

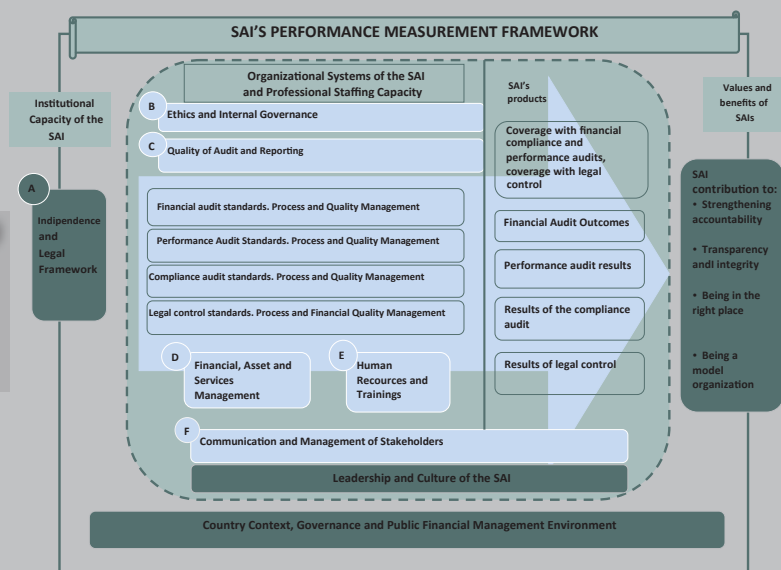


ALSAI

ALSAI

PERFORMANCE REPORT

2017



Tirana, 2018

REPUBLIC OF ALBANIA
ALBANIAN SUPREME AUDIT INSTITUTION (ALSAI)

ALSAI PERFORMANCE REPORT 2017

**PERFORMANCE MEASUREMENT BASED AT
THE PERFORMANCE MEASUREMENT INDICATOR FRAME (PMF)
OF SUPREME AUDIT INSTITUTIONS**

(adopted at INTOSAI INCOSAI XXII Congress in Abu Dhabi, December 2016)

Tirana, 2018

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MESSAGE OF THE CHAIRMAN OF ALSAI

The Albanian State Supreme Audit fulfills its constitutional and legal mission by serving the citizen and the Parliament in promoting accountability, responsibility and transparency in the public administration and the Government which is responsible for the management of public funds and assets.

The efficiency of supervising the accountability of the public funds' management and public property requires not only the fulfillment of the constitutional responsibilities of the SAI, but also the commitment of the Legislative body and mainly the executive in this regard. Our positive and negative experiences have highlighted that the real effect of the audit activity is closely related to the degree of recommendations' implementation and measures addressed to public and budgetary institutions. The average rate of implementation of these recommendations, although largely accepted, indicates the growing need for public institutions to evaluate, design and implement measures to address the identified problematic issues during the SAI audits. A greater commitment of the executive and legislative branch in implementing our recommendations would promote the good governance of public institutions, and through increased interaction, the continuous improvement of audit activity will be promoted, bringing value and creating a positive impact on the life and dignity of citizens.

It is precisely because of this fact that the ALSAI has built its institutional operation in several dimensions through which the audit missions are intended to be improved methodologically and technically according to international auditing standards and best practices of INTOSAI and EUROSAI.

Developing the professional capacities of auditors by diversifying training themes and resources, or actively interacting in pilot and parallel audits under the motto "United in ambition and determination" with counterpart SAIs, is considered a strategic factor for enhancing institutional performance for 2017.

Improving and strengthening the cooperation with the Albanian Parliament in order to jointly serve as the main actors of transparency and accountability, in order to

inform citizens about how public funds are spent, has been one of the dimensions of the ALSAI activity.

The objective of increasing transparency and accountability through the consolidation and diversification of communication instruments with the citizen, civil society and other national and international partners is carried out in a structured manner, in compliance with the SAI's Communication Strategy.

In accordance with the motto of the XXI Congress of INCOSAI: "National Audit in the Service of National Governance", ALSAI has aimed to build real partnerships with Government and other institutions through an active and cooperative role in increasing efficiency in the administration of public finances. The ALSAI's activity and contribution, as the responsible institution of external public audit, has been evaluated by international partners, such as the SIGMA-the OECD Program of the European Union and the World Bank, as a determinant factor in increasing accountability in the use of public money.

For 2017 ALSAI has continued to contribute as an active and equal member of the INTOSAI and EUROSAI community through its involvement in working groups and task forces together with the Supreme Audit Institutions of the EU countries, under the motto of INTOSAI "Experientia mutua Omnibus prodest".

Within our mandate, we have continued to increase the culture of legal and public punishment against abusive officials through criminal referrals to the prosecution office, publication of audit decisions, press releases in the case of flagrant violations and information of interest groups. Other mechanisms used for communication, has been as well the articles written for the press by our auditors for sensitive audit findings, the organization of scientific conferences with universities at national and international level, and the organization of the open month for the citizens.

The ALSAI contribution to good governance, increasing transparency and accountability and the fight against corruption has taken on new dimensions year-by-year. In this context, starting from 2014, a structured approach to the design and implementation of institutional integrity policies has been developed, applying the INTOSAI integrity self-assessment instrument. This instrument forms the basis for the audit of integrity and ethics in public institutions, a process that would enhance the impact of ALSAI's interventions to prevent corruption and abuse of public funds and assets.

One of the basic principles of the functioning of SAIs is transparency and accountability. For the real implementation of this principle, the ALSAI has built legal and methodological infrastructure that enables voluntary assessment of institutional performance, by using the International Standards of Supreme Audit Institutions and the best international practices in the field. The results of this approach encourage us to deal with the issues and define aspects that require further improvement in reference to best international practices. This methodological approach does not constitute an end in itself but is a fulfillment of the constitutional mission to bring added value to the citizens.

There would have been no achievement of our goals if we did not have the understanding, support and cooperation of the Albanian Parliament, in particular the Committee on Economy and Finance. We hope and wish that the cooperation will continue this year as well, reaching a more institutionalized level through the creation of a subcommittee on the follow-up of ALSAI recommendations within the Committee on Economy and Finances. This mechanism will help raise awareness on audit issues and on the necessity of implementing the recommendations on one hand, and on the other hand it will serve to raise the quality of audit work.

The Albanian SAI has continued to act as a citizens' servant. This is the motto that leads all the goals and objectives of the institution, which are clearly defined also in the focus of the Strategic Development of ALSAI for 2018 - 2022. The experience gained and the projected developments have confirmed that the process of modernization of the external audit institution in Albania constitutes a public good and a value for the system of public institutions. The ALSAI aims to be a model organization that guides through example, based on the principles set out in ISSAI 12 "Values and Benefits of Supreme Audit Institutions - Making the Difference in Citizens' Life". The ALSAI dynamics of development over the period 2012 - 2017 are the key factors of success for the coming years.

Bujar LESKAJ



Message of the ALSAI chairman-----

I. MISSION, VISION AND OBJECTIVES OF ALSAI

The mission constitutes the basis which defines the institutional identity of the Albanian SAI, sanctioned in the Constitution of the Republic of Albania, as well as in the Law No.154 / 2014 "On the Organization and Functioning of the High State Control".

ALSAI's MISSION

ALSAI is an independent constitutional institution built to serve the Albanian citizen to be an "agent" of the Parliament and stakeholders by constantly, impartially and fully informing them on the accountability of the government and public entities in the use of the Albanian taxpayer's money, and contributing to the improvement of governance through the fight against corruption.

In fulfillment of its mission and in accordance with the Law No.154/2014 "On the Organization and Functioning of High State Control", the ALSAI performs financial, compliance, regularity, performance, information technology audits, as well as undertake assessments of the financial management and control system and the internal audit units of the governing structures and other public entities.

ALSAI's VISION

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

Mission, Vision and Objectives of ALSAI's-----

Our vision goes beyond the traditional approach focused on assessments and findings. The public external auditors perform their activity not only by acting, but also by interacting through giving recommendations and consultations to audited public entities, in order to maximize the value of public money. ALSAI will continue to act as a change agent in serving the citizens and good governance, reflecting the values and principles of a modern SAI, a member of the INTOSAI community led by the motto "United in ambition and determination".¹

The ALSAI values and principles are based on the ISSAIs, in the principles of ISSAI 12, "The Value and Benefits of Supreme Audit Institutions - A Change in Citizens' Life". These principles determine how the institution should perform to strengthen accountability, transparency and integrity of the government and public sector units; and demonstrate the continued importance for the citizens, Parliament and other stakeholders; and to be a model organization that leads by example. ALSAI fulfills its mission and carries out its activity in accordance with the eight principles:

- Independence	- Integrity
- Professionalism	- Objectivity
- Cooperation	- Public Interest
- Accountability	- Transparency

ALSAI aims to be a new model for the regional public audit, a center for studying contemporary auditing challenges in the economic, social and political fields, based on the root cause analysis of cause-and-effect factors, as well as an institution leading by example, in order to bring value and create a positive impact on the life and dignity of citizens. The year 2017, as the last year of the Development Strategy 2013-2017, was a year of challenge in the function of modernization and institutional reform, the year in which ALSAI prepared its 2018-2022 Strategy based on EUROSAI 2017-2022 and INTOSAI 2017-2023 strategies.

The ALSAI objective is to continue to be a partner and an active contributor to the strengthening of good governance and public accountability, in order to promote transparency, efficiency and effectiveness. In this context, the deepening of the fight against corruption is the focus of our institutional activity. ALSAI has continued to develop a methodology to conduct audits based on the risk assessment of error,

¹ The Congress INCOSAI XXII of INTOSAI in Abu d'Habi, "40 years of Lima Declaration 1977-2017", Bujar Leskaj, ALSAI Books Editions-16/2017/83.

fraud and corruption, focusing on auditing the sectors of the economy with a higher exposure to these risks. We aim to increasing the credibility of the SAI, as valued by the citizens' perception, as an indicator that our audits and reporting are conducted with high integrity and professionalism. During 2017, the ALSAI addressed the following institutional objectives:

- Consolidate and modernize access to compliance audits in line with the International Standards of Auditing, the ISSAIs.
- Develop the financial audits, by providing the opinion on the financial statements as a step further towards the fulfillment of the objective of providing an opinion on the consolidated financial statement of the State.
- Consolidate and increase the number of performance audits by expanding the topics and gradually increasing the department's professional and quantitative capacities.
- Increase the quality and number of IT audits, as well as develop the IT auditors' capacities.
- Increase the number of pilot Compliance and Financial Audits in accordance with the Financial Audit and Compliance Audit Manuals. These objectives were in line with the EU's addressed recommendation stating that "the ALSAI should increase the number of pilot financial/compliance/regularity audits, in accordance with updated manuals and the INTOSAI audit standards".
- The development of IT infrastructure and tools during the audit process was one of the objectives in which the institutional management focused throughout 2017.

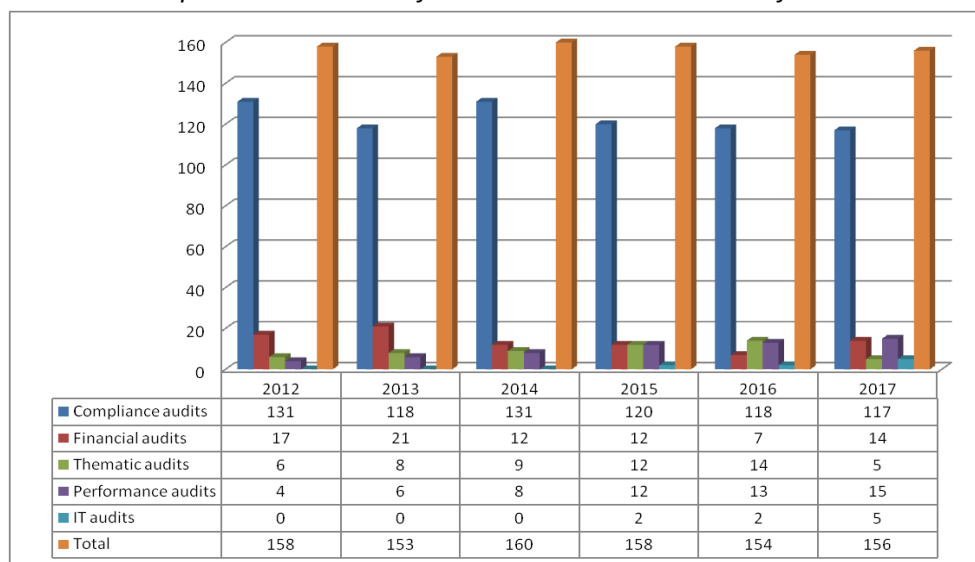
II. PUBLIC GOVERNANCE IN THE AUDIT FOCUS OF 2017

II.1 KEY AUDIT ACTIVITY FACTS AND STATISTICS

For the period January-December 2017, ALSAI has concluded 156 audits, 154 of which were planned audits:

- 92 regularity audits;
- 25 compliance audits;
- 14 financial audits;
- 15 performance audits;
- 5 thematic audits;
- 5 IT audits.

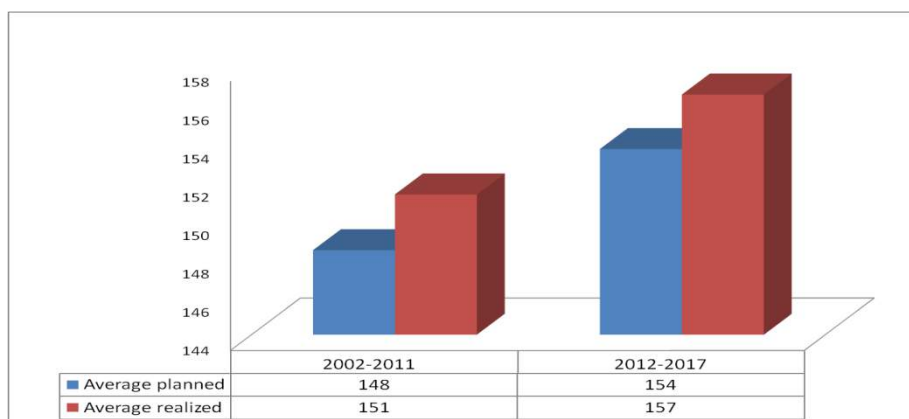
Graph no. 1. Indicator of audits carried out in the timeframe 2012-2017



Source: ALSAI, Statistics Sector

The ALSAI has managed to maintain a challenging target under which it has never fallen in the last 6 years. In this context, the entire audit team of ALSAI was committed to maintain such a work pace for the realization of the institutional objectives.

Graph no.2. Average of audits over the years
10 year period (2002-2011) vs the 6 year period (2012-2017)



Source: ALSAI, Statistics Sector

Audits have been extended to central institutions and subordinate units to have a satisfactory coverage for the opinion on budget execution (including the audit of ministries and their subordinated agencies, general directorates, tax and customs branches as well as joint stock companies with state capital, as a contributor to the budget revenues through dividends, and units of local self-government (municipalities, communes and districts) and closing with the audit of projects financed by foreign funds, etc.).

