI leadership communicates the mandate, vision, core values and strategy to staff, in all the communication means that are currently available, which means through the webpage, through its audit planning, annual reporting to parliament, training programs, strategies and policies.

The Albanian SAI leadership informs and consults employees regularly on key issues related to the organization. Recently, every auditor has been invited by e-mail to give input on the necessary changes on the Rule of Audit Procedure.

ALSAI uses appropriate tools to promote effective internal communication, such as daily mail on the SAI's presence on the media, email addresses for all staff, an intranet, an internet based audit management system.

### ***Assessment Findings and Observations***

Dimension	Findings	Score
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<b>(i) Leadership</b>	<p>Criteria a), b), c), d), f), g) and h) have been met. Criterion e) has not been met.</p> <p>In the Albanian SAI there are periodic meetings that are held at managing directors' level requested by the Chairman and also at the auditors' level especially regarding specific issues related to audit activities such as the formulation of the annual audit plan, the review of rules, procedures and strategic documents et alia. The communication top – down can be carried out in variety of forms. It can be formal, in cases of scheduled meetings, and also in a more informal way, in case the Chairman needs specific on the spot clarifications for certain issues. An example of this was when where discussed the new changes in the Rule of Audit Procedures, for which auditors were requested to send their recommendations that would better address the quality of audit work. There have been adopted many strategies, like communication or risk assessment strategy in order to increase the audit quality and the impact of the audit work. However no specific strategy to provide incentives to employees to encourage them to improve their performance e.g awards form most hard working, etc.</p>	3
<b>(ii) Internal Communication</b>	<p>All criteria have been met.</p> <p>ALSAI uses appropriate tools to promote effective internal communication, such as daily mail on the SAIs presence on the media, email addresses for all staff, an intranet, an internet based audit management system.</p>	4

#### 4.2.4 SAI-7: Overall Audit Planning. Score 3

SAI 7 seeks information on the processes leading to the production of an overall audit plan for AGDSL and, what should be in the plan”.

This indicator has two-dimensions:

- (i) Overall Audit/Control Planning Process.
- (ii) Overall Audit/Control Plan Content.

*The assessment of SAI-[7] is mainly based on the annual audit planning procedures.*

##### **Dimension (i): Overall Audit/Control Planning Process**

Regarding effective overall audit/control planning:

The Albanian SAI documents the process followed for developing and approving the overall audit plan/control programme for the SAI. It means that every yearly planning procedure starts during the last quarter of the previous year, with the approval of the New Budget Law, right after Parliament has discussed the Report on the Budget Expenditures for the previous fiscal year. Based on that, a first draw of the institution to be audited is carried out by each department. Secondly, there are certain institutions which are audited every year that directly go into the annual audit plan. Furthermore, other considerations are made that concern procurements, risk assessment made at department level as a result of previous audits and the audit on the follow up, reports on the media concerning risky activities of the government, a certain periodicity in the audit of institution (on average almost all institutions are audited every two years), requests and complaints from the citizens etc.

The process for developing the SAI's overall audit plan identifies the SAI's audit responsibilities from its mandate; otherwise it would be impossible for the SAI to audit entities and topics which are not part of its mandate. For example, the SAI cannot plan to audit private entities whose state share is

less than 50%. The audit planning process follows a risk-based methodology. For that purpose, ALSAI operates based on the Methodology of Designing Strategic and Annual Plan, as approved with the Decision of Chairman no. 79, date 30.06.2018. This Methodology is a result of a Twinning Project with Polish NIK and SAI Croatia. According to the Methodology, the process of designing annual audit plan goes through a risk based assessment of potential audit fields, materiality and identified problems during previous audits. It is also recommended the “top-down” method as an approach that fits to an Albanian context and to the organisational features of ALSAI.

At the end, a final document of the annual plan is drafted with contribution of each audit department, and is sent to the General Director for insight and to the Chairman for review and final approval. After the approval the Annual Audit Plan is published on the official webpage of the institution<sup>28</sup>.

There are clearly defined responsibilities for planning, implementing and monitoring the audit plan in the Albanian SAI.

The monitoring process is a dynamic one and it involves all actors concerned with audit activities, starting with auditors part of the audit team, team leader, audit department director, QC directory, general director and the Chairman. The flow of the communication is written and documented accordingly to the Rules of Audit Procedure. The annual audit plan is then broken down into quarterly and monthly audit plans.

The audit planning process takes into account the SAI’s expected budget and resources according to the respective time period.

#### **Dimension ii: Overall Audit/Control Plan Content**

The overall audit plan defines the objective of the audit at a high level, as well as who has the responsibility for each audit to be carried out. Specifically, it defines if the audit is a financial, compliance, IT, performance, or thematic audit. It specifies the Department Director responsible for the oversight process, the team leader and the audit team. It includes a schedule for the implementation with indicative dates for the phases of the audit in accordance with its mandate. Generally speaking, there are no specific mentions about financial resources, but budget wise the expenditures for the implementation of the plan constitute nearly 80% of the annual ALSAI budget (if not more) (mainly auditor wages, trainings, external experts when needed and per diems). The plan specifies the necessary human resources needed to fulfill it. The cost of the Audit Plan as a whole, is part of another document regarding the budget which is not in the audit plan, but it is part of the institution’s financial plan for the year. There are financial resources foreseen for the plan that are not specified in a separate column of that plan. However, we have the audit cards as well that further deal with this aspect.

*Audit risk is considered during the drafting of the audit plan, because it is intrinsically part of is drafting and implementing based on the Methodology of Designing Strategic and Annual Plan. Each separated department considers the latter when preparing the annual audit plan. However, there is a need for the consolidation of these separate analyses in an institutional level.*

#### **Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Overall Audit/Control Planning Process</b>	<p>All criteria have been met.</p> <p>There are clearly defined responsibilities for planning, implementing and monitoring the audit plan in the Albanian SAI.</p> <p>The monitoring process is a dynamic one and it involves all actors concerned with audit activities, starting with auditors part of the audit team, team leader, audit department director, general director and the Chairman. The flow of the communication is written and</p>	4

<sup>28</sup> [https://www.klsh.org.al/cat\\_list/8](https://www.klsh.org.al/cat_list/8)

	documented accordingly to the Rules of Audit Procedure. The annual audit plan is then broken down into quarterly and monthly audit plans. The audit planning process takes into account the SAI's expected budget, resources and respective required reporting time period.	
<b>(ii) Overall Audit/Control Plan Content</b>	<p>Criteria a), b), c), d) have been met. Criterion e) has not been met.</p> <p>Audit risk is evaluated during the drafting of the audit plan, because it is an essential part of the Methodology of Designing Strategic and Annual Plan. Each individual department considers the latter when preparing the annual audit plan. However, there is a need for the consolidation of these separate analyses at the institutional level.</p>	3

### 4.3 Domain C: Audit Quality and Reporting

Domain C aims to assess the quality as well as the outputs of the audit/control work that represents the core function of any SAI. Domain C comprises 13 indicators.

Domain C: Audit Quality and Reporting <sup>29</sup>		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-8	Audit Coverage	4	4	3	NA	4
SAI-9	Financial Audit Standards and Quality Management	4	1	4	-	3
SAI-10	Financial Audit Process	2	3	2	-	2
SAI-11	Financial Audit Results	3	2	3	-	3
SAI-12	Performance Audit Standards and Quality Management	4	1	4	-	4
SAI-13	Performance Audit Process	3	3	3	-	3
SAI-14	Performance Audit Results	3	3	2	-	3
SAI-15	Compliance Audit Standards and Quality Management	4	3	4	-	3
SAI-16	Compliance Audit Process	2	1	3	-	2
SAI-17	Compliance Audit Results	3	1	3	-	2
SAI-18	Jurisdictional Control Audit Standards and Quality Management	NA	NA	NA	NA	NA
SAI-19	Jurisdictional Control Audit Process	NA	NA	NA	NA	NA
SAI-20	Results of Jurisdictional Controls	NA	NA	NA	NA	NA

#### 4.3.1 SAI-8: Audit coverage – Score 4

This indicator measures the audit coverage achieved by the SAI across the three main audit disciplines – financial, performance and compliance.

This indicator has 4 dimensions:

- (i) Financial Audit Coverage.
- (ii) Coverage, Selection and Objective of Performance Audit.
- (iii) Coverage, Selection and Objective of Compliance Audit.
- (iv) Coverage of Jurisdictional Control.

The assessment of SAI-8 covers the scope, selection and objective of the financial, performance, and compliance audit. The evidence used, is mainly based on: The Law no. 154/2014 “On the organization and functioning of ALSAI”, Financial Audit Manual of ALSAI, Compliance Audit Manual of ALSAI, Performance Audit Manual of ALSAI, Regulation of Audit Procedures, as well as on the Manual of Follow-up of audit recommendations.

#### *Dimension (i) Financial Audit Coverage*

According to the Law no. 154/2014 “On the organization and functioning of ALSAI”, article 10/ç, ALSAI is entitled on auditing, among others, the annual financial statements for general governance entities and giving an opinion on them. The SAI’s mandate, however, does not address specifically that the SAI should conduct mandatory financial audits on these entities. In this context, ALSAI conduct financial audits according to its annual plan as per article 9 of the Law no 154/2014.

As per ALSAI annual plan, there has been audited 100% of financial statements on the audited entities on which was carried a financial or regularity audit. It is important to note that regarding the

<sup>29</sup> Additional evidence is provided in Annex 5 Scoring sheets Domain C and D.

term “received”<sup>30</sup>, in the context of the Albanian Supreme Audit Institution, public institutions are not obliged to deliver periodically their financial statements to the ALSAI, but these are received on spot, during the audit phase in the respective audited entity.

Therefore, for all the financial and regularity audits conducted in the public entities, ALSAI has audited all the financial statements and generally there have not been cases of any non-submission of the latter.

*However, there have been two cases<sup>31</sup>, occurred in periods not covered by the scope of this assessment where ALSAI is not allowed to audit (thus financial statements have not been submitted to the audit team as requested) and for that ALSAI reported accordingly (to the Parliament).*

### **Dimension (ii) Coverage, Selection and Objective of Performance Audit**

The Albanian Supreme Audit Institution has set a legal and strategic priority to ensure equal importance to financial, compliance audit and performance audits. This priority is categorized in legal, strategic and managerial frameworks:

- In the legal framework (in the new law no. 154/2014), it is included a dedicated article 13 where it is stated that “When carrying out performance audits, ALSAI should evaluate *whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness, aiming to provide added value recommendations*”. ALSAI is entitled to conduct performance audits anytime it considers it necessary.
- In the strategic framework, the ALSAI’s strategic development plan 2018-2022 has included in its strategic goals, Goal 1.4<sup>32</sup> “Increasing the focus on the performance audits, with the aim to increase the number of performance audits in the level 30-35% of the overall audit work”.
- According to the Regulation of Audit Procedures of ALSAI, approved with the decision of the Chairman no. 107, date 08.01.2017<sup>33</sup>, article 4, ALSAI conducts the following types of audits: (1) compliance audit; (2) financial audits; (3) performance audits; (4) IT audits; (5) innovation technology and systems audits; (6) Combined audits<sup>34</sup>; and (7) thematic audits<sup>35</sup>
- In the managerial level, ALSAI has a dedicated department (equally to those carrying out financial and compliance audits) names “Department of Performance Audit”, conducting performance audits based on the Manual of Performance Audit<sup>36</sup> and the auditors are specifically trained in performance audit methodology. Further on, the annual audit plan of ALSAI has a dedicated space for the performance audits.

According to the Performance Audit Manual, each auditor in the Department of Performance Audit should propose 2-3 audit themes based on civil society concerns, problems published in media and from any other reliable source of information, in order to provide an audit topic that is relevant, significant and with great impact for the citizens. For this purpose, the Performance Audit Manual includes a standard document on which are set the criteria that auditors should follow when selecting a specific audit topic, considering also that the topic should be auditable and under the mandate of ALSAI. This standard document for the selection process aims to offer a balance between the audit capacity and expected impact, based on the importance and risks that a specific topic may pose.

<sup>30</sup> SAI 8 (i) “In the year under review, 100 % of financial statements **received** (and required to be audited under the mandate of the SAI) were audited”

<sup>31</sup> Energy Regulator Entity (in 2020) and Public Supervisory Board (in 2021)

<sup>32</sup> <https://panel-klsh.almotech.co/storage/phpKhlYoa.pdf>, page 37

<sup>33</sup> Last revision with the Decision of the Chairman no. 63, date 22.06.2020

<sup>34</sup> “Combined audits” are those that in the Audit Program involve two or more types of audit. In these cases, ALSAI comes up with separate opinions for each type of audit, based on the respective manuals and ISSAI-s for that specific type of audit.

<sup>35</sup> “Thematic audits” aims to focus on specific topics, problems, or sectors. These audits should not be treated as audits of a particular type, as they are essentially compliance and/or performance audits.

<sup>36</sup> The Manual has been revised recently and approved with the Decision of the Chairman no. 196, date 26.11.2021. This is the third revision of the Manual of Performance Audit, which comes after a 10 years’ experience of ALSAI, in performance auditing.

During the past five years, ALSA has issued reports covering at least the following sectors/topics:

No	Economic field	Performance audits carried out by ALSAI
1	Education	"Performance of the Ministry of Education" ; "Sports and Youth in Sports Development" "Performance of institutions responsible for admission to universities of students after graduation in 2016"; "Quality and Fees of Student Services at Universities"; "Effectiveness of Nurseries and Kindergartens"; "National Library Performance
2	Health	"Costing of hospital services"; "Food Safety"; "Quality of drinking water for consumers"; "Performance of institutions responsible for medical emergency"; "Prescription and electronic signature of medical receipts"; "Quality and safety of drugs in the open pharmaceutical network and hospital service"; "Effectiveness of COVID-19 pandemic situation management
3	Revenue collection	The effectiveness of the measures taken by the tax authorities in the collection of unpaid liabilities of taxpayers "; "Effectiveness of fiscal cash registers in increasing tax revenues"; "Tax debt performance"
4	Infrastructure	("Quality of pre-university school buildings"; "Quality assurance of construction works"; "Road safety in Albania"; "Energy Efficiency"; "Effectiveness of programs for coping with the consequences of natural disaster 2019")
5	Public finance and public administration	Public Procurement Procedures in Albania"; "Performance of the Customs Administration in the customs valuation of goods"; "Public debt management performance"; "Performance of the Department of Public Administration"; "Capacity building in the Albanian Public Administration, in line with the objectives"; "Reserve fund of the Social Insurance Institute").
6	Environment	Air quality"; "Preservation of the Prespa National Park Ecosystem"; "Floods - Prevention, Protection, Preparedness"; "Solid Waste Processing Management in the Plant of the Municipality of Fier "; "Hospital Waste Management"; "Performance of Agriculture and Rural Development, in the implementation of fisheries and aquaculture policies"; "Pollution of the seas"; "Acoustic pollution"; "Effectiveness of forest and pasture fund management"; "Immediate Ionian and Adriatic Pollution"; "Cleaning the city"; and "Plastic waste management").
7	Social security and labor market	Performance of State Labor Office"; "Fines for violation of the Road Code imposed by the State Police"

### ***Dimension (iii) Compliance Audit Coverage***

According to the Law no 154/2014 "On the organisation and functioning of ALSAI", article 6, audit should cover compliance, regularity, financial management, 3 E-s in the administration of public funds and property. Whereas according to article 12, in compliance audits, ALSAI should assess whether: (a) incomes and expenditures has been in compliance with Budgetary legal framework and with principles of financial management and control Law; as well as (2) the general principles of a sound financial management in public sector and ethical behaviour of state officials are in place.

ALSAI has the mandate to conduct compliance audit in all public entities and budgetary funds. However, it is not possible for all public entities within the SAI's mandate to be audited within a financial year due to the limited number of audit staff, thus the audit coverage cannot be 100%.

There is a degree of uncertainty regarding the precise number of public sector entities and this would need to be resolved in conjunction with any planned steps for consolidation of financial statements<sup>37</sup>. Considering the above, and based on internal Order no. 4, date 31.12.2015 of the ALSAI's Chairman "For drafting a risk based audit plan", each audit department (responsible for conducting compliance audits), has drafted an audit plan document where are included the criteria based on which the selection of the entities to be audit, has been done (risks related, budgetary funds, last time this entity has been audit, no of staff, etc). The Annual Audit Plan upon approval by the Chairman, it is then published in the ALSAI's webpage.

Also, as a product of IPA project, every audit department in ALSAI has used the Audit Cards Tool, for each selected auditee, this includes: the cost of audit, human resources involved in the audit team according to their respective expertise, audit calendar, etc.

During the past 10 years, in almost every audit program, are included dedicated topics (as audit directions/objectives) in regards to: (i) procurement procedures; (ii) payroll; and (iii) Revenue collection in all entities entitled to collect revenue.

#### **Dimension (iv) Coverage, of Jurisdictional Control**

*This dimension is "not applicable" for ALSAI.*

Dimension	Findings	Score
<b>(i) Financial Audit Coverage</b>	The Albanian Supreme Audit Institution has audited 100% of financial statements on the audit entities on which was carried a financial or regularity audit. It is important to note that regarding the term "received", in the context of the Albanian Supreme Audit Institution, public institutions are not obliged to deliver periodically their financial statements to the ALSAI, but these are received on spot, during the audit phase in the respective audit entity. Therefore, for all the financial and regularity audits conducted in the public institution, ALSAI has audited all the financial statements and there have not been cases of any non-submission of financial audit. For the year 2021, ALSAI has performed 63 audits concluded with financial audit opinion. <i>However, there have been two cases, occurred in periods not covered by the scope of this assessment where financial statements have not been submitted to the audit team as requested and for that ALSAI reported accordingly (to the Parliament) for the no submission of the latter.</i>	4
<b>(ii) Coverage, Selection and Objective of Performance Audit</b>	<i>All criteria have been met</i>	4
<b>(iii) Coverage, Selection and Objective of Compliance Audit</b>	<i>All criteria have been met</i>  -ALSAI has the mandate to conduct compliance audit in all public entities and budgetary funds. All the entities identified in the respective annual plan have been audited and at least 90% of	3

<sup>37</sup> [https://cfrr.worldbank.org/sites/default/files/2020-10/ENG\\_ALBANIA\\_PATHWAYS.pdf](https://cfrr.worldbank.org/sites/default/files/2020-10/ENG_ALBANIA_PATHWAYS.pdf)

	budgetary funds of the central government institutions have been covered with audit. <i>However, it is not possible for all public entities within the SAI's mandate to be audited within a financial year due to the limited number of staff of ALSAI, thus the audit coverage cannot be 100%.</i>	
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#### 4.3.2 SAI-9: Financial Audit Standards and Quality Management – Score 3

This indicator assesses the SAI's approach to financial auditing in terms of its overall standards and guidance, team management and skills and quality control. The indicator has 3 dimensions:

- (i) Financial Audit Standards and Policies.
- (ii) Financial Audit Team Management and Skills.
- (iii) Quality Control in Financial Audit.

ALSAI performs well under this indicator. The assessment of SAI-9 is mainly based on Law no. 154/2014 "On the organisation and functioning of ALSAI", Internal Regulation of ALSAI, Regulation of ALSAI Audit Procedures, Financial Audit Manual largely in line with ISSAI 200" Fundamental Principles of Financial Audits".

##### Dimension (i): Financial Audit Standards and Policies

ALSAI adopted the ISSAIs on financial audits as the authoritative standards in 2015 and the Financial Audit (FA) Manual is closely aligned to the ISSAIs, governing the financial audit work. The Financial Audit Manual has been used as the basis for the financial audits, setting out policies and procedures for the financial audit works. The first Financial Audit Manual of ALSAI has been drafted with the support of SIGMA, and approved in December 2015; whereas the last revision of it has been done in July 2020<sup>38</sup> with the support of Polish SAI (NIK) in the context of IPA Funds, aiming to reflect also the revision of ISSAI-s with regard to financial audit. The Polish SAI supported ALSAI auditors since the beginning of the audit engagement (for two pilot audits<sup>39</sup>), starting with planning stage, in field audit, risk assessment, audit procedures to be followed and developed, materiality, etc, ending up with the reporting stage.

The Financial Audit Manual (FA Manual) is organised in four main Modules which are then organised in respective chapters. The first Module deals with: ISSAI Structure in the four levels of ISSAI-s (Chapter 1); Institutional Capacity Building Framework (Chapter 2); and Annual Audit Plan (Chapter 3). The financial audit manual set out requirements for developing the audit plan and identifies and allocates audit procedures to be implemented. The second Module deals with pre-engagement audit stage, strategic planning (including how to understand the entity, assessing risks, determine materiality, and how to use the work of others). The third Module deals with the detailed planning, audit sample and in-field audit. And the last Module deals with reporting.

As reflected in each chapter, the financial audit manual adequately incorporates the ISSAI standards. Also, the manual is written in a clear and accessible manner providing working paper Templates for each stage of audit. There is a dedicated section on how the auditor should assess whether the preconditions for an audit of financial statements have been met. This is explained in the pre-engagement stage in Chapter II.2 of the Manual. The objective of carrying out the pre-engagement activities is to ensure that the necessary independence and ability to perform the engagement is being maintained and that there is no misunderstanding with the entity as to the terms of the engagement. The guidance on applying the concept of materiality appropriately when planning and performing the audit is captured in chapter II.4 Of the Financial Audit (FA) Manual.

The FA Manual clearly elucidates about audit documentation that is sufficient to enable an auditor, with no previous connection with the audit, to understand the nature, timing and extent of the audit procedures and the audit evidence obtained, in the Chapter III.3 of FA Manual (Session "Field Work – Audit Evidence). The audit documentation should be prepared at all stages of the audit process

<sup>38</sup> Decision of the Chairman no 64, date 22.06.2020

<sup>39</sup> Compliance and financial audit in Ministry of Finance, and in Social Insurance Fund.

accordingly. However, there are some working papers in the FA Manual that need to be revised in line with the Regulation of Audit Procedures.

There is a section in the manual which explains how an auditor should agree the terms of the audit engagement with management or those charged with governance, as appropriate. The Manual directs the auditor to develop a plan including the scope, timing and direction of the audit. Moreover, the Manual outlines that the auditor should properly plan the audit to ensure that it is conducted in an effective and efficient manner. Chapter II.3 of the Manual explains the understanding of the audited entity and its environment, including understanding the entity's internal control. There is a section in the manual on how to evaluate the overall internal control environment of an entity and assessing the risk of material misstatements at both the financial statement level and the assertion level.

The chapter III.1 "Detailed Planning" highlights how the auditor should assess the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures to provide a basis for performing further audit procedures. It also provides guidance on how the auditor should respond appropriately to address the assessed risks of material misstatement. There is a working paper template in the manual explaining how the work on auditing a selected process should be done and documented. There is also a working paper on how to assess risk of material misstatements.

The Manual guides the auditor on how to design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement. Furthermore, it explains how the auditor should identify and assess the risks due to fraud and obtain sufficient appropriate audit evidence and respond appropriately as well as how to obtain sufficient appropriate audit evidence to be able to draw conclusions on which to base the auditor's opinion. There is a working paper template in the manual on how to assess risks factor as well as on calculating the sample size.

Some of the working papers (WP) where the auditors may find additional guidance in the FA Manual and in the Regulation of Audit Procedures are:

1. WP: Notification for starting the audit
2. WP: Minutes of the first meeting with the auditee
3. WP: Auditor's declaration to comply with code of ethics in the conduct of audit
4. WP: Declaration of NO Conflict of interest
5. Audit program
6. WP: Annex 1 example of a "Step by step procedures"
7. WP: Pre-analytical Examination
8. WP: Checklist on Internal Control
9. WP: Risk of material misstatements in financial statements level
10. WP: Documentation of audit team discussion (Fraud included)
11. WP: Overall materiality
12. WP: Component and Performance Materiality
13. WP: Work for the selected process
14. WP: Assessing the Risk Factor
15. WP: Sample Size
16. Annexes: Examples of different types of audit opinions

Considering that the approval of the new FA Manual dates in July 2020, and due to Covid-19 the implementation of it, started in 2021, there are still some working papers that need to be revised in line with the Regulation of Audit Procedures in place<sup>40</sup>. Some additional trainings for the ALSAI auditors should be done within the institution, for a better understanding the on how to work on all the steps required in the Manual.

### **Dimension (ii): Financial Audit Team Management and Skills**

<sup>40</sup> There are specific sections within Doc. 3 "Planning Memorandum" of Regulation of Audit Procedures, that requires the same information as in some specific working papers of the FA Manual

The dimension assesses whether the SAI supports the implementation of its financial audit standards by policies in (1) the domain of the composition of the engagement team and in providing the auditors of the engagement teams with materials that facilitate the implementation of the standards. ALSAI is managing the composition of the audit teams in such a way that engagement teams include auditors with sufficient qualifications, knowledge of the entity and experience with the audit standards. The Head of each Department has clear and full responsibility in managing the teams and reviewing the working papers prepared by the team.

Since 2014 and still, all the auditors are exposed to continues ISSAI based audit trainings not only for financial audits, but for compliance and performance as well. ALSAI has adopted ISSAI as its authoritative standard (according to the Law no 154/2014) and has recognised ISSAI implementation as one of the strategic goals under its Strategic Plan 2015-2020.

The engagement teams have knowledge of relevant industries [sectors] in which the audited entities operate. The team composition aims to ensure a balance between senior and junior auditors. Technical expertise, including expertise in relevant field of auditing are given due importance at the time of team composition. When a specific expertise in a specific field is required, external experts are involved in audit teams; or in case there is an audit of IT related industry the Head of Department asks the approval of the Chairman to include an auditor who has adequate knowledge in Information and Technology from IT Audit Department.

On the other hand, audit teams are aware and understand the importance of quality control at all stages of the financial audit process and there is sufficient evidence from our review of sampled audit files that quality control is applied in all stages. There are also working papers (like the respective opinions form Chief Auditor, Director of Department, Directorate of Quality and Control Assurance, General Director).

During 2021, due to the amendment of the local government, which requires that financial statements of municipalities to be audited externally on yearly bases, there has been approved an increased number of auditors for ALSAI in order to meet this new requirement. Considering the new staff recently recruited, their understanding and practical experience in audit engagements of a similar nature and complexity through appropriate training and experience becomes an essential criterion that should be met through continuous trainings.

### **Dimension (iii): Quality Control in Financial Audit**

The last dimension SAI-9 to assess the foundation of financial audit is concerned with the quality control procedures at the engagement level. These procedures should provide reasonable assurance that the audit complies with professional standards, applicable legal and regulatory requirements, and that the auditor's report is appropriate in the circumstances.

For quality control, ALSAI relies largely on the hierarchical review of the audit documents (audit plan, working papers, audit report, draft decision and decision of the Chairman, etc) by the team leader, Chief Auditor, Head of the Department, the Quality and Assurance Directorate, General Director and the Chairman. The ALSAI audit regulations specifies all phases of quality review, initiated by the chief auditor of the respective department, the director of department, the quality assurance department by the General Director and finalized to be approved by the Chairman. Also, annually ALSAI chooses some audit files subject to quality control. The procedures for quality control of audits are laid down more specifically in the Regulation of Audit Procedures (article 36).