Table no.1: Audits by institutions over the years

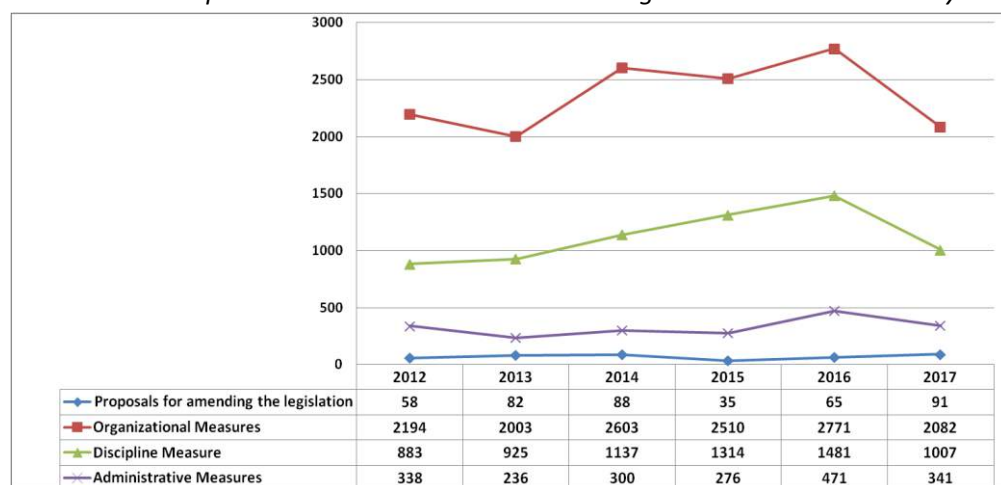
Audited Institutions	2012	2013	2014	2015	2016	2017
Ministries, central institutions, entities of fiscal revenue collection, State-owned corporations	72	86	82	93	89	86
Local government institutions and other units at local level	64	39	52	44	45	42
Units and projects with foreign funding	11	10	8	11	10	11
Property Management Institutions	11	18	18	10	10	17
Institutions audited by performance audits	9	17	35	73	105	110
Total	167	170	195	231	259	266

Considering ALSAI as a citizen's servant and as the main agent of Parliament to guarantee good governance, we have tried to make recommendations throughout our work which could also change the managerial culture, which is still at a low level, especially in the final segments of governing bodies, reflected in low quality of the service delivered to the citizens. Throughout the auditing activity carried out during 2017, we gave the following recommendations:

Table no.2: Recommendations according to their nature over the years

Recommendations by their nature	2012	2013	2014	2015	2016	2017
Proposals for amending the legislation	58	82	88	35	65	91
Organizational Measures	2194	2003	2603	2510	2771	2082
Disciplinary Measure	883	925	1137	1314	1481	1007
Administrative Measures	338	236	300	276	471	341

Graph no.3: Recommendations according to their nature over the years



Source: ALSAI, Statistics Sector

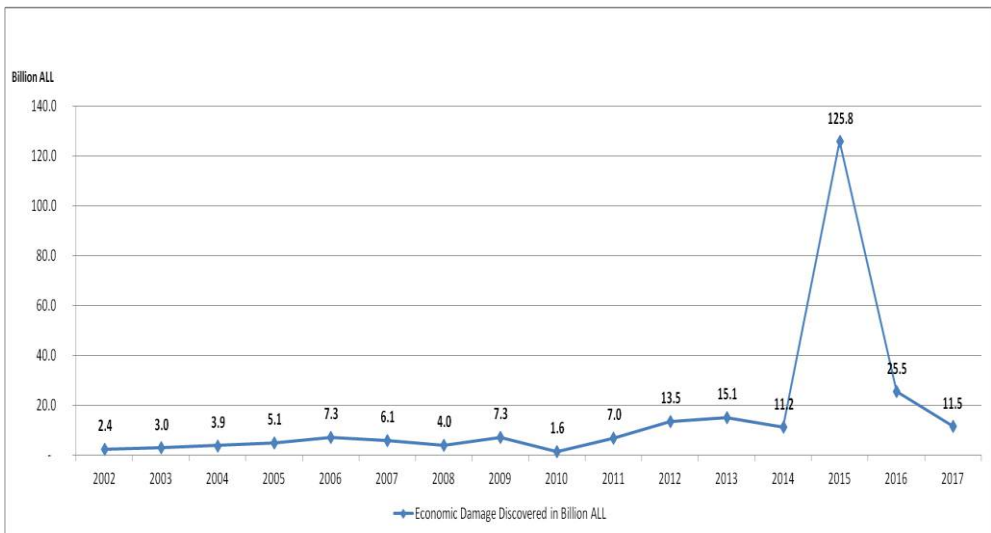
ECONOMIC DAMAGE INDICATORS

The audit work aims to make the executive accountable in managing public funds. ALSAI finds that much remains to be done to create a culture of managerial accountability and to guarantee a more efficient financial management and control system. The level of ineffective expenses, economic damages or negative effects on the State budget during 2017 continues to be high.

- The irregularities and financial violations producing economic damage in incurred incomes and expenditures were **11.5 billion ALL** or **85.8 million EUR** (*Exchange rate 1 EUR= 133.84 ALL*).
- The violations of financial discipline with negative impact on the performance of the audited entities were at **99.05 billion ALL**, approximately **739.7 million EUR** from which: **92.7 billion ALL** in revenues, approximately **692.1 million EUR**, and **6.3 billion ALL** or approximately **47.8 million EUR** in inefficient, ineffective and with no economy expenditures.
- **In total, the violations amounted to 110.5 billion ALL or approximately 825.6 million euro's.**

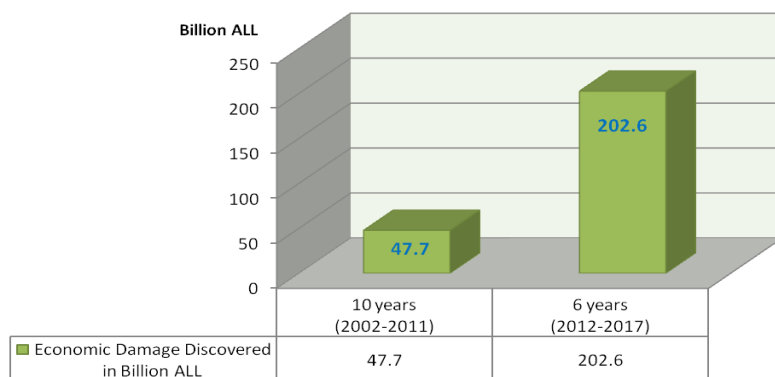
The identified damage has a growing trend, consolidated in recent years, and this is clearly apparent in the graphical presentation below.

Graph no.4: Damage during 2002 - 2017 in billions of ALL



Source: ALSAI, Statistics Sector

Graph No.5: Economic Damage of 2002-2011 vs. Economic Damage of 2012-2017



Source: ALSAI, Statistics Sector

The Indicator of audit usefulness

The indicator of audit usefulness is calculated as the ratio of the amount of economical damage discovered by the audits and for which the SAI has recommended full reimbursement to the State budget and the actual budget expenditures for the SAI. This is one of the most significant performance indicators of SAIs. For 2017, the audit usefulness is: for 1 **ALL** spent by the SAI, the ALSAI has discovered as economic damage and requested indemnification for **31.9 ALL**.

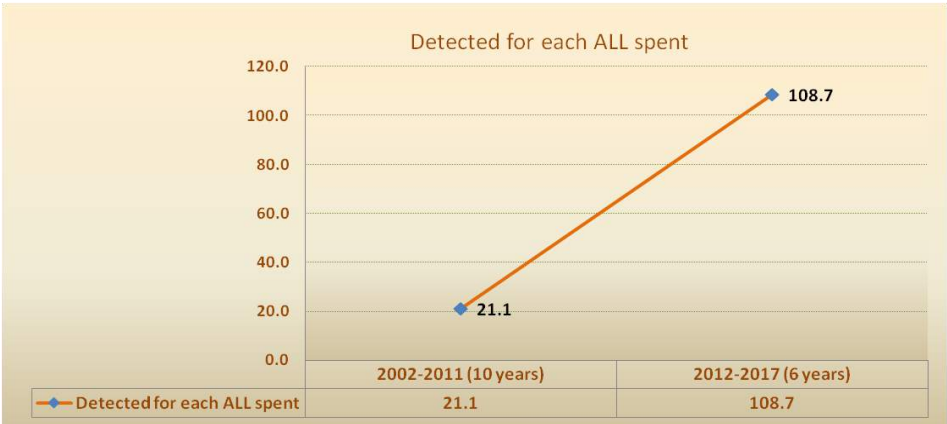
Graph no. 6: Indicator of audit usefulness over the years



Source: ALSAI, Statistics Sector

For the 6 years period 2012-2017, it results that for 1 ALL spent for the institution, ALSAI has asked to be indemnified 108.7 ALL, or 5 times more, from 21.1 ALL that was requested in the 10 year period 2002-2011.

Graph No.7: Economic Damage Detected for each ALL spent



Source: ALSAI, Statistics Sector

Criminal referrals

For all these damages and lack of added value in the use of public funds, the ALSAI has officially submitted criminal referrals to the General Prosecutor's Office against the responsible public officials. The criminal referrals constitute an important indicator in the fight against corruption and abuse with public property. For 2017, ALSAI has filed to the District General Prosecutor's Offices 47 criminal referrals and charges.

Most of these criminal charges (25) have been drafted on the basis of audits conducted by the Department of Audit of Local Government Units, followed by the Asset and Environmental Audit Department (12).

Out of these criminal referrals, 129 persons were charged with criminal responsibility, of which:

- 23 Heads of Institutions (7 municipalities and former communes mayors, 7 Intangible Assets Registration Local Offices directors, 4 ALUIZNI directors, and 4 directors of other important State institutions)
- 41 other level executive officers (excluding 23 heads of institutions);
- 5 private entities directors involved in public tenders;
- 60 other public employees.

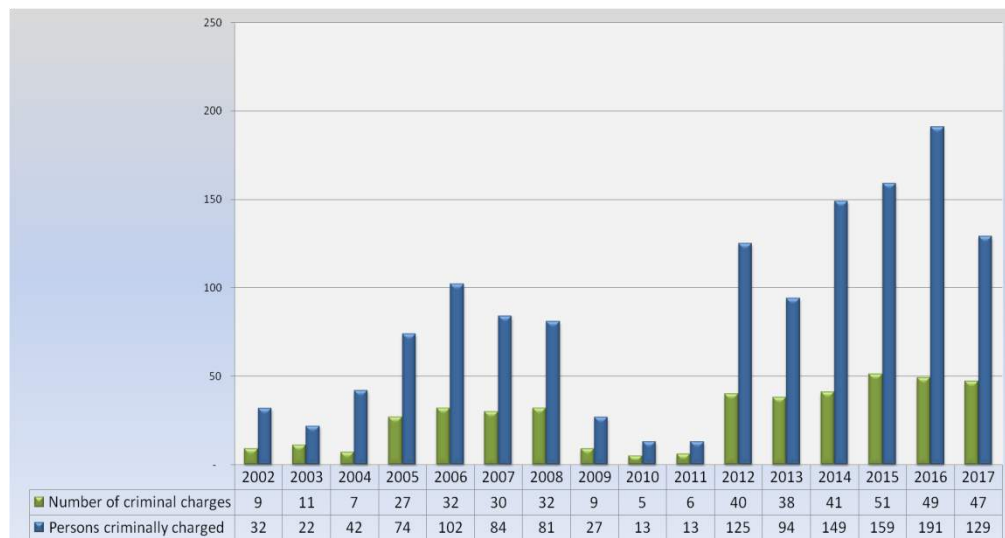
The main criminal offenses were charged in regard to the "Abuse of duty" provided by Article 248 of the Criminal Code, "Violation of the Equity of Participants in Public Tenders and Auctions" provided by Article 258 of the Criminal Code, but there were also charges for "falsification of documents "provided by Article 186 of the Criminal Code. ALSAI has increased the quality of the preparation of the file for criminal referrals and has shortened the time for the preparation of the denunciation.

The indicators of criminal charges over the years are presented in the following table and graphs:

Table no. 4: Criminal referrals over the years

Criminal referrals	2012	2013	2014	2015	2016	2017	Total in 6 years
Number of criminal charges	40	38	41	51	49	47	266
Number of denounced persons	125	94	149	159	191	129	847

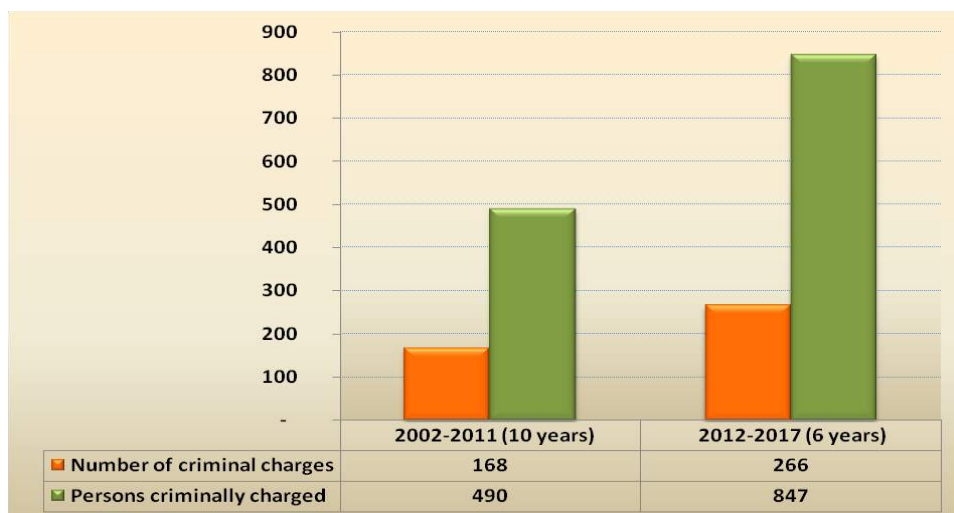
Graph no.8: Criminal charges over the years



Source: ALSAI, Statistics Sector

From the data in the graph above, it is clear that the number of criminal charges in the last 6 years 2012-2017 (266) has increased more than twice as compared to the 6 year period 2006-2011 (114).

Graph no.9: Criminal Charges 2002-2011 versus 2012-2017



Source: ALSAI, Statistics Sector

Judicial processes

During 2017, the ALSAI has engaged in 70 court proceedings as follows:

- 21 criminal proceedings with the object "Objection to the Prosecution Decision";
- 2 litigations with former ALSAI employees;
- 1 litigation with whose plaintiff arguing the "nullity of ALSAI acts ", and
- 46 administrative court proceedings, where ALSAI was present as a third party.

In total, for these 70 court proceedings, 729 court hearings were conducted in many district courts, such as in Tirana, Durrës, Kavaja, Lushnje, Berat, Fier, Vlorë, Përmet, Gjirokastër, Sarandë, Lezhë, Shkodër, Kukës and Dibër.

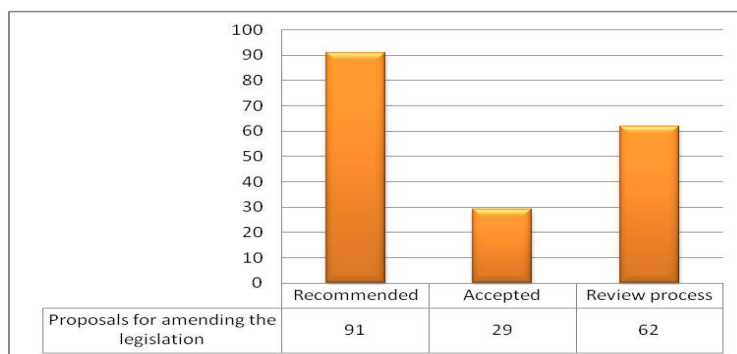
During 2017, the Legal Department's priority has been the ALSAI's criminal referrals and their performance. Referring to the number of case dismissal decisions, we appealed all these decisions. ALSAI has initiated 17 of these court proceedings, with the object of "appeal against the decision to dismiss/not initiate the case from the Prosecution". Four of them are requests of the prosecution for the dismissal of the criminal proceedings, due to changes in the Code of Criminal Procedure.

IMPLEMENTATION OF RECOMMENDATIONS

During 2017, the structure of recommendations that ALSAI has addressed to audited institutions has maintained the same characteristics as in the previous years. Measures(recommendations) for legal improvements, organizational recommendations, administrative recommendations and disciplinary recommendations for the period January to December 2017 have been in total 3,521, of which 1,937 or 55% of the recommendations are accepted and 1,584 recommendations are under review from audited entities.

- A-** 91 "Recommendations for legal improvements", of which 29 recommendations or 31% are being implemented and 62 recommendations are being reviewed by the audited entities.

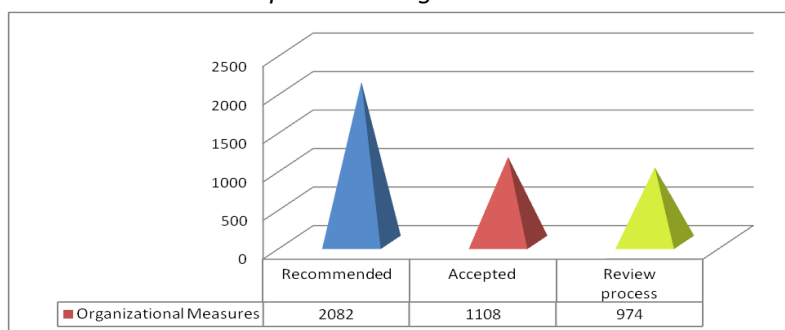
Graph. no.10: Legal Improvements



Source: ALSAI, Statistics Sector

- B-** 2,082 "Organizational Recommendations ", of which 1108 recommendations or 51% are in the process of being implemented and 97 recommendations are under review.

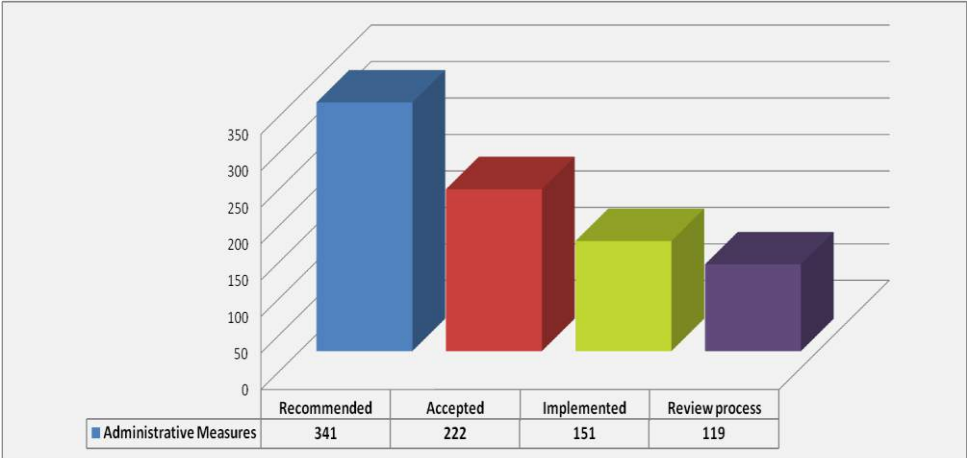
Graph no.11: Organizational Recommendations



Source: ALSAI, Statistics Sector

C- 341 "Administrative recommendations ": of which 222 recommendations or 65% were accepted, 151 recommendations or 44% were implemented, and 119 recommendations are under review.

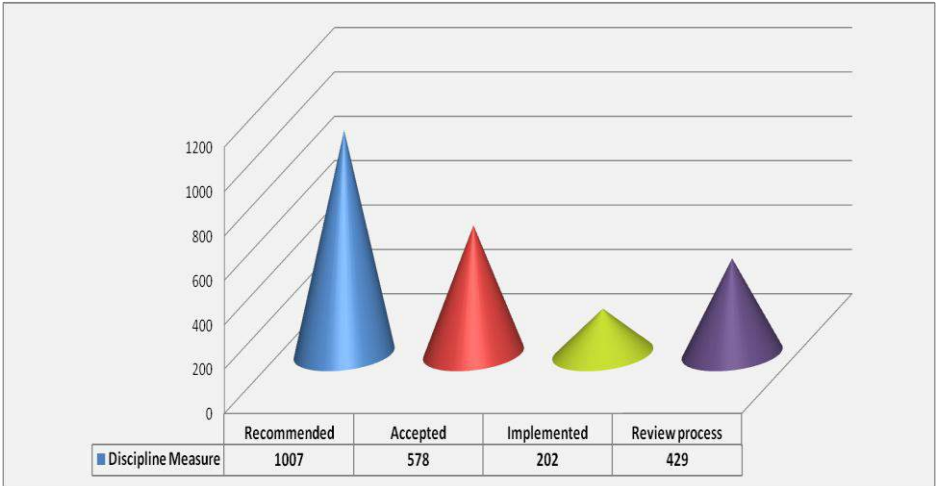
Graph no.12: Administrative Recommendations



Source: ALSAI, Statistics Sector

D- 1007 "Disciplinary Recommendations ": 578 recommendations or 57% were accepted, 202 or 34% were implemented and 429 recommendations are under review.

Graph no.13: Disciplinary Recommendations



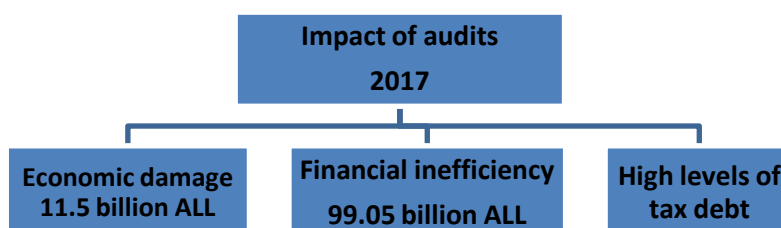
Source: ALSAI, Statistics Sector

In order to increase the level of recommendations' implementation by public institutions, ALSAI has encouraged cooperation with the Ministry of Economy and Finance and other central and independent institutions to implement a common system for recommendations of both the external audit institution and internal audit units, aiming to increase the level of control over the accountability of implementing recommendations as an instrument to fight the misuse of funds and public assets.

II.2 IMPACT AND DYNAMICS OF AUDITS ACCORDING TO THE MAIN AREAS

What emerges by the ALSAI audits conducted in 2017 is the lack of accountability from the heads of institutions at all levels, the non-recognition of financial management requirements, weaknesses and inefficiencies of internal control systems, producing inconsistent spending with legal requirements and low effectiveness in spending budget funds. From this year's audits, ALSAI has ascertained that institutional practices and decisions with negative effects on public funds continue, whereas the level of inefficiencies and ineffective expenditures found is as follows:

- *The irregularities and financial violations producing economic damage in incurred incomes and expenditures were 11.5 billion ALL or 85.8 million EURO.*
- *The violations of the financial discipline with a negative impact on the performance of public funds spent by the audited entities were 99.05 billion ALL or approximately 739.7 million EURO: 92.7 billion ALL in revenue collection or approximately 692.1 million EURO and 6.3 billion ALL or approximately 47.8 million EURO in inefficient, effective and with no economy spending. In total, the violations amounted to 110.5 billion ALL or approximately 825.6¹ million EURO.*



¹ Exchange rate 1 EUR= 133.84 ALL

The audit work was mainly focused on areas for which ALSAI has assessed as having high risk and where control systems cannot guarantee and provide assurance of an activity in accordance with the requirements of the framework on financial management and control. Even for 2017, *the biggest violations with significant effects in contravention of legal requirements remain in the area of mismanagement of revenues and expenditures of budgetary funds; mismanagement of State property followed by irregularities and inefficiencies in the field of public procurement.*

II.2.1 PUBLIC FINANCE MANAGEMENT

From the audits conducted in 2017, ALSAI has identified problematic issues and recommended interventions for good governance and sustainability of public finances, which in our opinion require an increased attention by the executive. Along the way, we believe that ALSAI will contribute positively by promoting and monitoring the recommendations and measures to be taken in relation to these issues and phenomena. Among the most important detected issues and recommended interventions, we mention:

Public debt and risks from the exposure of external debt

Given the economic importance and social impact, the ALSAI, in pursuit of its policies, sanctioned in its Strategic Plan and in the Law No.154 / 2014 "On the Functioning and Organization of the High State Control(ALSAI)" has looked into the money borrowing instruments as one of the most important ways to meet the government's needs in implementing economic programs, debt service as an instrument to manage the costs associated with borrowing and the efficiency of using public debt in order to boost economic performance. We also appreciate that the good governance of public debt and the risks arising as a result of it are of a strategic importance for the country's financial stability.

Even this year we have found that the level of public debt (as a percentage of GDP) is not going towards the target parameters, since for the year 2015 the level of public debt has increased to 73.06%, while for 2016 the level of public debt has reached 72.4% and is far from the trend that leads to meeting the set strategic goals. The growth of the foreign loan portfolio maintains high currency exposure to exchange rates where debt service payments, exchange rate effects, and stock revaluations at year-end bring big differences. Only from the ineffective use of financial instruments for the conversion of external debt flows, the State budget

has maintained a considerable cost of around 1 billion ALL in 2016. We have come to the conclusion that the indicators used for public debt management do not meet the requirements of accepted standards with regard to the assessment of sustainability, debt cost and its management with economy and efficiency.

The outcomes of the indicators responsible for assessing the sustainability and cost of public debt such as: External Debt/Exports, Foreign Debt/Currency Reserves and Short-Run Primary Gap Indicator, show that the repayment ability of our economy versus public debt is declining. These results relate directly to the cost that the State faces with the repayment of interests and principal. Failure to break down mid-term public debt management strategies into concrete action plans and alternative strategies does not enable the Ministry of Economy and Finance to diversify the risks to reach an efficient public debt management, so we have called for increased attention **by the Minister of Economy and Finance regarding public debt management and maximum commitment to meet the set goals to reduce public debt below 60% of GDP within a medium-term period.**

From the audits conducted in the units of local self-government, we found that although territorial reform was necessary (for which ALSAI has recommended to be carried out and accelerated since 2013), apart from positive theoretical impacts, in our opinion, this reform also in the second year of its implementation, has failed to meet the expectations of fiscal consolidation, revenue growth and spending efficiency. Quite sensitive is also the considerable debt (arrears) created to private entities due to unpaid bills for the purpose of carrying out works or services without first providing the necessary funds for their completion. In municipalities accounts there are many liabilities created from 2012 and forward, but there is no debt analysis generated each year, due to the insolvency or other factors that have contributed to the creation of this financial difficulty. **The ALSAI stresses the importance of ongoing monitoring on the creation of arrears and the drafting of a clear debt management strategy for local self-government units.**

Budget planning and credibility

From the audit "On State Budget Implementation of 2016", we have found that it is followed by unrealistic budget planning practices where it remains the weakest point that also affects the change of expenditures. Given this year's long practice, where the macroeconomic and fiscal framework fits into the necessary budget changes, it reflects the fact that budget planning is not being used as a strategic

tool and a reference point for mid-term (MTBP) and annual planning. This deficiency is also due to the lack of the Fiscal Council, an independent body that would be involved in the study and compilation of accurate and reliable macroeconomic forecasts, thus affecting the quality of the medium and long term budget planning as well as in overseeing compliance with fiscal rules so necessary to ensure fiscal stability. Thus, ALSAI has ascertained that the total planned revenues in 2016 decreased by 5.5% compared to the first phase of the 2016 - 2018 MTBP. Expenditures programmed for this year decreased by 6.3% compared to the first phase of the MTBP. **One of ALSAI's key recommendations regarding the implementation of the State Budget addresses budget execution versus planning, enabling a good planning of budget expenditures that would play a key role in meeting the country's needs, improving public services and at the same time boosting investment and economic growth. In this way, fiscal consolidation would be achieved through increased revenues rather than with the cut in public spending.**

The ALSAI has emphasized that meeting strategic goals requires a comprehensive engagement and is not solely the responsibility of the Minister of Economy and Finance, who directs and coordinates this process. Budget changes through normative acts, especially those made during the last month of the budget year, cause a lack of budget credibility and therefore require a more cautious and coherent address. **The ALSAI has always stressed the crucial role for public finances of the awareness raising of institutions and other stakeholders on the importance of a realistic budget planning and in support of established strategic objectives, which would also contribute to reducing the risk of creating arrears.**

From the audits, we have concluded that there is negligence in managing the planned funds for investments, whose implementation during the years continues by not attracting the right attention. It is easily verifiable that both in planning and implementing there is a shift of investments in the last quarter of the year, reaching the peak in December. About 34% of domestic financing investments (or 14,713 million ALL) were conducted during the month of December. Meanwhile, the capital expenditures (investments) with foreign funding (loans and grants) were realized at 72%. The use of this year's funds to pay for unrealized investments of previous periods (going up to 2011), by the end of 2016, reveals that new overdue liabilities were created in the amount of 1,804 million ALL. Among the most problematic institutions acting this way are: *the Albanian Road Authority, which in*

107 cases, in the amount of 1,214 million ALL, in the road construction investment accounts has included the payment of investment bills belonging to the past years. For 2016, in 56 cases at the Albanian Road Authority, in the amount of ALL 1,912 million ALL, we found invoices with variance of days from the invoice date on the date of payment from 32 days to 326 days, reflecting the timely failure of invoices and failure of the measures taken by the General Directorate of Treasury to discipline this process.

Collection of State budget revenues from Taxes and Customs

In the collection of State budget revenues from taxes and customs, there have been major deviations on the fiscal administration processes. We have found that the tax and customs administration control systems have not been effective, creating inability to reach the programmed figures of the State budget.

From the audit of compliance and regularity in the General Directorate of Taxes (GDT), we observed weaknesses, deviations or violations with a total cost of 376 million ALL:

VAT reimbursement procedures: We have noted weaknesses and lack of efficiency in internal control systems, with deviations in the VAT regulatory framework, for 27 selected cases on a risk based audit approach, with a total reimbursed value of 2,460 million ALL. We recommended in a specific case to improve the VAT guidelines on the right to choose VAT lending for the leasing activity of buildings as a taxable supply for all activity locations. Such a recommendation would sanction and avoid selective use for the same type of lease activity, regardless of the object in which this activity is carried out, thereby avoiding the financial effects recorded in the amount of ALL 48 million. In other cases, there is a lack of tax audit reports on the nature of the expenditures for which the VAT credit has been made. The control of the sales margin of the product is not ascertained as part of the sales analysis, so that the taxable sales in any case were above the cost of the sold goods, evidencing the lack of capitalization in the cost of the revaluation product for the effects of VAT carried out by GTD regarding the imported products. On the other hand, the VAT exempted controls lacked filters to prevent the lending of expenditures, as in two cases the VAT credits on purchases were allowed for those expenditures that were treated as excluded from the legislative framework in power.

Failure to follow the ALSAI recommendation on the distribution of dividends:

From the audit of the Technical and Legal Directorate in the GTD, we found that the

ALSAI recommendation on the interpretation of the declaration and distribution of dividends by the State owned companies in the period 2014-2015 was not implemented. The finding was related to the incoherent attitudes of the tax administration in the fiscal treatment of dividend income. Based on the requirements of the Law no. 8438 dated 28.12.1998 "On Income Tax", Article 33/1 "Depositing the decision after the approval of the annual profit and profitability", point 1, "Commercial Companies, according to the Law" On Traders and Business Organizations" after the payment of the profit tax, according to the provisions of chapter III of this law, within a period of 6 months from the date of closure of the financial year, must approve in the shareholders' assembly or the competent decision-making body of the company, the financial results of the year and allocate it to profit after taxation, by determining the amount of legal reserves, the portion to be used for investment or for additional capital and the portion to be distributed in the form of dividends. The above legal basis has been interpreted in some cases as limiting to the time when dividends are distributed for the effect of income tax. It is noted that while the Regional Tax Directorate of Fier district acted upon the recommendation of the SAI, in the case of the Large Taxpayers Unit, the attitude was rejection of the recommendation, although there was also the highest value found with about 139 million ALL.

Non-payment of Socially and Health Insurance for dismissed employees (assessed liability: 57.7 million ALL): From the audit of the execution of court decisions which had as their object the return to work and payment of salaries for employees dismissed from work from the tax administration (GDT), at the moment of the execution of these decisions, the GDT has not reported, held and paid contributions for social and health insurance on wages paid for the enforcement of court decisions. The total effect on unpaid contributions and salaries calculated for this year is 57.7 million ALL. This identified anomaly lies in the entire public finance system by generating missed revenues in the state budget in terms of revenue certification that the GDT itself realizes as the institution responsible for collecting them on behalf of Social Insurance Institute. This problem can become more evident if we consider that the costs for the execution of judicial decisions for dismissal from work, for the year 2016, for all budget institutions is 1,521 million ALL.

Avoiding the Scheme of Social and Health Insurance: From the audit of documentation in implementation of Law no. 9136, dated 11.02.2003, "On the Collection of Social Security and Health Insurance Contributions", as amended, and instructions for its implementation, as well as Law no. 75/2014, dated 08.08.2014,

"On the Private Security Service", it results that the requirements of Article 18, paragraph "g" are not applied, according to which "the basic salary of the employee of the service role shall be at least 50% higher than the minimum wage determined by the decision of the Council of Ministers". We found missing revenues in the Regional Tax Department of Shkodra district for 6 cases (subjects) amount 2.7 million ALL, in the Regional Tax Department of Lezha district 7 cases with effect to 7.7 million ALL. During the audit regarding the collection of social and health insurance contributions by sports clubs and sports organizations, we have ascertained that these entities have not contributed to the insurance scheme with not only financial effects of the scheme but also high social effects for those involved in these sectors. We noted that in most cases the entities are registered for the declaration and payment of social and health contributions, but have minimal wage declarations for the effect of calculating the contributions. It has also been found that in the cases of sports clubs, even when there are registered payrolls, these payrolls consist of only administration employees and not the sportsmen. We found cases where no sportsman or employee is insured or on average every month the number of insured is below the minimum level that must have a football team, at least 20 athletes.

Revenues from Gambling Activities: From the audit on the legality of blocking the activity and the sequestration of gambling equipment, we found that the control inspectors of the Authority of Monitoring Gambling Activities have imposed no fines for 4761 confiscated gambling items in 2015, amounting to 26,583 million ALL and for 5581 confiscated equipment in 2016, amounting to 29,556 million ALL, in total for the two years in 1940 unlicensed entities, amounting to 50,294 million ALL. The ALSAI has detected that the informality in this sector continues to be high. We have decided to conduct a performance audit to assess the effects of the measures undertaken in recent years in this sector.

Tax and Customs Debt: From the audit conducted at the General Tax Directorate, the main issue was the tax debt, reaching a disturbing level; an issue included in the State budget report, presented by ALSAI to the Parliament. The audit found that the debt amounts to 147,068 million ALL, with an evident increase of 76,629 million ALL during the year, while the number of indebted entities had an alarming growth from 6,408 entities in 2015 to 63,336 entities at the end of 2016, or tenfold. In relation to the debt stock according to its size, we noted its concentration by entities, where some of the largest debtors are also public entities, where by the end of 2016, the entities with debt larger than 5,000

thousand ALL (2 067 entities or 1.4% of the total number of entities) account for 77% of the debt stock or 113.766 million ALL in total. Referring to the treatment in the State Budget Implementation Report, the Tax and Customs Debt, reported by the fiscal administration, is 171,856 million ALL at the end of 2016, from 121,830 million ALL at the end of 2015. In addition to the increase in Nominal Tax and Customs Debt by 41.1% compared to the previous year, it shows that the share of this debt as a percentage of GDP, goes from 8.5% of GDP in late 2015 to 11.7% of GDP at the end of 2016. The increase in taxes and customs liabilities (tax and customs debt) and the social security scheme liabilities for 2016 is in the amount of 51.2 billion ALL and constitutes a direct revenue shortage for the State budget. In 2015 the growth of this debt was in the amount of 21.4 billion ALL. The ALSAI recommended to pay attention to the effective handling of the collection of these tax and customs duties, as well as a more cautious policy in the announcement and execution of fiscal amnesties which encourage the creation of tax debts.