Despite of the latter, which is part of the daily job of the whole involved parties, each year ALSAI carries out quality assurance for 20-30 audit files. The selection of audit files for quality assurance includes all audit departments. An ad-hoc team is in charge of quality assurance, based on a specific decision of the Chairman. The team generally is composed by experienced auditors from different audit departments and supervised by the Head of Quality Assurance Directorate. It is emphasised that none of the auditors of a specific Department, part of the Ad-hoc team, should not review files of that department. For matters that require a technical expertise, ALSAI has the mandate to hire technical experts.

### **Assessment Findings and Observations**

Dimension	Findings	Score
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<b>(i) Financial Audit Standards and Policies</b>	<p>All criteria have been met.</p> <p>The FA Manual clearly explains about audit documentation that is sufficient to enable an auditor, with no previous connection with the audit, to understand the nature, timing and extent of the audit procedures and the audit evidence obtained, in the Chapter III.3 of FA Manual (Session “Field Work – Audit Evidence). The audit documentation should be prepared accordingly at all stages of the audit process. However, there are some working papers in the FA Manual that need to be revised in line with the Regulation of Audit Procedures.</p>	<b>4</b>
<b>(ii) Financial Audit Team Management and Skills</b>	<p>All criteria except for criterion a) have been met.</p> <p>During 2021, due to the amendment of the local government law which requires for the financial statements of municipalities to be audited externally on yearly bases, there has been approved an increased number of auditors for ALSAI in order to meet this new requirement. Considering the new staff recently recruited, their understanding and practical experience of audit engagements of a similar nature and complexity through appropriate training and experience becomes an essential criterion that should be met through continuous trainings.</p>	<b>1</b>
<b>(iii) Quality Control in Financial Audit</b>	<p>All criteria have been met.</p> <p>For quality control, ALSAI relies largely on the hierarchical review of the audit documents (audit plan, working papers, audit report, draft decision and decision of the Chairman, etc) by the team leader, Chief Auditor, Head of the Department, the Quality and Assurance Directorate, General Director and the Chairman. The ALSAI audit regulations specifies all phases of quality review, initiated by the chief auditor of the respective department, the director of department, the quality assurance department by the General Director and finalized to be approved by the Chairman.</p>	<b>4</b>

#### 4.3.3 SAI-10: Financial Audit Process - Score 2

This indicator examines how financial audits are carried out in practice. The assessment of this indicator is based on a review of a sample of five financial audits for the year 2020-2021, namely: 1. Ministry of Internal Affairs; 2. Regional Tax Directorate Durres, 3. the Ministry of Finance, 4. The State Agency of Cadastre Albania, 5. "The project on social assistance modernization" in the Ministry of Health and Social Protection.

The review covered a study of the complete audit working files and interviews with the respective audit teams who had carried out the audit. In line with SAI-10 which examines how financial audits are carried out in practice, this assessment consists of three dimensions:

- (i) Planning Financial audits.
- (ii) Implementing Financial audits.
- (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.

##### **Dimension i: Planning Financial Audits**

ALSAI adopted the ISSAIs on financial audits as the authoritative standards in 2014 with the approval of the Law no 154/2014 “On the organisation and functioning of the ALSAI”, and the Financial Audit

(FA) Manual is closely aligned to the ISSAIs to govern their financial audit work. The Financial Audit Manual has been used as the basis for the financial audits, and sets out the policies and procedures for the financial audit works. The latest version of the manual is dated June 2020.

Considering that the approval of the new FA Manual dates in July 2020, and due to Covid-19, the implementation of it, started in 2021, there are still some working papers that need to be revised in line with the Regulation of Audit Procedures in place. Some additional trainings for the ALSAI auditors should be done within the institution, for a better understanding on how to work on all the steps required by the Manual.

ALSAI has continuously pointed out that the regulatory framework related to Public Accounting in Albanian public sector, has not yet had the intended improvement yet. Accounting in the public sector is regulated on the basis of an Annual guideline, somehow incomplete and problematic from a conceptual point of view. According to ALSAI, the progress made regarding the drafting of the legal basis and the preparation of the consolidated financial statements of the state is insufficient and the objectives in this area are still far from the objectives of the Strategy Public Financial Management 2014-2020.

ALSAI FA Audit manual has the following chapters:

1. ISSAI Framework
2. Institutional Capacity Building Framework
3. Annual Audit Plan
4. Overview on the financial audit
5. Pre-engagement audit stage
6. Understanding the auditee and risk assessment
7. Materiality
8. Using the work of others
9. Detailed planning
10. Audit sampling
11. In field audit
12. Audit Reporting (Quality Assurance is a subchapter of Audit Reporting in the Manual. It is also described in more details in the Regulation of Audit Procedures. Whereas with regard to follow-up of the recommendations, ALSAI has a dedicated Manual approved with the decision of the Chairman no. 67, date 23.06.2020).

The ISSAI Framework Chapter briefly clarifies ISSAI standards at all 4 levels of standards. Level 1 contains the basic principles of INTOSAI in the Lima Declaration of Independence; Level 2 sets out the prerequisites for the proper functioning and professional direction of Supreme Audit Institutions. These include principles and guidelines for independence (INTOSAI P 10), transparency and accountability (INTOSAI P 20; 21), ethics (ISSAI 30) and quality control (ISSAI 40); Level 3 contains the Basic Principles of Auditing (ISSAI 100-999) and expresses the essence of public sector audit. Level 3 contains the statements shared by INTOSAI members on generally recognized professional principles that support an effective and independent audit of public sector entities. These principles are seen as professional standards as they provide the international reference framework that defines public sector auditing; and Level 4 breaks down the audit basic principles in more specific, detailed and operational instructions that can be used on a daily basis when performing audit tasks.

The Institutional Capacity Building Framework highlights some institutional issues that the SAI needs to consider when implementing auditing report standards.

According to the Audit standards, ALSAI should draft the Annual Audit plan in accordance to these standards. This chapter deals with the guidelines for compiling this plan starting with process description, collection and processing of information as well as reliable sources his, setting annual targets.

The General Description on Financial Audit Chapter contains general information on financial auditing, on its objectives, types of documentation, emphasizing also the use of the Rezone system

(IT Audit system that is also foreseen in the Institutional Capacity Building Framework). This chapter addresses the importance of quality control as well.

- Pre-engagement Chapter helps to identify and evaluate events and circumstances that may adversely affect planning and auditing. Subject involved in this engagement and the members of the audit team are responsible for this phase. The purpose of conducting pre-engagement audit activities is to ensure the independence of necessary and necessary skills, to perform the audit, as well as to avoid misunderstandings with subject to audit conditions.
- Understanding the Auditee and Assessing Risks Chapter deals with instructions on how to assess the risk of material misstatement; risk assessment procedures; understand the audited entity and assess its environment including internal control; analytical review; etc.
- Materiality Chapter provides guidance on: what materiality is and the types of materiality that auditors should consider; how materiality for financial statements as a whole is determined and applied; how to identify and assess performance materiality; how to use of materiality during the whole audit process (planning, fieldwork and reporting stage).
- Using the Work of Others Chapter provides guidance on: evaluating the work performed by internal audit of the auditee; using of work performed by another external auditor; as well as the work performed by an external expert. Considering the work of the internal auditor, the external auditor should evaluate internal audit activities and their importance in external audit procedures. While the external auditor has sole responsibility for the audit opinion expressed and for determining the nature, timing and extent of external audit procedures, some parts of certain internal audit work may be useful for conducting the audit.
- Detailed Audit Planning Chapter does not include a single document. It includes documentation regarding the nature, timing and extent of the audit procedures to be performed. The purpose of this section is to provide guidance on how to responses, design and conduct further audit procedures. To bring audit risk at an acceptable low level, the auditor should respond to the risks identified at the level of the financial statements. Furthermore, the auditor should design and perform further audit procedures to respond to the risks identified at the assertions level.
- Audit Sampling Chapter focuses in the sampling process, dealing with the differences between statistical and non-statistical sampling. It clarifies how the auditor should identify the items or transactions on which to perform audit procedures, appropriate to the audit purpose. This should be done in order to gather sufficient evidence to meet the objectives of the audit procedures, including an assessment of compliance of related transactions with laws and regulations. The goal is to provide a reasonable foundation for the auditor to draw conclusions about the population from which the sample has been selected.
- In Field Audit Chapter provides guidance on the concept of audit evidence, adequacy and relevance of evidence; on the use of assertions for obtaining evidence; as well as on the audit procedures required to obtain sufficient and reliable evidence.
- Reporting Chapter addresses the purpose of reporting on a financial audit and defines how the opinion should be expressed clearly through a written report and the basis for forming that audit opinion.

ALSAI has established a system to ensure that, at the audit engagement level, its auditors comply with the following ethical requirements: integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency. When preparing the annual audit plan, long-term engagements with the same audited entity are avoided when relevant ("last time when audited" is an indicator among others, when assessing the Risk Matrix, for selecting entities to be audited). Appropriate declarations from staff in relation to ethics and independence are signed for each audit engagement (Working Paper 5 and 6).

In 2 out of 5 audit files selected, it came out that the auditors:

- have not documented the evaluation of the overall internal control environment
- have not documented the gaining of an understanding of internal control relevant to financial reporting

- have not documented the identification and assessment of the risks of material misstatement of the financial statements due to fraud
- have not documented the identification the risks of material misstatement of the financial statements due to material non-compliance with laws and regulations

During the interviews with audit teams, it was noticed a lack of full comprehensibility of FA Manual, due to it's the recent revision. For that reason, not all the auditors have participated in the related trainings (considering also the Covid-19 pandemic situation). However, some of the required information, was included in standard documents as per Regulation of Audit Procedures (and not as required by FA Manual), highlighting the need for a revision, especially of the working papers in the FA Manual and Regulation of Audit Procedures so that they are in fully harmonized.

#### **Dimension ii: Implementing Financial Audits**

Implementation of financial audit standards/manual was evaluated on the basis of the selected sample files. The audit team have designed the audit procedures as a response to the assessed risk through substantive procedures and test of controls. The minimum planned sample sizes were applied in practice in response to materiality and risk assessment, in accordance with the model as approved in the FA Manual. Sufficient appropriate audit evidence regarding compliance with the laws and regulations that are generally recognized to have a direct and material effect on the determination of material amounts and disclosures in financial statements are obtained and documented in the respective working papers, in all the selected files. All the planned audit procedures were performed accordingly.

Implementation of financial audits, as evaluated on the basis of the selected audit sample reveals in most files selected, compliance to Financial Audit Manual except for the criteria a), since in two out of five selected audit files, the designing of audit procedures and the calculation of the minimum planned sample size in response to materiality and risk assessments, are not documented in the relevant Working Papers as required by the FA Manual, but in specific Annexes, part of the draft report and final report (Document 12 and Document 13<sup>41</sup>) as required by the Regulation of Audit Procedures. This should once again, bring to our attention the need to revise the working papers of the FA Manual with the ones in the Regulation of Audit Procedures.

#### **Dimension iii: Evaluating Audit Evidence, Concluding and Reporting in Financial Audits**

Audit documentation, for the most part of the selected audit files, appears complete and includes communication with the auditee, internal communication within hierarchical line within ALSAI, information on the assessment process, draft reports, observation acts, audit working papers and extensive supporting evidence. In most audit files, this documentation was well-referenced and sequenced. Most of the formal requirements on documentation were met. It is worth noting that all the five audit files selected for PMF Assessment, were already archived in accordance with the legal framework in force.

Documentation in the sample audit files in general enables in an acceptable level, an experienced auditor with no prior knowledge of the audit, to understand the nature, timing and extent of the audit procedures. Only in one file out of five, the audit evidence (Document 7<sup>42</sup>) is missing. However, for this file, there is enough documentation in the audit file to support the evidence such as the information in the observation acts (Document 8 as per Regulation of Audit procedure).

In all audit files, there are working papers documenting the minutes of the meetings between the audit team with the auditee, and the communication with them regarding most significant findings and all misstatements recorded during the course of the audit. It is also documented the final meeting in the SAI premises, with participation of auditee representatives, audit team, Quality and Control Assurance representative, Director of the specific Department as well as General Director, where the main findings and conclusions were discussed.

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<sup>41</sup> According to the Regulation of Audit Procedures

<sup>42</sup> According to the Regulation of Audit Procedures

ALSAI's audit findings for the selected files resulted to be subject to procedures of observations, to discussions and responses from the audited entity, documented in the respective communication. The uncorrected misstatements were evaluated for materiality, individually or in aggregate to determine what effect they may have on the opinion to be given in the auditor's report. Most of the sample audit files met the criteria under the dimension, however, in two out of five of the audit files, the overall evaluation of uncorrected misstatements was not documented. Considering the low level of errors identified in these specific files, this amount resulted to be far below the materiality level. In general, the audit reports followed the same structure, which covered all requirements and topics of ISSAI-200. There were clearly expressed audit opinions, three were unmodified with emphasis of matter, and two adverse. The reports are written in a clear and objective way, and observations and findings are presented in a factual manner.

### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Planning Financial Audits</b>	<p>Criteria a, b, c, d, e, h and k have been met. Criteria f, g, i and j have not been met.</p> <p>-ALSAI has adopted Financial Audit Manual which is consistent with ISSAI 200, the Fundamental principles of Financial Audits; -considering that the last revision of the Manual dates June 2020, and it started to be implemented in 2021, there are still steps in the FA Manual not being followed by the auditors, due to lack of comprehensibility of the latter. -Some working papers of FA Manual need to be revised to be in line with Regulation of Audit Procedures. -Trainings for FA Manual should be done in order for the auditors to have a better understanding of the procedures that should be followed in a financial audit</p>	<b>2</b>
<b>(ii) Implementing Financial Audits</b>	<p><i>All criteria have been met</i></p> <p>Implementation of financial audits, reveals compliance to Financial Audit Manual except for the criteria a), for which the designing of audit procedures and the calculation of the minimum planned sample size in response to materiality and risk assessments, in some cases are not documented in the relevant Working Papers as required by the FA Manual, but in specific Annexes, part of the draft report and final report (Document 12 and Document 13<sup>43</sup>) as required by the Regulation of Audit Procedures. This should bring to our attention the need to revise the working papers of the FA Manual in line with the ones in the Regulation of Audit Procedures</p>	<b>3</b>
<b>(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits</b>	<p>Criteria a), b), e) have not been met. Criteria c), d), f), g), h), i), j) and k) have been met</p> <p>- Documentation in the sample audit files in general enables in an acceptable level, an experienced auditor with no prior knowledge of the audit, to understand the nature, timing and extent of the audit procedures. Only in one file out of five, the audit evidence (Document 7<sup>44</sup>) is missing.</p>	<b>2</b>

<sup>43</sup> According to the Regulation of Audit Procedures

<sup>44</sup> According to the Regulation of Audit Procedures

	- in two out of five of the audit files, the overall evaluation of uncorrected misstatements was not documented	
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#### 4.3.4 SAI-11: Financial Audit Results - Score 3

SAI-11 assesses the timely submission and publication of the results of the SAIs financial audit work and how such results are followed up. The indicator has 3 dimensions:

- (i) Timely submission of Financial Audit results.
- (ii) Timely publication of Financial Audit results.
- (iii) Follow-up on the Implementation of Financial Audit Observations and Recommendations

There is no legal requirement for public entities other than the Budget execution Report of Albanian Government to be submitted to ALSAI. ALSAI has fulfilled the principles of transparency and public information by publishing all its audits Reports, in respect to the requirements of Law no 154/2014 "On the organisation and functioning of ALSAI"<sup>45</sup>. *There have been some delays in 2020 due to Covid-19, which impact were reflected also in 2021 when submitting audit reports to the appropriate authority within the agreed time frame. However only approx. 6% of financial audits (9 out of 142) were submitted to the appropriate authority within 9 months from receipt of the financial statements by the SAI.*

With regard to Follow-up on the Implementation of Financial Audit Recommendations, ALSAI has in place a well-established procedure provided in: Law no 154/2014 "On the organisation and functioning of ALSAI"<sup>46</sup>; Regulation of Audit Procedures; as well as the Follow-up on the Implementation of ALSAI Audit Recommendations Manual, approved with the Decision of the Chairman no. 67, date 13.06.2020.

##### **Dimension (i): Timely Submission of Financial Audit Results**

There is no legal timeframe as to when ALSAI shall report to the appropriate authority for individual entity<sup>47</sup>, except for the audit of Budget Execution Report of the Albanian Government and the ALSAI Annual Activity Report<sup>48</sup>. ALSAI, in accordance with its functions, among others, has the competence to conduct audits of the annual financial statements for public entities and give an opinion on them<sup>49</sup>. During our work, the team used the annual audit schedule 2021 (according to ALSAI annual audit plan as published in the official website) as basis for scoring on the timeliness of submission of financial audit result, where it comes out that only 9<sup>50</sup> financial audit opinions and reports were submitted to the appropriate authority later than 9 months from receipt of the financial statements by the audit teams, when starting an audit engagement. More specifically 2 financial audits out of 21 (or approx. 9%) and 7 out of 41 combined audits with financial opinion as well (or approx. 17%), that makes a total of 26% of audit reports were submitted later than 9 months (or 74% submitted within 9 months).

##### **Dimension (ii): Timely Publication of Financial Audit Results**

In line with constitutional legal obligations as well as in order to inform Parliament and public opinion, the Albania Supreme Audit Institution, through the performance of audit activity, aims that in addition to providing assurance for the management of public funding and addressing recommendations with remedial effect and corrective actions, to monitor their implementation in

<sup>45</sup> Article 34 of Law no. 154/2014 "Transparency and public information"

<sup>46</sup> Article 30 of Law no. 154/2014 "Follow-up of ALSAI recommendations"

<sup>47</sup> Article 10 of Law no. 154/2014

<sup>48</sup> Article 31 of Law no. 154/2014

<sup>49</sup> Article 10/ç of Law no. 154/2014

<sup>50</sup> 2 financial audits and 7 combined audits with financial opinions

line with the principles, methodologies and procedures sanctioned in the INTOSAI Professional Statements Framework (IFPP) and best practices of Supreme Audit Institutions INTOSAI community. 17 financial audit reports out of 21 (or approx. 81%), are made public in ALSAI website<sup>51</sup>. ALSAI also publishes a short summary of each audit results in a document named "Press Release"<sup>52</sup>. In order for ALSAI to increase the transparency, ALSAI has also published all the reports that are submitted to the Parliament, each year such as:

- The ALSAI annual performance report within first quarter of the coming year<sup>53</sup>
- The Annual Budgetary Execution report of the Albanian Government, within 30-th of October of the next year<sup>54</sup>
- Individual audit reports when deemed necessary by the Chairman or when requested by the Parliament<sup>55</sup>

### **Dimension (iii): Follow-up on the Implementation of Financial Audit Observations and Recommendations**

ALSAI considers that the recommendations addressed represent the instruments, through which auditing can bring added value to public entities. However, it is not the recommendations themselves or their acceptance, the decisive factors that adds value to audit activity. Further actions taken by entities, to address ALSAI audit recommendations are the real value. In this view, the effectiveness of monitoring the implementation of recommendations from ALSAI is essential for maximum achieving benefits from the audit activity.

The process of following up the implementation of the recommendations in ALSAI is also provided through Institutional Electronic Register, which represents the IT infrastructure of this process. To ensure that the information is updated, auditors revise the status of recommendations in the Register within deadlines for the reporting by audited entities as clearly defined in Organic Law of ALSAI<sup>56</sup>.

For that purpose, ALSAI has developed a Manual on Follow-up of Audit Recommendations. The Manual provides guidance for conducting the follow-up of audit reports and recommendations in a systematic way. It is mandatory for each audit department to follow up audit recommendations based on a dedicated audit program twice per year (June and December). For the status of each of the recommendations, ALSAI also sends to the Parliament the follow-up report, as well as populates with data the Parliament Electronic Platform (as a legal requirement of the latter), every six months with regard to the status of each audit recommendation given.

*However, ALSAI has not established a practice for evaluating materiality in order to determine when a follow-up requires new additional investigations.*

### **Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Timely Submission of Financial Audit Results</b>	There is no legal timeframe as to when ALSAI shall report to the appropriate authority for individual audits, except for the audit of Budget Execution Report of the Albanian Government and the ALSAI Annual Activity Report. Only 9 financial audit opinions and reports were submitted to the appropriate authority later than 9 months from receipt of the	3

<sup>51</sup> [www.klsh.org.al](http://www.klsh.org.al)

<sup>52</sup> Press Release: [https://www.klsh.org.al/content\\_pdf/49](https://www.klsh.org.al/content_pdf/49)

<sup>53</sup> [https://www.klsh.org.al/cat\\_list/13](https://www.klsh.org.al/cat_list/13)

<sup>54</sup> [https://www.klsh.org.al/content\\_pdf/14](https://www.klsh.org.al/content_pdf/14)

<sup>55</sup> [https://www.klsh.org.al/cat\\_list/160](https://www.klsh.org.al/cat_list/160)

<sup>56</sup> Auditees are obliged to report for the status of the recommendations within 20 days after the Final Report has been submitted; and then after 6 months. For all audits, the time of submission of the audit report is more than 6 months, ALSAI conducts an audit engagement to verify and assess the level of implementation of recommendations. Also in the next audit engagement, there is a specific audit direction such as "The implementation of the previous audit recommendations".

	financial statements by the audit teams, when starting an audit engagement; More specifically, 2 financial audits out of 21 (or approx. 9%) and 7 out of 52 combined audits with financial opinion as well (or approx.13%), that makes a total of 22% of audit reports were submitted later than 9 months (or 78% submitted within 9 months).	
<b>(ii) Timely Publication of Financial Audit Results</b>	17 financial audit reports out of 21 (or approx. 81%), are published in ALSAI website, within the required timeline. ALSAI also publishes a short summary of each audit results in a document named “Press Release” within 30 day after the decision of the Chairman for the respective audit.	2
<b>(iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations</b>	Criteria a), b), d), e) and F) have been met Criteria c) have not been met  -ALSAI has not established a practice for evaluating materiality in order to determine when a follow-up requires new additional investigations	3

#### 4.3.5 SAI-12: Performance Audit Standards and Quality Management – Score 3

This indicator assesses the SAI’s approach to performance auditing in terms of its overall standards and guidance for performance auditing, as well as how matters of audit team management and skills and quality control are implemented at the audit engagement level. (The quality of these functions at the organisational level is assessed in SAI-4: *Quality Control* and in SAI-23: *Professional Development and Training*.)

For the assessment of SAI-12, three dimensions are considered:

- (i) Performance Audit Standards and Policies.
- (ii) Performance Audit Team Management and Skills.
- (iii) Quality Control in Performance Audit.

The assessment of SAI-12 was mainly based on the following documents:

1. International auditing standards in 2016.
2. Internal Regulation, organization structure and job description updated in 2020.
3. Performance Audit Manual, updated in 2021.
4. Audit Quality Management Handbook
5. Code of Ethics, updated in 2015.
6. Performance Indicators Manual 2015.
7. Regulation of Audit Procedures in the Supreme State Audit, updated in 2020.

The ALSAI performs very well under this indicator as the performance audit guidelines (PAG) are consistent and closely aligned with the ISSAI 300 and ISSAI 3000. The International Auditing Standards document that was published in 2016 is still one of the main guidelines used in ALSAI, as it covers the standards from the 1<sup>st</sup> to the 400-th, based on International Audit Standard, but adapted in Albanian context. Furthermore, ALSAI in 2015 developed the Performance Indicators Manual which defines, explains and illustrates sets of performance indicators through which a public institution can be evaluated.

The analysis of the files showed that the audit teams consisted of at least one first-level auditor as member or team leader. Based on the staff rotation as a capacity development practice in ALSAI, the audit teams possess experience also in financial, compliance or IT audits, and have the required knowledge, skill and competence to carry out audits. The continuous professional development policy also ensures that the auditors are trained on a regular basis both within country and abroad.

***Dimension (i): Performance Audit Standards and Policies***

The ALSAIS's Performance Audit Manual (PAM) updated in 2021 covers the main aspects of ISSAI 300 and ISSAI 3000. The manual covers the general principles, selecting audit topics, planning, execution, reporting, follow - up and audit documentation. Along with the Performance Audit Manual that has been consistently updated throughout the years, ALSAI in 2015 has modeled the Performance Indicators Manual which explains the indicators' evaluation of a public institution.

In the ALSAI's strategic documents are clearly defined the strategic objectives for Performance audit, that lead the audit topics' selection, design and monitoring.

The auditors are trained extensively on the ISSAIs as part of the ISSAI implementation program of ALSAI and IDI. Also, auditors take part in internships organized by European Court of Auditors, Gao, etc., which help them gain new knowledge and experience.

The PAM also provides relevant audit tools in each chapter. The manual has the following Chapters:

1. Introduction to performance auditing
2. Strategic planning of performance audit
3. Selection of performance audit topics
4. Planning individual performance audit
5. Conducting performance audit
6. Reporting
7. Follow-up
8. Quality Assurance
9. Documentation

In the ALSAI's strategic documents are clearly defined the strategic objectives for Performance audit, that lead the audit topics' selection, design and monitoring. To draft the annual audit plan before submitting it for the approval of the Head of the SAI, the auditors have to submit an audit proposal to the Head of the Performance Department. The topic should be auditable and in line with the performance audit strategic objectives.

Strategic planning and audit planning are outlined in the PAM. The PAM adequately makes references to the ISSAI standards and best practices in each chapter. The manual is written in a clear and descriptive manner, using examples, info graphs, etc. The PA guidelines clearly define the need to identify the social contacts of the problem, the auditees, stakeholders, intended users, subject matter and criteria for each performance audit. It also emphasizes setting clear audit objectives that relate to the principles of economy, efficiency and effectiveness. In order to determine the nature of the examination, the guidelines stresses on the need to choose an audit approach namely system-oriented, result-oriented and problem-oriented.

In the audit proposal, the auditors apply suitable criteria that corresponds to the audit question and it relates to some extent, to the principles of performance audit. The audit reports give sufficient evidence to what extent the principles of economy, efficiency and effectiveness were considered, as they include the audit matrix that aligns the audit question with the criteria, information source, the data analysing methods, etc.

The guidelines also emphasize the need that the audit's risks should be managed, an audit approach to address the risks should be defined and the documenting (of how these risks will be addressed) should be both in hard copy and electronically uploaded in the RevZone online platform.

Also, the performance audit guidelines outline the need to maintain effective, proper and continuous communication with the auditees and relevant stakeholders throughout the audit process. The SAI applies documented practices, such as informing the corresponding minister through a formal letter and informing the audited entities appropriately on the content and process of the audit.

An audit team needs to have the necessary professional competence to carry out performance audits. When proposing the audit topic, the auditor should identify the needed competencies and may propose the audit members that in their opinion fit best in the audit team. Also the audit job matrixes should be designed to assess if the audit teams have the competence to conduct the PA and have adequate access to accurate, reliable and relevant information. It also outlines the need for the

audit teams to have the necessary competence as the quality of PA is directly related to the required knowledge on the subject, experience, technical skills and the auditing proficiency. In case the performance auditors need the help of a specialist or technical expert for a particular audit, the guidelines clearly spell out the procedures to do so.