From the audit to the General Directorate of Customs and of Customs Regional Directorates, we found violations, non-compliance and irregularities during the implementation of the customs procedures that we grouped according to the type of procedure:

Irregularities in treatment of preferential origin, tariff classification of goods and customs valuation of imported goods and declared in customs practices.

Even during 2017, we found misstatements in imported goods, referring to the analysis according to the types of goods declared. Particularly during this year the biggest problems and deviations have been identified mainly in meat products, alcoholic beverages and plastic products. From the audit of the documentation related to the procedures followed by the Directorate of Origin in the GDC for the administration of Correspondence with Homologous Customs for the Verification of Proof of Origin resulted that for a period of 10 months from the date of the request of DPD, homologous customs did not provide responses at all or they provided negative responses.

From the audit conducted in the Tirana Custom Branch, pursuant to audit program no. 640/1, dated 23.06.2017, resulted in an evasion of customs duties by 20 commercial entities importing meat and products from EU countries, USA, Canada and other non-EU countries to a total value of 254.5 million ALL (about 1.9 million Euro). The audit has resulted that the Tirana Customs Branch has incorrectly

applied, in disregard of the relevant regulatory framework, the transaction valuation method.

Until before 25.01.2016, the regulatory framework referred to by the Customs Administration in the evaluation of meat items consisted of: Articles 34-37 of the Customs Code and Instruction no. 25 dated 30.11.2007 of the Ministry of Finance. After the date 25.01.2016, the regulatory framework was added by two documents no. 1945, dated 25.01.2016 and no. 2344, dated 28.01.2016 of the General Director of Customs. Articles 34 - 37 of the Customs Code establish a hierarchical evaluation system with 6 methods, from the first method of the transaction to the sixth reference method, while the Instruction no. 25, dated 30.11.2007 of the Ministry of Finance set 25 indicators as a condition for application by the customs administration of the transaction method. In application of memo no. 1945, dated 25.01.2016 and no. 2344, dated 28.01.2016, of the General Director of Customs, the Customs Administration avoided the 25 indicators of Instruction no. 25, dated 30.11.2007 of the Minister of Finance, basing on the evaluation on only 7 indicators.

The difference between applying the wrong transaction method (directly applying the suggestions given in two documents No. 1945, 25 January 2016 and No. 2344, dated 28 January 2016, of the General Director of Customs) instead of the appropriate method of the reference (applying the definitions made in the relevant articles of the Customs Code and the Instruction 25 of 30 November 2007 of the Minister of Finance) has resulted in an evasion of customs duties in the total amount of 254.5 million ALL. **The ALSAI has recommended the abrogation of the documents no. 1945, dated 25.01.2016 and no. 2344, dated 28.01.2016 of the General Director of Customs, which have brought deviations from the criteria in the cases of application of the method of the transaction, for this type of article.**

In response to this audit of ALSAI as well as the recommendations left for the General Directorate of Customs and the Tirana Customs Branch, the Albanian Food Industry Association, through its Executive Director Mr. Alban Zusi, with memo no. 84, dated 08.01.2018 and no. 85 dated 08.01.2018, has presented a number of claims against ALSAI findings and its audit activity by addressing a number of institutions, such as the Parliament, the Prime Minister's Office, the Ministry of Economy and Finance, the Ministry of State for the Protection of Entrepreneurship, the General Directorate of Customs, the European Union Delegation to Albania and some of the Foreign Embassies in our country. Considering these reactions of the Albanian Food Industry Association as deliberate actions towards the intimidation

of the Customs Administration with regard to the implementation of ALSAI recommendations as well as the intent of intolerance of any misinformation of the parties (institutions) interested in this matter, ALSAI with memos no. 43/1, dated 26.02.2018, no. 43/2, dated 27.02.2018, no. 43/3, dated 02.03.2018, no. 43/4, dated 02.03.2018, and no. 43/5, dated 02.03.2018, has clarified all the above-mentioned institutions, and in particular the Committee on Economy and Finance of the Albanian Parliament, which has expressed institutional readiness by submitting a request to set up a verification team for the work of ALSAI.

Exceptions to VAT customs duties have been found, due the non-compliance with the applicable legal framework.

From the audit of the documentation related to the procedures followed by the Directorate of Methods and Control and the Technical Directorate of Excise at the General Directorate of Customs, we found that VAT duties were exempted from the customs, not in accordance with the requirements of the article of law no. 125/2012 on some amendments and additions to law no. 7928 dated 27.04.1995 "On Value Added Tax" as amended, of the Law No. 92/2014 dated 24.07.2014 "On Value Added Tax in the Republic of Albania", of the Council of Ministers Decision no. 953, dated 29.12.2014, of the Council of Ministers Decision no. 13, dated 14.01.2015 as well as actions not in accordance with the requirements of law no. 61/2012 "On Excise Taxes in the Republic of Albania", dated 25.06.2012 in the amount of 15.9 million ALL for 29 cases subjects and to require the verification of the excise duty payments in the amount of 1.4 million ALL for 5 cases/subjects.

Active, passive, temporary and transit processing regimes with breach of deadlines and not in compliance with the relevant authorization.

The main deviations regarding active, passive, temporary, transit and customs warehousing regimes are mainly ascertained because the goods subject to control are not issued for customs purposes and the deadlines for these regimes are violated. At the same time, there were also cases in which items were not included in point 3.b of the Authorization for RPA, thus were imported goods that do not comply with the authorization to be included under this regime.

Investigative files for which there was no requested seizure of the value of goods classified as smuggled (15 cases worth 85.8 million ALL) was not required.

The value of the goods classified as smuggled item in the minutes prepared by the Investigation Directorate sent subsequently for issuing an administrative decision at

the respective Customs Departments as well as the actions that have subsequently resulted in non-issuance of administrative decisions by the respective Customs Branches are not in comply with the requirements of the Customs Code under Law no. 8449 dated 27.01.1999 "The Customs Code of the Republic of Albania" amended, for 15 cases/subjects in the total amount of 85.8 million ALL. Also, from the audit of documentation related to the procedures followed by the Directorate of Anti-Smuggling regarding the performance of functional duties, it turned out that no record of violations in the customs area was submitted to the competent customs authorities, the amounts of customs duties for the violations of customs duties were not accurately calculated and in many cases the Competent Customs Authority has not issued an administrative decision. These actions are not in compliance with the requirements of the articles of the Customs Code for 12 cases/subjects, in the amount of 1.7 million ALL.

Income from Local Self-Government Units

Administration of taxes and revenues reflects major deficiencies for which ALSAI has recommended increased attention to improve the financial indicators of local self-government units. In the framework of the tax system reform, about 20 kinds of taxes and tariffs are collected by the local government, with the most important mention being: Property Tax (buildings and agricultural land), Property Transfer Tax, Infrastructure Impact Tax, Registration Fee (cleaning, lighting and greening), etc, fees for the parking lot, fees for parking spaces, cleaning fee, land tax, table and advertising fee, What we have ascertained from the audits conducted in the LSGUs (32 former municipalities and 120 former communes) is the lack of fair revenue planning, as reservations are made in the plan of some types of local taxes and charges, for which no account has been taken nor the realization of the previous year. There are no written procedures for prosecuting debtors of previous periods, and in many cases there is no accurate transfer of the list of these debtors during the process of transferring competencies from municipalities to municipalities. Only in the audits of 2017, unpaid liabilities over the years were calculated at the amount of 2,575 million ALL mentioning the Patos Municipality in the value of 263.6 million ALL, Divjaka in the value of 261 million ALL, Shkodra in the amount of 216 million ALL, Fier in the value of 173.6 million ALL, etc. Some LSGUs have not built up a computerized and qualitative system in order to ensure fair revenue management and provide sufficient operational security for the same treatment of entities subjected to local taxes and charges.

Financial reporting in the public sector

The Consolidated Financial Statements of the State aim to present the truth and reliable financial position, financial performance, changes in equity / net assets and cash flows of the state. It is noted that, for 2016, the Consolidated Financial Statements are not included in the consolidated annual report on budget implementation. The absence of the consolidated state statements in our judgment affects not only the level of transparency but is closely related to the analysis of macroeconomic indicators. *It is concluded that there is no clear regulatory basis on which Financial Reporting is performed, which leads to significant deficiencies in accounting and financial reporting by entities that have to report on the basis of public accounting standards. The Ministry of Finance and Economy does not have the full list of all budgetary and non-budgetary institutions whose balance is part of the State Consolidated Statements. Even in 2016, there are still ministers, which do not draw up a Consolidated Annual Report, the concrete case is the Ministry of Transport and the Ministry of Environment. In the absence of such an action we have assessed the risk that the process will reflect confusion and great inaccuracies. In January 2018, ALSAI initiated an audit at the Ministry of Finance and Economy regarding the process of preparing the Financial Statements for the purpose of monitoring in the conditions of institutional restructuring and raising awareness regarding the importance of this process by the responsible structures.*

We have recommended to the Ministry of Finance and Economy to evaluate the opportunity of a public discussion and communication to gather independent and professional opinions on the necessity of the Law "On Public Accounting", and not leaving the decision making for this important step in the hands of the structures that have hesitated to invest in this direction for years.

In the conditions when the government's restructuring at the end of 2017 has affected the division or merger of State institutions, the ALSAI has requested the issuance of an instruction that will establish the consistency with which the transfer of assets and rights and obligations will be realized from one structure to another.

Also, in support of the public finance strategy, the ALSAI has requested the Ministry of Finance and Economy to immediately publish the International Public Accounting Standards (IPSAS) as the main methodological basis on which public accounting in Albania will be built in the near future.

Financial management and Control

The Law "On Financial Management and Control" defines the principles, rules, procedures, administrative structures and methods for the functioning of financial management and control in public entities of the Republic of Albania, as well as managerial responsibilities for planning, implementation, budget control, accounting and reporting , in order to make the most efficient, effective and economical use of public financial resources while respecting the principles of transparency and legality, as well as avoiding misuse, and theft of property. ALSAI has ascertained that in practice there is a different understanding from the public entities in the field of implementation of this law, aiming not to include in the regulatory framework that this law stipulates. It is typically the behavior of state-owned joint-stock companies or independent institutions in creating and administering funds, regardless of their being a public entity. For this we have requested the Ministry of Finance and Economy to take measures for the full implementation of the law "On financial management and control", including by their specific characteristics commercial companies, non-profit organizations, and should be expressed in the legal framework for implementation by independent institutions that create or spend public funds.

From the audits conducted by the Supreme State Audit during 2017 regarding the performance of the financial management and control components in some central and local government institutions for the 2016 exercise year, problems and difficulties have been identified regarding the understanding and implementation of financial management requirements and control. The entities reflect an incomplete regulatory framework adopted following the structural changes occurred, lack of a risk management strategy, documenting GMS meetings, not drafting audit trails, and not enough staff trainings on the FMC implementation. It is noted that there are efforts to complete the documentation according to the requirements of the law, but in practice there are shortcomings in its implementation.

In public institutions, ALSAI has found a lack of functioning of internal control systems, a fact that increases the risks for good management of budget funds in accordance with the objectives, as well as derecognition of the risks of the activity and moreover missing of its management strategies (excluding formal reports that are made in the conditions of preparation of self-assessment forms).

The deviation in our judgment regards the functioning of structures that monitor the establishment of internal control systems and ensure that institutions recognize and implement requirements for a framework of financial management and functional control. The structure responsible for financial management and control has failed to establish an adequate communication bridge with public institutions to guide the methodological viewpoint, not only difficult but challenging. It is noted that the selection of persons on boards and committees, in support of the structures of the Ministry of Finance and Economy, which is not in accordance with the criteria and in some cases conflicts of interest, creates a breach of processes by exposing decision-making to operational risk.

The internal audit has seen significant developments but it's still at the level of preparation of basic documents and the development of professional audit capacities, far from obtaining concrete and expected outcomes from the internal audit function in public sector entities. Functional independence of internal audit is not fully assured. Although steps have been taken in terms of separating structures and separating audit activity from other entity activities, further steps should be taken to formulate reports, recommendations and their implementation.

The audit reveals that the Units of Local Self-Government (Municipalities) has not implemented the Order of the Minister of Finance no. 89, dated 28.12.2015 "On approval of the methodology for monitoring the performance of the public unit", as there are indicators that have not been filled in with the data of the General Budget Directorate in the former Ministry of Finance. From the audits carried out by ALSAI in some municipalities during the audit period, it turned out that some of the internal audit staff were unaware of the publication of the performance monitoring report of their Municipality, which was published on the official website of the Ministry of Finance (Municipalities of Shkodra, Fushe-Arrëz, Divjakë, Tepelenë, Shijak, etc.), which indicates that despite the regular trainings organized by the Ministry of Finance, they didn't provide the desired result.

The ALSAI has recommended a series of measures that in its judgment will enable not only the full implementation of the requirements of the law "On financial management and control", thus affecting the creation of effective internal control systems but will also guarantee a careful monitoring process in addressing the risks and providing sufficient assurance that the objectives of the public entity will be achieved through effective and efficient activities.

II.2.2 PUBLIC PROCUREMENT

The procurement activities carried out by the public sector constitute an essential structural element in the architecture that enables the government and the public sector not only to carry out their administrative operations but also to provide citizens with essential services and infrastructures, ensuring public transparency, integrity and accountability on public spending. Moreover, the public procurement costs represent a significant share of GDP. Under such conditions, effective public procurement systems play a strategic role in avoiding mismanagement and misuse of public funds.

In support of the OECD principles on Public Procurement Integrity, procedures that initiate transparency, good governance, abusive cases prevention, accountability and control are those that contribute to the prevention of misuse of public funds, because at the end all efforts to raise performance and integrity in public procurement are fully part of an efficient and effective management of public funds. Considering the foregoing, we are concentrating on the four main pillars of the OECD, analyzing each of them in the context of public procurement in Albania, fully supported by the SAI findings from audits conducted in 2017.

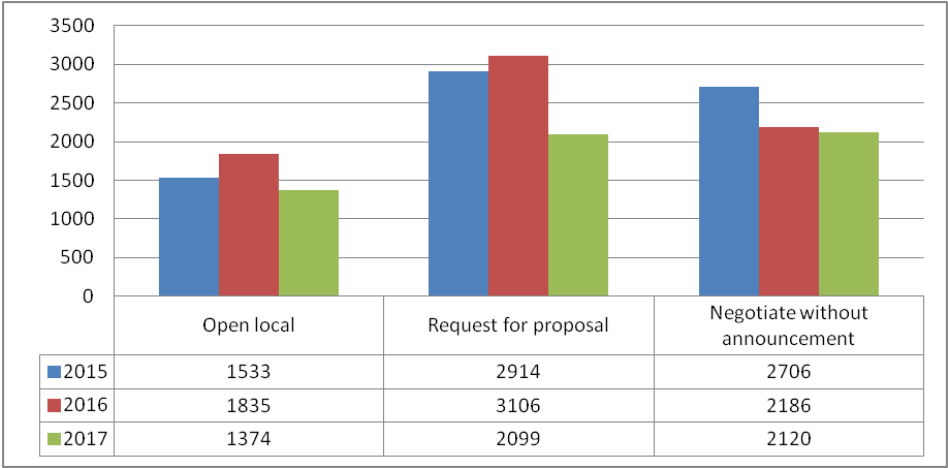
The transparency of the public procurement process

To increase Public Procurement Integrity, the public entities need to provide a high degree of transparency throughout the procurement cycle, in order to promote fair and equitable treatment of economic operators. In order to ensure a fair competition processes, in addition to the rules and guidelines, an important aspect is the choice of the procurement method.

It is noted that during 2017, only 25% of the number of procedures was conducted with "Open Local Tender", while about 37% of the number of procedures was conducted with the "Proposal Request" procedure, regardless of how funded level these procurement last year, about 7% of the procurement fund for 2017 was accounted for, and about 38% of the number of procedures was conducted with the "Negotiation without announcement" procedure, where the value of the procured fund was about 8%. Analyzing the dynamics of procedures by type, we have ascertained that during 2017 the same trend as in the previous year has

continued with regard to the selection of procedures that risk not to guarantee an open competition (contract negotiation is the most widespread type of procedures used, referring to the number of procedures carried out during 2017).