The SAI has a code of ethics that reminds the auditors to apply professional judgment and scepticism. The code of ethics is derived from the INTOSAI code of ethics ISSAI 30. It includes the principles that the auditor should apply, which are objectivity, transparency, and professionalism. The need to exercise professional judgment and scepticism throughout the audit is emphasized in Chapter III, section 3.15.

The SAI has specific standards and policies in place that describes the procedures to safeguard quality, to ensure that the applicable requirements are met. The project leader is responsible for safeguarding the quality of the report. The Chef Auditor and the Performance Audit Director supervise the audit through its stages. The General Director has the responsibility to guarantee the quality of all audits. This system is outline in the Internal Regulation of the ALSAI.

Also the need to consider materiality at all stages of the audit process is given in Chapter II, in section 2.15 and in Chapter IV, section 4.3.

Chapter 3 of the PAM outline the objective of planning an audit and the prerequisites. The audit plan is a key document that sets the road map for the individual performance audit of any entity or activity which focuses directly on issues and areas relating to the subject matter in detail. The audit plan is based on a sound understanding of the subject matter.

The following steps are covered in planning the audit:

1. Understanding the subject matter
2. Previous audits in this area
3. Conduct Stakeholder Analysis
4. Assessment of risks affecting economy, efficiency and effectiveness of the auditees
5. Defining audit objectives and questions-analysing the issue under audit
6. Determining the scope of the audit
7. Audit approach
8. Defining audit criteria
9. Identify the necessary evidence and their sources
10. Defining the audit methodology
11. Audit risk assessment and management
12. Determining audit deadlines and resources
13. Communication
14. Quality control
15. Outcome of performance audit planning
16. Professional judgment and scepticism

The need to document the audit is outlined in Chapter IV and in the annexes, to enable auditors having no previous connections to understand the audit findings, conclusion and recommendation. The purpose of the audit documentation is to:

- Serve as evidence of the auditor's compliance with applicable standards;
- Assist in planning, conducting and reporting the audit;
- Confirm and support the auditor's conclusion and recommendations;
- Serve as a source of information for preparing reports or answering any enquiries from the auditees or from any other party;
- Facilitate effective management;
- Assist in the supervision and review of the audit work;
- Record evidence resulting from audit work performed to support the audit work;
- Must be adequate and have defensible basis for the conclusions and recommendations
- It enables auditors to explain audit findings better to the legislature;

- It provides an effective link between successive audits; and
- Any changes to the draft audit report, or reasons for making changes, are documented.

In addition to the PA guidelines, the ALSAI has covered the audit documentation more specifically in the Regulation of Audit Procedures and in the RevZone Platform User Manual both updated in 2020. Also, auditors need to obtain sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions, and issue recommendations. The PAM guides the auditors on obtaining sufficient, appropriate audit evidences and evaluate them when conducting a performance audit. The need and the techniques to obtain sufficient and appropriate audit evidences are outline in the Chapter III, session 3.8, 3.9, etc.

The PAM also guides the auditors on how to carry out the audit so the reports are comprehensive, convincing, timely, reader friendly, and balanced. Also, the manual outlines how to write recommendations that are constructive and add value. Reporting is covered in chapter 4 and 5 of the PAM.

### ***Dimension (ii): Performance Audit Team Management and Skills***

This dimension examined whether the SAI established a system for ensuring that their audit staff that conducts performance audit, collectively possess the professional competence, skills and experience necessary to carry out the audit in question. ALSAI has established a system to ensure that the audit team has the necessary professional competence to conduct performance audits.

The Performance Audit Manual outlines that auditors must propose auditable topics. One of the characteristics of the audibility is having the necessary human capacity to perform the audit topic. Performance audit manual also emphasises that the auditors, when proposing the audit topic, may propose the team's members taking into account that the whole group together possesses the knowledge necessary to successfully perform the audit.

According to the Strategic Plan of ALSAI, each of the auditors must be trained on the standards and audit process at least 25 days/ year. Based on the annual Training Programs, throughout the years, performance auditors have been consistently trained at ALSAI, Albanian School of Public Administration, European Court of Auditors, Government Accountability Office, Centre of Excellence in Finance, they have also been trained by IDI, UNICEF, etc. Abroad trained auditors are members in different audit teams to share the gained experience. Besides the training, over the years ALSAI has organised Scientific Conferences to deepen knowledge in research design, social science methods, etc.

All new auditors, before receiving the Status of Civil Servant, must conduct a 3-week training at the Albanian School of Public Administration. Mainly this training is focused in government organizations, programs and functions. Regarding these elements, the auditors receive training also in ALSAI. Also, the composition of the audit team is a combination of experienced auditors (that now very well the government organizations) with new auditors.

ISSAI 300:30 states that, collectively, the audit team should have the necessary professional competence to perform the audit. This would include sound knowledge of auditing, research design, social science methods and investigation or evaluation techniques, as well as personal strengths such as analytical, writing and communication skills. Instead, there is the document on segregation of duties (Doc no 5 as per Regulation of Audit Procedures) signed by the Director of the Department and the whole audit team. In this doc it is described precisely what is expected by each auditor, according to the respective competencies and also there is a specific section (no.2) where the auditor declares to possess the necessary professional skills required to carry out certain tasks.

For this dimension, the team also assessed if the SAI has clear reporting lines and allocation of responsibilities within the audit team. The SAI has an organizational regulation that consists of the SAI's organigram, including the functions hierarchy and the auditors' reporting lines and responsibilities. During the audit planning phase, the audit teams complete "*Sharing the audit duties between auditors*" document, which clearly defines the duties and responsibilities of each auditor.

The SAI has provided support to its auditors in the form of ISSAI guidance materials or courses on developing the audit objectives and audit questions related to the principles of economy, efficiency, and effectiveness.

This dimension also examined whereas the SAI provides support to the auditors on how to design the audit procedures to gather sufficient and appropriate audit evidence and on how to apply different data gathering methods according to the ISSAI standards. In the PAM it is clearly described how to gather sufficient and appropriate audit evidence and how to apply different data gathering methods. Also, to support the theoretical information, practical examples from performance audits conducted in the past and, are given, as well other source to deepen this knowledge.

ALSAI also has provided support on how to evaluate the audit evidence in light of the audit objectives and on the writing audit recommendations that are well-founded and add value to the audit. Audit teams, in accordance to the internal regulations, send periodic information to the director of the Performance Department. The director, comments on the information provided, gives suggestions for gathering the needed evidence (in the light of the audit objectives), drafting the findings, conclusions and recommendations. In the Performance Audit Manual, it is described, how to write recommendations that are well-founded and add value. Also, Director's comments, conducting parallel audits with other SAIs and pursuing internships at ECA, GAO, etc. have helped develop performance auditors' skills in writing audit reports and recommendations.

However, considering: (i) Covid-19 situation due to which internship with ECA and Fellowship Program with GAO (aiming mostly performance audit skills) have been suspended, as well as the increased number of new recruitments during 2020 and 2021, there is still room for improvement for professional competencies for performance audits. There is a constant need for training in performance audits. In order to reach a sound knowledge of performance auditing, including an understanding of the applicable auditing standards, continuous trainings should be developed and held for this new recruited staff.

### **Dimension (iii): Quality Control in Performance Audit**

According to this dimension, quality control describes the sum of the measures taken to ensure the quality of each product and that it is carried out as an integrated part of the audit process.

The SAI has a written procedure for all work carried out by the SAI that is subject to review to contribute to the quality and promote learning and personnel development. Chapter 7 “The Rule of Audit Procedure” of the Performance Audit Manual, clearly describes the quality control of the performance audits. The review is carried out by the team leader, the senior auditors, the director of the Performance Audit Department for quality assurance, the Department of Quality Control in ALSAI and lastly from the General Director. These documents are part of the audit file. The process of the quality control is outline also in the Regulation of Audit Procedures in the ALSAI, updated in 2020.

According to ISSAI 300:32 “Auditors should apply procedures to safeguard quality, ensuring that the applicable requirements are met...” The rule of audit procedure, article 7 states that the auditor documents in hard copy and in electronic file the audit work, as evidences for the review that will take place during and after the audit. Every 2 weeks the auditors should draft a memo on the audit work carried out until that moment, and submit it to Director of the Performance Audit Department.

Where difficult or contentious matters arise, SAI has ensured that appropriate resources (such as technical experts) will be used to deal with such matters. According to its Law, ALSAI can hire external experts that can assist the team members during the audit and helps the team if any difficult or contentious matters arise. At first, ALSAI tries to resolve any difficulties or contentious matters internally. Till now, there have not been cases where a technical expert was needed to deal with matters of quality control.

Part of this dimension also examined whereas there are procedures in place to ensure that in case of any differences of opinions within the SAI are clearly documented and resolved before a report is issued. In the Chapter 7 of the Audit Performance Manual it is stated that, in case of disagreement between the audit team and the Chief Auditor, or Director of the Audit Department, or Department of Quality Control, etc., they must argue the different point of views in a memo, and this memo

should be part of the audit file. After this, the General Director arranges a meeting between the parts, with the aim to reach an agreed statement.

SAI recognises the importance of engagement quality control reviews for its work and there is a procedure in place to ensure that the matters raised should be satisfactorily resolved before the report is issued. As early stated in the dimension of addressing different opinions, ALSAI has a procedure (Regulation of Audit Procedures in ALSAI, updated in 2020) to engage the quality control reviews in drafting the final report. In case of different opinions with the evaluation, the audit team must draft a memo, where explaining why they will not take into consideration the quality control's reviews. After having the memo, General Director organises a meeting between the audit team and Quality Control Department in order to reach an agreed statement. The documentation of this process must be part of the audit file.

Part of this dimension also examined whereas there are procedures in place for authorizing reports to be issued. The SAI has a procedure in place for authorizing the final reports to be issued. The rules of procedures state that the Chairman of SAI has to authorize final reports to be issued. This procedure also counts for the authorizing of reports.

### Assessment Findings and Observations

Dimension	Findings	Score
<b>(i) Performance Audit Standards and Policies</b>	<p><i>All criteria have been met</i></p> <p>The ALSAIS's Performance Audit Manual (PAM) updated in 2021 covers the main aspects of ISSAI 300 and ISSAI 3000. Along with the Performance Audit Manual that has been consistently updated throughout the years, ALSAI in 2015 has modeled the Performance Indicators Manual which explains the indicators' evaluation of a public institution. Auditors are trained extensively on the ISSAIs as part of the ISSAI implementation program of ALSAI and IDI. Also, auditors take part in internships organized by European Court of Auditors, GAO, etc., which help them gain new knowledge and experience.</p>	4
<b>(ii) Performance Audit Team Management and Skills</b>	<p><i>All criteria, except of criteria a) have been met</i></p> <p>- However, considering: (i) Covid-19 situation, due to which internship with ECA and Fellowship Program with GAO (aiming mostly performance audit skills) have been suspended, as well as (ii) the increased number of new recruitments during 2020 and 2021, there is need for improvement of professional competence for performance audits staff. In order to reach a sound knowledge of performance auditing, including an understanding of the applicable auditing standards, continuous trainings should be developed for this new recruited staff.</p>	1
<b>(iii) Quality Control in Performance Audit</b>	<p><i>All criteria have been met</i></p> <p>The SAI has a written procedure for all work carried out by the SAI that is subject to review, to contribute to the quality and promote learning and personnel development. Chapter 7 "<i>The Rule of Audit Procedure</i>" of the Performance Audit Manual, clearly describes the quality control of the performance audits.</p>	4

#### **4.3.6 SAI-13: Performance Audit Process - Score 3**

This indicator examines the Performance audit process and focuses on planning, implementation and audit reporting. It looks at how performance audits are carried out in practice. It assesses three dimensions:

- (i) Planning Performance Audits.
- (ii) Implementing Performance Audits.
- (iii) Reporting of Performance Audits.

The assessment was primarily based on the information from the review of the three sample performance audit files namely:

- 1. Development of Mountain Tourism;
- 2. Plastic Waste Management;
- 3. Parking of motor vehicles in the cities of Tirana and Korça.

The audit plans of the reviewed audits provide a good basis for conducting the audit and the teams set clearly-defined audit objectives that relate to the principles of economy, efficiency and effectiveness. When planning the audit, the auditors have designed appropriate audit procedures that were used for gathering sufficient and relevant audit evidences.

The auditors have obtained sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations. Effective and proper communication was maintained with the audited entities and relevant stakeholders throughout the audit process. Also, the audit teams have documented the audit risk's management in chapter 7 of the audit programs.

The ALSAI uses standard format for the structure and presentation of its performance audit reports. The audit reports are comprehensive, convincing, reader friendly and balanced.

##### ***Dimension (i): Planning Performance Audits***

For this dimension, the team assessed how the performance audit's planning phase is conducted in practice. The review of the three selected audit files indicate that the audit plans contain sufficient information needed to understand the audited entities, identify and assess the audit's risks, audit procedures, sources of evidence, etc.

The three selected audits files that were under review, were topics proposed by performance auditors. The ALSAI's Strategic Plan 2018-2022 outlines the strategic objectives for Performance Audit Department. According to the ALSAI's strategic document, during 2018-2022 the audit work in the performance department should:

- Focuses on macroeconomic issues, in addition to microeconomic ones;
- Continue to focus on process audits, in addition to problem and system oriented audits;
- Update audit areas taking into account other criteria, such as: government priorities, sectoral weight in the budget, e-government, etc.

The potential performance audit topics go through a process (as it is clearly described in the Performance Audit Manual), which guides the auditors how to focus on areas where the audit expects to add maximum value in terms of improved accountability, economy, efficiency and effectiveness and to ensure appropriate coverage of programme operations, while maintaining the balance between time, cost and quality. The rationale for the selection of the topics was based on materiality, public interest, auditability, possible impact, SAI's risks, improvement, timeliness and high political sensitivity.

Based on PAM, every performance audit starts with an audit proposal which includes initial information on the audit topic, such as: the social background of the problem (the reasons why it should be part of the department audit plan), weigh on the state budget, audit risks, potential audit members, other important information, etc.

After the audit topic is approved, auditors conduct the planning phase which concludes with an audit plan that includes background information, audit objectives, questions, criteria, methodology and other practical information to carry out the audit. The audit team also conducts an extensive analysis of the subject matter and fully consider the specific type of audit by clearly mentioning which principle was applied.

During the planning of audits under review, the auditors considered materiality when defining the objective, audit criteria, evaluation of audit evidence, documentation, and risk management.

The archived documents of the reviewed audits provided sufficient evidence that the auditors clearly-defined the audit objective that relates to the principles of economy, efficiency, and effectiveness.

The audit objectives were clearly defined relating to the principles of economy, efficiency and effectiveness and were framed as an overall audit question that was broken down into more precise sub-questions (evidenced from the Audit Design Matrixes). To facilitate the audit design's soundness, the auditors applied the result-oriented approach, that was clearly defined in the audit programs.

Auditors established suitable criteria derived from laws, rules & regulation and best practices, which correspond to the audit questions and were related to the principles of economy, efficiency and effectiveness. Furthermore, the criteria established by the audit teams were accepted by the auditees. It is an implicit acceptance on the part of the audited institutions, since during the pre study phase, before the drafting of the audit program the subject matter is extensively discussed with the audited institutions. Besides interviews, the audit team draft specific questionnaires written on the basis of the relevant criteria in order to find out which are the ones that apply to the entities for that specific matter.

The three programs of the audits under review, included the *"Audit Matrix Design"* document conducted by the audit teams, with the aim to design the procedure that were going to be used for gathering sufficient and appropriate audit evidence. When planning the audit, the auditors did assess the audit risk's but not specifically the risk of fraud. Auditors have planed the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner. The cost of audit is included in the audit file.

The PAM clearly describes how to make the necessary arrangements when an external expertise is needed.

All ALSAI's auditors have sign the *"Conflicts (non) of interests"* declaration, which is a standard and mandatory document for auditors to sign (upon recruitment at ALSAI), that aim to ensure that at the audit engagement level, its auditors comply with the following ethical requirements: integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency.

### ***Dimension (ii): Implementing Performance Audits***

In this dimension, the team assessed how the performance audit's implementation phase was set out in practice. The assessment was based on the audits earlier mentioned.

The auditors obtained sufficient and appropriate audit evidence during the audit, to establish the findings, reach conclusions in response to the audit objectives and questions, and issue well-funded recommendations. The audit evidence can be traced from the audit proposal, to audit matrix, to *"Sharing the audit duties between auditors"* documents, to the draft-report, to the report. Before the report was written, the auditors evaluated the audit evidence, based on the designed audit matrixes. The obtained evidence was also documented, compared and analysed, with the means of obtaining findings. The importance of the findings and the extent to which they were relevant enough to include in the report were discussed within the team and observed by performance audit department director. The evidence was also evaluated regularly and all evidence can be traced back to the audit documentation and audit files. For this audits, the auditors combined and compared different data from different sources, such are the government and non-government agencies (documents, reports, interviews etc.) European Institutions, etc., comprising of both financial as well as non-financial data. Examples of methods and data used include document review, observations, physical verifications, testimonies, survey data and quantitative secondary data.

Based on the findings, the auditors used their professional judgment, derived from their experience in the SAI to reach conclusions and answers to the audit questions. According to the result of the files audits' review, the audit evidence was placed in context, and all relevant arguments, pros and cons and different perspectives were considered before conclusions were drawn, reformulating the audit objectives and questions as needed. At the end of the audits, the auditees expressed their commitment to implement ALSAI recommendations. Also, during the audit, the audit findings (drafted based on evidence) were reviewed based on the feedback of Chef Auditor, of Director of Performance Audit Department, of Quality Control Department and General Director, to ensure that the audit evidence was placed in context, and all relevant arguments, pros and cons and different perspectives were considered.

The reports under review included a series of analytical processes that evolved gradually throughout the audit, as ISSAI 300 indicates. The analytical process starts with the drafting of the audit program, during the study phase. The audit program has a clear structure on all analytical steps that should be followed by the auditors. Furthermore, a practical example on all analytical steps (that must be gradually evolved through the audit) is described at the PAM, to help new auditors understand them. Every year ALSAI's auditors get trained on ISSAI 3000. ALSAI has established a chain of control, where the leader of the audit team supervises even the professional behaviour of the team members and when necessary gives his recommendations, or reports to the Chief Auditor of Department (the following stapes that can be taken by the Chief Auditor are described in the internal regulations of the institution). In every performance audit, the auditors complete and follow the Audit Standard Document "*On sharing the audit duties between auditors*". Also, the auditors have signed the declaration of "*Conflict (non) of interest*". During the audit, the audit teams report every 10 days to the Performance Department Director on the progress made so far.

Auditors have actively managed the audit risks, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users. The risks of the audits under review were identified in the audit program using the "Risk Analysis" matrix, and continuously reported to Director of Performance thought the audit progress' memos.

During the audit, the audit teams considered materiality at all stages of the audit process. In the audits under review, materiality was qualitative by nature, meaning that it refers to an audit topic that has a great social and environmental impact for the Albanian citizens. For the files reviewed, audit teams have addressed materiality on pages 4-5 of the audit programs.

For this dimension we also assessed the communication throughout the audit. The assessment indicates that the auditors maintained effective and proper communication with the audited entity during the audit, and they were informed properly after completing each phase of the audit process (evidenced in "*Minutes of meeting*" documents, completed during the different audit stages). Other aspects of communication were well covered and were met when referring to the assessment criteria. During the first meeting at the beginning of the audit period, the auditors presented themselves properly. The auditors explained to the audited entity the audit's objective, timeline, and what they could expect during the audit (Document: "*Minutes of meetings, Protocol of initial meeting*", in the audit files). After study phase, audit teams concluded the audit program that in every case was sent to the auditees, so they could get a very good knowledge on audits' details. Then, based on evidence gathered, the project reports were drafted and sent to the audited entities for their feedbacks.

These audits are documented in all of their stages and auditors also have provided periodic information to the Director of Performance Department. The archived documents were sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations. All audits' documents were physically archived (a master file that contains all the evidence, received information, audit documents, and correspondence) and the scanned versions were uploaded on the REVZONE platform, created to manage the audit papers and documents. Since the audit documentation have been continuously reviewed by Quality Control Department in ALSAI there is assurance on the completeness of the gathered information. All findings, conclusions, and recommendations are backed up by relevant evidence and documentation.

***Dimension (iii): Reporting on Performance Audits***

In this dimension, we assessed the reporting phase of the performance audit. The assessment was based on the audits mentioned earlier at the beginning of SAI 13 narrative.

The selected audits reported findings on effectiveness, efficiency and less on the economy. ALSAI's reports vary in scope and nature. The audits that were under review assessed the policy impact and the relationship between resources employed and outputs delivered in terms of quantity, quality and timing.

When reporting the auditors strive to write as comprehensively as possible, in a more reader-friendly manner by formulating simpler and shorter sentences and also, by including more illustrations and graphics in the report. This was done with the help of training courses (on-job training, or abroad training courses such as: internships in ECA<sup>57</sup>, GAO<sup>58</sup>, etc.), along with the guidance on how to report performance audits (described on PAM).

In the audit report, the auditors made sure to address all relevant information and that the audit questions were answered and the audit objectives were met. The auditors also did guarantee that the report was logically structured with a clear relationship between the audit objective and the rest of the report.

Also, reports were balanced by including the evidence used and also by taking into considerations the comments of the auditees, after they received the draft-report. The comments of the auditees are part of the audit report. Also, the observation of the chief auditor, director of department, quality control department, etc., impact positively on writing a well-balanced report. The team leaders also did a writing plan for the report to ensure that it is well – balanced. The report contained a translation of the findings into a story with a clear line of arguments in which the main message was central. Only the findings that were relevant in the light of the conclusions and recommendations were used in the report. For the reporting phase, we also assessed whereas the auditors considered materiality.

The auditors considered materiality in all the stages of the audit process. Considering that the latter is part of the performance audit report template, every performance audit includes information regarding the criteria and their sources. This information was part of chapter II of the audit program/report.

The reports include conclusions in response to the audit objective and questions. The technique used to turn the collected evidence into valuable material that will be included in the report is known as the "*Dinner Technique*" (as described in the PAM).

The auditors provided constructive recommendations for addressing the weaknesses or problems identified by the audit. The recommendations were based on the findings of the audit and aimed to improve the legal acts, the organisational processes and the use of money.

Also, the audit files offer sufficient evidence that the audit teams have explicitly declared which standards they were applying when conducting audits, and this declaration was accessible to users of the SAI's report.

The audited entities every time is given the opportunity to provide their comments on the draft-report. According to ALSAI's organic law, the auditees have the right to comment on the draft-audit report, within 30 days from the day they received the draft. In the selected audit files there are the documents "Observations on the draft report" coming from all involved parties. It is mandatory for the auditors to reflect the auditees' comments and prepare a rationale for each observation resulting in status "considering" or "not considering" them.

ALSAI has also established a procedure that must be followed when having disagreements with the auditees, for it is mandatory for the auditors to analyse and provide their answers to auditees' comments in the final audit report. Also, every change that was/was not made to the draft report, (based on reasonable and legal arguments and evidences), should be documented. In all selected audit files there are the documents "Observations on the draft report" coming from all involved

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<sup>57</sup> European Court of Auditors

<sup>58</sup> Government Accountability Office in the USA

parties. It is mandatory for the auditors to reflect the auditees' comments and prepare a rationale for each observation resulting in "considering" or "not considering" them. The assessment team verified such procedure and it resulted to be followed accordingly.

### Assessment Findings and Observations

Dimension	Findings	Score
<b>(i) Planning Performance Audits</b>	Criteria a, b, c, d, e, f, g, h, l, k, m and I have been met Criterion j and has not been met.  No independent assessment (e.g. quality assurance review, peer or independent review, iCAT subject to independent quality assurance, conducted within the past three years) of the SAI's performance audit practice has confirmed that the SAI complies with all the level 4 ISSAI requirements relevant to this dimension	3
<b>(ii) Implementing Performance Audits</b>	Criteria a, b, c, d, e, f, g, h, i, j and k have been met.  Performance audit department performs well under this dimension. All criteria have been met. No independent assessment (e.g. quality assurance review, peer or independent review, iCAT subject to independent quality assurance, conducted within the past three years) of the SAI's performance audit practice has confirmed that the SAI complies with all the level 4 ISSAI requirements relevant to this dimension	3
<b>(iii) Reporting on Performance Audits</b>	Criteria a, b, c, d, e, f, g, h, i, j, k and l have been met.  Performance audit department performs well under this dimension. All criteria have been met. No independent assessment (e.g. quality assurance review, peer or independent review, iCAT subject to independent quality assurance, conducted within the past three years) of the SAI's performance audit practice has confirmed that the SAI complies with all the level 4 ISSAI requirements relevant to this dimension	3

### 4.3.7 SAI-14: Performance Audit Results - Score 3

This indicator examines the performance audit outputs- the timely submission and publication of performance audit reports and the follow-up on audit results.

It assessed three dimensions:

- (i) Timely Submission of Performance Audit Reports.
- (ii) Timely Publication of Performance Audit Reports.
- (iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations.

For the years under review, ALSAI has conducted performance audits in accordance with the audit plans. Due to the proposals<sup>59</sup> of some of the general government's units, ALSAI during the last years has also conducted thematic audits. *The audits "Development of mountain tourism", "Plastic waste management" and "Parking places management" were selected for the file review.*

The performance audit reports were all submitted to the audited entities and published in the ALSAI website, within legal timeline. During 2021, an effective follow-up mechanism is in place, in accordance with the Manual of Follow-up audit recommendations. The follow-up procedures allow the auditees to provide information on corrective measures taken. However, the follow-up reports

<sup>59</sup> Article no. 9, Law no 154, 2015 states that "The Supreme State Audit, when determining its audit plan, may also take into account proposals made by other units of general government."

*should include an analysis of different audits, possibly highlighting common trends, themes across a number of reporting areas and the impact from these corrective actions in the future.*

*For that purpose,* Albanian Supreme Audit Institution should take the necessary measures to analyse and then based on the results, to update the Performance Audit Manual as follows:

- Follow-ups should not be restricted to the implementation of recommendations but should be focused on whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period of time
- Follow-up reports, may in turn include an analysis of different audits, possibly highlighting common trends and themes across a number of reporting areas
- Establishing a practice for evaluating materiality and the importance of the identified problems in order to determine if a follow-up requires an additional audit

#### ***Dimension (i): Timely Submission of Performance Audit Reports***

For this dimension the team assessed if the performance audit report was submitted to the appropriate authority in a timely manner. Based on PAM, during the study phase of the individual performance audits, the audit teams design the audit's timeframe that includes the timeline of the key audit's milestones. The monthly plans of Performance Audit Department are drafted based on the timeline of individual audits. The monthly timeline of Performance Audit Department is part of the ALSAI's audit plans timeframe. The ALSAI's timeframe of departments' audit plans is published monthly on its official web page.

According to article nr.32 of ALSAI's organic Law states that the Albanian Supreme Audit Institution sends the audit reports to the auditees and if necessary, submits these reports to the President of the Republic, the Prime Minister, the Parliament, the parliamentary groups or the Minister of Finance.