Graph no.14: Procurement by type of procedure



Source: PPA (data refined by ALSAI)

The public procurement procedure "Negotiation without prior publication of a contract notice" accounts for 38% of the total number of procurement practices carried out for 2017. This type of procedure is not carried out through the electronic system and does not require public notice, ie the funds procured under this procedure do not have the level of transparency that the other procedures funds have.

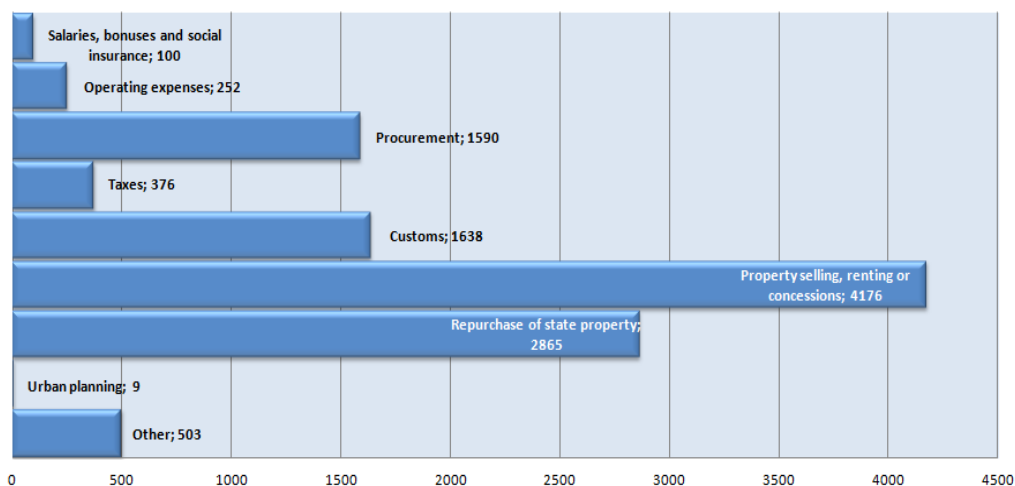
During 2017, the ALSAI has carried out a performance audit on "Public Procurement Procedures in Albania", which concluded that "public procurement procedures" without prior publication of a contract notice "were" stimulated "creating "emergency" situations because legal acts for budget implementation do not allow the start of a procurement procedure in case the budget has not passed or the legislation is not fully aligned with the financial management legislation; due to overcoming deadlines in reviewing complaints and bureaucratic procedures; organizing public procurement procedures from one single hand to some goods and services. The regulatory framework covering this type of procurement procedure is not fully in line with the Acquis Communautaire of the European Union; we ascertained the lack of a specific guidance which should provide a more detailed a description of the steps, deadlines and actions to be applied by the Contracting

Authorities in the case of using the public procurement procedure "Negotiation without prior publication of a contract notice". In this context we have sought attention in monitoring but also intervention in legislation to minimize "fictitious" emergency cases reported by contract authorities. We MUST point out that there have been interventions in the Law and normative acts that regulate the field of public procurement at the beginning of this year, but the effects of these amendments will be ascertained in the procurement audits carried out in 2018.

Management of funds in the process of public procurement

Shortcomings in procurement planning and management include not only unjust planning of needs but also a process that is not fully implemented with legal requirements. It therefore refers to the improper implementation of legal requirements and obligations by public entities that procure funds through the public procurement system, an implementation that also depends on the human capacities involved in the realization of this process. The professionalism and integrity of public servants involved in public procurement is an important link for efficient public procurement management in Albania. According to the damage structure ascertained by the audits during 2017, the second largest violation group after property management is ascertained in the area of public procurement.

Graph no.15: Damage according areas



Source: ALSAI, Statistics Sector

In the audits conducted for 2017, in 13 central institutions there have been performed 402 procurement procedures with accrued funds ALL 2.816 million, for

which the contracts with the winners have been concluded with a limit fund of 232 million ALL or 8.2 % less than the limit fund. Procurement procedures were audited at ALL 2.013 million or 71% of the accrued value. Legal violations in procurement procedures were found at the value of 1.956 million ALL or 97% of the value of the audited procedures. The legal violations (550 cases) in our judgment have led not only to deforming the competition of operators in the market but also not guaranteeing value for the money spent in the following directions:

- At the stage of preparing the tender documents, 415 violations or 75% of cases were found. Violations are the non-argument of the estimated value of the contracts 135 violations, in the implementation of the responsibilities of the contracting authority 46 violations, in defining the general criteria 34 violations, in determining the particular criteria 98 violations, in defining technical specifications 102 violations.
- In the development phase of the procurement procedures there were found 66 violations, or 12% of the cases. Violations are in compliance with the qualification criteria 26 violations; in abnormally low 3 violations; in the opening of the bidding process 11 violations; in the connection of the act of cooperation agreements 1 violation; in observance of time limits in the implementation of procedures and complaints 12 violations.
- At the stage of implementation of contracts and handover of works, file archiving, 69 violations or 13% of cases. Violations are in the process of enforcement of contracts 18 violations; act of delivery 13 violations; in work carrying out 10 violations; file inventory 28 violations.

In the audits conducted in 42 entities of the local self-government, out of 994 procurement procedures conducted in the amount of 13,113 million ALL, 716 procurement procedures were audited at ALL 11,182 million, or 70% of the number of procedures and 85% of the value. There have been established procedural violations in 672 procurement procedures or 94% of audited procedures, indicating that the funds were spent not in full compliance with the legal requirements.

- At the stage of preparation of the tender documents the violations found are on the non argumentation of the limit value in 88 procurement procedures, the tender documents are not defined in 55 procurement procedures, missing of correct and clear specification of the technical specifications in 147 procurement procedures.

- At the stage of developing procurement procedures, the violations found relate to double standards in the bidding review in 200 procurement procedures, unfair qualification of economic operators in 148 procurement procedures.
- -In the phase of implementation of contracts and delivery of works, there were noticed a lack of monitoring, oversight and improper implementation of contracts in 50 procurement procedures, etc.

The economic damage ascertained in the realization of investments at the local level consists of the value of 159,197 thousand ALL for the not fair evaluation of the winning bids (17 municipalities), and at the value of 211,743 thousand ALL from the failure of the works (26 pairs). We mention cases of violations in the Municipality of Saranda in the value of 77,380 thousand ALL, Kukës Municipality in the value of 42,804 thousand ALL, Tepelene Municipality 50,747 thousand ALL, Kavaja Municipality in the value of 28,373 thousand ALL, Himara Municipality in the value of 35,501 thousand ALL, Finiq Municipality in the value 36,127 thousand ALL , Municipality of Fier (9 former Municipalities) in the amount of 15,315 thousand ALL, Municipality of Tropoja in the amount of 13,975 thousand ALL, Municipality of Divjaka in the value of 10,560 thousand ALL ect.

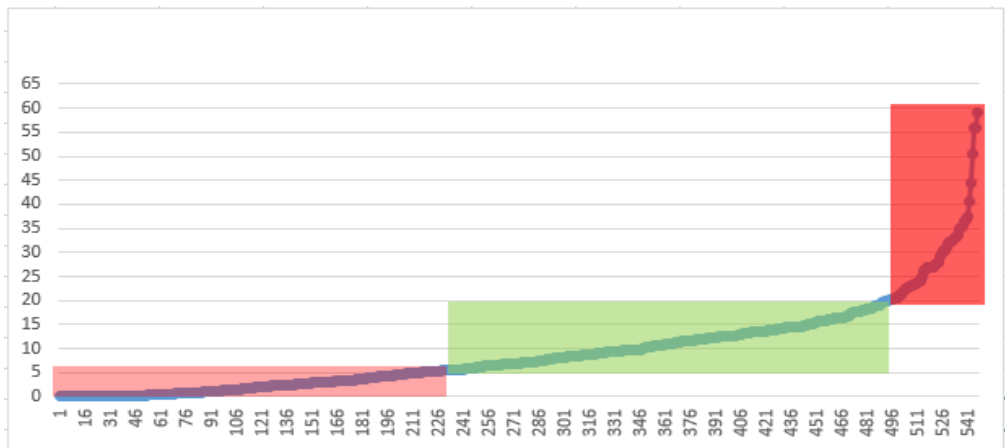
During 2017, ALSAI has found violations in the implementation of contracts in 50 subjects, causing economic damage to the state budget at the rate of 1.056 million, where about 58% of the total value of the damage is distributed in five subjects (or 10% of total of the number of subjects) that are:

Table no 4. Economic damage to contract enforcement in 000 (thousand) ALL

No	Application of works	Damage found	Wight
1	Albanian Road Authority	202,536	19.2%
2	Ministry of Energy and Industry	247,607	23.4%
3	State Operator of Electric Power (OSHEE) holding Tirana	60,688	5.7%
4	Project of Solid Waste Management of Albania, Ministry of Transport and Infrastructure	43,462	4.1%
5	Saranda Municipality	56,435	5.3%

Effectiveness of public procurement. As an indicator of effectiveness, we calculated the difference between the value of the limit fund and the procured fund. We noted that there is a high level of procedures in which the difference between the limit fund and the winning bid is at the minimum level, ie close to 0, with almost the same number of procedures that have an effectiveness of 5% to 20%. There are high numbers of procedures that have a high spread of the winning bid and the limit fund ie over 20%, which raises questions as to the accuracy of the calculation of the limit fund and to the reduction of bids' value at levels that jeopardize the realization of services, investments or even goods in the adequate quality.

Graph no.16: Effectiveness of public procurement 2016



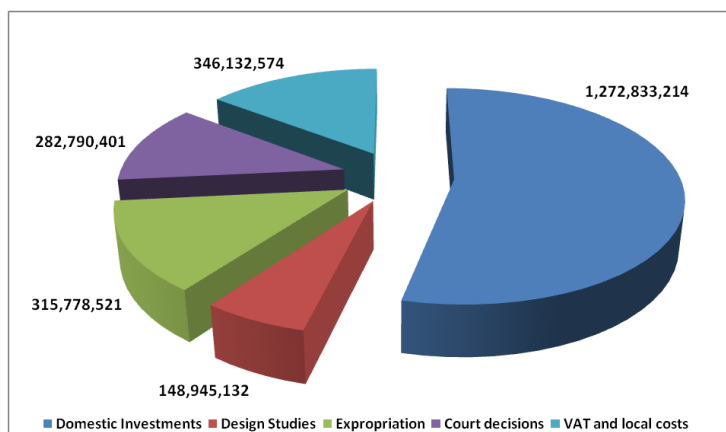
The increase of the low-value lowering range has led to an increase in the number of winners near or abnormally low values, a fact that implies subsequent consequences in terms of contract execution deadlines or non-performance of contracts without including the problem of delivery of goods and low quality services. To minimize the above phenomenon, we have demanded increased control of the delivery of goods / works and investments by the contracting authorities, especially when these levels of supply are ascertained.

Albanian Road Authority

ALSAI audited the procedures related to the "Road Transport" program for 2016, at the amount of 8,946,365 thousand ALL, which constitute the main weight of the capital expenditures in the State budget. It concluded that there is not a careful strategy of programming expenses under this heading as long as there are considerable differences from the initial plan, with additions during the year. The

investment under this item through foreign financing is 4,716,731 thousand ALL, i.e. 50% of the funds spent from the state budget. What is important to mention and reflects a poor job in administering allocated funds for infrastructure are the unpaid obligations at the end of 2016 amounting to 2,366,479 thousand ALL or 30% of the budget funds allocated to this year.

Graph no.17: Unpaid obligation up to 31.12.2016



During the audited period there were conducted 110 procurement procedures foreseen at 12.8 million ALL and performed at 12 million ALL with a discount from the limit fund at 777.8 million ALL or 6% of the procured limit fund. There have been conducted 16 procedures "Negotiation without announcement" with a limit fund of 2,921 million ALL in which the effects of the competition is not assured being considered as additions to the contract within the limits established by law. To give an opinion on how these types of procedures are implemented we are based on the findings of some of the procedures that are selected on a risk basis.

1. From the audit "On the Albanian Road Authority", violations have been found in the decisions of the Technical Council, due to the acceptance of substantial changes in the projects in the absence of the accompanying report prepared by the respective directorate / project officer. The causes that make the application of add-ons necessary and the corresponding responsibilities that have led to the addition of works are not clearly explained and clarified. Thus, on the project "Disposition and Paving of Elbasan-Banje road- Lot 3" there have been noticed "Additional value of contract" at 208 million ALL. We found that changes to the project "Gostimë-Mollas" segment, namely "The new bridge Sulova" had documentary shortcomings, with no construction permit, no technical

requirements for the project implementation of the new bridge Sulova, contrary to Article 6 of Law no. 8402, dated 10.9.1998 "For the control of construction works" in which it is established ... "the technical opposing for the construction of facilities projects is necessary to all the building permits with a value at least 100 million ALL, by state institutes or other entities, determined by the ministry covering the construction activity. The change of the initial project on a new road axis, a new bridge in Sulova, with two lanes, was accompanied by extra unnecessary costs of 144 million ALL in the Albanian Road Authority budget. Procurement of "Contract award" by procedure "Negotiated without prior notice" selected in violation of Article 36/2/dh of the Council of Ministers' Decision no. 914, dated 29.12.2014 "On the Approval of Public Procurement Rules".

In the procurement procedure for the addendum of the contract with the object: "Construction of the road Lushnjë-Berat, Loti 3", we found that in the decision of the Technical Council there is inaccuracy in the evaluation of the required additional works. The path to the reconstructed road passes to a field area where plan metric development is generally very good and where the main works of art require only reconstruction of asphalt layers and reconstruction of sidewalks. The condition of the paved part ranges from 9 m to 13 m with sidewalks in most cases on both sides, while the project additions includes: A. deterioration and cleansing, B. soil works, C. Road works and road layers, D. Pavement works, E. Electrical works, F. Roadside auxiliary works and various. Procurement procedure with the object "Construction of Lushnjë-Berat road (additional works) with a limit fund of 197 million ALL VAT included. The type of procedure is "Negotiation without announcement", with the previous contractor BO" B "sh.pk, is considered non in compliance according to the defined circumstances of DCM no.1 dated 10.01.2007, amended point 5, chapter IV, avoiding a new "open" procurement procedure.

The civil works of the Contract "Construction of the Lushnjë-Berat road segment, Lot 2" has been signed with no. 1200/6, dated 03.05.2013, with Contractor "G", worth 1.360 million ALL VAT included. The term of completion of the works is set at 26 months, referring to the date of the conclusion of the contract. The contract includes cleaning and shrinkage works, soil work and pilots, roadworks and road layers, cobblestones and drainage, sidewalks and drainage. The length of the road is 17,363 ml. The record of commencement of works is dated 27.05.2013. The Technical Council of ARA gathered on 13.09.2013, has taken the decision to approve the proposals for amending the project proposal, in accordance with the

measurements made on the ground. Regardless of the changes above, based on the community complaint, the Technical Council has taken the decision No. 25, dated 16.09.2014, for some additions and improvements to the facility's budget, which consist of: Improvement of road signs and road safety, improvement of entrance and exit of the villages with the national road, construction of several holding walls, increase of pavement spaces, etc.

For the accomplishment of additional works, following the review of the draft law and based on the Decision of the Technical Council no. 25, dated 16.09.2014, with procurement no. 5235/4, dated 12.08.2014, a contract extension worth 258.7 million ALL VAT included was signed. The deadline for the implementation of the works for the contract extension is 6 months. The contract extension was amended to expire on 27.05.2015, for a term of 7 months for the completion of the works on 03.08.2015, with the reasoning that: "As a result of the technological success of the works, because the construction of the layer asphalt (4 cm), including bituminous emissions that are additional works/additions, are related to the completion of the basic contract volumes. As noted above, it is verified that the works of the basic contract were not completed by 26.06.2015, a period in which the extension of the time limit for completion of the basic contract works for 6 months was completed, arguing the impossibility of building the Bridge Kuçi, from heavy traffic during the construction period of the work. Notwithstanding the foregoing, on 23.07.2015, the deadline for completing the additional works was extended for a 4-month term, ending on 30.12.2015, with the claim: "To carry out cleaning of the gutter, which was not performed during this period as a result of the presence of water during the irrigation season of land." This additional contract was not followed by arguments in contradiction with the general terms of the contract. The contract extension is based on articles 23, 36 and 38 of the contract. Meanwhile, it has been concluded that we are not dealing with force majeure as well as the argument does not stand in terms of the works actually performed during this period based on the worksheet for the period 03.08.2015 to 28.12.2015. Worksheet no. 5 for works up to 21.12.2015, has certified 4.9 million ALL and with worksheet no. 6 (final situation) was liquidated the value of 6.7 million ALL, while the contractor "GPG Company" was not penalized for delay in the delivery of works with about 7 million ALL. The audit found that for the additional value, the contractor "GPG Company" was unfairly paid by 1.9 million ALL.

2. Regarding the item "Procured Studies and Desings" under the heading "Consultancy services", we explain that 23 procurement procedures were realized with a value of 1,133 million ALL. What in our judgment is the most risky area in relation to procurement of studies and designs is the real need for this type of study and the lack of strategies that would lead to the procurement of studies related to real priorities and tangible deadlines related to the investments performed in infrastructure.

From the audit procedure "Design supplementation Study of Shkodra By Pass as part of the North-South corridor and connection with the city" with a limit fund of 88.6 million ALL, it was found that the required project is nested, so the information gathered has led the project for construction of "Western Bypass of Shkodra" is completed with the two connecting elements of the city of Shkodra in the South and the North. *Terms of reference (technical terms and project value calculations) no. 5131 prot., dated 17/06/2016 (ARA), with the purpose of "connecting the city" to the south, by the "Western Bypass of Shkodra" with the national road Shkodër-Tirana, contradicts (or overlaps) the procedure realized as above, with the project itself for the construction of the "Bypass of Western Shkodra" which has also aimed at linking the city. The drafters of the terms of reference are in conflict with the purpose of these terms themselves because the request is for connection to the city, ie the road Tirana-Shkodër with "By pass", meanwhile the processing of the trail accepted as project idea is 3.6 km long, i.e. another parallel path until it is connected to the existing tunnel road at the east of the Rozafa fortress and with bridges over the Kir and Drin river of considerable length.*

The Contracting Authority has acted in violation of the requirements of Law no. 107/2014 "On Territorial Planning and Development", because the "tracked project" is not accurate, because it is not constructed according to the State Coordinating System, it is in contravention of the mapping made in the system by The State Authority of Geospatial Information. (Referred to as a line along the line of TR project, the length is approximately 2550 m (from 3600 m). We found that the CA has chosen the "console services" type of procedures (electronic procurement) to link this procedure to the selection of the public procurement contract "consultancy services" with the "limit fund". Because this type of procedure declares the fund limit and the CA prepares the cost value and budget. Further to calculate the values it is based on the assessment that the CA does for the resources it needs to accomplish the task; staff costs, logistical support and physical

input, while based on articles 29, 35 of Law no. D) design contest, CA may organize a design contest, as part of a procedure for selecting a fit contract, for a plan or a project selected by a jury, based on a competition procedure, mainly in the field of urban, rural, architectural, itinerary planning. For this type of procurement procedure, the procurement order does not contain a limit fund.

Irregularities and double standard views were found in the evaluation of operators according to "Proposed Methodology 20-50" technical approach and methodology, work plan, organizational skills". It was found that there is very significant evaluation avoidance for the first operator compared to the other two, although according to the audit documentation the first operator did not present any project ideas or technical approaches, while the other two submitted them. Even their project ideas with the submitted documents reinforce the mistake made by the drafters of the terms of reference that the trace of the required track does not result in 3.6 km but approximately 2.6 km. This tells us the error of calculating the fund limit procured.

Facing the absence of the field specialist the Offer Evaluating Commission didn't manage to design a proper technical assessment, since the first operator did not present "technical approach" as other operators but did not even come to read the technical mistake made by the drafters of the terms of reference, but also by the documents submitted by the bidders, for the verification of the length of the trace which is 1 km wrong (i.e. less).

3. In the ongoing ARA's practices, we noted that other road constructions projects has started in full fund missing for their implementation. In this situation, ARA has signed contracts and has completed / accepted the survey of works for some of the items of works contemplated in the final estimate of the facility, while works / roads have not been completed (mainly excavation and filling works have been carried out but no asphalt layers have been realized). In the absence of funds for the completion of the works, the "crapped" but unfinished objects are abandoned causing considerable economic damages to the road sections, while simultaneously treading the road safety. Currently there are some important public works contracts that started since years, but the facilities have not been completed as "Librazhd - Qafë Stude, Lot 3", "Qafë Thanë - Lin Pogradec, Lot 2", "Arber Street , exit "Ura e Vashës - Bulqizë, Lot 3", "Additional contract for the Arber road, exit Vasa Bridge - Bulqizë, Lot 3", "Arbri Street segment Brari Bridge - Tunnel Qafë Murriz Tunnel", "Kuçovë Street - Belsh - Cërrik", etc., with signage and road safety elements in which no measure has been taken for their completion. *Concerning the implementation of road infrastructure contracts, the*

ALSAI concluded that there are not only delays which in most cases are not justified and documented but also there are unperformed works for which the contractor has been paid. This situation reflects inadequate control and surveillance systems that do not only guarantee the preservation of public money but also jeopardize the quality of works that extend into periods up to 9 years. In the audit conducted during 2017, we found some of the most flagrant case.

a. The construction contract of the road "Cuka-Butrinti Canal, Lot 1" was signed on 11.06.2009, between ARRSH (Former General Direction of Roads) and the joining of economic operators "Gj & A" Ltd at the amount 527 million ALL, VAT excluded. The term of completion of the works is determined 15 months, referring to the date of signing the contract.

The basic contract was followed with the extensions of the termination: No. 6884/1, dated 16.09.2010, for extension of the deadline for a period of 6 months and termination date 11.03.2011. No. 1797/2, dated 16.03.2011, for extending the deadline for a period of 3 months and termination date 11.06.2011. No. 3755/2, dated 10.06.2011, for extending the deadline for a period of 6 months and termination date 11.12.2011. No. 7439/2, dated 22.12.2011, for postponement of the deadline for a period of 6 months and termination date 11.06.2012. No. 3163/2, dated 08.06.2012, for postponement of the deadline for a period of 6 months and termination date 11.12.2012. No. 2041/2, dated 11.12.2012, for extending the deadline for a period of 6 months and termination date 11.06.2013. No. 3024/2, dated 12.06.2013, for extension of the deadline for a period of 12 months and termination date 11.06.2014. No. 3821/2, dated 23.06.2014, for postponement of the deadline for a period of 7 months and termination date 11.01.2015. No. 335/1, dated 23.01.2015, for extending the deadline for a period of 3 months and termination date 15.04.2015. No. 3243/1, dated 20.04.2015, for extending the deadline for a period of 2 months and termination date 15.06.2015.

ALSAI audited only the last extension of the working time period and concluded that for this period the argument of delay is the impossibility of connection to electricity, but in fact we are dealing with the non-completion of the works. The postponement of the deadline was made without argument based on the contract, on the inaccurate date, since in fact other works were not completed to extend the deadline only for the connection of electricity, favoring the contractor directly and avoiding penalties for delays in handing over the works.

b. From the technical documentation of the project "Paving of Librazhd - Qafë Stude segment, Lot 3" it was found that the construction was performed according to the contract for public works no. 1779/5 of Prot. dated 06.05.2011, concluded between the General Directorate of Roads, represented by the former General Director Mr. Andi Toma and the economic operator "V" Ltd. The value of the basic contract is ALL 2,272 million VAT included to be executed in 24 months from the date of the conclusion of the contract, according to the worksheet. The type of contract is a unit price contract based on unit prices, expressed in unit estimate. By letter no. 544/2 prot. dated 02.11.2011 of the Executive Director of the Albanian Development Fund (ADF), Benet Beci, addressed to the former MPPT Minister and DPRR, reported that the implementation of the Librazhd segment - Ceren Bridge will be part of the secondary and local road program that the ADF is implementing.

The former General Director, Andi Toma ordered to co-operate with the ADF to enable the DPRR to open the track and the Albanian Development Fund to do the asphaltic layers to complete the construction of the road from Librazhd to Ceren Bridge. With the letter from the former General Director, it is required to carry out an update on the ground of the unpublished project-budget Fushe Stude-Ura e Cerenec. It is also required the evaluation of the works volumes for the "Paving Asphalting System of Street Librazhd-Qafë Stude Loti 3", together with the untested part of 17.4 km length, not including the works of the asphaltic layers, whereby it sends the draft estimate of the 17.4 km of road segment Fushe Stude-Bridge of Çerenec.

With the decision of the Technical Council of 06.02.2012, in principle the proposals for completing and re-evaluating the project-estimation and the re-evaluation of the draft-estimate of 17.4 km are approved. For the construction deadlines there have been 4 amendments no. 2274/2 of 08.05.2013, no. 6333/1 dated 01.07.2014, no. 07/1 dated 05.01.2015, no. 6055/1 dated 13.07.2015, which consist of changes to the project budget due to the continuity of the project, from the landslides in km 13 + 500, from not completing the construction site of expropriations in the village Borovë-Çerenec, from Atmospheric conditions by not working on art works, from slides occurred in km 11 + 100-11 + 450 to Fushë Studë-Çerenec Lot 1 and 11 + 900-11 + 963 Fushë Studë-Çerenec Lot 1. With letter no. 126 prot. dated 30.09.2015 was notified by the entrepreneur about the completion of the works. The works supervisor has notified the completion of the works with the document no. 241 dated 09.10.2015.

Additional contract is concluded according to the Procurement Order no.34 dated 29.06.2015, with the object "Asphalting of the road Librazhd-Qafë Stude Lot3

(additional works), with limit fund of 454 million ALL VAT included. The procedure is defined as "Negotiation without advertisement" with the contractor of the basic contract "V" Ltd. because it has to do with the extension of works contracts which were not included in the initial contract, as the need for additional work was caused by unforeseen circumstances, which do not depend on the CA and that cannot be stopped.

During the audit of the As-Build project, the final situation, the basic contract booklet, results in some inaccuracies or inconsistencies in some cross-sections, resulting in greater volume of work. From the recalculation of project volumes, based on inaccurate cross-sectional areas, the value of 25 million ALL, VAT included was unlawfully obtained by the contractor due to inaccurate calculations in the project.

c. Audit of the implementation of the "Construction of the Lushnje-Berat Road, Loti 3". The above object was performed under a public contract no. 1181/6 dated 03.05.2013, concluded between the Albanian Road Authority, represented by the former Director General, Andi Toma and the merge of economic operators "AG" Ltd. & "H" Ltd. The value of the basic contract is 1,166 million ALL, VAT included for execution within 24 months from the date the contract was signed, according to the worksheet. The road construction has a length $L = 9,335$ m, where Lot 3 starts from the progressive 22 + 924 km to 32 + 260 km, with a width of 11 m asphaltic layer.

The object demolition act, the place making act and the record of commencement of works were held for the basic contract on 10.05.2013. During the implementation of the contract, difficulties were encountered on the roadway near the military aviation of Urë Vajgurore and was repeatedly required the release of construction sites due to the difficulties of expropriation of lands belonging to the road, which delayed the works schedule approved by the supervisor and the contracting authority. For the basic contract, 4 (four) amendments to the deadline for works were signed. With the decision of the Technical Council of 24.07.2013, the revised draft budget was adopted in principle, together with the table of volumes making possible the use of the reserve fund. From the original project, the contractor was required to complete the remaining segment of the Çiflik village around and rotate at the exit of the town of Vajgurore Bridge, about 2 km long.

With the amendment of contract no. 1623/5 dated 07.04.2014, was realized additional contract no. 1, at the value of 197 million ALL, VAT of 16.9%, adding street segment from the circle of the Ciflik village and ending at the roundabout at the exit of the Town of Vajgurore Bridge. For the Supplementary Contract No.1, 6

(six) amendments to the deadline for works were signed. With the amendment of contract no. 10699/4 dated 24.12.2015, was realized additional contract no. 2, at the value of 36 million ALL, VAT of 3%, due to the requests of the Ministry of Defense for the transfer of Air Base property affected by the construction of the road demanding placement of traffic lights, construction of a new underpass and setting of protective barriers. For additional contract no. 2, two amendments have been signed to extend the deadline for the works. The notice of completion of the works was done on 29.04.2016. The inspection of the facility was carried out on 30.12.2016.

During the audit of the project, it resulted unfinished work volume differences and the contractor "AG" Ltd. & "H" Ltd., has benefited more in the amount of 6.7 million ALL, VAT included.

d. In the tender implementation contract with the object "Implementation of the traffic management system", with a limit fund of 53.7 million ALL, developed during 2015, according to the terms of reference and estimation was determined the introduction of vehicle detection sensors in 17 national axes. From the verification in 4 points (Vorë - Fushë Krujë, Vorë-Durrës, Rogozhinë - Elbasan, Plepa - Rogozhinë), it was found that the equipment was placed according to the technical specifications and the sensors functioned normally, by identifying the means that passed through the street. Also in the contract it is anticipated that all devices should perform data transfer in real time from a central axis in the system, but is not provided and placed online supply in places where the sensors are installed. This fact makes the data handled manually on each axis and are not passed and processed in real-time in the central ARMS system, where the computer program is managed for this purpose.

e. In the estimation presented by the designer for the object, "Completing the refresh of vertical/horizontal signage on national axes and improvement of road safety - continuation, Lot 1"Rogozhinë-Kapshtica axis with length L= 179.7 km, we found that at least for 15 workspaces with a unit price of 60,250 ALL/piece, "Large Information Tables 200 x 150 cm" with a unit price of 97,200 ALL/pcs, "Large Information Tables 200 x 200 cm" with a unit price of 162,000 ALL/piece, "Large Information Tables 250 x 250 cm" with unit price 202,499 ALL/piece, "Long Term Thickness 15 cm Thermoplastic Spray (spray) " with unit price 200 ALL/ml, "Metallic zinc-plated steel construction" with a unit price of 900,000 ALL/piece, "Shock absorber" with a unit price of 2,800,000 ALL/piece, "FV plastic indicator" with unit

price 350,000 ALL/piece, "FV Pulse to Panel", with a unit price of 110,000 ALL/ml, "FV Connecting with Tire for Bridging the Bridges (600 mm)" with a unit price of 73,500 ALL/pcs, etc., there are no clear references to prices, which serve as a basis for calculating the limit fund.

4. From the audit to the Albanian Road Authority, the value ascertained as an economic damage to the State Budget from the civil service is 202 million ALL and constitutes 19% of the value of the damages found in the field of civil contract enforcement. For the civil works contract "Construction of the Lushnjë-Berat road segment, Lot 2", is unjustly benefited the amount 1.4 million ALL. In the tender implementation contract with the object "Implementation of the traffic management system" with a limit fund of 53.7 million ALL, according to the terms of the reference and the estimation was set the introduction of vehicle detection sensors in 17 national road axes. The contract is foreseen to provide all devices to carry out real-time data transfer from axes to a central system when there is in fact no provision for Internet access in the locations where the sensors are installed, a fact that violates the reporting of real-time data, by deviating from the squeeze for which these devices are running.

It was ascertained that funds for unpaid works were paid for the tender "Piling asphaltting street Librazhd - Qafë Stude, Loti 3" for the value of 25 million ALL, for the "Construction of the road Lushnje-Berat, Lot 3, for 6.7 million ALL, for the tender "Construction of Lushnjë-Berat road segment, lot 2, at the amount of 3.4 million ALL, as well as the tender "Sale and arrangement of asphaltting road Elbasan - Banjë lot 3 "/ Additional contract, at the amount of 1.5 million ALL.

In the tender "Settlement and asphaltting the road Elbasan - Banjë Lot 3" with limit fund 949.9 million ALL and the "Additional works" quotation for the sub-object with the name "Ura e Sulovës" with limit fund 173 million ALL. With this decision of the Technical Council of ARAA, the original project was not implemented, according to which it is envisaged that the expansion of the Sulova bridge will work as a bridge independently of the existing bridge, but a new road axis has been constructed, a new bridge in Sulovë, with two lanes ... this decision-making was accompanied by 144 million ALL of damage to the state budget.

From the audit, we ascertained that a total of 83 contracts with "Routine and winter road maintenance" for 3796 km have been concluded, from the verification carried out on the items of works presented in the maintenance of the road axes, some of the main items are immeasurable, since their unit of

measurement (work volumes) is defined by the "month" unit rather than the volume of works in cubic meters (m3), square meters (m2) or linear meters. This measurement does not really reflect the volume of work performed but leads to unfairly benefits by the contracting companies, for the fact that the total value of these contracts is considerable in the amount of 4,200 million ALL. The specific weight of these items is about 25% of the contracted value.

On procurement procedures in Local Self-Government Units

From the audit of the procurement process to local government units, we have ascertained that not always the capacity of specialists dealing with public procurement meets the criteria to guarantee the quality and accuracy of the procedures. Although public procurement procedures are being carried out by electronic means (online), there are still violations in their development, which have caused violations of legal requirements by procurement units (PPUs) in drafting standard tender documents, members of the evaluation commission (KVO) on the selection of winning operators, contrary to the requirements of law no. 9643, dated 20.11.2006 "On Public Procurement", the instructions of the Council of Ministers and the Public Procurement Agency resulting from its implementation, as a result of the lack of professional capacities (due to insufficient training of the staff involved with the development of public procurement procedures).

From the audits we found out formal procedures pursued by the Contracting Authorities in requests to economic operators for price explanation or proposed costs in abnormally low offers in relation to works, supplies or services. The extension of the latter was affected by the change of secondary legislation in implementation of the Public Procurement Law no. 9643, dated 20.11.2006, as amended (Article 56), which has increased the limit of the abnormally low bid. The increase of the low-value lowering range has led to an increase in the number of winners near or abnormally low values, a fact that implies subsequent consequences in terms of contract execution deadlines or non-performance of contracts without including the problem of delivery of goods and low quality services.