Due to the challenges that the whole world faced during the pandemic situation, some of the audits risks where materialized (as ALSAI's staff and auditees' staff where on sick leave) and resulted in inability to meet the initial performance audit's deadlines. During the last years, the ALSAI's internal organization has changed. With the election of the new ALSAI's Chairman, the organizational structure changed, Chairman's cabinet was appointment and taking into consideration the audits results, a partial staff rotation was undertaken based on the Internal Regulation enquiries. Auditors from other departments who have performed compliance, financial or IT audits, joined the performance department, and some of the performance auditors where appointed in other departments. Besides its advantages, staff rotation also impacted in the inability to meet the audit's deadlines.

To address these problematics, the audit teams submitted to ALSAI's Chairman a reviewed performance audit calendar to ensure meeting the audit objectives. Depending on the individual characteristic of the audits, some of the new proposed timeframes were approved, changed or not approved. The new audits' timelines were reflected to the monthly ALSAI's timeframe of audit plans.

During the last years, all the performance audits reports were submitted to the auditee within the time frame, 2-3 days after the ALSAI's Chairman approval.<sup>60</sup>

#### ***Dimension (ii): Timely Publication of Performance Audit Reports***

This dimension assessed if the performance audit report was widely accessible and presented to the general public. Article no 2 of the ALSAI's Law "*On the Organization and Functioning of the ALSAI*" establishes that the Albanian Supreme Audit Institution, through audits, aims at the effective, efficient and economical use of public funds, public and state property, the development of an appropriate financial management system, the proper performance of administrative activities, as well as *informing public authorities and the public, through the publication of its reports.*

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<sup>60</sup> Rules of audit procedure, article 36, paragraph 9 states that "*the audit report is sent to the relevant bodies within 20 days, with the exception of cases when the delay has been previously approved by the Chairman*"

Furthermore, the article no.34 of ALSAI's law states that the Albanian Supreme Audit Institution based on its legal obligation to inform the public, ensures the public nature<sup>61</sup> of its work through:

- a) publication of reports submitted to the Parliament<sup>62</sup>;
- b) publication of audit reports electronically;
- c) press conferences and other methods of information;
- ç) publication of press releases and other ALSAI's Chairman standing instructions.

As early analysed, during the last years ALSAI has submitted the finale audit reports to the auditees within the timeframes, and the final audit reports were published within 4 weeks<sup>63</sup> after the reports' submission in ALSAI website<sup>64</sup>.

### ***Dimension (iii): SAI Follow-up on Implementation of Performance Audit Observations and Recommendations***

In this dimension, the SAI PMF team assessed if the SAI did a follow-up to keep track of the provided audit findings and recommendations. Before 2020, based on the PAM, the implementation of the recommendations was based on the auditees' self-reporting<sup>65</sup> (20 days and 6 months after the final report was issued). In 2020, ALSAI published *"The Manual of Following up implementation of ALSAI's audit recommendations"*, which clearly describes the procedure to follow up the implementation of the audit recommendation. With the publication of the follow up audit manual, Performance Department every 6 months has carried out a departmental audit with the aim to monitor the implementation of the recommendations (given in the individual audits carried out in the previous term, 6 - 12 months ago). To avoid the conflict of interest, the follow up audit teams should not include auditors that were members of the individual audit team. Follow-up results are reported as a consolidated report and also are sent to the Parliament. The report is published in ALSAI website.

The follow-up procedures allow for the audited entity to provide information on corrective measures taken or why corrective actions were not taken. The results of the follow up audits became part of the institution 6-months follow up reports and annual performance report, each of these reports is submitted to the Parliament.

The follow-up procedures allow the audited entities to provide information on corrective measures taken and why corrective measures are not taken. However, there is no practice to see whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period of time. Also, there is no standard or system in place on how an auditor should assess materiality or identify problems during the follow-up phase.

### ***Assessment Findings and Observations***

Dimension	Findings	Score
<b>(i) Timely Submission of Performance Audit Results</b>	All performance audit reports are submitted to the appropriate authority within 30 days of completion of the audit	3
<b>(ii) Timely Publication of Performance Audit Results</b>	Unless prohibited by legislation, the SAI publishes all its performance audit reports within 30 days after it is permitted to publish them	3

<sup>61</sup> This does not apply on information and materials, which constitute a state, trade secret or considered confidential.

<sup>62</sup> The article no.32 of ALSAI's organic Law states that the Albanian Supreme Audit Institution sends the audit reports to the auditees and if necessary, submits these reports to the President of the Republic, the Prime Minister, the Parliament, the parliamentary groups or the Minister of Finance.

<sup>63</sup> Rules of audit procedure, art. 42 states that *"The audit report should be published within 1 to 4 weeks from the submission of the report to the auditee"*.

<sup>64</sup> [https://www.klsh.org.al/cat\\_list/160](https://www.klsh.org.al/cat_list/160)

<sup>65</sup> *"Self-reporting is a tool with which auditees are supposed to communicate regularly on the outputs of their proposed measures and the current state of the implementation of the recommendations. This pushes the auditee to work regularly towards the implementation of the recommendations"*, EUROSAT, 2021.

<b>(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations</b>	<p>Criteria a, d and e have been met. Criteria b, c, f and g have not been met.</p> <p>-The assessment on the follow up at this stage of PA development is restricted only to the implementation. Follow-up results were reported as a consolidated report, which didn't include an analysis of different audits, possibly highlighting common trends and themes across a number of reporting areas.</p> <p>- ALSAI has not established a practice for evaluating materiality and the importance of the identified problems in performance audits, in order to determine if a follow-up requires a new additional audit.</p>	<p>2</p>
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#### 4.3.8 SAI-15: Compliance Audit Standards and Quality Management – Score 4

SAI 15 seeks information on the level of compliance with available standards and other relevant guidance. It also assesses the competencies and experience of the personnel doing these audits”.

This indicator has 3 dimensions:

- (i) Compliance Audit Standards and Policies.
- (ii) Compliance Audit Team Management and Skills.
- (iii) Quality Control in Compliance Audits.

*The assessment of SAI 15 is mainly based on Audit Rules of Procedures, Compliance Audit Manual.*

##### **Dimension (i): Compliance Audit Standards and Policies**

The Albanian SAI in conducting compliance audits has fully adopted the INTOSAI Framework of Professional Pronouncements and has reflected them in the Compliance Audit Manual, whose revised version has been adopted by the Decision of the ALSAI Chairman no. 66, date 23.06.2020. Conducting Compliance Audits, in accordance with the requirements is a further guarantee, in terms of increasing transparency, quality, professionalism and objectivity, in order to meet the strategic goals of the mission and institutional vision and expectations of the Assembly, the public and all stakeholders.

With the adoption of the Compliance Manual, all elements relevant to compliance auditing are identified by the auditor before starting the audit. This particular feature<sup>66</sup> requires for the auditor to identify:

- Object and nature of compliance audit
- Authorities and Criteria (their sources)
- Evaluation of the auditee using the criteria
- Level of assurance (limited or reasonable assurance);
- Type of engagement (direct reporting or certification engagement).

In the Compliance Audit Manual, as well as in the Audit Rules of Procedure there is an integration of the concept of audit risk in all its dimensions. In particular, referring to the Manual, there are specific sections in it in which the concept of audit risk is explained in a theoretic point of view in order for the auditor to be able to make an honest and representative assessment of the audit risk in each audit. Specifically, audit risk as such is introduced in the manual on page 24 with a short recalling of the standard and what is expected for the auditor to do in order to minimize audit risk during the audit to an acceptable level. Furthermore, in paragraph 4.3.2 “Risk Assessment” page 32 of the manual, all three components of audit risk are explained in detail. The theoretical basis of the manual is translated into the Rules of Audit Procedures, specifically in document no. 3 “Memo on the Audit Planning”, in which there is a specific section on audit risk to be filled by the team leader for all components of audit risk.

The concept of Materiality is an integral part of the compliance audit process and it is introduced in the Manual<sup>67</sup>. The main features of the concept of materiality taken into analysis in the manual comprise also the following:

- Quantitative materiality;
- Qualitative materiality: materiality when internal control systems do not function properly.

Documentation is a specific requirement to which the Compliance Audit Manual places a great importance. It is firstly recalled in the manual in page 28 and later explained in pages 49 and 64. Documentation of audit evidence is a key process of the audit as a whole, because it lays the foundation for audit findings, conclusions, recommendations and relevant opinions on the audit matter. The Rules of Audit Procedure as well have adopted this concept into a specific form which is filled in by auditors in order for them to document the relevant audit procedures (tests etc) carried out to support a specific finding. This is document no. 7 “working paper” and it is compiled by

<sup>66</sup> explained in pages 16 – 20 of the manual

<sup>67</sup> firstly, in paragraph 3.4, page 25, and later on explained in more details in paragraph 4.3.3 “Materiality in Compliance Audit”, pages 35 – 38.

auditors and signed by the team leader as well, as a part of all audit procedures designed by the audit team.

Communication during the audit is a cardinal element of the whole audit process, which has been greatly emphasised in the manual<sup>68</sup> as well as in the Audit Rules of Procedure. Effective communication is reflected by different standard documents, including the communication with the auditee as well as with the managerial level of ALSAI. Communication basis between the auditee and the audit team has been already laid out in the ALSAI Organic Law, which requires for the auditee to provide all necessary documentations to the audit team. On the other hand, the audit team, is required to maintain an ethical and respectful behaviour towards the auditee, in accordance with our Code of Ethics which explains in detail in paragraph 17.2, page 12 what is expected from auditors in this matter: "17.2 SAI employees should treat their colleagues (whether they are superiors or subordinates) with courtesy and respect, and may not be prone to physical or verbal harassment. During the exercise of their activity, the employees who exercise audit functions either in the audited subjects or during interviews and dealing with the auditee should reflect the highest level of culture and ethics of communication and be an example and model of ethical, civil communication. and citizenship. They should always avoid those behaviours that, although they do not reach the level of harassment or abuse, can create an atmosphere of unfriendliness or fear."

As for the communication to the audit results to management and also to the auditee, the Audit Rules of Procedures provide for specific rules on how to do so. First of all, audit results are communicated periodically to management using a specific format (document no. 10 "Periodic Info on the Audit Results"), while the auditee is made aware of all matters arising from the audit continuously throughout the audit process and officially at the end of the field work with two specific documents (document no. 8 "Finding/Statement of Facts Act" and document no. 9 "Observation/On site visit Act" in case there has been one). Furthermore, there is a formal meeting with management from the auditee which is organized and documented at the end of the field work in order to preliminary discuss on the audit.

The audit suitable criteria, subject matter, audit scope, understanding of the audited entity and also the control environment and relevant internal controls are identified and reported firstly in document no. 3 "Memo on the Audit Planning" and later reflected in the audit program, which is document no. 5 of the Audit Rules of Procedure<sup>69</sup>.

As for the control environment and relevant internal controls in place by the audited entity, the Manual explains in detail what the auditor should do in order to come up with an evaluation of the control environment and relevant internal controls as part of the audit planning process, which is a part of document no. 3.

Auditors should perform a risk assessment in order to determine the nature, timing and extent of audit procedures to be carried out during the audit, and for this purpose the risk assessment is part of document no. 3 of the Audit Rules of Procedure, and also is explained in the Compliance Audit Manual page 32. The risk assessment is part of the Memo of Audit Planning.

The risk of fraud is a specific additional request which is documented accordingly to the Compliance Audit Manual<sup>70</sup> and in Annex 11 "Fraud Risk" and it is integrated with the risk assessment.

According to the Audit Rules of Procedure, in our SAI's audit work the planning phase is reflected in document no. 3, while the audit strategy is reflected in the Audit Program document no. 5.

The audit evidence obtained during the audit process reflects the requirements of sufficiency, appropriateness and relevancy to cover the audit scope and to support the audit findings and conclusions. The Compliance Audit Manual explains in detail: what are the specific characteristics of sufficiency, appropriateness and relevancy; and also what kind of procedures is expected that the auditors carry out in order to meet these requirements.<sup>71</sup> The Rules of Audit Procedures, as we have

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<sup>68</sup> Paragraph 3.10, page 28.

<sup>69</sup> In the Compliance Audit Manual, these concepts are explained in pages 16, 17 and 18.

<sup>70</sup> Page 32

<sup>71</sup> Compliance Audit Manual, Chapter V, page 44.

already mentioned above, provide for the relevant working paper<sup>72</sup> in which the auditors explain in detail the content and extent of audit procedures and data used to support its findings. This document is revised by the team leader, and it is part of the audit file.

At the end of the field work, a written report is drafted by the audit team and it reflects all elements of completeness, objectivity, timeliness and a contradictory process. These concepts are part of the Compliance Audit Manual<sup>73</sup> and also are integrated in the Audit Rules of Procedures<sup>74</sup>.

The Albanian SAI has adopted the Compliance Audit Manual and the Audit Rules of procedure which cover all relevant criteria that deal with: determining materiality through professional judgment based on the auditor's interpretation of the users' needs in terms of value, the inherent characteristics of an item and the context in which it occurs; requirements for audit documentation, to ensure "the auditor should prepare relevant audit documentation before the audit report or the Auditor's Report is issued; determining the nature, timing and extent of audit procedures to be performed.

#### ***Dimension (ii): Compliance Audit Team Management and Skills***

The Albanian SAI has a system in place which ensures that individuals in the audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the compliance audit. It means that the Human Resources Department, in cooperation with all audit and non-audit departments, has a database of the available human resources (academic background, previous work experiences, trainings et alia and their work performance) which is available to managing directors. On the other hand, the Albanian SAI is a relatively small institution and field of expertise of each auditor is widely known without the need to make use of the database. The competence to decide on the team leader relies on the Chairman of the SAI, upon proposals from the Department Director, based on its ranking in the organization, results of previous audits, its background and overall competencies acquired through training and work experience; and also its performance evaluation. Amongst the team members, the team leader has the highest ranking in audit position within the SAI, with the exception of specific areas where the expertise of the auditor prevails over the ranking. This means that the selection is a matter of managerial decision and ponderation on the available human resources and the overall goals of the organization. Instead the selection of the audit team is a process that works on a different approach. It means that a first request on the possible team composition is made by the team leader in the memo on the audit planning and later on based on the evaluation of the Department Director the Chairman might approve or change the proposition from the team leader. Usually, there are no changes to this first proposition of the team leader. During the decision making on the team leader and the composition of the team as a whole, auditors are selected accordingly to considerations on their ability to have: an understanding of and practical experience of the type of audit being undertaken; an understanding of the applicable standards and authorities; an understanding of the audited entity's operations; the ability and experience to exercise professional judgment.

This system allows for the usage of external experts when requested by the audit team and a specific procedure has been approved for the recruitment of external experts. It is usually done by the placement of a public call by the SAI requesting for specific expertise and it is an open procedure.<sup>75</sup>

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<sup>72</sup> Document no. 7

<sup>73</sup> Compliance Audit Manual, Chapter VII, page 87.

<sup>74</sup> The audit report is drafted by the audit team at the end of a process that has taken into account the comments: 1. from the auditee in two different moments of the audit process (first at the moment of the submission of the documents no. 8 and/or no.9, and right after the submission of the Draft Report); 2. from quality control instances within the SAI involved in the Process (namely, the Chief Auditor, the Department Director, Quality Control Department, General Director and Chairman at the end of the process for the final approval of the audit products).

<sup>75</sup> Decision of the ALSAI Chairman no. 61, dated 09.05.2015 "On the rules and procedures for the recruitment, contracting and payment of temporary external experts in the State Supreme Audit Institution"

Reporting lines and allocation of responsibilities within the team are disciplined by the Audit Rules of Procedures, specifically in article 24 "Implementation of the Audit Program" (but not only) all roles and responsibilities are broadly explained.

The ALSAI provides support as necessary to its auditors in the form of audit manuals and other guidance material and for this reason the Compliance Manual has been adopted and revised lately in 2020. It offers continuous on – the – job training both internally from experienced staff to newly hired one and also internationally whenever there are opportunities within the INTOSAI and EUROSAI community through fellowships, internships, and parallel/joint/cooperative or international audits. In this way the SAI promotes professional development of its audit staff.

Access to information from external sources is guaranteed through Memorandums of Understandings with relevant stakeholders in the public finances field, NGOs, media representatives and academia in order to broaden the sources of information and possible criteria to use during our audits in case there are gaps in legislation that prevent that.<sup>76</sup>

However due to the new recruitments during 2020, 2021 there is room for improvement for auditors to better understand practical experience in compliance audits

### ***Dimension (iii): Quality Control in Compliance Audits***

All audit work carried out in the Albanian SAI is subject to review as a means of contributing to quality and promoting learning and personnel development. It means that all audit work undergoes quality control procedures from the beginning of the audit till the publication of the final audit report. There is also in place a quality assurance procedure, which is performed one a year through a random selection of audit file that are reviewed by a selected group of auditors that are required to carry out a review of the audit plan, working papers and the work of the team, and regular monitoring of progress of the audit by appropriate levels of management etc. The review is aimed at ensuring that the audit complies with the applicable standards and that the audit report, conclusion or opinion is appropriate given the circumstances.

In the Audit Rules of Procedure are explained all roles and responsibilities in the context of quality control procedures within the audit team and within the institution. For example, article 24 explains in detail these concepts during the overall audit process, while quality control is explained in article 36 of the same rules.

In cases where difficult or contentious matters have arisen, the team leader initiates the procedures and asks for additional resources in order to address those matters.<sup>77</sup> In the Audit Rules of Procedures is explained that after approval of the Audit Program, only the Chairman someone authorized by him, have the right to change its content, and in the cases when he receives a reasonable request submitted by the Department Director, based on the request of the team leader. According to the Audit Rules of Procedure, article 36, paragraph 6 differences of opinion between all instances involved in the quality control procedures regarding a specific audit are documented with the document no. 2 "Meeting minutes" and resolved before the audit report is published. In the case there is no agreement, a specific Memo is prepared and submitted to the Chairman with explanations on the different views for him to issue the final decision on the controversy and proceed with the report issuance.

Compliance Audits follows the same steps for quality assurance as other audits:

- 1-st review form the chief auditor of the department finalised with the Opinion (Doc 16.1 as per Regulation of Audit Procedure)
- 2nd review form the department director, finalized with Doc. 16.2 (opinion of the Director)

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<sup>76</sup> The description above explains overall the policies we have in place in order to ensure that the criteria are met throughout the audit work. For criteria h) and i) we can say that the auditees in their comments to the draft audit report never question the identification of criteria used to support the finding. Criterion k) about the 3 dimensions of risk, it is discussed in the Memo for the audit planning (doc. no. 3 of the Audit rules of procedures) and it is always part of the audit file. Criteria l), m) and n) also are part of the memo on the audit planning, mentioned above.

<sup>77</sup> Audit Rules of Procedures, article 23, paragraph 2 "Approval of the Audit Program".

- 3d review from Quality Control and Assurance Dep, finalized with Doc. 16.3 signed by the senior auditor who reviewed the file and the Director of Quality Control and Assurance Dep.
- 4<sup>th</sup> review by the General Director, finalised with Doc. 16.4 (opinion of GD)

Only if these 4 opinions, are issued, the report goes to the Chairman for final decision.

According to the Audit Rules of procedure, article 31, paragraphs 5 and 6 “The draft report” after a draft report is prepared by the audit team it is reviewed by the Chief Auditor and the Department Director, and their considerations are part of the document no. 10, “Memo on the Draft Report” that is submitted to the Chairman for review. The draft report is submitted to the audited entity with an official letter signed by the Chairmen. The report itself is signed by the audit team and the Department Director.

Whereas the final report is drafted by the audit team after the audited entity has submitted its comments of the draft report, and after it has undergone quality control procedures. In accordance with article 35 of the said rules the report is submitted to the entity after the adoption of a specific decision on the audit by the Chairman, in which are detailed all findings and recommendations of the audit. Audit Reports cannot be submitted to the entity or published if they lack this kind of authorization.

### **Assessment Findings and Observations**

The Albanian SAI in conducting compliance audits has fully adopted the INTOSAI Framework of Professional Pronouncements and has reflected them in the Compliance Audit Manual, whose revised version has been adopted by the Decision of the ALSAI Chairman no. 66, date 23.06.2020. Conducting Compliance Audits, in accordance with the requirements is a further guarantee, in terms of increasing transparency, quality, professionalism and objectivity, in order to meet the strategic goals of the mission and institutional vision and expectations of the Assembly, the public and all stakeholders.

Dimension	Findings			Dimension
<b>(i) Compliance Audit Standards and Policies</b>	<b>Criteria</b>		<b>Reference</b>	<b>4</b>
	a. “(...) The elements relevant to compliance auditing (...) should be identified by the auditor before commencing the audit.” ISSAI 400:27 (I.e. identify the applicable authorities covering regularity and, if necessary, propriety requirements; the subject matter; intended users of the report; and level of assurance to be provided, whether reasonable or limited) ISSAI 400:28-41	Met	Compliance Audit Manual feature is explained in pages 16 – 20 .	
	b. “Auditors should consider audit risk throughout the audit process.” ISSAI 400:46 (I.e. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk) ISSAI 400:46	Met	CAM, page 24 and in paragraph 4.3.2 “Risk Assessment” page 32; Rules of Audit Procedures, specifically in document no. 3 “Memo on the Audit Planning”,	
	c. “Auditors should consider materiality throughout the audit process.” ISSAI 400:47. (I.e. including consideration of materiality by value, nature and context) See also ISSAI 4000:94-99.	Met	CAM, paragraph 3.4 page no. 25, and in paragraph 4.3.3 “Materiality in Compliance Audit”, pages 35 – 38.	

	d. "Auditors should prepare sufficient audit documentation." ISSAI 400:48	Met	CAM, page 28 and pages 49 and 64. Audit Rules of Procedure, document no. 7 "working paper"
	e. "Auditors should establish effective communication throughout the audit process." ISSAI 400:49	Met	ALSAI Law, CAM Paragraph 3.10, page 28.; Code of Ethics paragraph 17.2, page 12; Audit Rules of Procedure documents no. 8, 9, 10.
	f. "Auditors should identify the subject matter and suitable criteria." ISSAI 400:51	Met	CAM, pages 16, 17, 18; Audit Rules of Procedure documents no. 3 and 5.
	g. "Auditors should determine the audit scope." ISSAI 400:50	Met	
	h. "Auditors should understand the audited entity in light of the authorities governing it." ISSAI 400:52	Met	
	i. "Auditors should understand the control environment and the relevant internal controls." ISSAI 400:53	Met	Audit Rules of Procedure documents no. 3
	j. "Auditors should perform a risk assessment." ISSAI 400:54 (i.e. to determine the nature, timing and extent of audit procedures) See also ISSAI 4000:120).	Met	CAM page 32; Audit Rules of Procedure documents no. 3
	k. "Auditors should consider the risk of fraud." ISSAI 400:55	Met	CAM page 32 and Annex 11 "Fraud Risk"
	l. l) "Auditors should [plan the audit by] develop[ing] an audit strategy and an audit plan." ISSAI 400:56	Met	Audit Rules of Procedure documents no. 3 and no. 5.
	m. "Auditors should gather sufficient and appropriate audit evidence to cover the scope of the audit." ISSAI 400:57	Met	CAM, Chapter V, page 44. Audit Rules of Procedure, document no. 7.
	n. "Auditors should evaluate whether sufficient and appropriate audit evidence is obtained and form relevant conclusions." ISSAI 400:58	Met	CAM, Chapter VII, page 87
	o. "Auditors should prepare a written report based on the principles of completeness, objectivity, timeliness and a contradictory process." ISSAI 400:59. See also ISSAI 4000:158.	Met	CAM and Audit Rules of Procedures as a whole: The audit report is drafted by the audit team at the end of a process that has taken into account the comments: 1. from the auditee in two different moments of the audit process (first at the moment of the submission of the documents no. 8

			and/or no.9, and right after the submission of the Draft Report); 2. from quality control instances within the SAI involved in the Process (namely, the Chief Auditor, the Department Director, Quality Control Department, General Director and Chairman at the end of the process for the final approval of the audit products).	
	The SAI has also adopted policies and procedures about how it has chosen to implement its audit standards, which should cover the following:			
	p. “determining materiality [through] professional judgment [based] on the auditor’s interpretation of the users’ needs (...) in terms of value, (...) the inherent characteristics [nature] of an item [and] the context in which it occurs.” ISSAI 400:47	Met	CAM, qualitative materiality, pages 37 – 39.	
	q. requirements for audit documentation, to ensure “the auditor should prepare relevant audit documentation before the audit report or the Auditor’s Report is issued, and the documentation should be retained for an appropriate period of time” ISSAI 400:48	Met	CAM, paragraph 5.5, page 45 “Documenting Audit Evidence”, Audit Rules of Procedures, article 26, document no. 7	
	r. determining the nature, timing and extent of audit procedures to be performed: <ul style="list-style-type: none"><li>• in light of the criteria and scope of the audit, characteristics of the audited entity and results of the risk assessment ISSAI 400:54</li><li>• for the purpose of obtaining sufficient and appropriate audit evidence ISSAI 400:57</li><li>• and to evaluate whether the evidence obtained is sufficient and appropriate so as to reduce audit risk to an acceptably low level including considerations of materiality and the assurance level of the audit ISSAI 400:58 (If necessary including an approach to calculating minimum planned sample sizes in response to materiality, risk assessments, and assurance level, based on an underlying audit model).</li></ul>	Met	CAM and Audit Rules of Procedure	
(ii) Compliance Audit Team Management and Skills	All Criteria have been met. -The Albanian SAI has a system in place which ensures that individuals in the audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the compliance audit. It means that the Human			4

	Resources Department, in cooperation with all audit and non-audit departments, has a database of the available human resources (academic background, previous work experiences, trainings et alia and their work performance) which is available to managing directors.	
<b>(iii) Quality Control in Compliance Audit</b>	Criteria a), b), c), d), e) and f) have been met. Criterion e) is not applicable. All audit work carried out in the Albanian SAI is subject to review as a means of contributing to quality and promoting learning and personnel development. It means that all audit work undergoes quality control procedures from the beginning of the audit till the publication of the final audit report. There is also in place a quality assurance procedure, which is performed one a year through a random selection of audit file that are reviewed by a selected group of auditors that are required to carry out a review of the audit plan, working papers and the work of the team, and regular monitoring of progress of the audit by appropriate levels of management etc. The review is aimed at ensuring that the audit complies with the applicable standards and that the audit report, conclusion or opinion is appropriate given the circumstances.	4

#### 4.3.9 SAI-16: Compliance Audit Process - Score 2

SAI 16 seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle”.

This indicator has three-dimensions:

- (i). Planning Compliance Audits.
- (ii). Implementing Compliance Audit.
- (iii). Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits.

The results of the evaluation carried out by the SAI PMF team are based on the file review of three compliance audits for 2021 as follows: 1. Mother Teresa University Hospital Centre; 2. Ministry of Finance and Economy; 3. State Cadastre Agency – Tirana Branch Office.

##### ***Dimension (i): Planning Compliance Audits***

With regard to this dimensions, the results are based on the evaluation results of the file review process and also interviews with audit teams for this specific audits, in order to get sensible insight of the actual implementation and interpretation each audit team has of the overall rules and procedures put in place by the SAI to guarantee at a maximum extent the compliance with the ISSAIs on compliance audit.

Elements relevant to compliance audit have been identified before conducting the audit, as it has resulted that in all three audit files, the team leader had extensively drafted the document no. 3 in all its key elements regarding authorities, criteria, subject matter, scope, control environment and internal controls etc.

An audit plan and an audit strategy are developed as a result of the planning phase and they specifically consist on the document no. 3 “Memo on the Audit Planning” and document no. 5 “Audit Program”.

Compliance with ethical requirement at the audit engagement level is guaranteed in the Albanian SAI through the signing of declaration of independence (document no. 6) by every auditor in the team

and by the Department Director. Revisions of these declarations are possible in cases new issues arise during the audit that might impact the auditor's integrity, independence, objectivity, competence etc. If the auditor does not declare them throughout the audit, provisions from the code of ethics are enabled accordingly to the case.

Even though document no. 3 has been correctly drafted there were some inconsistencies as far as audit risk, materiality and risk of fraud assessment are concerned. More particularly, during the planning phase of the audit, before the audit program is drafted and approved, it has emerged that not all team leaders fill in these concepts with the information in an extensive way, so that an overview of audit risk and materiality can be provided since the beginning of this phase.

Interviews with audit teams on this matter point out the fact that tight timeframes and overlapping audit engagements undermine the proper determination of these two important concepts.

Furthermore, it has resulted that, in the audit files there is no evidence of the compilation of Annex 11 from the audit team. It has resulted as well from interviews with the audit teams that there is a theoretical gap, since it is pointed out that teams have not had sufficient training on the risk of fraud assessment in the context of compliance audit.

Effective communication throughout the audit process is a key element that is seriously taken into consideration by audit team, since it is the bases for every step of the audit. All audit files had documentation (accordingly to the Audit Rules of Procedure) regarding meetings and communications with the audited entity.

#### ***Dimension (ii): Implementing Compliance Audits***

Nature, timing and extent of audit procedures to be performed during the audit, in the light of the criteria and scope of the audit, characteristics of the audited entity and results of the risk assessment for the purpose of obtaining sufficient and appropriate audit evidence, are specified in document no. 3, accordingly to the Audit Rules of Procedure.

From the evaluation of this criterion has emerged that timing and extent of audit procedures are not properly evaluated from all instances involved in the planning phase. In the audits under review, it has emerged that the audit timeframe has been predetermined first in the annual audit plan and then another timeframe has been proposed by audit teams in document no. 3 in order to match extent of audit procedures with the time required to carry them out. The review and approval of the audit program has set the timeframe of the audit within the limits of the annual planning, but it has emerged that additional time to carry out audit procedures have been given to audit teams upon request from the team leader. These adjustments to the timeframe and extent of audit procedures to be performed during the audit are due to different reasons. First of all, in the files under review insufficient detailed determinations of the audit risk and materiality have impacted time planning and audit procedures. Secondly, the annual audit plan provides a predetermined orientation on the disposable time for every audit to which every audit department tries to comply to. Lastly, the size of the SAI (number of available audit human resources) compared to the SAI mandate directly impacts on this matter.

According the Audit Rules of Procedure, article 40, in cases when the auditor during the audit work suspects that actions have been committed which constitute serious legal violations and contain elements of a criminal offense, the auditor should immediately inform the team leader and the Director of the Department. For very serious cases interrupts the further review of the issue in question. In the files under review there have been no such cases to report during the audit.

According to the Audit Rules of Procedure, the engagement of external experts is done according to the procedures set out in the Decision of the Chairman of ALSAI for their recruitment, which means is not competence of auditors to evaluate whether the expert have the necessary competence, capabilities and objectivity and determine whether the work of the expert is adequate for the purpose of the audit. For this reason, this criterion is not applicable for our SAI.

In the files under review sufficient and appropriate evidence was gathered and properly documented by the audit teams within the framework provided by the Audit Rules of Procedure, and it was supportive of the findings and conclusions reached by the audit.

It has also resulted that all planned audit procedures were carried out by the audit team, since the audit teams were provided additional time to perform all of them.

***Dimension (iii): Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits***

Documentation of the audit as it resulted from the file review is sufficiently detailed to enable an experienced auditor, having no previous connection to the audit, to understand the audit. Even though there have been some flaws in the planning of the audit which have impacted the timeframe of the audits under review, documentation as a process has been carried out in accordance with the Audit Rules of Procedure. All audit phases have been documented before the audit reports have been issued. As for the retention of the audit documentation, rules apply (law on archives) for these documents to be part of the audit file for at least 10 years, with the exception of the Decision of the Chairman on the Findings and Recommendations for the Audit that should be retained forever in the archives of the SAI, since it has an historical value.

Article 25 of the Audit Rules of Procedure establish that the auditor should obtain reliable, appropriate and sufficient evidence to support his judgment and conclusions regarding the organization, activity, program and functions of the audited entity. The auditor is responsible for selecting and using appropriate methods for collecting and processing data that meet the criteria. The auditor should ensure that the techniques used are sufficient and reasonable to identify material errors and irregularities. In choosing methods and procedures, the quality of evidence should be considered. In the audits under review, these considerations were initially part of the memo on audit planning, and later on are considered throughout the audit and recorded in document no. 7 “working paper” and also in document 10 “periodic memo on the audit”.

Effective communication has been in place during the audit and it has also been documented by the audit teams in document no. 2 “meeting minutes” and also in document no. 8 and 9 of the Audit Rules of Procedure.

It is mandatory by Law of ALSAI no. 154/2015 that the audited entity has the right to comment on findings and recommendations. Firstly, after document no 8 and/or document no. 9 have been submitted to the audited entity, the latter has 7 days to submit its comments on the facts. These comments are included in the draft-report. Secondly, after the draft-report is submitted to the audited entity, it has 30 days to comment on it and these comments are part of the final audit report. According to the Audit Rules of Procedure all audit reports must follow the principle of completeness, the principle of objectivity, the principle of timeliness, the principle of a contradictory.

The final audit reports present all the required elements, but the reports under review are long, repetitive and duplicate the information in many sections due to over documenting findings and conclusions. Nevertheless, the information regarding the findings is put in context with the criteria, situation, the effect that an infringement has created etc.

Audit comments and recommendations are written clearly and concisely, and are directed to those responsible for ensuring they are implemented, in accordance with the Audit Rules of Procedure. All compliance audits under review have resulted in an opinion which has been drafted accordingly to the Compliance Audit Manual and the Audit Rules of Procedure, stating whether it is unmodified or modified on the basis of an evaluation of materiality and pervasiveness.

***Assessment Findings and Observations***

Dimension	Findings	Score
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<b>(i) Planning Compliance Audits</b>	<p>Criteria a), d), e), f), g), h), j) and k) have been met. Criteria b), c) and i) have not been met.</p> <p>Elements relevant to compliance audit have been identified before conducting the audit, as it has resulted that in all three audit files, the team leader had extensively drafted the document no. 3 in all its key elements regarding authorities, criteria, subject matter, scope, control environment and internal controls etc., but <u>there were some inconsistencies on audit risk, materiality, risk of fraud assessment, tight timeframes and overlapping audit engagements and lack sufficient training on the risk of fraud assessment in the context of compliance audit.</u></p>	<p>2</p>
<b>(ii) Implementing Compliance Audits Team</b>	<p>Criteria b), d) and e) have been met Criterion a) has not been met Criterion c) is not applicable.</p> <p>Timing and extent of audit procedures are not properly evaluated from all instances involved in the planning phase. Adjustments to the timeframe and extent of audit procedures to be performed during the audit have been implemented, because of <u>insufficient detailed determinations of the audit risk and materiality and the size of the SAI (number of available audit human resources) compared to the SAI mandate directly impacts on this matter.</u></p>	<p>1</p>
<b>(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits</b>	<p>Criteria a), b), c), d), e), f), g) and i) have been met. Criterion h) has not been met.</p> <p>All audit phases have been documented before the audit reports have been issued. As for the retention of the audit documentation, rules apply (law on archives) for these documents to be part of the audit file for at least 10 years, with the exception of the Decision of the Chairman on the Findings and Recommendations for the Audit that should be retained forever in the archives of the SAI, since it has an historical value.</p>	<p>3</p>

#### 4.3.10 SAI-17: Compliance Audit Results - Score 2

SAI-17 assesses how efficient the SAI is in the submission and publication of reports. This SAI seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle. This indicator has three-dimensions”:

- (i) Timely Submission of Compliance Audit Results.
- (ii) Timely Publication of Compliance Audit Results.
- (iii) SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations.

*The assessment of SAI – 17 is mainly based on the Audit Rules of Procedure*

##### ***Dimension (i): Timely Submission of Compliance Audit Results***

During the work, the SAI PMF team used the annual audit schedule 2021 (according to ALSAI annual audit plan as published in the official website) as basis for scoring on the timeliness of submission of financial audit result, where it comes out that only 12 compliance audits<sup>78</sup> were submitted to the appropriate authority, 9 months later from the end of the period to which the audit relates; More specifically, 5 compliance audits out of 61 compliance audits (or approx.8%) were submitted 9 months later; and 7 out of 41 combined audits with compliance opinion (or approx.17%), were submitted 9 months later; meaning that a total of 25% of audit reports were submitted 9 months later (or 75% of total audits, were submitted within 9 months from the end of the period to which the audit relates)

##### ***Dimension (ii): Timely Publication of Compliance Audit Results***

Audit Rules of Procedure in article 42 establish that the audit report is published within 1 to 4 weeks from the submission of the report to the auditee. Our assessment on this criterion has been based on assessing the compliance between the criterion set by the PM framework and the internal rule operating within the ALSAI, where resulted that 65 compliance audit reports and/or opinions out of 119 (or 55%), are made available to the public through appropriate means within 30 days after the SAI is permitted to publish.

##### ***Dimension (iii): SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations***

Regarding follow up procedures, the Albanian SAI has its own system of follow – up in place which has been also detailed in a specific manual on follow up that is called Manual for follow up of audit recommendations of the State Supreme Audit Institution and the Electronic Institutional Register of Recommendation.

Follow up procedures are considered as an audit in ALSAI and they follow the Audit Rules of Procedures and the Manual on Follow UP. There is a preliminary phase in which the audited entities have the obligation to report to ALSAI within 20 days from the moment they receive the audit report about the measures they intend to put in place in order to implement the recommendations and within 6 months about their update. After 6 months the SAI has the right to start a follow up audit. According to the manual, follow up audit are carried out during January for the audit of the first 6 months of the previous year (because the SAI reports on its Activity to the Parliament and these are really important figures for this purpose), and also during July for the audits of the second part of the previous year (in order to report some of the figures in the Report on Budget Implementation that the SAI submits to parliament within October).

The follow up procedures above described allow the SAI to have an accurate overview of the level of implementation of its recommendation since, firstly is the audited entity that provides information on corrective measures taken or why corrective actions were not taken, and then afterwards the SAI undertakes its follow up audits.

The SAI drafts two Reports on Follow Up that are submitted to Parliament as single reports and also as part of the figures that the SAI report to Parliament with its two Annual Reports. The submission

<sup>78</sup> 5 compliance audits and 7 combined audits with compliance opinion

to the Legislative is a crucial moment of the follow up process, since the legislator is the main stakeholder of the SAI and has the power to compel the executive into implementing the SAI's recommendation, in order to improve the overall government performance. The SAI follows up on recommendation up to 3 years after the submission of the report.

ALSAI reports on follow up are available on the official webpage of the institution.

Even though, the SAI has in place specific procedures for follow up, and considerations about evaluating materiality in order to determine when a follow-up requires new additional audits are always taken into account when drafting the annual audit plan, there is not yet in place a specific procedure to document this process, so that it can serve as a preliminary risk assessment in the selection of possible entities or topics to audit.

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Timely Submission of Compliance Audit Results</b>	75% of total audits, were submitted within 9 months from the end of the period to which the audit relates.	3
<b>(ii) Timely Publication of Compliance Audit Results</b>	65 compliance audit reports and opinions out of 119 (or 55%), are made available to the public through appropriate means within 30 days after the SAI is permitted to publish	1
<b>(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations</b>	Criteria a), b), c), d) and e) have been met Criterion f) has not been met. The Albanian SAI has its own system of follow – up in place which has been also detailed in a specific manual on follow up that is called Manual for monitoring the implementation of audit recommendations of the State Supreme Audit Institution and the Electronic Institutional Register of Recommendation, but <u>there is not yet in place a specific procedure to document this process, so that it can serve as a preliminary risk assessment in the selection of possible entities or topics to audit.</u>	3

## 4.4 Domain D: Financial Management, Assets and Support Services<sup>79</sup>

In order for a SAI to manage its operations economically, efficiently, effectively and in accordance with laws and regulations (ISSAI 20:6), an appropriate organisational management and support structure that will give effect to good governance processes and support sound internal control and management practices should be in place (ISSAI 12, principle 9). This equally applies to the SAI's support services, including management of its finances and material assets.

Domain D consists of one indicator that covers the main dimensions and criteria that need to be in place. The following table provides an overview of the dimension and indicator score.

Domain D: Financial Management, Assets and Support Services		Dimensions			Overall score
Indicator	Name	i	ii	iii	
SAI-21	Financial Management, Assets and Support Services	3	4	3	3

### 4.4.1 SAI-21: Financial Management, Assets and Support Services - Score 3

SAI-21 examines the SAI's internal system of financial management and control, as well as its policies and practices regarding the support services and resources it requires. Those include IT, assets and infrastructure, as well as administrative support. This indicator has 3 dimensions:

- (i) Financial Management.
- (ii) Planning and Effective Use of Assets and Infrastructure.
- (iii) Administrative Support Services.

ALSAI, through: Directorate of Services, Finance Sector, Archiving Sector and IT Sector, has good internal practices regarding financial management and exercises. ALSAI's financial statement is made public and subject to audit by the Parliament. It reports to the latter through annual ALSAI Activity Report.

#### *Dimension (i): Financial Management*

In order to use as efficient, effective and economical as possible the public financial resources, by also respecting the transparency and legality principles and avoiding abuse, ALSAI, has clearly defined division of responsibilities and tasks for financial management and internal institutional control, in accordance with the Financial Rules and Regulation issued by the Ministry of Finance<sup>80</sup>.

In ALSAI, to cover all the responsibilities related to the effective management of assets, there are dedicated sectors such as Finance sector, Directorate of Services, Protocol and Archive Sector, which are subordinated to the Secretary General. On review of profile of administration and finance personnel, ALSAI has assigned the task to handle accounts and budget systems to the appropriate experienced and, specialised staff.

ALSAI has clearly assigned responsibility for all aspects of its financial management and there operates a system of delegated authority to commit, incur and approve expenditure. In order to guarantee the legality and regularity of the financial activity, ALSAI operates through the system of delegation of duties.

The execution of expenses in each case is authorized by the Authorizing Officer while their liquidation is made possible by the confirmation of the Authorizing Officer and the Executive Officer. Each

<sup>79</sup> Additional evidence if provided in Annex 5 Scoring Sheets Domain C and D.

<sup>80</sup> These responsibilities are precisely defined in the Internal Regulation of the Organization and Functioning of the ALSAI, approved by Decision of the Chairman of ALSAI no. 53, dated 16.04.20212, as amended reflecting the Law no.10296, dated 08.07.2010 "On financial management and control" amended; the Law no. 9936, dated 26.06.2008 "On the management of the budget system in the Republic of Albania", as amended, and also the Guidance no. 16, dated 20.07.2016 "On the responsibilities and duties of the FMC coordinator and risk coordinator in public units".

expense is made based on the supporting documentation specified in the guideline of MFE and ALSAI regulation. Pursuant to the public procurement legislation, the Head of the Contracting Authority, who is the General Secretary/Authorized Officer delegated by the Chairman, authorizes the establishment of the procurement unit or small procurement commissions for all expenses whose values are below 1,000 ALL.

Authorizing Officer is the highest level of management in the public entity, which is responsible for the implementation of financial management and control in all structures, programs, activities and processes that are managed by them. The executive officer is an employee of the managerial level of the unit, who is responsible for enforcing the rules related to the financial management, accounting and preparation of the financial statements of the unit, as well as answering to the Authorizing Officer of the unit. Both of these levels are also approved by the Ministry of Finance and Economy.

The managers of the units, while carrying out their activities, must respect the principles of financial management, legality and transparency in administration, and be accountable for their actions and the results that come from them in front of the body that has appointed them or to whom they have delegated responsibility. Accountability includes issues related to segregation of tasks, development of financial management and control, all financial transactions, coordination with central reconciliation services, and evaluation and reporting on financial management and control systems. Managerial responsibility also includes responsibility for actions performed based on Law no. 10296, dated 08.07.2010 "On financial management and control" as amended;

ALSAI follows and complies with the budgeting timetable, processes and procedures laid down in the Budget Organic Law, annual budgetary laws. ALSAI prepares its financial statements in line with the requirements, timetable and stipulations of the Ministry of Finance. The Budget Cycle consists of budget preparation phase, approval, execution, accountability, and interim revisions. ALSAI submits quarterly financial progress report to the Ministry of Finance in accordance with legal and regulatory framework.

ALSAI has a functioning Management Information System - SIFQ<sup>81</sup>, developed by the Ministry of Finance and mandated to be used by all the government agencies, which includes financial and performance information.

The financial statements of ALSAI are part of the Annual Performance Report of the institution, but currently the Financial Statements of the *institution have not been audited by the Parliament*. ALSAI's financial statements are published in the ALSAI Annual Audit Report and made public on the website<sup>82</sup>.

However, ALSAI does not have a staff cost recording system that allows oversight over the allocation of staff time and resources in relation to assigned tasks.

In order to manage budget expenditures, the Finance sector performs a series of reconciliation actions, reporting, etc., but as a result of the Covid-19 situation, expenditures have not experienced an upward trend. It is not possible, with the system and legislation in place to expenditures deviate from the budgeted ones, unless, there is an explicit approval.

The SAI has financial manuals and/or regulations in place that are made make them available to all staff. Specifically, guidance no. 9, dated 20.03.2018" On standard budget implementation procedures"; guidance no.22, dated 17.11.2016 "On standard budget monitoring procedures in the CGU"; guidance no. 30 dated 27.12.2011 ""On asset management in public sector units """, amended; Decisions of the Council of Ministers no. 185, dated 29.03.2018 "On public investment management": Internal Regulation on the Organization and Functioning of the Supreme State Audit, approved by Decision of the ALSAI Chairman no. 53, dated 16.04.20212, as amended; Risk management strategy in ALSAI, approved by ALSAI Chairman Decision no. 250, dated 31.12.2018.

The SAI has clear timetables and procedures governing the budgeting process that has been stated in relevant law and bylaws that are applicable to the institution as well.<sup>83</sup>

<sup>81</sup> Government Financial Information System

<sup>82</sup> [https://www.klsh.org.al/cat\\_list/13](https://www.klsh.org.al/cat_list/13)

<sup>83</sup> Guidance No. 9, dated 20.03.2018" On standard budget implementation procedures". Guidance no.22, dated 17.11.2016 "On standard budget monitoring procedures in the CGU: Guidance no. 30 dated 27.12.2011 "" On

To ensure that staff tasked with budgeting and accounting has the appropriate skill set, experience, and resources to do the job, ALSAI follows the legislation on financial management and control (law and bylaws) and Guidances of the Minister of Finance and Economy, and also decisions of the Chairman of ALSAI. The Strategic Management Group and the Strategic Management Team have been set up and are headed by the Secretary General, which is the Authorising Officer of the institution. The Strategic Management Team is composed of managing directors of the SAI. The authorizing officer and the executive officer in order to be confirmed by the Ministry of Finance on this position should have the required academic background according to the Law on financial management and control.

***Dimension (ii): Planning and effective use of assets and infrastructure***

ALSAI has an IT Sector, headed by an ICT<sup>84</sup> Officer who works directly under Auditor Secretary General. There is a dedicated objective regarding IT in the ALSAI Development Strategy 2018 - 2022 (objective 1.5).

While each Department also has a basic shorter-term plan for its IT needs covering. The planning and effective use of IT equipment is made possible thanks to the cooperation of the governing structures of the IT directorate and the financial sector. IT directorate operates based on three-years medium-term plans and reviews its needs as appropriate. The work of IT directorate is based on Law no. 154, dated 27.11.2014 "On the organization and functioning of ALSAI"; Decision of the Chairman of ALSAI no. 4, dated 27.01.2017 "On the structure of job ranking, job classification and level of salaries in ALSAI, as amended, Law no. 152/2013" On civil servant", as amended, Internal Regulation on the Organization and Functioning of ALSAI, approved by the Decision of the Chairman no. 53, dated 16.04.20212, as amended. Representatives of this directorate are an integral part of the inventory commission and have the right to propose the decommissioning on a case by case basis for computer equipment and IT

The structure of ALSAI has been approved with Decision of the Chairman of ALSAI no. 4, dated 27.01.2017 "On the structure of job ranking, job classification and level of salaries in ALSAI", as amended, and also refers to Law no. 152/2013" On the employee changed civilian ".

Employment relations in ALSAI are regulated in the Internal Regulation of the Organization and Functioning of the ALSAI, approved by Decision of the Chairman no. 53, dated 16.04.20212, as amended.

ALSAI has secured access to appropriate archiving facilities, which enable all relevant records to be stored securely over several years and accessed when needed. The Regulation on the operation of the official website in ALSAI approved by Decision 186, dated 02.11.2021; Law no. 9154, dated 6.11.2003 "On archive" and relevant bylaws enlist all the obligations regarding archiving facilities, how and for how long records should be stored in the institution's archive. Furthermore, the SAI uses an audit management system called revzone with enables to electronically store all paper based audit files.

***Dimension iii: Administrative support services***

In order to effectively manage and protect them from damage and misuse, it is important to take the necessary measures for the documentation, protection, circulation and decommissioning of assets. The movement of assets in ALSAI is based to specific rules and procedures for safekeeping, protection, and disposal of assets of the public entity, in accordance with the requirements of the MFE instruction and the regulation on the use of assets approved by the Secretary General. The archiving process, of files related to the activity of the financial sector and the supporting directorate

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asset management in public sector units "", amended Decisions of the Council of Ministers no.185, dated 29.03.2018 "On public investment management": Internal Regulation on the Organization and Functioning of the Supreme State Audit, approved by Decision of the ALSAI Chairman no. 53, dated 16.04.20212, as amended; Risk management strategy in ALSAI, approved by ALSAI Chairman Decision no. 250, dated 31.12.2018.

<sup>84</sup> Information Communication Technology

is not finalized yet, as ALSAI does not have an archive dedicated in keeping the documentation produced by these structures. The Secretary General and the Executive Officer of the institution are the main responsibilities for the management of the assets of the institution, who report to the Chairman. ALSAI has a clear procedure in place, in order to effectively manage them<sup>85</sup>.

The IT services, in accordance with the ALSAI internal regulation have their tasks assigned clearly and the individual in charge for the tasks have the appropriate knowledge in Information technology accordingly to the job position description.

Responsibility for file management and archiving is clearly assigned and the staffs tasked with this have the appropriate skills set and resources to do the job. For this purpose, there is a specific sector that deals with registering all documents in and out of the ALSAI and also with the physical archiving process of every file (audit file and also non audit files that relate to administrative activities of the SAI). Roles and responsibilities for the sector are detailed in the ALSAI Internal Regulation extensively mentioned in this report. In addition to that, this sector follows also specific rules and regulations set out by the General Directorate on Archives in Albania (which relate to methodological aspects of the job as an archivist with specific requirements on how to file and preserve documents).

In addition to that, for the purposes of audit work only there is an internal regulation dedicated to the electronic audit file management that explains in detail all the roles and responsibilities of the archives sector, the audit team, the other stakeholders in the SAI involved in the audit process such as Chief Auditor, Department Director, Quality Control, General Director and Chairman.

Responsibility for management of all major categories of assets and infrastructure is clearly assigned, and staff tasked with this, have the appropriate skill set and resources to do the job. This responsibility is assigned to the Secretary General that is in charge with the management of the funds and also assets. This responsibility is delegated in accordance with the relevant legislation on financial management and control and also budget legislation. There is a directorate in the SAI that deals with maintenance and service support for all the SAI and it is tasked with the infrastructure management in cooperation with other departments/directorates.

All administrative support functions have been reviewed within the past 5 years and any proposals for improvement were addressed with the Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended.

#### Assessment Findings and Observations

Dimension	Findings	Score
(i) Financial Management	<p>All criteria except for criterion k) and g) have been met</p> <p>-The financial statements of ALSAI are part of the Annual Performance Report of the institution, but currently the Financial Statements of the institution have not been audited by the Parliament.</p> <p>-ALSAI does not have a staff cost recording system that allows oversight over the allocation of staff time and resources in relation to assigned tasks.</p>	3
(ii) Planning and effective use of Assets and Infrastructure	<p>All criteria have been met</p> <p>ALSAI has an IT Sector, headed by an ICT<sup>86</sup> Officer who works directly under Auditor Secretary General. There is a dedicated objective</p>	4

<sup>85</sup> based on Law no. 154, dated 27.11.2014 "On the organization and functioning of ALSAI"; Internal Regulation on the Organization and Functioning of the ALSAI", approved by Decision of the Chairman no. 53, dated 16.04.2012, as amended; Law no. 10296, dated 08.07.2010 "On financial management and control", as amended and the guideline of the MFE on asset management in the public sector.

<sup>86</sup> Information Communication Technology

	regarding IT in the ALSAI Development Strategy 2018 - 2022 (objective 1.5).	
(iii)Administrative Support Services	<p>All criteria have been met.</p> <p>This responsibility is assigned to the Secretary General that is in charge with the management of the funds and also assets. This responsibility is delegated in accordance with the relevant legislation on financial management and control and also budget legislation. There is a directorate in the SAI that deals with maintenance and service support for all the SAI and it is tasked with the infrastructure management in cooperation with other departments/directorates especially with regards to IT maintenance and services.</p>	4

## 4.5 Domain E: Human Resources and Training<sup>87</sup>

Domain E assesses the way in which the SAI manages and develops its human resources insofar as it has the power to do so. Domain E comprises two indicators.

Domain E: Human Resources and Training		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-22	Human Resource Management	3	3	4	3	3
SAI-23	Professional Development and Training	3	4	4	4	4

### 4.5.1 SAI-22: Human Resource Management - Score 3

This indicator assesses elements of the SAI's resource management. The assessment builds on the requirements of ISSAI 40 which stipulates that the SAI's human resource policies and procedures should include, amongst other things: recruitment, professional development, performance evaluation and promotion. It assesses four dimensions<sup>87</sup>:

- (i) Human Resources Function
- (iii) Human Resources Strategy
- (iv) Human Resources Recruitment
- (v) Remuneration, Promotion and Staff Welfare

#### **Dimension (i): Human Resources Function**

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

In this regard, the management of human resources in ALSAI is considered as a prerequisite for the functioning of the institution in an efficient and effective manner. Referring to the guidelines and best practices of the INTOSAI community, for capacity building and development, the Albanian Supreme Audit Institution has continued to invest in human resource development. During 2021, ALSAI has continued to address the Human Resources Management, in line with the objectives set out in the Human Resources Policy Document, approved by Decision of the Chairman no. 228, dated on 31.12.2017, in the following directions:

- ✓ Documentation and implementation of best practices, suitable for ALSAI based on INTOSAI Standards in the field of human resources management;
- ✓ Rigorous implementation of the legal regulatory framework of the field;
- ✓ Ensuring transparency, accountability and good governance in the human resources management process.
- ✓ Recruitment of young people/individuals with maximum educational results in one or two branches of graduation, who know several foreign languages, or have the simultaneous availability of academic titles, experts and specialists with outstanding contributions in various fields such as information technology etc.
- ✓ Ensuring continuous professional development, capacity development, as well as conducting trainings on an ongoing basis.