General Procurement Directorate

From the audit to the General Procurement Directorate, at the public hearing of the bids opening in the electronic procurement system (SPE) it is ascertained that the operators do not publish the economic bid or legal/technical documentation

required. Consequently, in the public bidding phase the digital competition is ensured, but not competition in the selection of bids.

This way of competition paves the way for qualification and announces the winner, the remaining operator in the race (without being involved in the competition) as the only alternative, leaving the path to the existence of collusion between economic operators, a phenomenon for which the Contracting Authority (CA) should signal the Competition Authority as the competent body to investigate the anti-competitive behavior of economic operators. Consequently, failure to publish by economic operators of economic bidding or tender documentation in SPEs may limit fair and effective competition by not encouraging small and medium-sized businesses. It is therefore recommended the Public Procurement Agency, to initiate legal improvements, submit to the Council of Ministers proposals for public procurement rules for improvements to the Council of Minister's Decision no. 914, dated 29.12.2014 "On the Approval of Public Procurement Rules" with amendments, Article 73.

From the audit on the calculation of the limit fund it is ascertained that from the GPD there is no trace indicating that verification of the comprehension of budget funds available to the CA is done according to Minister's of Finance Order no. 2, dated 06.02.2012 "On Standard Procedures for Budget Implementation" with Amendments, Chapter "Taking Commitment and Paying Public Expenditure", points 140 and 142, the minimum to require CAs to officially open funds. The submissions sent by the Contracting Authority to the limit fund at their disposal in most cases have not attached the documents for its calculation and consequently there is no trace of verification of these funds by the GPD.

The GPD does not have a data log, which should contain the data on the fund limit by lot, the fund limit procured, the winning economic operator etc. in order to be published on the PPA official website to enable transparency and verification, on the development of procurement procedures and available funding.

It has also resulted that some Contracting Authorities (CA) have delayed the technical, quantitative and relevant funds in due time beyond the deadline set in Council of Minister's Decision no. 28, dated 14.01.2015, point 3 (within 31 January). Delays have caused difficulties in developing the procedures and their realization in a timely manner. In order to avoid delays caused it is required legal improvement of Council of Minister's Decision no. 28, dated 14.01.2015.

From the audit procedure “Food delivery”, it has resulted that in some cases by the BOO, there are not included some important requests submitted by the CA, such as: no clauses are defined as the documents (the lease contract between the winning economic operator and the CA) that must be submitted by the economic operator in cases where the Contracting Authority requires that the cooking, preparation, distribution and servicing of the food will be made obligatory in the premises (his/her kitchen/ward) which are binding. The imposition of such a criterion is compulsory as it relates to the requirements submitted by the Contracting Authority, in particular by the military department; for kitchen staff and specifically for occupational workers: cook, marketer/chemist/technologist, chef/cooker assistant, was not required to submit a health booklet by the State Sanitary Inspectorate.

IMPROVING RESISTANCE TO ABUSIVE CASES

The Public Procurement Agency is the supreme authority in the field of public procurement dealing with the preparation of project proposals for public procurement rules, verification of the implementation of public procurement procedures, monitoring of the performance of the public procurement system, and implementation of measures and activities in order to achieve and maintain a fully transparent and efficient system; exclude economic operators from participation in public procurements (in cases when violations are found); as well as to promote and organize the qualification of central and local government employees. The instruments used by the PPA against abusive cases and its response to abuses in the procurement field provides a realistic approach in line with OECD's 7th Principle "Integrity of Public Procurement".

From the audit of the activity of the Public Procurement Agency (PPA) in terms of implementation level of rules, laws and regulations, policies, codes set, or terms and conditions upon which it is agreed (criteria of the compliance audit), we have ascertained cases when the PPA has not acted in accordance with the predetermined criteria regarding the decision-making referred to violations committed by the contracting authority. In this regard, there are cases of different attitudes, for the same violations, by "abusing" the discretionary right that the law recognizes the PPA.

The Public Procurement Agency, during 2016, have received 29 reports of review and decision-making powers only by ALSAI, out of the total number of 49 such reports (including internal audit units' reports, KPC decisions, prosecution requests or others). In 60% of cases, the PPA has taken measures from the ALSAI reports.

During 2017, ALSAI has recommended to the PPA, taking administrative measures in 295 cases, of which 191 were accepted and 139 were implemented. The determination of administrative and disciplinary measures by the PPA has not been done in accordance with the violations found and the limit value of the contract. Regarding the argumentation of the consequences that the violations could bring to the procurement procedures investigated by the PPA, the latter in all cases stated that "the violations recorded did not have any consequences", consequently the criterion on which to apply the administrative measure is the limit value of the contract. From the audit, it was noted that in the issuance of administrative measures no criterion has been applied which has been relayed during the review of the practice or in the enacting clause of the PPA decision, in any legal procedure or regulation/guidance defined by the PPA itself. We are presenting some of the decisions for which we have found a violation of Article 53, point 3, referring to the limit value of the contract, the administrative measures are not proportional:

Table no. 5

Violation of article 53/3	Contracts amount (ALL)	Implemented measure
Decision no. 132, dated 05.12.2014	41,531,008	Penalty 300,000 ALL
Decision no. 94, dated 14.09.2015	500,000,000	Draw attention
Decision no. 40, dated 27.04.2015	37,500,000	Disciplinary measure
Decision no. 52, dated 07.05.2015	116,722,500	Penalty 700,000 ALL
Decision no. 39, dated 31.05.2016	12,990,000	Penalty 70,000 ALL
Decision no. 24, dated 14.04.2016	13,181,800	Penalty 100,000 ALL
Decision no. 65, dated 21.07.2017	12,781,040	Penalty 50,000 ALL
Decision no. 14, dated 31.01.2017	19,784,000	proposed to the head of the CA the disciplinary measure for each member of the OVC
Decision no. 19, dated 31.01.2017	117,339,018	Penalty 150,000 ALL

The application of administrative or disciplinary measures not in accordance with the violations and deficiencies identified, and the use of double standards in their assessment affect the non-punishment of actions on the principle of proportionality and impartiality. In the enacting clause of the above decisions there is no line on the conclusions drawn from the administrative investigation, and where they relied on the provision of measures.

ACCOUNTABILITY AND CONTROL

The tool that guarantees that a public procurement system operates with integrity is accountability and control mechanisms. In accordance with OECD 9th Principle, it is necessary that complaints from potential contractors be handled fairly and in a timely manner, guaranteeing an impartial review of the binding authority for the enforcement of its decisions.

The Public Procurement Commission is the highest procurement authority that reviews complaints on the procurement procedures. It takes decisions on complaints, taking into account, in addition to the general principles, the principles of impartiality in considering complaints, sustainability in decision-making, legality, speed and efficiency, access, and the principle of contradiction. Although the status of this institution is almost a court, we note a formality in the procedures followed for making decisions that influence the spending of public funds.

The audit of the Public Procurement Commission (PPC) decisions at random, showed that the PPC during the review of complaints of economic operators, although it is expressed for their consideration on the merits, in fact, is expressed only in part to the object of the appeal of economic operators, creating premise for improper decision-making by the PPC, which have violated the selection of winning EOs of public contracts in accordance with the general selection principles, often associated with economic damage. From the audit of the files on the complaints of economic operators submitted to the PPC, it was found that no electronic archive was created, which aims to ensure transparency in the process of filing the files, causing the process to be violated.

The Public Procurement Commission with 7 relevant decisions pertaining to the procedures of the appealed tenders has unduly disqualified and qualified the complaining economic operators, thus creating the economic damage to the state budget of 248.8 million ALL, reasoning in contrary to Law No. 9643, dated 20.11.2006 "On Public Procurement". Throughout the audit we have ascertained that the principle of impartiality in the review of complaints was violated, whereby

cases where the documentation was manipulated were evidenced in an attempt to unfairly fill in the "similar work" criterion for which we ascertain that the PPC should have examined and evidenced.

- The Public Procurement Commission, in its decision no.516, dated 31.07.2016, on the tender "Settlement and asphaltting of the road Elbasan-Banjë" lot 3, has decided "The abrogation of the decision of the bids evaluation commission regarding the qualification of the joint operators". This Wrongful decision making has caused unacceptable economic damage to the state budget of 101 million ALL.
- In its decision no. 515, dated 31.7.2016, PPC did not substantially examine the object of the complaint made by the merger of economic operators "N ..." in the tender procedure "Riveting and arranging asphaltting road Elbasan - Banjë " lot 1. The argument used by the PPC for this trial was that, ... in the conditions when even after the PPC judgment, the economic operators remain disqualified, they cannot be damaged, in terms of law, their lawful, direct and real interest by the success or failure of other operators in that procurement procedure. The wrong argument has caused the state budget an economic damage of 129.7 million ALL.
- In its decision no. 43, dated 22.01.2016, for the tender "Performance-based maintenance Tirana-Ndroq-Romanat road segments etc ...", PPC has not expressed and at the same time has not considered documents on which the decision would be different. This wrong reasoning and decision has caused damage to the budget of 3.8 million ALL.
- In its decision no. 112, dated 3.3.2016 regarding the tender procedure "Adjustments of walls in the territory of the HEC building and the asphaltting of the squares up to the dam road at HEC Fierzë" the PPC did not undertake the fundamental examination of the claims of the parties complaining. This action is associated with the 3.5 million ALL effect which constitutes economic damage to the state budget.
- By decision no. 302, dated 6.5.2016, for the tender "B3- Purchase of blood drugs and blood forming organs for hospital needs" lot 12, the PPC has unjustly decided to accept the complaint of an economic operator by annulling the decision of the OVC on the qualification of the economic operator "B" Ltd and correcting violations that unjustly disqualified the economic operator. As a consequence of the implementation of this decision, the state budget was created economic damage amounting to 6 million ALL. At the end of this audit,

ALSAI sent to the Prosecutor the Criminal charge no. 859/7 dated 31.12.2017 for the Chairman, the Deputy Chairman and three members of the Public Procurement Commission.

The ALSAI has addressed a number of recommendations for taking organizational measures and making legal changes/improvements not only in conjunction with Council of Minister's Decision No. 914 dated 29.12.2014 "On the Approval of Public Procurement Rules", as amended, but also in relation to the Law No. 9643, dated 20.11.2006 "On Public Procurement", as amended, aiming at a regulatory framework with elements that will bring about the correct implementation of the law and the bylaws for its implementation.

II.2.3 ADMINISTRATION OF PUBLIC PROPERTY

Public property management is a fairly broad concept. In the context of property management analysis, we mean the manner of administration and use of state property, ie efficiency in the use of state property through leasing, concession or privatization of these properties. Here we have also involved administering the process of legalization and property registration.

During the audits carried out it is concluded that there is a fair misunderstanding of the manner of recording, accounting and reporting of state assets. It is important to note that in the Albanian Statements we do not have an accurate figure of state property. Considering the property problem as a major problem for the Albanian state and the economic developments in the country, we consider the inexcusable negligence of the lack of attention to record and accurately identify the state's properties in any form, nut, forests, pastures, land, building, etc.

State property are also the natural resources which are used by the State or joint ventures which in most of the investment projects have resulted unsuccessful and also with negative impacts for the moment, and leading to huge costs to the next generations.

In summary, we will bring some of the most important findings related to property and asset management, from the audits of 2017, as this group also has the biggest damages and inefficiencies of State entities.

Directorate of Public Property Management -Ministry of Finance

From the audit to the Directorate of Public Property Management, there have been problems with the procedure of the purchase of state-owned objects owned by

public entities or commercial companies wholly or partly owned by the state, in the sale of functional sites or functional additions of land and the privatization of state-owned shares in commercial companies. The process of ownership of the state property is fragmented and subject to the decision-making of some state institutions, which makes it difficult to identify the responsible persons.

We have found that in the case of the sale of the state-owned package of shares in the company "E" Ltd. approved on 24.2.2017, the ratio of the state-owned equity quotas is dated 04.09.2014. This time difference between the evaluation and the approval of this assessment (for a period of 901 days) has resulted in a deficit of 308 million ALL in the state budget, the effect as a difference of the capital value on 31.12.2016 with the value of the evaluation report dated 04.09.2014. Only from the analysis of the financial statements we found that during this time the company has accumulated profits for which state ownership rights have not been exercised. No account has been taken of the change in the company's financial position and its performance in all the elements of the statement, given the fact that the same standard was used only for the revaluation of the item "Land" due to the difference in time created and reflected through a supplement report. Decision-making regarding this approval of the privatization procedure exercised by MZHETTS, besides the procedural problems, the missing budget revenues, also reflects a two-tiered behavior of the employees who have the authority to approve these types of procedures for how long a revaluation of land was made while for the profits resulted in this period, no report was requested and were not taken into account in the valuation of the shares.

We have identified cases of sale of functional areas for previously privatized or newly privatized objects, with procedural problems and content. In many cases, state-owned land sold within functional land plot was bigger than what was shown in asset mapping and the entire process was carried out on the basis of judgment and measurement of a field expert under the conditions of the change of factual surfaces of buildings with those described in the privatization momentum or approval of building permits. In one case it was concluded that the sale of land in the rocky area of Voskopoja (priority tourism development zone) that had no relation to the map of property owned by the beneficiary at the time of privatization on the basis of administrative decisions of local time authorities. Despite the existence of such a fact, the DDPP serving as the institution conducting the auction procedure and the existence of confirmations by third parties has

executed the sales procedure, despite the differences in the documentation submitted by other public sector entities.

Repeatedly, some State-owned companies under jurisdiction of the Ministry of Economic Development, Trade, Tourism and Entrepreneurship (MZHETTS) have requested the sale of state-owned assets under management by arguing the lack of use and the entire area owned by it to be sold for special pieces that have created areas without going through potential problems in the future, as islands of State assets surrounded by estimated shares to be sold to private entities. Such a conclusion is also due to the fact that the assets are not separately registered in separate files for each concerned object and area.

During the audit period, there were conducted sales procedures for their facilities and functional sites that were previously in existing rent contracts. In one case we estimated that the continuation of the lease contract was more profitable to the state than the sale of property. From the analysis it turns out that the incomes that will be missing in the state budget from this procedure of sale of state property by auction versus the continuation of the lease contract will be in the value of 29.7 million ALL and state property will be reduced with 1,189 m2 facility and plot. Decisions related to the sale versus leasing are taken without making a possible alternative comparison for maximizing the profits to the state, within the cash and assets acquired at the same time. Such a conclusion comes as long as the buyer of the property is the same subject who had a lease contract this property.

We noted that privatization procedures of state property last for years. These time differences in the length of the procedure are also subject to change in the value of the property being privatized as a result of the conditions or prices with which these assets are valued. In these cases, the extension of the deadlines affects the internal control procedures, creating a continuous risk of carrying out sales according to the respective files, in violation of the deadlines set out in the respective Council of Minister's Decision.

In many cases, the procedure for buying state property privatized with right of pre-emption was likened to cash and privatization bonds. The Directorate of Public Property Management does not have any information about privatization bills or cash used over the years to repay the value of state facilities (plant + technology line machinery and equipment) privatized with privatization bonds for the purposes of precision of the amount and the value of these bills available for the population,

as a result of Law 16/2017, dated 23.02.2017, on the extension of the term of privatization and privatization bonds until the end of 2018. Also, there is no reconciliation act between the former Ministry of Finance and the Bank of Albania regarding the total of privatization bonds used for repaying the value of privatized state-owned objects with privatization bonds. Existence of such boundaries minimizes state benefits from the privatization of state assets as the use of securities is not organized and the Albanian state does not currently have information from the institutions administering these securities in respect of their initial issue and use throughout these years. The risk is highly valued because there is no evidence regarding their disposal and their use as a hedge for the benefit of the property.

In many cases, third party confirmations regarding the cases of property restitution to former owners are formal, citing that AKKP (today ATP) does not provide confirmation regarding the location of the property as it has a database only for the names of former owners. SAI fails to give assurance on these privatization procedures because one of the key conditions pertaining to title ownership and profitability is missing in previous periods. In some cases, this procedure was carried out on the basis of self-declarations by the beneficiaries and this proves the ineffectiveness of public structures to track these past benefits and current state obligations to these beneficiaries. This is also evidenced by the existence of about 600 ongoing litigations in the process by the Ministry of Finance in relation to sales procedures carried out over the years. **We have recommended not only increased attention but a more active role of this structure to guarantee full protection of the interests of the State.**

Supervision of Concessional Agreements

ALSAI during the audit activity of 2017, as a result of the recommendations made by the Parliament of Albania in the Resolution sent to the implementation of the procedures in terms of concessionary agreements that have been conducted by the public sector units, has organized a part of the audit resources in direction of these practices. During the audits planned for 2017, problems have been identified in linking and overseeing these concession agreements. In some cases, these issues have also resulted with financial effects proving irresponsibility and lack of capacity by the public sector to link and administer these forms of service delivery by the public sector in Albania. The problem remains that even after so many years of continuous use of these types of contracts, these institutions do not have a database regarding all

the concession contracts they administer, making it difficult to trace them over the years, tracking the expected investments to be carried out at any stage by the concessionaires or incomes that are expected to be incurred depending on the activity by the management units of these concession contracts.