✓ The development and implementation of an objective system of staff evaluation based on performance, fulfilment of individual objectives and requirements of professional competencies, etc. *The responsibility for human resource is assigned to a separate directorate. The staff working here have specific competence in several areas such as recruitment, how to develop an organization in terms of building the competencies of the staff and welfare policies.* The staff hired in the positions has the skills and knowledge to provide guidance and consultation on human resources firstly because the HR department it is a consolidated on with insignificant changes in the composition, and

<sup>87</sup> Additional information is provided in Annex 6 Scoring sheets – Domain E.

also because the persons hired have undergone trainings over the years by the Department of Public Administration and also the ASPA (Albanian School of Public Administration) regarding specifically providing guidance and consultation on human resources.

*Even though there is not a separated human resources strategy, the human resources aspect is integrated within the ALSAI Development Strategy for 2018 – 2022 and there is also The Document on the HR Policies, which serves as a strategy for ALSAI HR.*

There is a specific department (the Human Resources Department). The individuals hired have been in these positions for at least 10 years and have been trained on the relevant policies and legislation regarding human resources management in the SAI. The staff hired in the positions has the skills and knowledge of the legal framework to provide guidance and consultation on human resources. There is a performance evaluation appraisal system is required by the civil servant law and it is done twice a year. Every job vacancy is published on the official website, and rules are set out on the Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended. Personal files are maintained by the human resources department (e.g. signed code of ethics, and continuing professional development reports) in accordance with the law on civil servant and relevant bylaws.

There is a human resources policy which was developed under the IPA project in 2017, and the human resources department was involved because they are the main stakeholders in the process and the one who are implementing and following up on the document. The same concept applies also to the ALSAI development Strategy 2018 - 2022. ALSAI does not currently have a competency framework.

#### ***Dimension (ii): Human Resource Strategy***

ALSAI, in the framework of institutional reform has considered the effective management of human resources as the backbone of the process towards modernization and sustainable development with the effect of progressive institutional metamorphoses. For this, ALSAI has approved the Human Resources Policy Document<sup>88</sup>. The Human Resources Policy Document in ALSAI offers the strategic approach of the institution in line with the spirit and messages conveyed by the XXII Congress of INCOSAI which are: a) Supreme Audit Institutions (SAIs) at the service of citizens; and b) United in ambition and determination.

Under this philosophy of human resources management, ALSAI reflects the motto of the development strategy for the periods from 2018 and onwards, which is "ALSAI servant of the citizen" fulfilling the priority institutional objective set out in ISSAI Standard 12 "The Value and Benefits of Supreme Audit Institutions - Making a difference to the lives of citizens".

ALSAI has addressed as a driving factor of success "modern and effective management of human capital" in order to provide the best professional skills and knowledge on international standards in the field, sanctioned in the Declaration of the XXII Congress of INTOSAI December 2016 in Abu Dhabi, in which it is stated that: "Citizens are the main beneficiaries of public audit. It is the duty of Supreme Audit Institutions (SAIs) to perform quality audits and provide citizens with reports that support transparency, accountability and trust in governance. Only good and professional audit work can make a real difference in their lives."<sup>89</sup>

Under this objective, ALSAI has considered the component of continuous professional development and training as the main priority in building and strengthening human resources capacities. The ongoing training process has been operating effectively since 2012, with continuous improvement, which has already taken the form of a consolidated system reflecting the message of the XXII INTOSAI Congress, December 2016, in Abu Dhabi, where 192 member SAIs agreed "... to define professionalization as an ongoing process by which auditors and their organizations provide SAIs with

<sup>88</sup> <https://panel.klsh.org.al/storage/phprAhUAy.pdf>

<sup>89</sup> Excerpts from the statement of the XXII Congress of INTOSAI, December 2016 in Abu Dhabi, "40 years of the Lima Declaration (1977 - 2017)", ALSAI Publishing Series - 16 2017/83

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

The document represents a guiding platform for ensuring the continuity of ALSAIs achievements in setting up frameworks, systems, and policies, enabling staff to develop and motivate in their performance. This document has been prepared based on a number of important documents as a result of cooperation and institutional partnership such as the Mission Reports of the experts of the National Audit Office of Poland (NIK) in the framework of the IPA Funding Project 2013 “Strengthening the Public External Audit Capacities in Albania” by also integrating in it the recommendations given by the reports and evaluations of international organizations, such as: Human Resource Policy Development in ALSAI is guided and based on the International Standards of Supreme Audit Institutions (ISSAIs), ensuring at the same time compliance with the requirements and provisions of the general civil service framework and the Labour Code, public sector rules, procedures and other acts that regulate employment relations in Albania. As an important element of institutional management, the Human Resources Policy is an integral part of the Development Strategy of ALSAI 2018 - 2022, being represented in this Strategy with one of the Strategic objectives of the period (Objective 2.), the Human Resources Policy for ALSAI is not considered as a technical process that involves only organizational changes or a simple transfer of knowledge but is designed in the context and environment within which ALSAI operates, being presented as a long-term program that aims to contribute to sustainability and strategic institutional development.

- a. The guide for Supreme Audit Institutions "On Human Resources Management" developed by the Capacity Building Committee (CBC) of INTOSAI;
- b. “Peer Review” report, conducted by experts of the Austrian Court of Audit in 2016;
- c. DG-Budget through the European Commission Progress Reports for Albania;
- d. SIGMA assessments, through monitoring reports;
- e. SIGMA Principles and Recommendations for Public Administration Reform focused on the field of Human Resources Management;
- f. Recommendations from experts of advanced European SAIs, GAO (US Government Audit Office) and ECA (European Court of Auditors), etc.

The Human Resources Management Policy Document is in line with the Strategic Development Objectives of ALSAI for the period 2018-2022 as well as with the two strategic plans of organizations at the international level of the EUROSAI Strategic Plan 2018-2021 and the INTOSAI Strategic Plan 2017-2022 aiming at modern human resource management and identifying and meeting the long-term strategic needs of staff in line with the best international practices in the field.

*There is not a separated Human Resources Strategy, but the human resources aspect is integrated within the ALSAI Development Strategy for 2018 – 2022. In order for the HR aspect to be better represented, ALSAI should develop a separated document for Human Resource strategy where all criteria derived from SAI 12 are implemented.* The Strategy covers recruitment, retention, remuneration, performance appraisal, professional development. These aspects are covered through a combination of the strategic plan and the policy on hr. (goal 2. optimization of professional capacities, auditing skills, work procedures, logistics and other support functions. The strategy has a specific goal about the number and type of staff required for the strategic planning period. The strategy is constantly monitored and annual monitoring report are drafted and published on the ALSAI website. The strategy itself is available on line for internal and external users. The current strategy is under review with the support of IDI.

### ***Dimension (iii): Human Resources Recruitment<sup>90</sup>***

Evaluating and considering as an important factor the fair and rational management of human resources to ensure the quality of audit work, as well as the fact that human resources policies should support the maintenance and development of a qualified and competent staff, during 2021,

<sup>90</sup> Additional information is provided on Annex 6 – Scoring Sheets Domain E, SAI 22 (iii).

effective policies were implemented in terms of recruiting staff with appropriate educational qualifications and in general with experience, to perform with quality and competence the audit activity and the institutional one. Employee recruitment policies during 2021 have been applied in line with the strategy of development and management of human resources in order for ALSAI to provide the right staff with the right qualifications, skills and experience to meet coherent and perspective needs.

ALSAI applies Civil Service legal framework for recruitment, which has specific chapters for the institutions which are not part of Government (Department of Public Administration). For every recruitment procedure ALSAI publish the announcement on its webpage<sup>91</sup>. During 2021, in all recruitments, the decision making process has involved 5 persons (based on a decision of the Chairman, a Recruitment Commission has been approved) in accordance to the legal framework in force. The Human Resources Directorate has availability of all relevant data regarding vacancies, skills and competencies, and also turnover rates. Advertisements of positions during the last year included a description of the skills and experiences needed, and were made public<sup>92</sup>. Internal human resources are supplemented by outside expertise as required, based on Decision no. 61, date 09.05.2015 of the ALSAI Chairman for hiring External Experts.<sup>93</sup>

#### ***Dimension (iv): Remuneration, Promotion and Staff Welfare***

Throughout 2021, it has been taken care of the career development within the institution, considering it as an important factor that serves the best way of management and ensures the increase of the quality of the audit activity.

Currently professional development and career advancement is realized through the system of periodic evaluation of performance and individual skills, testing of knowledge from vocational training and transparent competition (just as important as the recruiting process) for leadership positions. Performance appraisal for the ALSAI employees is done with a standardized form available for all public sector employees and it is done against the job description. Remuneration decisions and any awarding of bonuses follow the rules set out in the law on civil servants and for this reason there is no evidence on the part of the SAI regarding any decision made by the SAI itself about remuneration and/or bonuses. It means that every person hired in the SAI is paid the equivalent for the positions in which that person has been hired. The amount of its salary is calculated in accordance with the relevant DCM on the matter. There is no discretion on the part of the SAI on this matter. The law on civil servants does not see the possibility for bonuses for civil servants. For this purpose, this criterion is not applicable.

Every employee of ALSAI has the right to be promoted and proof of this is every member of ALSAI's staff. The purpose of the promotion policy in ALSAI is to ensure the use of the potential of employees in line with the institutional regulatory framework and the ISSAI International Standards. In reference and implementation of international standards where a supreme audit institution must maintain and develop the professional body in function of the purpose of creating opportunities for promotion and integration of new staff during 2021, 9 tests were conducted and promotion was approved for 15 auditors and managers, while during 2020, 3 tests were conducted and promotion was approved for 7 auditors and managers, thus giving the opportunity to develop professional careers within the institution, through competition.

ALSAI, in the process of human resource management, has aimed to include gender mainstreaming in all policies, aspects, institutional activities by respecting the principle of gender equality and by aiming at the elimination of the phenomena of discrimination due to gender. Objective: ALSAI aims for the gender equality ratio to be 50% female with 50% male from 33% to 67% that was in 2011. Result: In 2021 the gender equality ratio reached 43.2% with 57% from 33% with 67% that was in

<sup>91</sup> [https://www.klsh.org.al/content\\_pdf/51](https://www.klsh.org.al/content_pdf/51)

<sup>92</sup> [https://www.klsh.org.al/content\\_pdf/51](https://www.klsh.org.al/content_pdf/51)

<sup>93</sup> For 2021, ALSAI hired a total of 20 external experts, whose field of expertise varied in different fields such as psychology, engineering, law, economics, etc.

2011. Based on the principle of gender equality, the processes of recruitment and promotion have been developed in accordance with the Civil Service Legislation by developing selection, employment and appointment procedures, including management positions, in accordance with the requirement for equal representation of females and males. The change of the female-male ratio, according to which female auditors currently make up 43.2% from 33% of the number of auditors that were in 2011, thus with an increase of 10.2%, it confirms the strategic approach of ALSAI to gender equality in the institution.

There is a practice of organizing or requesting individual meetings with the chairman and also periodic meetings with managing directors where the staff can express their views. Also Department Annual Analysis is other formal moment when opinions are shared. Depending on the issues raised management always tries to best accommodate views raised because of work related problems.

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Human Resource Function</b>	All criteria have been met, except for criterion c).  -ALSAI does not currently has a competency framework.	3
<b>(ii) Human Resources Strategy</b>	All criteria have been met, except for criterion d) - There is not a separated Human Resources Strategy, but the human resources aspect is integrated within the ALSAI Development Strategy for 2018 – 2022. In order for the HR aspect to be better represented, ALSAI should develop a Human Resource strategy where all criteria derived from SAI 12 are implemented. - ALSAI does not have indicators, baselines and targets (e.g. for turnover, vacancies and sickness rates)	3
<b>(iii) Human Resources Recruitment</b>	All criteria have been met  ALSAI applies Civil Service legal framework for recruitment, which has specific chapters for the institutions which are not part of Government (Department of Public Administration). For every recruitment procedure ALSAI publish the announcement on its webpage.	4
<b>(iv) Remuneration, Promotion and Staff Welfare</b>	All criteria have been met, except for criterion F Criterion c) is not applicable.  -ALSAI has not a staff welfare policy.	3

#### **4.5.2 SAI-23: Professional Development and Training - Score 4**

This indicator assesses how the SAI as an organisation is able to promote and ensure professional development to improve and maintain the competency of its staff. It is linked to ISSAI 12. This states that SAIs should promote continuing professional development that contributes to individual, team and organisational excellence. It assesses four dimensions”:

- (i) Plans and Processes for Professional Development and Training
- (ii) Financial Audit Professional Development and Training
- (iii) Performance Audit Professional Development and Training
- (iv) Compliance Audit Professional Development and Training

***Dimension (i): Plans and Processes for Professional Development Training:***

ALSAI has approved the Professional Development and Training Plan for 2021, with the decision of ALSAI chairman no. 14, dated 08.02.2021 "Integrated Professional Development Program" for ALSAI, as well as the Action Plan during its implementation. Referring to the recommendations of the European Union and the Resolution of the Albanian Parliament, the ALSAI chairman has approved the action plan, in implementation of which relevant trainings were conducted such as: IT training program "IDEA" held in November 2021; Training program on Financial Audit conducted in November 2021, on Performance Audit and on IT Audit conducted in December 2021. Integrated professional development plans and training programs during their implementation, have focused on the introduction and recognition of new staff, newly recruited with the legal framework, audit standards, audit manuals, Regulation of Audit Procedures, the general audit field where ALSAI operates, etc. During 2021, the Directorate of Methodology and Development, periodically received information from the Directorate of Human Resources, on the recent recruited staff, and based on the data of the training register, identifies the audit staff with experience in ALSAI up to 1 year, in order to organize trainings dedicated to this category of auditors. During 2021, two trainings were organized with new auditors, attended by 21 recently recruited auditors.

In the Action Plan on the implementation of the Integrated Professional Development and Training Program, it is foreseen to conduct monthly trainings according to specific programs provided by the internal capacities of ALSAI. For this reason, the list of internal trainers of ALSAI has been approved by the Chairman of ALSAI. In-house trainings are planned to be conducted on SAI policies, procedures and processes. During 2021, trainings were conducted for all audit manuals, such as the Financial Audit Manual, Compliance Audit Manual, Performance Audit Manual, IT Audit Manual, Quality Management Guide, trainings on CAAT techniques in auditing "IDEA Program", etc.

The Integrated Professional Development and Training Program for 2021 has been drafted in accordance with the Human Resources Strategy, based on the results of the analysis. In order to fulfil the objectives referred to the Strategic Plan of ALSAI, 2018-2022 approved by the Decision of ALSAI Chairman no. 228, dated 31.12.2017 "On the approval of the human resources policy document of ALSAI", Goal no. 2 "Optimization of professional capacities, auditors' skills, work procedures, logistics and other support functions"; In accordance with the SAI Performance Measurement Framework, as well as with the tasks defined in the action plan approved by the ALSAI Chairman, in implementation of the recommendations addressed to ALSAI by the European Union, Resolution of the Parliament on the performance of ALSAI 2020, etc. ALSAI, has procedures for the selection of staff to participate in training. The selection is based on the needs of ALSAI, to increase professional capacity in order to conduct the highest quality audits, and taking into account the individual needs of auditors. We must first emphasize that the preparation of the annual training program (definition of training topics), refers to the departmental needs, because before drafting the annual program, the information is required from each department based on the needs for professional capacity building. In the selection of staff and their participation in relevant training we relied on the following criteria: In selecting staff to participate in the trainings, the determinations made by the directors of the departments have been taken into account, as due to a continuous interaction with the staff they manage, they know better the professional capacities of the auditors and the needs for their growth.

-*Participation in trainings* is defined referring to the division into three categories on staff selection in providing knowledge, namely: the first category of new recruited and new auditors; auditors with experience from 1-3 years and auditors with experience over three years.

-*Participation in trainings* also refers to the individual requirements of auditors, based on self-assessment;

- *Participation in trainings* was conducted also referring to academic education and profiling in the field of auditing.

ALSAI has identified the "professional teams" or "cadres" of the audit that it must conduct in order to fulfil its mandate. This was realized throughout the period, as the career system within ALSAI was followed, based on results and performance at work. In this way the selection of teams as well as their leaders is based on their performance; education; Internal qualifications organized by ALSAI and external ones organized by counter-part institutions and international professional organizations, but

also trainings, qualifications in various fields performed individually by them. There are mechanisms in place to monitor and evaluate the outcome of professional development and staff training. There are several mechanisms to monitor the outcome of professional development such as:

- Supervision of the audit staff during the audit process, as the main process where they demonstrate the acquired knowledge. This oversight is performed by the heads of the audit teams; senior audits and directors of relevant departments;

- Mentoring of new recruited (job training)* and new audit staff, by experienced auditors and professional competencies;

- Control and quality assurance*, is a link which makes an assessment of the quality of audits, implementation of standards, implementation of audit procedures. This is accomplished through quality assurance control in the "hot" (during the audit process) and in the cold after evading audit reports. Results generated by this chain, which includes audit departments; The Directorate of Standards and Quality Assurance, the General Director, are indicators of the effectiveness of professional programs provided to staff;

- *Assessment of staff performance*, twice a year, where one indicator is participation in training and implementation of the indicator set out in the Institution for Institutional Development.

However, in the annual Integrated Professional Development Programs, there is not a detailed planning the SAI non audit staff. Due to this fact, no internal trainings dedicated to non-audit staff have been conducted.

#### ***Dimension (ii): Financial Audit Professional Development and Training***

Responsibilities for professional development are addressed to persons with appropriate experience and sufficient authority within the SAI. The responsibility is assigned to persons with proper professional training and experience in the field of finance, but also with deep knowledge of auditing standards, methods and techniques, etc. Training programs have been developed taking into account the requirements for the appropriate competencies for different levels of staff in financial auditing. In the Integrated Professional Development and Training Program, trainings are provided taking into account the level of staff. Thus, for the new and newly recruited staff, the trainings are focused on providing general knowledge on the recognition of ISSAI/ IFPP-200-299 "Principles of financial audit"; Financial audit manual; Regulation of ALSAI audit procedures, while for experienced auditors and qualifications in the field of finance and accounting, trainings were conducted for the legal framework and preparation of financial statements; ISA (IFAC) - ISSAI / IFPP (INTOSAI) on the audit of financial statements and independent auditor reporting, as well as the auditor's opinion on the financial statements. An appropriate professional development plan has been developed and implemented for the financial audit staff. Professional development for financial audit staff is based on: their individual requirements; in departmental needs; in their academic profile (education); in institutional requirements and objectives, in recommendations on increasing and improving the quality of financial audits; in performance at work etc. The plan for professional development and training in financial auditing has covered:

- Internal training on auditing standards and procedures of ALSAI*: A series of trainings have been conducted on financial auditing standards such as ISSAI 200-299, Financial Audit Manual (ISSAI-2000-2899), as well as on best practices, etc.

- Through supervision during the audit process, by the heads of the audit teams*: Senior Audits and Directors of Departments. This process needs improvement, in order to better coordinate the oversight chain. of particular importance is the timely evaluation by the heads of the Periodic Information departments, the orientation and advice of the auditors for the successful implementation of the audit directions, the implementation of the standards and the regulation of the audit procedures.

- Professional or academic training / membership in relevant professional or academic bodies*: All audit staff of ALSAI is part of the process of continuous professional development. (addressed in compliance audit, dimension iv)

- All audit staff of ALSAI, is part of the process of continuous professional development. (addressed in compliance audit, dimension iv)*

**Dimension (iii): Performance Audit Professional Development and Training**

Responsibilities for professional development are addressed to persons with appropriate experience and sufficient authority within the SAI. Responsibility is assigned to persons with proper professional training and further, as well as experience in various fields, taking into account the specifics of performance auditing compared to other types of audits. Professional development in all its forms (internal training, external training, mentoring, etc.) is addressed to experienced auditors, professional training prominent in relevant fields. Training programs have been developed taking into account the requirements for the appropriate competencies for different levels of staff in performance auditing. In the Integrated Professional Development Program, training is provided taking into account the level of staff. Thus, for the new and newly recruited staff, the trainings conducted focused on providing general knowledge which are based on the recognition of ISSAI / IFPP-300-399 "Principles of performance auditing"; Performance audit manual; Regulation of ALSAI audit procedures, while for experienced auditors trainings have been developed with centred focused in ISSAI 3000-3899; Best practices; presentation (as a way of training) by the most experienced auditors with appropriate professional competencies in performance audits. An appropriate plan for professional development has been developed and implemented for the performance audit staff, taking into account its specifics, as well as the objectives and sub-objectives of the ALSAI. During 2021, in addition to the auditors of the Performance Department, two or three auditors from other departments were part of the training programs on performance auditing, in order to increase the capacity in performance audits. This has served the fulfilment of the strategy indicator, "development of joint performance audits, by the Performance Department with other audit departments". During 2021, the Performance Audit Manual underwent a revision due to some issues it reflected during implementation (*evaluation phase/audit evidence*). Thus, in December, the training of auditors of the Performance Audit Department was carried out, as well as auditors from other departments, to get acquainted with the innovations brought by the Performance Audit Manual approved by the Chairman of ALSAI with Decision no. 196, dated 26.11.2021. Also, this training is in fulfilment of the recommendation of the Albanian Parliament (Resolution on the performance of ALSAI year 2020). I. The professional development plan and training in performance auditing has covered:

-*Internal training on auditing standards and procedures of ALSAI*: A number of trainings have been conducted on performance auditing standards such as ISSAI 300, Performance Audit Manual (ISSAI-3000), as well as on best practices, etc.

-*Through supervision during the audit process, by the heads of the audit teams*: Senior Audits and Directors of Departments. This process still needs to be improved, in order to better coordinate the professional competencies of auditors with the respective audits, as well as to improve the role of the supervisory chain for controlling and monitoring the quality of audits;

-*Vocational or academic training/membership in relevant professional or academic bodies*: SAI auditors are trained and certified by various professional organizations. All audit staff of ALSAI is part of the process of continuous professional development. (*addressed in compliance audit, dimension iv*)

-*Continuous professional development*: (*addressed in compliance audit, dimension iv*)

**Dimension (iv): Compliance Audit Professional Development and Training**

Responsibilities for professional development are addressed to persons with appropriate experience and sufficient authority within the SAI. Responsibility is assigned to persons with appropriate professional training and experience in the field of compliance auditing. With good knowledge of the legal framework, including rules, agreements, contracts, etc. which will serve as criteria for evaluation. Training programs have been developed taking into account the requirements for appropriate competencies for different levels of staff in compliance auditing. In the Integrated Professional Development Program, training is provided taking into account the level of staff. Thus for the new and newly recruited staff, the trainings conducted focused on providing general

knowledge which focused on the recognition of ISSAI / IFPP-400-499 "Compliance Audit Principles"; ISSAI / IFPP 4000-4899; Regulation of ALSAI audit procedures, while for experienced auditors trainings were conducted with focus on the above of Compliance Audit Manual; ISSA-4900; Best practices; presentation (as a way of training) by the most experienced auditors with appropriate professional competencies in compliance audits. An appropriate professional development plan has been developed and implemented for compliance auditing staff. ISSAI 100 "Basic principles of public sector auditing" are included in the training programs; ISSAI 400 "Basic Principles of Compliance Auditing"; ISSAI 4000 "Compliance Auditing Standards"; Compliance audit manual as well as best practices. Compliance audit training is extended to almost all audit staff because elements of compliance are found in other types of audits, and this type of audit is practiced in almost every audit department.

The professional development plan and training in compliance auditing has covered:

- *Internal training on auditing standards and procedures of ALSAI*: A number of trainings have been conducted on compliance auditing standards such as ISSAI / IFPP 400-499, Compliance Audit Manual (ISSAI / IFPP-4000-4899), ISSAI / IFPP 4900, as well as on best practices, etc.

- *Through supervision during the audit process, by the heads of the audit teams*: Senior Auditors and Directors of Departments. This process still needs to be improved, in order to better coordinate the professional competencies of auditors with the respective audits, as well as to improve the role of the supervisory chain for controlling and monitoring the quality of audits;

- *Vocational or academic training / membership in relevant professional or academic bodies*: All audit staff of ALSAI is part of the process of continuous professional development.

Currently, in ALSAI, 19 auditors have the certificate of Internal Auditor; 12 auditors have the Certificate of Real Estate Valuation; 9 auditors have training certificates by IDI (INTOSAI Development Initiative).

- 6 auditors are certified as certified public accountants; 1 auditor has a CIPFA certificate in public accounting; 1 auditor has a "Certified Public Accountant" CPA certificate; 20 auditors have participated in internship program in the European Court of Auditors (ECA); and 6 auditors have participated at the Fellowship program at the US Audit Office – GAO.

- **ALSAI has provided opportunities** for the implementation and timely distribution of training, depending on the circumstances and the workload. During 2021, auditors have had the opportunity to qualify and train, and at the same time to perform audit tasks and objectives. Professional development and training in ALSAI during 2020 and 2021, is offered in all the following ways:

- ✓ In-house training provided by in-house trainers
- ✓ Inner training provided by external trainers (ASPA)
- ✓ External training
- ✓ E-learning
- ✓ on job trainings
- ✓ Continuous education
- ✓ participations in audit presentations
- ✓ participation in professional organizations;

#### **Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Plans and Processes for Professional Development and Training</b>	<p>Criteria a), b), c), e), g) have been met</p> <p>Criteria d) and f) have not been met.</p> <p>A system for professional development of non-audit/control staff with clearly assigned responsibilities is not developed, Appropriately tailored competency requirements and a plan for</p>	3

	professional development for non-audit/control staff is not developed based on identified needs, and implemented.	
<b>(ii) Financial Audit Professional Development and Training</b>	<p>All criteria have been met</p> <p>An appropriate professional development plan has been developed and implemented for the financial audit staff.</p> <p>Professional development for financial audit staff is based on: their individual requirements; in departmental needs; in their academic profile (education); in institutional requirements and objectives, in recommendations on increasing and improving the quality of financial audits; in performance at work etc.</p>	4
<b>(iii) Performance Audit Professional Development and Training</b>	<p>All criteria have been met</p> <p>The professional development plan and training in performance auditing has covered:</p> <ul style="list-style-type: none"> <li>-<i>Internal training on auditing standards and procedures of ALSAI:</i> A number of trainings have been conducted on performance auditing standards such as ISSAI 300, Performance Audit Manual (ISSAI-3000), as well as on best practices, etc.</li> <li>-<i>Through supervision during the audit process, by the heads of the audit teams:</i> Senior Audits and Directors of Departments. This process still needs to be improved, in order to better coordinate the professional competencies of auditors with the respective audits, as well as to improve the role of the supervisory chain for controlling and monitoring the quality of audits;</li> <li>-<i>Vocational or academic training/membership</i> in relevant professional or academic bodies: SAI auditors are trained and certified by various professional organizations. All audit staff of ALSAI is part of the process of continuous professional development. (<i>addressed in compliance audit, dimension iv</i>)</li> <li>-<i>Continuous professional development:</i> (<i>addressed in compliance audit, dimension iv</i>)</li> </ul>	4
<b>(iv) Compliance Audit Professional Development and Training</b>	<p>All criteria have been met</p> <p>The professional development plan and training in compliance auditing has covered:</p> <ul style="list-style-type: none"> <li>-<i>Internal training on auditing standards and procedures of ALSAI:</i></li> <li>- <i>Through supervision during the audit process, by the heads of the audit teams:</i></li> <li>- <i>Vocational or academic training / membership in relevant professional or academic bodies:</i></li> </ul> <p>Currently, in ALSAI, 19 auditors have the certificate of Internal Auditor; 12 auditors have the Certificate of Real Estate Valuation; 9 auditors have training certificates by IDI (INTOSAI Development Initiative).</p> <ul style="list-style-type: none"> <li>- 6 auditors are certified as certified public accountants; 1 auditor has a CIPFA certificate in public accounting; 1 auditor has a "Certified Public Accountant" CPA certificate; 20 auditors have participated in internship program in the European Court of Auditors (ECA); and 6 auditors have participated at the</li> </ul>	4

	Fellowship program at the US Audit Office – GAO.	
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## 4.6 Domain F: Communication and Stakeholder Management<sup>94</sup>

ISSAI 12 identifies one of the SAI's main objectives as demonstrating its relevance to stakeholders and SAI should communicate with stakeholders to ensure understanding of the SAI's audit work and results. The following table provides an overview of the dimension and indicator scores:

Domain F: Communication and Stakeholder Management		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-24	Communication with the Legislature, Executive and Judiciary	4	4	4	4	4
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	4	4			4

### 4.6.1 SAI-24: Communication with the Legislature, Executive and Judiciary - Score 4

SAI 24 seeks information on the existence of a current strategy to regulate communications at levels for the SAI. It also explores the status of communications channels and their effectiveness with a range of other interested parties. The outputs from an SAI are reports. Their content needs to be made available in a coherent way to those who will be expected to have an interest or are mandated to act upon the content of these reports. This indicator has four-dimensions<sup>94</sup>:

- (i) Communications Strategy.
- (ii) Good Practice Regarding Communication with the Legislature.
- (iii) Good Practice Regarding Communication with the Executive.
- (iv) Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.

#### *Dimension i: Communications Strategy*

In order to strengthen the communication and cooperation, ALSAI has approved the Development Strategy 2018 - 2022 aiming to convey to the citizens, Parliament and other stakeholders the results and the benefits of the supreme audit institution on improving governance, through fighting against corruption. ALSAI's clear communication policies focus on increasing public trust and social inclusion through:

- promoting a better understanding of ALSAI's role and responsibilities in the public sector and society;
- exploring ways to gain the understanding and support of the public;
- making professional, objective and impartial information accessible to all stakeholders.

In its development strategy, ALSAI has clearly defined the stakeholders and the importance they have for the fulfilment of its constitutional mission and the interaction in order to increase the transparency and accountability of the public funds. Multidimensional and an effective relationship with the stakeholders rely on the fundamental principle of preserving the institutional independence and ALSAI's stakeholders are defined as follows:

1. Albanian citizens
2. Parliament of Albania
3. President of the Republic of Albania
4. Civil society
5. Media
6. Professional Associations
7. academic environment and universities
8. EU Delegation in Albania, General Directorate of Budget of European Commission, SIGMA Programme and United States Agency for International Development.

<sup>94</sup> Additional Information is provided in Annex 7 Scoring sheets – Domain F.

In relation with the stakeholders ALSAI<sup>95</sup> follows the principle of "Partnership with the Citizen and Open Government". The main messages that ALSAI intends to convey through communication with stakeholders are providing professional, clear, impartial and timely information on the effective, efficient and economical use of public funds, public and state properties, the development of an appropriate financial management system, the proper conduct of administrative activities through the publication of its reports. ALSAI has established the communication strategy in line with the strategic plan. Monitoring of the communication strategy 2017 -2019 in the first half of 2020 and every six months is reported in the monitoring report of the development of the strategy of ALSAI 2018 - 2022. Monitoring reports are also published on the official website of ALSAI. Many of the reports published by various organizations use the findings and recommendations of ALSAI and reports from relevant international organizations and stakeholders in Albania show their appreciation about the way our SAI is communicating.

In order to achieve an effective communication, ALSAI has set the following objectives:

- Increase ALSAI's public profile and the understanding of mission, vision and its role in society, aiming to strengthen the trust of the citizens to the institution;
- Increase of external tools of communication with citizens and various groups of interest in order to increase the level of public awareness;
- Promoting the results of the ALSAI's audit to convey to the public the results and benefits of the institution in improving governance, through the fight against corruption;
- Increase the communication and interaction of ALSAI with the citizen, through the active participation of citizens in activities and round tables;
- Consolidation of the participation of ALSAI auditor in the opinion-giving in the print media and gradually move towards giving an opinion on TV shows;
- Increase of internal communication in the institution and the exchange of information between directorates and audit departments.

The tools and approaches used by ALSAI for a successful communication with the stakeholders are focused on:

- publication of audit reports on the official website ensuring the unrestricted access of citizens to get acquainted with the audit activity of ALSAI;
- publication of the annual performance Report of ALSAI and the report on the budget execution
- publication of press releases and other relevant information about the audit and institutional activities;
- make available for the public the legal basis and the different strategies related to the institutional development and methodical basis for conducting ALSAI audits;
- publication of professional ethical standards related to the integrity of ALSAI auditors and staff on the official website
- handling requests and complaints of citizens which focus on the activity of central institutions that use state funds and provide services to citizens;
- organizing an open week for citizens in which they have the opportunity to get acquainted with the audit and institutional activity of ALSAI;
- effective communication with the parliament through the submission of all audit reports which are of high public interest and contribute to the promotion and improvement of the country's socio-economic reforms aiming Albania's European integration.
- signing agreements with law enforcement institutions in order to contribute in the fight against, corruption, fraud, waste and abuse;
- signing memorandum of cooperation with homologue institutions, universities and NGO for the purpose of mutual exchange of information and experience.

Since the communication Strategy 2017-2019 has expired ALSAI's Development Strategy expires by the end of 2022 ALSAI with the assistance of SIGMA is currently working on the development of a new communication strategy 2022 -2025.

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<sup>95</sup> Sometimes referring to ALSAI as High State Control (ALSAI)

**Dimension ii: Good Practice Regarding Communication with the Legislature**

ALSAI, as an independent constitutional institution, is aware of its crucial role on informing the Albanian Parliament, considering it as one of the most important stakeholders. ALSAI achieves effective information of the parliament about the use of the public funds through:

- submission to the parliament of annual performance report and the report on budget execution; With its annual performance report<sup>96</sup>, ALSAI informs the parliament about the audit and institutional activity performed in the previous year, acquainting it also with the objectives on which its activity will be based in the current year.

- In order to fulfill its constitutional obligation<sup>97</sup> and based on its audits, ALSAI through its report on budget execution submitted to the parliament:

- a. gives an opinion about the report of the Council of Ministers on the budget implementation for the previous year.

- b. informs the parliament about the assessment made for violations of normative acts, with consequent material irregularities and financial damages during the administration of public funds, on the basis of review of official documents, written or electronic, as well as the required information that is considered necessary and sufficient to carry out the audit process.

- periodically submission to the parliament of all audit reports even though this is not mandatory required by law;

- periodically submits to the parliament<sup>98</sup> the reports on the follow up of the recommendations;

- updates the Parliament with information via electronic platform regarding the follow up of the audit recommendations given to the central government institutions and their subordinate units; In order to institutionalize its relation with the parliament, ALSAI has approved the document "Guide for the institutionalization of the relation between ALSAI and the parliament"<sup>99</sup>. This is intended to be achieved through:

- Signing of a memorandum of understanding between the two institutions in order to strengthen the parliamentary follow up for ALSAI's recommendations and to work out a concrete agenda for their implementation.

- based on the progress reports of the European Commission which recommends the increase parliamentary scrutiny of audited bodies in the implementation of external audit recommendations, through more frequent parliamentary hearings and the establishment of a parliamentary monitoring framework to regularly assess government's follow-up action ALSAI has proposed to the parliament<sup>100</sup> the establishment of a parliamentary subcommittee to review the activity of ALSAI.

- based on the periodic reports that submits to the Parliament ALSAI has request from the parliamentary commissions to conduct hearings with the audited entities regarding implementation of the recommendations of ALSAI.

- In addition to the resolution that the Parliament approves for ALSAI's activity, the Albanian Supreme Audit institution will recommend to the Parliament the approval of a resolution for the government with the aim of implementing the recommendations of ALSAI.

ALSAI has been active in providing its opinion regarding the new Strategy of the parliament's administration by presenting its proposals for the amendments of legal act that regulate the reporting of independent institutions at the Albanian Parliament.

The proposals for the amendments of the decision no. 49/2017 "On the annual and periodic reporting and inter-institutional mechanism for the follow up of the independent institutions recommendations" have been submitted and are being reviewed by parliament. The process will be

<sup>96</sup> Article 31/3 of the Law 154/2014 "On the organisation and functioning of the High State Control "

<sup>97</sup> Article 164 of the Constitution of the Republic of Albania

<sup>98</sup> Decision of the Chairman of the parliament no. 134/2018 "On the approval of the annual and periodic monitoring manual"

<sup>99</sup> <https://panel-klsh.almotech.co/storage/php5DLGTZ.pdf>

<sup>100</sup> Albania Report 2020

*concluded within 2022 and is expected to intensify and regulate the periodic reporting and inter-institutional mechanism for the follow up of the independent institutions recommendations.* There have been sent 57 audit reports in the Parliament during 2021. ALSAI in March 2021 has submitted to the Parliament the Performance Report 2020 and in October 2021 the report on the execution of the Budget for 2020. Also in April 2021, ALSAI has submitted the report on the implementation of the recommendations recommended by ALSAI in the first half of 2020. Every four months ALSAI reports on the implementation of the recommendations recommended in the audits of the previous year. Also, ALSAI sends all individual audit reports to the Parliament. (Performance audit report and statistical bulletin)

***Dimension iii: Good Practice Regarding Communication with the Executive***

The law no. 154/ 2014 defines the communication with the audited entities which are part of the central and local self-government. Based on article 32 of the ALSAI's organic law, ALSAI submits the relevant audit reports to the audited entities. The Chairman of ALSAI, with regard to sensitivity and importance of the topic, decides whether it is necessary to submit these reports to the President of the Republic, the Prime Minister, the Speaker of the parliament, the parliamentary committees or the Minister of Finance. When deemed necessary, ALSAI submits to the Council of Ministers reports, studies and other materials related to the Council of Ministers, ministries and other central institutions as happened with several audit reports. In 2021, 57 audit reports were submitted to Parliament.

Also, twice a year ALSAI submits to the Minister for the Relation with the Parliament its reports on the follow up on the audit recommendations.

ALSAI has signed a memorandum of cooperation with the Ministry of Finance and Economy (MFE) and based on this document ALSAI and MFE have established a joint secretariat which meets periodically discussing on the implementation of the audit recommendations. The Law no. 154 / 2014 "On the Organization and Functioning of the Supreme State Audit" set the grounds for the independence of the SAI from the executive which works in a bidirectional way. Meaning that the SAI is independent from interference from the executive and also that the SAI should not be involved or be seen to be involved, in any manner, in the management of the organizations they audit. This rule applies for example in the case of a former employee of an entity that is currently employed in the SAI. Unless there have passed at least 3 years from the auditor cannot audit the same entity he/she was employed before. This is in order to avoid any possible involvement whatsoever.

ALSAI informs the audited entity about the audit process since the first meeting with the audited entity representatives and later on through the audit program in which is described what to expect during the audit, the audit methodology and the issues to be audited, the audit period and the audit deadline. The audited entities, based on the law of ALSAI, within 20 days compile an action plan for accepting or not accepting the recommendations and within six months send the status of implementation of the recommendations. Also several meeting (as per Regulation of Audit procedures) are conducted during and after the audit, between ALSAI representatives and auditees to discuss the conclusions.

***Dimension iv: Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.***

According to the Strategic Plan 2018-2022, ALSAI is engaged in being active and productive in the fight against corruption by particularly supporting and undertaking several activities in every inter-institutional initiative here in Albania and abroad.

The cooperation of ALSAI in the fight against corruptive activities has followed a comprehensive philosophy by undertaking the initiative of signing several agreements such as the one with the Special Structure of Anti-Corruption on October 19, 2020, the General Prosecutor on September 24, 2020 and the Institution of the Declaration of Assets and the Conflict of Interest on October 26, 2018. The purpose of these agreements is to increase the cooperation between the institutions, in areas of common interest, strengthening the role and increasing the impact of the activity of both

institutions, in detecting and preventing corruption and abuses of public funds by the public administration. In 2021, 14 audit reports were submitted to the Prosecution Office.

ALSAI is committed to continue taking on an effective role in strengthening good governance, enforcing ethical standards, and raising awareness of the risk of fraud and corruption. The main function of ALSAI in the fight against corruption is to promote a preventive environment against fraud and corruption, including financial management systems, evaluation of internal control systems, and the identification and correction of deficiencies. ALSAI supports with expertise, law enforcement institutions every time this is required of them.

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Communications Strategy</b>	All criteria have been met.  ALSAI has a communication strategy for the period under review and it's currently working with SIGMA for the draftin of the new one. .	4
<b>(ii) Good Practices Regarding Communication with the Legislature</b>	All criteria have been met  ALSAI maintains continuous communication with the legislature through the submission of the compulsory reports and also other relevant reports and information regarding recommendations to relevant commissions in Parliament.	4
<b>(iii) Good Practices Regarding Communication with the Executive</b>	All criteria have been met  ALSAI has established good communication practices with the executive that are stated in the Law no 154/204 and also in internal regulation relating the management of the audit process, et alia.	4
<b>(iv) Good Practices Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies</b>	All criteria have been met  -Even though the cooperation of ALSAI in the fight against corruptive activities has continuously followed a comprehensive philosophy by undertaking the initiative of signing several agreements with Judiciary and/or Prosecuting and Investigating Agencies, ALSAI is committed to continue taking on an effective role in strengthening good governance, enforcing ethical standards, and raising awareness of the risk of fraud and corruption	4

#### **4.6.2 SAI-25: Communication with the Media, Citizens and Civil Society Organisations – Score 4**

This indicator assesses the extent to which the SAI reaches out to the wider public through the media and civil society to inform about its role and the results of its work. It has 2 dimensions”:

- (i) Good Practices Regarding Communication with the Media.
- (ii) Good Practices Regarding Communications with the Citizens and Civil Society Organisations.

ALSAI engages media for press conferences during the issue of major reports like performance audit report. Press releases are also shared with the media and uploaded on the ALSAI website<sup>101</sup>. Short versions of Annual Audit Reports summarizing the audit findings and making it easier for citizens to understand the main findings, are made public via ALSAI website<sup>102</sup>. ALSAI has set up the position of the spokesperson for the press in its structure, which monitors the presence of ALSAI in print and audio-visual media

### ***Dimension (i): Good Practices regarding Communication with the Media***

The Communication of ALSAI with the media is regulated by the law “154/2014 On the Organization and Functioning of the Supreme State Audit”, third objective of ALSAI's Development Strategy 2018-2022 and the law no. 119/2014 “Law on the right to information”.

Even though the communication policy of ALSAI does not foresee holding press conferences to launch ALSAI's annual report, in fact within march of each year, ALSAI holds its annual activity performance analyses, where its annual report is launched, part of which is also the presentation of the most important and sensitive audits for the last year. Media is invited to follow this activity.

Also the media is informed about the results of ALSAI audits through the publication on the official website of the press release as well as the publication of each audit report. The press release is made public for all types of audits such as compliance, financial IT audits, and performance audits<sup>103</sup>.

On the last 10 years, there has been noticed a high interest of media on audit work of ALSAI. For the year 2021 the findings and recommendations of ALSAI have been subject of 262 articles in the print media. Online media and audio-visual media have also reported on ALSAI audit reports on about 400 articles and television chronicle.

Based on the law no. 119/2014 “Law on the right to information”, when required, ALSAI submits to the media its audit reports and specific information for any topic of interest related to the audit.

ALSAI has set up the position of the spokesperson for the press in its structure, which monitors the presence of ALSAI in print and audio-visual media. The summary of the daily press is forwarded to the managerial level and the auditors to get acquainted with the media reporting on the work of ALSAI and other articles which can serve as starting information for planning audit work on topic of high interest for the general public.

Taking into consideration the importance of the media for the transmission to the public of the audit messages as well as the findings and recommendations, ALSAI has signed a cooperation agreement with the representatives of the Monitor magazine and Economy magazine.

### ***Dimension (ii): Good Practices regarding Communication with Citizens and Civil Society Organisations***

Citizens in the role of taxpayers are the main stakeholder for ALSAI and their timely, professional, and impartial information has been the main focus of ALSAI communication policies. Based on ALSAI's organic law and in the law no. 119/2014 “On the right to information” it is made available in ALSAI's official website for the citizens and all stakeholders the following information:

1. Mission and vision of ALSAI
2. a brief history of institution
3. The organization structure of ALSAI
4. The legal basis of ALSAI
5. The Code of Ethics
6. The development strategy 2018-2022, its action plan and all the monitoring plans
7. Audit standards and methodologies (including all types of audit manuals)
8. All ALSAI's Activity reports per each year after submission to Parliament
9. All annual Budget Execution Reports

<sup>101</sup> Press Release: [https://www.klsh.org.al/content\\_pdf/49](https://www.klsh.org.al/content_pdf/49)

<sup>102</sup> [https://www.klsh.org.al/cat\\_list/13](https://www.klsh.org.al/cat_list/13)

<sup>103</sup> For the year 2021 the press releases can be find under the following link  
[https://www.klsh.org.al/content\\_pdf/49](https://www.klsh.org.al/content_pdf/49)

10. Each annual Audit Plan
11. Monthly audit plans
12. All audit reports grouped per each type of audits (regularity; performance and IT audits)
13. Press releases
14. Periodic statistical bulletins
15. ALSAI's vacancies
16. Information about different cooperation of ALSAI with public institutions, NGO-s, homologue SAI-s, universities and other relevant institutions, etc

ALSAI has also pursued an open policy for handling the requests and complaints of citizens. All the data on the handling of citizens' requests and complaints are part of ALSAI's annual performance report.<sup>104</sup>

ALSAI's open policy with the citizens also involves the "open week" once a year, in which the citizens have the opportunity to get acquainted with the history of ALSAI and its audit activity, and also have the opportunity to visit the premises of the institution.

Cooperation with civil society is considered of high importance to ALSAI as it has served to absorb and share information that is relevant and important for planning and conducting audits. From 2012 to 2021, ALSAI has signed 37 Memorandum of Understanding with NGO-s and public and private universities. The purpose of these cooperation agreements is to exchange information and develop trainings in the areas of competence of ALSAI and the latter. On the other hand, NGOs' reports over the years have made reference to information received from ALSAI's audit report<sup>105</sup>. From the "Trust in Governance 2020" Opinion Poll edition<sup>106</sup> conducted in November and December 2020 as a collaboration between UNDP, Austrian Development Cooperation Fund and Institute for Democracy and Mediation, resulted that the Albanian population surveyed tended to believe that the most effective domestic accountability mechanism is the Albanian Supreme State Audit Institution (60.7%), followed by the media (52.8%), parliament (48.1%), civil society (44.8%), and the Ombudsman (44.3%)<sup>107</sup>.

### Assessment Findings and Observations

Dimension	Findings	Score
<b>(i) Good Practices regarding Communication with the Media</b>	<p>All criteria have been met</p> <p>Based on the law no. 119/2014 "Law on the right to information", when required, ALSAI submits to the media its audit reports and specific information for any topic of interest related to the audit.</p> <p>ALSAI has set up the position of the spokesperson for the press in its structure, which monitors the presence of ALSAI in print and audio-visual media. The summary of the daily press is forwarded to the managerial level and the auditors to get acquainted with the media reporting on the work of ALSAI and other articles which can serve as starting information for planning audit work on topic of high interest for the general public.</p>	4

<sup>104</sup> ALSAI Annual performance report 2020, page 93

<sup>105</sup> <https://ahc.org.al/wp-content/uploads/2021/01/Vleresimi-i-te-Drejtave-te-Njeriut-dhe-Shtetit-te-se-Drejtes-teksa-Shqiperia-kryeson-OSBE-ne.pdf>

<sup>106</sup> [https://www.al.undp.org/content/albania/en/home/library/democratic\\_governance/trust-in-governance-opinion-poll-2020.html](https://www.al.undp.org/content/albania/en/home/library/democratic_governance/trust-in-governance-opinion-poll-2020.html)

<sup>107</sup> <file:///C:/Users/ajonuzi/Downloads/Trust%2520in%2520Governance%25202020%2520-%2520Opinion%2520Poll%2520Report.pdf>

<b>(ii) Good Practices regarding Communication with Citizens and Civil Society Organisations</b>	<p>All criteria have been met</p> <p>Cooperation with civil society is considered of high importance to ALSAI as it has served to absorb and share information that is relevant and important for planning and conducting audits. From 2012 to 2021, ALSAI has signed 37 Memorandum of Understanding with NGO-s and public and private universities.</p>	4

## Chapter 5: SAI Capacity Development Process

### 5.1 Recent and On-going Reforms

Since 2014, ALSAI has been involved in major initiatives aimed at capacity development. Institutional and professional capacity building of staff has been in the focus of ALSAI's management policies. To achieve this goal, ALSAI has promoted cooperation with counterpart international institutions. Since 2014, these institutions have contributed to the substantial changes that have undergone the legal framework, institutional development and professional development of staff.

During 2016 – 2018 period, ALSAI has benefited from IPA Twinning funds with the financing of the project "Strengthening of external audit capacities". The overall objective of this Twinning project was to contribute to the effective, efficient, transparent and accountable use of public funds, to meet the Government objectives. To reach this ambitious goal, the Twinning project intervened in terms of: revision of the way the Albanian public sector audit is organized, managed and conducted at ALSAI; continuation of the institutional reform of ALSAI aimed at enhancing its organizational and audit capacity, including human resources management, communications policies and audit work, in order to become an even more reliable institution to assess public sector accountability. The specific purpose of the project was the implementation of a modern system of Financial Management and Control (FMC) and financial inspection in public institutions of Albania.

The Twinning project was structured into three main components with the following contents:

Component 1: Improvement of legislative framework for audits;

Component 2: Development of audit methodologies and reporting capacities;

Component 3: Strengthening of ALSAI institutional capacity and improving impact of ALSAI audit results.

The project's overall objective and purpose have been reached. All mandatory results of the components and activities were achieved at a highly satisfactory level. The management and technical capacities of ALSAI have been strengthened to plan and carry out audits in line with EU and INTOSAI standards and methodologies. The results under the components had contributed to the improvement of the accountability for the use of public funds in the Albanian public administration.

In recent years, the number of concession contracts concluded by the Albanian government with private entities has increased, and the public-private partnerships have expanded more and more in providing services to citizens. In order to inform Parliament and the public about the use of public funds and the usefulness of these contracts, ALSAI has aimed to increase the professional capacity of staff to provide complete, impartial and objective assessments regarding the tendering of concession contracts and their monitoring. For this purpose, ALSAI has signed an agreement with the Swiss Embassy for the project "Strengthening the supervision of concession contracts and public private partnership in Albania" to be financed by the Secretariat of Economic Affairs of Switzerland (SECO). ALSAI is currently conducting tendering procedures in order to hire experts. These experts will train ALSAI's auditors on the legal framework of public - private partnership (PPP) and draft specific guidelines for the audit of concession and PPP contracts, and will assist auditors in specific audits that focus on these issues.

#### ***Participation of ALSAI in EUROSAT Working Groups***

ALSAI, as a member of the European Organization of Supreme Audit Institutions (EUROSAT), is a member of:

- EUROSAT Working Group on Environmental Audits;
- EUROSAT Municipal Audit Task Force;
- EUROSAT Information Technology Working Group;
- EUROSAT Working Group on Audit of Disaster Allocated Funds;
- Working Group on the first strategic objective of EUROSAT.

-Pursuant to the action plan of the EUROSAT Working Group on Environmental Audits, ALSAI has been amongst the SAs to conduct the parallel audit on the "Management of interventions in case of sudden pollution of the Adriatic Sea". The audit has been completed and the final report already been published.

-Furthermore, within the same working group, ALSAI is conducting a parallel audit on "Managing Plastic Waste". The final report of the audits performed by the supreme audit institutions of Albania, Poland, Serbia, Hungary, Malta, Northern Macedonia, Romania, Portugal, Turkey, Bulgaria and Slovakia will be approved and published during 2022.

The management of the situation created by the Covid - 19 pandemic is placed in the focus of the parallel audit of the EUROSAT Municipal Audit Task Force and ALSAI has agreed to participate in the audit on "Revenues from municipal taxes and fees to ensure quality services for citizens during the pandemic", which will be carried out in cooperation with the supreme audit institutions of Northern Macedonia, Montenegro, Poland, Romania, Turkey and Slovakia. The final report of this audit is expected to be published at the end of 2022.

In the framework of the meeting of the Working Group on IT Self - Assessment, ALSAI - as part of the member of the EUROSAT Working Group for IT Audits (ITWG) - has expressed its readiness to conduct in 2022 the self-assessment of the Information Technology structure with the support of experts of this working group. There has been a self-assessment of ALSAI IT Structure before 2016.

In the framework of the support that the National Audit Office of Sweden gives to the network of SAs of candidate / potential EU countries, in addition to the training for performance audits conducted in 6 blocks during 2021, ALSAI under the supervision of Swedish experts is conducting a performance audit on "Passenger rights in air transport" which will be completed within the first quarter of 2022.

For the Albanian SAI, fulfilling the mission and achieving its legal and institutional objectives, significantly depends on the establishment of a **competent and well - trained audit body**.

In this regard, a great emphasis is placed on the theoretical and practical competencies acquired through training, workshops, etc.

The European Court of Auditors (ECA), through its internships and the US Government Audit Office (GAO), through its fellowship program, have made a special contribution to the modernization of the audit activity and the training of SAI auditors these past years. Since 2014, 20 ALSAI auditors have been part of the ECA's internship program for a period of 5 months. The internship conceived as a process of acquiring knowledge through training and involvement in ECA audit teams has given the opportunity to ALSAI auditors to get acquainted with the entire audit process and the various techniques used for data collection and analysis. The internship is considered an efficient tool to provide knowledge on the audit of EU funds.

Another successful cooperation is the one initiated since 2012 with the Government Accountability Office of US which has continued until 2019. Six ALSAI auditors have participated in a 4 - month International Auditor Fellowship Program (IAFP) offered by GAO. IAFP is an intensive study course, with 640 hours of training, seminars and e-learning, designed to help the supreme audit institutions to increase their professional capacity and strengthen the ability of SAs to fulfill their missions in increasing accountability and transparency in governance worldwide.

During 2021, 2 ALSAI auditors have become part of the program "Professional Education of Auditors" (PESA-P). PESA-P provides training aimed at developing the competencies of auditors based on the INTOSAI Competencies Framework for public auditors of Supreme Audit Institutions.

The Albanian SAI is a member of the network of SAs of candidate and potential EU candidate countries since 2013. This network has approved the Work Plan of 2018 - 2020 which includes trainings, seminars and workshops on the following topics:

- Cooperation with Parliaments to improve the impact of the audit;

- Development of Performance Indicators;
- Reporting practices to increase impact;
- Drafting effective reports;
- Cooperation with civil society to increase understanding and influence;
- IT - IT support in the audit process and audit software (first training conducted in Tirana in 2018);
- Information technology - Audit of IT systems;
- Compliance audit;
- Performance Audit;

Currently, the Swedish SAI, a supporter of this network's activities, is currently conducting a performance auditing training for SAIs in the Western Balkans region, which includes training on:

- General knowledge of performance audits;
- Audit design;
- Performing a performance audit;

As part of this activity, ALSAI has started a performance audit " Passenger rights in air transport".

The National Audit Office of the People's Republic of China (CNAO) in cooperation with Nanjing Audit University (NAU) has offered ALSAI the opportunity for an auditor to participate in the Master Audit Program (MAud). For 2021, an ALSAI auditor has been accepted to participate in this program.

ALSAI has committed to be part of IDI initiative "Strategy, Performance Measurement and Reporting (SPMR)". As part of this initiative, ALSAI is being supported by IDI through training and expert assistance in order to conduct the self - assessment of the institution's performance using the INTOSAI Performance Measurement Framework Methodology, drafting a new Institution Development Strategy and monitoring the strategy.

## **5.2 Use of SAI Results by External Providers of Financial Support**

According to the law no.154/2014 "On the functioning and organization of the Albanian Supreme Audit Institution", article 10/dh, ALSAI is also entitled to audit users of public funds provided by the European Union or other international organizations, unless otherwise provided by special law. In order to accomplish this important task, in ALSAI there is a dedicated Audit Department of State Owned Enterprises and Foreign Investments.

In this context, ALSAI's products, are on a perpetual focus of many external providers of financial support, mainly like USAID, European Union, UN Women and World Bank. These external providers use the audit result to draft a risk map of the institutions which are risky to undertake and manage a foreign fund in delivering a project or program.

The use of ALSAI results by the external providers of financial support has been further formalized with an official agreement, in the case of World Bank. ALSAI has signed a memorandum of agreement with the World Bank to audit and certify the expenses of the foreign funded projects by state institutions, before the World Bank allocates the funds for the expenses made in implementing the respective contract.

Therefore, the external providers find at ALSAI a reliable and independent partner which aims to develop a symbiotic partnership between the Albanian Supreme Audit Institution and the external providers of financial support.

## Annex 1: Performance Indicator Summary

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
<b>Domain A</b>	<b>SAI Independence and Legal Framework</b>					
SAI-1	Independence of the SAI	4	3	4	4	4
SAI-2	Mandate of the SAI	3	4	4		4
<b>Domain B</b>	<b>Internal Governance and Ethics</b>					
SAI-3	Strategic Planning Cycle	4	3	4	4	4
SAI-4	Organisational Control Environment	4	2	4	4	3
SAI-5	Outsourced Audits	NA	NA	NA		NA
SAI-6	Leadership and Internal Communication	3	4			3
SAI-7	Overall Audit Planning	4	3			3
<b>Domain C</b>	<b>Audit Quality and Reporting</b>					
SAI-8	Audit Coverage	4	4	3		4
SAI-9	Financial Audit Standards and Quality Management	4	1	4		3
SAI-10	Financial Audit Process	2	3	2		2
SAI-11	Financial Audit Results	3	2	3		3
SAI-12	Performance Audit Standards and Quality Management	4	1	4		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	3	3	2		3
SAI-15	Compliance Audit Standards and Quality Management	4	4	4		4
SAI-16	Compliance Audit Process	2	1	3		2
SAI-17	Compliance Audit Results	3	1	3		2
SAI-18	Jurisdictional Control Standards and Quality Management					NA
SAI-19	Jurisdictional Control Process					NA
SAI-20	Results of Jurisdictional Controls					NA
<b>Domain D</b>	<b>Financial Management, Assets, and Support Services</b>					
SAI-21	Financial Management, Assets, and Support Services	3	4	4		4
<b>Domain E</b>	<b>Human Resources and Training</b>					
SAI-22	Human Resource Management	3	3	4	3	3
SAI-23	Professional Development and Training	3	4	4	4	4
<b>Domain F</b>	<b>Communication and Stakeholder Management</b>					
SAI-24	Communication with the Legislature, Executive and Judiciary	4	4	4	4	4
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	4	4			4

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## **Annex 2: Sources of Information and Evidence to Support Indicator Scoring**

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### **List of Interviewees**

The PFM Indicator Scoring has been based on interviews conducted with the managerial and administrative level as follows:

1. Mrs. Marjola Llanaj, General Director
2. Mrs. Valbona Gaxha, Secretary General
2. Mr. Gjovalin Preçi, General Secretary
3. Mr. Ryisim Xhaja, Director of State-owned Enterprises Audit Department
4. Mr. Vullnet Karafilaj, Director of Assets and Environment Audit Department
5. Mrs. Edlira Sako, Director of the Department of Human Resources
6. Mrs. Brunilda Zeneli, Director of the Department of Methodology and Development
7. Mrs. Alketa Kalleshi, Head of the Sector of Finance

### **The interviews were also conducted with the members of audit team such as:**

1. Mrs. Alketa Kalleshi, in the role of Team leader
2. Mr. Aulent Guri, in the role Team leader
3. Mrs. Artan Mirashi, in the role Team leader
4. Mrs. Klejvis Kule, in the role Team leader
5. Elda Koçani, auditor, team member
6. Mrs. Angjela Nesturi, auditor, in the role of team member
7. Mrs. Megi Kurushi, auditor, in the role of team member
8. Mrs. Joana Troqe, auditor, in the role of team member
9. Mr. Junild Hoxhaj auditor, in the role of team member
10. Mrs. Ina Sokoli auditor, in the role of team member
11. Mrs. Selime Bregu auditor, in the role of team member

### **Documents Reviewed**

- Law nr.154/2014 “On the functioning and organization of the Albanian Supreme Audit Institution”
- Rules of Audit Procedure of ALSAI
- Rules of Administrative Procedure of ALSAI
- The Code of Ethics
- The development strategy 2018-2022, its action plan and all the monitoring plans
- Audit standards and methodologies (including all types of audit manuals)
- All ALSAI’s Activity reports
- Annual Budget Execution Reports
- Annual and monthly Audit Plans
- Audit files (regularity; performance and IT audits)
- Press releases
- Periodic statistical bulletins
- ALSAI’s vacancies
- Information about different cooperation of ALSAI with public institutions, NGO-s, homologue SAI-s, universities and other relevant institutions, etc

### **Audit Files Reviewed**

- **Financial Audit**

For the financial audits, the indicator's scoring has included the review of audit files as follows:

1. Regional Tax Office, Durrës
2. Modernisation of Social Assistance in Ministry of Health

- **Performance Audit**

For the performance audits, the indicator scoring has included the review of audit files as follows:

1. Effectivity of parking in the cities roads.
2. Managing plastic waste
3. Development of Mountain Tourism

- **Compliance Audit**

For the compliance audits, the indicator scoring has included the review of audit files as follows:

1. Regional Directorate of pre-university education, Durrës
2. State Inspectorate for Market Supervision

- **Combined audits (financial and compliance)**

For the combined audits, the indicator scoring has included the review of audit files as follows:

1. Ministry of Internal Affairs
2. Ministry of Finance
3. General Directorate of Cadastre and Regional Offices

### Annex 3 Scoring sheets Domain A

SAI-2: Mandate of the SAI								
Assessment Team			Quality Control (check of facts)				Assessment Team response to Quality Control	
Dimension	CRITERIA for evaluating performance	Met or Not met	Source of Evidence	Explanation	Agree with the assessment? (yes/no)	Evidence is sufficient?	Recommendations	
(iii) Right and Obligation to Report	a) "The Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament." <i>ISSAI 1:16 (i.e. body of public representatives).</i>	<b>met</b>	<p>Law no. 154/2014 Article 31 Reporting to the Assembly</p> <p>1. The Supreme State Audit submits to the Assembly:</p> <p>a) report on the implementation of the State Budget;</p> <p>b) opinion on the report of the Council of Ministers on the expenditures of the previous financial year before being approved by the Assembly;</p> <p>c) information on the results of audits whenever requested by the Assembly;</p> <p>ç) final audit reports when deemed necessary by the President of the Supreme State Audit or when required by the Assembly.</p> <p>2. The Chairman of the Supreme State Audit may request the Assembly, the Committee on Economy and Finance, or any other committee of the Assembly, to be heard and to report on issues that he deems important in view of the activity of the his.</p> <p>3. The Supreme State Audit submits to the Assembly an annual report on its activities within the first quarter of the following year.</p>					

	b) The SAI has the right to publish its annual audit reports. <i>ISSAI 1:16</i>	<b>met</b>	<p>Law no. 154/2014 Article 34 Transparency and public information The Supreme State Audit, in respect of its legal obligation to inform the public, ensures the public nature of its work through:</p> <p>a) publication of reports submitted by ALSAI to the Assembly of Albania; b) publication of audit reports electronically; c) press conferences and other methods of information in the media; ç) publication of press releases and any other information determined by the Chairman of ALSAI; with the exception of information and materials, which constitute a state, commercial secret or are considered confidential, as provided in Articles 27 and 28 of this law.</p>					
	c) "The SAI shall also be empowered to report on particularly important and significant findings during the year." <i>ISSAI 1:16</i>	<b>met</b>	<p>Law no. 154/2014 Article 31 Reporting to the Assembly ( ... ) 2. The Chairman of the Supreme State Audit may request the Assembly, the Committee on Economy and Finance, or any other committee of the Assembly, to be heard and to report on issues that he deems important in view of the activity of the his. ( ... )</p>					

d) "SAIs are free to decide the content of their audit reports." ISSAI 10:6	<b>met</b>	Law no. 154/2014 "On the organization and functioning of the State Supreme Audit": Article 9 Audit plan 1. The Supreme Audit Institution decides independently and at any time on its action plan. 2. The Supreme State Audit, when determining its audit plan, may take into account the proposals made by other units of general government.					
e) "SAIs are free to decide on the timing of their reports except where specific requirements are prescribed in law." ISSAI 10:6	<b>met</b>	Law no. 154/2014 "On the organization and functioning of the State Supreme Audit": Article 9 Audit plan 1. The Supreme Audit Institution decides independently and at any time on its action plan. 2. The Supreme State Audit, when determining its audit plan, may take into account the proposals made by other units of general government.					
f) During the past 3 years there has been no interference in the SAI's decisions on the content of its audit reports. ISSAI 10:6	<b>met</b>	No such interference has occurred.					
g) During the past 3 years there has been no interference in the SAI's efforts to publish its audit reports. ISSAI 10:6	<b>met</b>	reports are available on line on the official website					

	<b>Criteria for scoring dimension</b>	<b>Score</b>					
	Score = 4: All of the criteria above are in place.	<b>4</b>					

	Score = 3: Criterion (a) and at least four of the other criteria above are in place						
	Score = 2: At least three of the criteria above are in place.						
	Score = 1: At least one of the criteria above are in place.						
	Score = 0: None of the criteria above are in place.						

## Annex 4 Scoring sheets Domain B

SAI -7: Overall Audit Planning								
		Assessment Team			Quality Control (check of facts)			Assessment Team response to Quality Control
Dimension II	CRITERIA for evaluating performance	Met or Not met	Source of Evidence	Explanation	Agree with the assessment? (yes/no)	Evidence is sufficient?	Recommendations	
(ii) Overall Audit Plan/Control Programme Content	<i>The overall audit plan/control programme or other similar reference documents:</i>							
	a) Defines the objective of the audit/control at a high level, as well as who has the responsibility for each audit/control to be carried out. <i>SAI PMF Task Team and derived from ISSAI 40: Element 4</i>	met						
	b) Includes a schedule for the implementation of all audits/controls. <i>Derived from ISSAI 100:48</i>	met						
	c) Demonstrates that the SAI is discharging its audit/control mandate over a relevant timeframe as scheduled in its plan/program, or, if this is not the case, includes a summary and explanation of any differences between the SAI's mandate and the audit plan/control program for the SAI. <i>SAI PMF Task Team</i>	met						
	d) Specifies the necessary human and financial resources to conduct the planned audits/controls. <i>SAI PMF Task Team and derived from ISSAI 100: 48</i>	met						

	e) Contains an assessment of risks and constraints to the delivery of the plan/programme. <i>SAI PMF Task Team</i>	not met						
	Criteria for scoring dimension		Score					
	Score = 4: All of the criteria above are in place.		3					
	Score = 3: Criteria (a), (b) and at least two of the other criteria above are in place.							
	Score = 2: At least criteria (a) and (b) are in place.							
	Score = 1: At least one of the criteria above is in place.							
	Score = 0: None of the criteria above are in place.							

## Annex 5 Scoring sheets Domain C and D

SAI-21: Financial Management, Assets and Support Services								
		Assessment Team			Quality Control (check of facts)			Assessment Team response to Quality Control
Dimension III	CRITERIA for evaluating performance	Met or Not met	Source of Evidence	Explanation	Agree with the assessment? (yes/no)	Evidence is sufficient?	Recommendations	
(iii) Administrative Support Services	<i>The SAI should have appropriate administrative support to function and maintain its assets and infrastructure effectively:</i>							
	a) Responsibility for IT support is clearly assigned and the staff tasked with this have the appropriate skill set and resources to do the job. <i>Derived from ISSAI 12:9, ISSAI 20:6, INTOSAI GOV 9100 pg. 18.</i>	met	Law 154/2014, Date 27.11.2014 "On the organization and functioning of ALSAI"; Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended., Law no. 152/2013" On civil servant amended ": Internal Regulation on the Organization and Functioning of the Supreme State Audit, approved by Decision of the Chairman of KLSH 53, dated 16.04.20212, as amended	There is specific directory which deals with IT Support with the appropriately skilled staff to fo the job. <a href="https://panel-klsh.almotech.co/storage/phpVv4LhM.pdf">https://panel-klsh.almotech.co/storage/phpVv4LhM.pdf</a>				

	b) Responsibility for file management and archiving is clearly assigned and the staff tasked with this have the appropriate skills set and resources to do the job. <i>Derived from ISSAI 12:9, ISSAI 20:6, INTOSAI GOV 9100 pg. 18.</i>	met	Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended., Law no. 152/2013" On civil servant amended ": Internal Regulation on the Organization and Functioning of the Supreme State Audit, approved by Decision of the Chairman of KLSH 53, dated 16.04.20212, as amended	There is a specific protocol and archive sector.				
	c) Responsibility for management of all major categories of assets and infrastructure is clearly assigned and the staff tasked with this have the appropriate skill set and resources to do the job. <i>Derived from ISSAI 12:9, ISSAI 20:6, INTOSAI GOV 9100 pg. 18.</i>	met	Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended., Law no. 152/2013" On civil servant amended ": Internal Regulation on the Organization and Functioning of the Supreme State Audit, approved by Decision of the Chairman of KLSH 53, dated 16.04.20212, as amended Law no. 10296, dated 08.07.2010 "On financial management and control" as amended					
	d) All administrative support functions have been reviewed within the past 5 years and any proposals for improvement were addressed. <i>Derived from ISSAI 20:6, Building Capacity in Supreme Audit Institutions pg. 46, SAI PMF Task Team.</i>	met	Decision no. 4, dated 27.01.2017 of the chairman of ALSAI "On the structure of job ranking, job classification and level of salaries in ALSAI, amended					

	Criteria for scoring dimension	Score					
	Score = 4: All of the criteria above are in place	4					
	Score = 3: At least three of the criteria above are in place.						
	Score = 2: At least two of the criteria above are in place.						
	Score = 1: At least one of the criteria above is in place.						
	Score = 0: None of the criteria above is in place.						

## Annex 6 Scoring sheets Domain E

SAI-23 Professional Development and Training								
		Assessment Team			Quality Control (check of facts)			Assessment Team response to Quality Control
Dimension III	CRITERIA for evaluating performance	Met or Not met	Source of Evidence	Explanation	Agree with the assessment? (yes/no)	Evidence is sufficient?	Recommendations	
(iv) Compliance Audit Professional Development and Training	<i>For professional development and training in compliance audit, the SAI should:</i>							
	a) Assign responsibility for professional development to a person or persons with sufficient and appropriate experience and authority in the SAI. <i>SAI PMF Task Team</i>	met	Responsibilities for professional development are addressed to persons with appropriate experience and sufficient authority within the SAI. Responsibility is assigned to persons with appropriate professional training and experience in the field of compliance auditing. With good knowledge of the legal framework, including rules, agreements, contracts, etc. which will serve as criteria for evaluating entities, but also with deep knowledge of auditing standards, methods and techniques, etc.					

	<p>b) Develop appropriately tailored competency requirements for different staff grades in compliance auditing. <i>Derived from CBC HRM Guide: pg. 15-19 and IDI Learning for Impact: A Practice Guide for SAIs: pg.: 43-59</i></p>	met	<p>Training programs have been developed taking into account the requirements for appropriate competencies for different levels of staff in compliance auditing. In the Integrated Professional Development Program, training is provided taking into account the level of staff. Thus for the new and newly recruited staff, the trainings conducted focused on providing general knowledge which focused on the recognition of ISSAI / IFPP-400-499 "Compliance Audit Principles"; ISSAI / IFPP 4000-4899; Regulation of ALSAI audit procedures, while for experienced auditors trainings were conducted which focused on the above in addition to the Compliance Audit Manual; ISSA-4900; Best practices; presentation (as a way of training) by the most experienced auditors with appropriate professional competencies in compliance audits.</p>					
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	<p>c) Develop and implement a plan for professional development for compliance audit staff based on an analysis adequately addressing identified needs and competency requirements for different staff grades.</p> <p><i>IDI Learning for Impact: A Practice Guide for SAIs: pg. 43-55, CBC HRM Guide: pg. 15-18</i></p>	met	<p>An appropriate professional development plan has been developed and implemented for compliance auditing staff.</p> <p>ISSAI 100 “Basic principles of public sector auditing” are included in the training programs; ISSAI 400 “Basic Principles of Compliance Auditing”; ISSAI 4000 “Compliance Auditing Standards”; Compliance audit manual as well as best practices.</p> <p>Compliance audit training is extended to almost all audit staff because elements of compliance are found in other types of audits, and this type of audit is practiced by all audit departments.</p>					
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	d) The plan for professional development and training in compliance auditing should cover, as appropriate: <i>(SAI PMF Task Team)</i>	met	<p>The Plan for professional development and training in compliance auditing has covered:</p> <ul style="list-style-type: none"> <li>-Internal training on auditing standards and procedures of ALSAI. A number of trainings have been conducted on compliance auditing standards such as ISSAI / IFPP 400-499, Compliance Audit Manual (ISSAI / IFPP-4000-4899), ISSAI / IFPP 4900, as well as on best practices, etc.</li> </ul> <p>During 2020, 128 auditors participated in the trainings on compliance audit and during 2021, 150 auditors participated in the trainings on compliance audit.</p> <p>II- Through supervision during the audit process, by the Heads of the Audit Groups; Chief Auditors and Directors of Departments. This process still needs to be improved, in order to better coordinate the professional competencies of auditors with the respective audits, as well as to improve the role of the supervisory chain for controlling and monitoring the quality of audits;</p> <p>II. (dimensions ii; iii &amp; iv)</p> <p>Vocational or academic training / membership in relevant professional or academic bodies. All auditing staff of KLSH is part of the process of continuous professional development.</p> <ul style="list-style-type: none"> <li>- 19 auditors have the certificate of Internal Auditor;</li> <li>- 12 auditors have the Certificate of Real Estate Valuation.</li> </ul>					
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		<ul style="list-style-type: none"> <li>- 9 auditors have training certificates developed on-line by IDI (INTOSAI Development Initiative).</li> <li>- 6 auditors are certified as certified public accountants.</li> <li>- 1 auditor has a CIPFA certificate in public accounting.</li> <li>- 1 auditor has a "Certified Public Accountant" CPA certificate;</li> <li>- 20 auditors have developed fellowship in the European Court of Audit (ECA) and</li> <li>- 6 auditors at the US Audit Office, GAO, etc.</li> </ul> <p>IV. ALSAI has provided opportunities for the implementation and timely distribution of training, depending on the circumstances and the workload of scheduled audit engagements. During 2021, auditors have had the opportunity to qualify and train, and at the same time to perform audit tasks and objectives.</p> <p>We must qualify that professional development and training during 2020-2021, is provided in all the following ways:</p> <p>In-house training provided by in-house trainers:</p> <ul style="list-style-type: none"> <li>-Inner training provided by external trainers</li> <li>;;</li> <li>-External training;</li> <li>-E-learning;</li> <li>-Mentoring;</li> <li>-Continuous education;</li> <li>-Presentations;</li> <li>-Participation in professional organizations;</li> </ul>					
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			<p>-Networking; The benefits of a systematic, structured and valid process include:</p> <ul style="list-style-type: none"><li>- Updating knowledge on officially recognized auditing standards;</li><li>- Continuous updating of standards to reflect the evolution of best practices;</li><li>- Structured audit methodologies developed and implemented under the continuous supervision of the best experts and professionals of the institution;</li><li>- Organizing structured courses to increase the training of audit staff;</li><li>- Qualifications accredited by officially trained and qualified auditors;</li><li>- Engagement of external professional experts;</li><li>- Expanding the self-assessment status of the training staff;</li></ul>					
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	I. Internal training on the SAI's relevant audit standards and procedures							
	II. Learning on the job and supervision / mentoring schemes							
	III. Professional or academic training / membership of relevant professional or academic bodies							
	IV. Continuing professional development.							
	Criteria for scoring dimension		Score					
	Score = 4: All of the criteria above are in place.		4					
	Score = 3: At least three of the criteria above are in place							
	Score = 2: At least two of the criteria above are in place.							
	Score = 1: At least one of the criteria above is in place.							
	Score = 0: None of the criteria above are in place.							

## Annex 7 Scoring sheets Domain F

SAI-25: Communications with Media, Citizens and Civil Society Organizations									
Dimension II	CRITERIA for evaluating performance	Assessment Team			Quality Control (check of facts)			Assessment Team response to Quality Control	
		Met or Not met	Source of Evidence	Explanation	Agree with the assessment? (yes/no)	Evidence is sufficient?	Recommendations		
(ii) Good Practice Regarding Communication with Citizens and Civil Society Organizations	<i>Regarding communication with citizens and civil society organizations, the SAI has during the period under review:</i>								
	a) “[made] public their mandate (...)”. ISSAI 12:8.	met	LAW No.154 / 2014 "On the Organization and Functioning of the Supreme State Audit"						
	b) Published summaries of audit reports, written or otherwise communicated so as to make it easy for citizens to understand the main audit findings. ISSAI 20:8; INTOSAI Guideline “Communicating and Promoting the Value	met	At the end of each audit, the communication sector in ALSAI publishes on the official website the decision and the final report of the audited entity. Also for each audit is prepared a summary which is a shorter material and more understandable by the citizens.						

	<i>and Benefits of SAs":2.2</i>							
	c) Established contacts with relevant civil society organizations and encouraged them to read audit reports and share the findings with citizens. <i>INTOSAI Guideline "How to Increase the Use and Impact of Audit Reports": pg. 78.</i>	met	Civil society organizations are in contact with ALSAI from time to time. In their reports or surveys they conduct are based on the findings and recommendations of ALSAI. There was also the participation of both parties in conferences, meetings and trainings					
	d) Stimulated citizens to access information on public sector audit and the SAI, beyond audit reports <i>INTOSAI Guideline "Communicating and Promoting the Value and Benefits of SAs":3.1</i>	met	ALSAI publishes every material on the official website but also through the publication of various books that are worked by the ALSAI staff. Every year ALSAI is present at the book fair and also holds an open month for citizens. During the open month, ALSAI organizes various meetings with universities, prominent personalities from the academic, political field and with citizens who are interested in the work of ALSAI.					
	e) Provided opportunities for citizens to provide input to and/or participate in the SAI's work, without compromising the SAI's independence. (E.g. by having	met	requests and complaints mechanism is in place available on line: <a href="https://www.klsh.org.al/denunciations">https://www.klsh.org.al/denunciations</a>					

	mechanisms in place to receive information about government programmes, and suggestions for improved public administration and services – including online channels where appropriate) <i>INTOSAI Guideline “Communicating and Promoting the Value and Benefits of SAIs”:3.2.4</i>							
	f) Made adequate use of online media (institutional website, email newsletters, social media), in accordance with the country’s culture (i.e. where social media is popular, the SAI should develop its online presence in this sphere) <i>INTOSAI Guideline “Communicating and Promoting the Value and Benefits of SAIs”:3.2.3</i>	met	ALSAI has an official website where you can find any information about the work done by ALSAI. ALSAI does not use social networks (no twitter, facebook, instagram address).					

	g) "SAIs should contribute to the debate on public sector improvement without compromising their independence." ISSAI 12:7 INTOSAI Guideline "Communicating and Promoting the Value and Benefits of SAIs":3.2.3	met	One of the objectives of the communication strategy is to increase the tools of external communication of ALSAI with citizens and various interest groups in order to increase the level of public awareness. The message of an audit should reach the ordinary citizen and the ways to access it are already numerous, from traditional media to social media, blogs and public hearings.	Development strategy 2018-2022; Communication strategy 2017-2019				
	h) Sought feedback from civil society organizations and/or members of the public on the accessibility of its reports, and used this feedback to improve these in the future. INTOSAI Guideline "Communicating and Promoting the Value and Benefits of SAIs":3.2.4; IV.	met	From the "Trust in Governance 2020" Opinion Poll edition conducted in November and December 2020 as a collaboration between UNDP, Austrian Development Cooperation Fund and Institute for Democracy and Mediation, resulted that the Albanian population surveyed tended to believe that the most effective domestic accountability mechanism is the Albanian Supreme State Audit Institution (60.7%), followed by the media (52.8%), parliament (48.1%), civil society (44.8%), and the Ombudsman (44.3%) file:///C:/Users/ajonuzi/Downloads/Trust%2520in%2520Governance%25202020%2520-%2520Opinion%2520Poll%2520Report.pdf NGOs' reports over the years have made reference to information received from ALSAIs' audit report.					

	Criteria for scoring dimension	Score					
	Score = 4: All of the criteria above are in place	4					
	Score = 3: at least six of the criteria above are in place						
	Score = 2: at least four of the criteria above are in place						
	Score = 1: At least two of the criteria above are in place						
	Score = 0: Less than two of the criteria above are in place.						