Ministry of Economic Development Tourism, Trade and Entrepreneurship:

It has developed the process for giving priority to the economic development of the Spitalla Area in Durrës city. In this procedure, irregularities were identified in determining the winning bid by manipulating the assessors' assessment of the specific criteria regarding the proposed investment measure by each bidder, the environmental impact criterion, the community employment rate criterion, and so on. ALSAI is deemed to have been awarded the most economically advantageous offer as a result of the final ranking by the Bid Evaluation Committee (BEC) on the basis of the evaluation criteria. Wrong classification of the economic operator "Operator 1 in second place, results in:

- *Potentially 54 million Euros of missing investments (Operator 1 investment cost is about 93 million Euros, while Operator 2 merger is 39 million Euro, or 54 million Euro less);*
- *Potentially 9,500 less jobs (Operator 1 will hire 12,000 workers, while the Operator 2 will join 2,500 employees);*
- *Potentially missing income in the state budget, from non-realisation of contributions for the social security payment for one year for the amount of 718 million ALL (6,300 x 9,500 x 12); and recently;*
- *Increased risks to environmental pollution (Operator 1 will invest in customs warehouses, business centres, etc, while the unification of operators Operator 2 will among other things will invest in the construction of a high-impact ferrochrome factory.)*

Giving priority to the use of symbolic contracts "1 Euro", where beneficiaries do not justify and argue the criteria for obtaining these types of contracts with technical, economic-financial or employment-related indicators. These shortcomings do not justify proposals and endorsements by bringing unjust gain to 10 companies with a deficit in revenues in the State budget of 2,467 million ALL. From the audit of the documentation of the public property leasing companies, it was found that their favoring through symbolic contracts "1 Euro" is non-argued and unjustified, with

indicators, technique, economic and financial, and other indicators for employment reasons, and specifically:

- *There is no data on annual output, revenues, expenses and annual earnings in order to guarantee the continuity of the activity of any company interested in renting public property, and it should be noted that in one case a favorable contract with "1 Euro" at a time when this company declares that it has a consolidated activity and accumulated profit at the end of 2015 in the amount of ALL 319.2 million, which indicates that there is no accurate determination of the companies that should be favored with contracts Symbolic "1 Euro";*
- *There are no data or indicators on the source of investment financing, machinery, equipment and other service treatment facilities in case they are provided by the acquisition of the existing activity or by bank credit to be credible in carrying out the expenditures and the opening of new jobs as a condition for the benefit of a 4-favored "1 Euro" contract, leaving the path for the use of financial means outside the bank's channels.*
- *There is no data on the current activity of entities that request to expand production through additional facilities such as economic indicators, production realized, unit cost production spent and sales revenues, to ensure the continuity of positive economic indicators also in the new contract with favorable terms "1 Euro";*
- *Business company plans are not associated with employment indicators and demographic data for the population of the area and the unemployment rate as a potential source to guarantee the number of labor in the facility that is required to lease for development or expansion of the activity;*
- *From the audit, we ascertained that in 7 cases it was declared the sole competing entity as bid winner, which stated that they will perform very minimal investments ranging from 2.8 to 31% of the value defined in the Council of Ministers Decisions no. 54, dated 05.02.2014, thus not justifying and arguing in this way the opening of new jobs.*

The above shortcomings do not justify the proposals and approvals of symbolic preferential of contracts "1 Euro", as there are no arguments for the value of investments, economic and financial indicators, sources of investment financing and

job creation, resulting in benefits unjustly from 10 companies and missing revenues for the state budget in the amount of 2.467 million ALL. ALSAI has filed with the Prosecution Office, Criminal Recourse No. 784/16 dated 10.12.2017 for the President and members of the BEC.



The National Agency of Natural Resources (AKBN), despite our recommendations in the last three years, continues to remain as an agency outside the State budget control because it does not carry out actions through State Treasury accounts. From the audit of contracts for the use of natural resources, it is concluded that the state has not managed to participate from the year's profit for companies operating in the hydrocarbon sector because: *In most cases, hydrocarbon operations were conducted without competitive procedures, which has led to the monopolization and concentration of carrying out hydrocarbon operations in a few companies, as a consequence the hydrocarbon costs have been unjustifiably increased over market prices and statutory legal norms. Thus, it was found that only from the company "B. P., Albania "(BPA), which deals with the Hydrocarbon Development and Production at the Patos-Marinez Power Plant, in the last two fiscal years has carried out hydrocarbon operations over market prices and the legal norms in force with an effect of about USD 84 million . This growth has affected and has had negative effects on the reduction of Factor R, and consequently in the lack of oil profits attributable to Alpetrol and the profit tax that belongs to the state budget;*

Law No.9975, dated 28.7.2008 "On National Taxes" has no reference to the coverage of the carried forward fiscal losses, while it is absent or more precisely not stated if the requirements of Law No. 8438, dated 28.12.1998 "On income tax" as stated for the national reference tax reference (for mineral rent). Thus, to illustrate the mention only BPAL, which in 2013 and 2014 has come out with profit, about 100 million USD and all this profit went to cover the accumulated losses in previous years and therefore the state budget, there is no earned profit tax for the two years at about US \$ 50 million.


Completion or amendment of the Law "On the fiscal system in the hydrocarbons sector", with the missing aspects mainly for not knowing the excess oil costs incurred on the market and on the legal norms in force and the accuracy of the fact that the hydrocarbon costs are not carried progressively from one fiscal year to another, would generate substantial revenue for the state budget which so far under these agreements have been missing.

National Agency of Natural Resources in some cases did not declare the mining rent as a fee to the Taxation Branch, in accordance with Law no. 10304, dated 15.07.2010 "On Mining Sector in the Republic of Albania", as amended, as well as in some other cases as a result of incorrect calculations and actions in violation of Law No. 9975, dated 28.07.2008 "On National Fees in Republic of Albania" and the decision of the *Ad Hoc* Commission of the Ministry of Finance for the period 2014-2015, mineral rent is calculated and declared less in the total amount of about **319 million ALL**. National Agency of Natural Resources and the General Tax Directorate reconcile the proceeds from the sale of the production and the manner of calculating the mineral rent declared by the subjects with the work volumes according to the physical measurements performed in order to identify the differences in the calculation of the rent and their collection in the state budget.

National Agency of Natural Resources, during the monitoring of concession contracts for the construction of HPPs, has noted delays in construction and not putting into operation some of them within the terms of concession contracts. For these delays, according to the monitoring reports it has calculated penalties for 2015, about 8.2 billion ALL and for the second quarter 2016, about 1.2 billion ALL and has announced the Ministry of Infrastructure and Energy to enable their collection. Despite the ALSAI recommendations left in previous audits, Ministry of Infrastructure and Energy did not notify AKBN of its decision regarding the collection of these penalties. Ministry of Infrastructure and Energy and National Agency of Natural Resources should cooperate and prepare the necessary administrative and legal acts to enable the collection of these values.

Based on these issues, **we have recommended: for the Development and Production of Hydrocarbons(Petroleum) supplement or the Law amendment "On the fiscal system in the Hydrocarbon (Petroleum) sector", mainly for missing aspects about not knowing the excess hydrocarbon costs incurred on the market and above the legal norms in force and the accuracy of the fact that the hydrocarbon costs are not carried forward progressively from one fiscal year to another**, this would have created substantial revenue for the State budget which so far under these agreements have been missing; for the mining sector, the AKBN and the General Directorate of Taxation should reconcile the proceeds from the sale of the production and the way of calculating the mineral rent declared by the subjects with the work volumes according to the physical measurements carried out in order to identify the differences in the calculation of the rent and collecting them in the state budget; for

concession contracts for the construction of HPPs over 2 MW, Ministry of Infrastructure and Energy and National Agency of Natural Resources have to cooperate and prepare the necessary administrative and legal acts to enable these values to be collected.

 **The Ministry of Transport and Infrastructure (MTI)** has developed the concession procedure of the form "Unsolicited Proposal", with the subject "On Concession/PPP Concession Building, Exploitation and Transfer (BOT) of a Yacht Port at Shengjin Port. From the audit, we ascertained that the Contracting Authority (MTI) did not foresee and calculate Royalty Fee (lease etc.) for the public property surfaces that are included in this concession contract. As a consequence, the concessionaire was favored in the amount of ALL 15.4 million/year in contravention of DCM no. 54, dated 5.2.2014 "On the determination of criteria, procedure and manner of leasing, emphyteusis or other contract of state property", point 2 of Chapter III, which states that: *"When rented for free land, ie when rented or rented only land, monthly rental fee of 100 ALL/m2 per year .."*. Under this contract, the land surface of 12,000 m2 and the surface of the 500 m2 refractory surface have not been charged, for which the above effect has been calculated.

The sea surface under this concession contract is 31,578 m2 and from the AK CA/Commission "On concession/ppp ..." does not appear to have been concluded a contract for the use of this surface, actions contrary to Law no. 125/2013 dated 25.4.2013 "On Concessions and Public Private Partnership", concretely:

- Article 37 *"Property Relations"* of Law no. 125/2013 as amended, in which it is stipulated that ... *In the event that a private concession/public-private contract involves the use of property owned by a person not involved in the contract award procedure, the ownership relationship that accompanies one such assets should be settled in accordance with the legislation in force, so as not to hinder the implementation of the project during the contracted period. - If the Republic of Albania is the owner of immovable property involved in the execution of a private concession / public partnership contract, or if the private concession/public partnership involves the use of public goods, then the contracting authority shall resolve all ownership relations, in accordance with the legislation, in a way that does not hinder the realization of the project during the contracted period.*
- Article 27 *"Content of the Contract"*, in which it is determined that. *"The concession contract/public private partnership regulates, in accordance with the*

tender documentation, the award of the concession and the selected bid, all matters relating to the ownership of immovable property and other objects that are subject of the private concession/public-private partnership contract and ownership or immovable property arising under the private concession/public partnership contract for its duration or after its termination".

- We have found that various legal provisions state that the water surface can be rented for use ... *but there is no price determined for this purpose.*



The Ministry of Agriculture, Rural Development and Water Administration

resulted to have problems in renting rent for rented property and in the administration of a concession contract with Agrotal-1. In the implementation of the concession contract it was concluded that in the lease contracts concluded by this authority, the necessary measures for collecting the obligations from these lease contracts with a financial effect of 13.5 million ALL have not been taken. Based on the Concessionary Contract with Agrotal-1, during the audit were found unpaid penalties, totaling 54,000 Euros for non-fulfillment of Contractual Obligations by the Concessionaire. These deficiencies in the internal control system have arisen as a result of the lack of proper controls on the administration and follow-up of these contracts, as at this stage only the implementation of previously-concluded contracts and continuing to give financial effects lack of realization of specific clauses provided by the parties.

We found that there are aspects not covered well by the legal framework that regulates this process, such as:

- State-owned properties for rental by Ministry of Agriculture, Rural Development and Water Administration are not publicly known because they are not advertised in a ministry's contact site in the capacity of the less or's authority, and there is no definition of the state of the land territory.
- The landlord's leaseholder's priorities are not defined for the development of activities in these lands; therefore, many potential land-lease seekers are unable to know the location of the leased land, more so on the quality and their suitability for one or more specific agricultural activities.
- With competitive competitions organised of providing these lands, business plans are ascertained which are not accompanied by documentation of the winner's financial skills. Preparation of the business plan and especially the environmental

impact project are not designed by licensed persons in the area of environmental deficiencies found in all contracts.

The lack of transparency has led to limited competition in projects that can be developed in reference to the characteristics of the offered areas but also to the state strategies for the development of the respective regions. We recommended that the Ministry of Agriculture, Rural Development and Water Administration propose to the Council of Ministers the amendment and improvement of the legal regulatory framework, and these improvements should be accompanied by the approval of the list of assets constituting the area of 18076 HA land fund that has been transferred to the administration of this Ministry. We have also recommended that we cooperate with the State Advocate to be consulted before signing the contracts and requesting legal opinion regarding the steps to be followed in the concession contract with AGROTAL-1.



Ministry of Energy and Industry

All enterprises and companies under management or owned by Ministry of Infrastructure and Energy that have been active in the non-food industry for years have resulted in considerable accumulated losses and currently do not exercise any commercial activity. Ministry of Infrastructure and Energy should take the initiative to prepare and draft legal and sub legal acts for the purpose of accelerating liquidation, closure or privatization procedures for all enterprises and companies that are without production activity.

Ministry of Infrastructure and Energy, in the capacity of the Contracting Authority in several cases, of concluding the concession contract with the winning economic operators has not requested the fee payment document during the preparation, evaluation and negotiation of concessions, public private partnerships.

There is no "Data Base" registry for the construction of hydro power plants below 2 MW, where all applications are evidenced and discharged. Lack of this register allows and creates spaces for unjustified rejection of first-time applicants, as well as making the process of reviewing and evaluating applications as non-transparent. For our part, we recommended to compile a "Data Base" register where all updated data should be evidenced and discharged, until the completion of the construction and commissioning of hydro power plants less than 2 MW.

In the procurement procedure "Rehabilitation of the area of the former Metallurgic in Elbasan" with a contract value of 222,502 thousand ALL, there is no argumentation of

the works that are foreseen to be carried out for these objects, as well as no preliminary study, design task or preliminary works estimation. In the TD have been set up and required some explicitly discriminatory criteria which are not related to the nature and value of the contract to be procured, in violation of law no. 9643, dated 20.11.2006 "On Public Procurement". Such a practice has significantly impeded and restricted the competition of this procedure with effects on the effectiveness of expenditure under this contract. Numerous irregularities have been identified at the stage of implementation of rehabilitation works, as preventive works during the implementation of the works have changed significantly in prices and volume, unjustly increasing the cost of rehabilitation by about **98 million ALL**.

While in the joint investor in major actions for the Republic of Albania, as in the case of investments for the construction of the infrastructure that is flooded by the Banja Hydro Power Plant, has realized unhedged expenditures on the limiting legal provisions for the construction of the Banjë -Gramsh Road and the Bridge of Trashovica worth 36.236 thousand EURO and for the construction of replacement road Moglicë M03 worth 6,750 thousand EURO. The construction of this infrastructure is realized under the special conditions of the concession contract for the construction of this Hydropower Plant, separating the risks and benefits between the concessionaire (DHP) and the respective contracting authority. But due to the avoidance of competitive procedures for the selection of winning contracts for project design, implementation of works and their supervision, increased the cost of honoring this infrastructure in the amount of 6,500 thousand EURO. We have addressed the need for the Ministry of Infrastructure and Energy to analyze the causes, reasons and responsibilities for not effectively using and using these funds.



Compulsory Health Insurance Fund (CHIF), in terms of managing the "Check Up" Concessional Contract, has engaged public funds in use ineffective. The Concessionaire continues to benefit from the payment of unpaid services for the population as a result of a binding contract that has transferred all of this component to this component to the public party, despite ALSAI recommendations given in this regard. Despite the reduction of the age of the beneficiary in order to increase the service users, the minimum set in the contract concluded between the parties is not achieved. The Concessionaire has unjustly benefited 58,176 thousand ALL for 145,440 unpaid check-ups in the form of variable costs calculated in the amount of 400 ALL per unit. For the unit-price check-up package, the concessionaire also paid the VAT at the amount of 20% to the amount of 232 million ALL, despite the fact that according

to tax legislation health services are exempt services from VAT. Throughout the practice of health services such a service is treated as a VAT-exempt supply, referring to private providers of health services and public entities. In the case of a concession-granting company for the provision of the service, VAT treatment is VAT-billing as a taxable sale, although for all the rest of the health system, with the same nature as this service, the supply is qualified as exempt and this VAT paid by the CHIF is an additional cost to the received service. **We have requested that the CHIF, in compliance with the legal obligation should verify the documentation on which the contracted service payments are performed, formally address the General Directorate of Taxation, as the body responsible for implementing and administering the tax obligations for handling the supply of the check-up package and billing mode.**

Administration of Sequestered and Confiscated Assets Agency

The Agency for the Administration of Sequestered and Confiscated Assets has resulted in deficiencies and irregularities in the procedures for renting assets related to the incorrect use of the elements of the value of rented property, improper procedures during the administration assets related to, deficiencies in the procedures followed for administration, inventory and registration. The audit found that there is a difference between the assets reported in the agency's activity report and the monthly reporting of the asset administrators for the assets they manage, which confirms the registering problem. Thus, there was a difference in the number of administered assets, of 15 assets for 2016 and 39 assets in the eight-month period of 2017. The differences of this type and their monthly carry-over indicate a continuous disorder among the administrators as well non-compliance with the same convention of registration as the asset inventory coordinators build on the basis of recent decisions and assets taken over by administration, by deleting the previous asset safekeeping for which the revocation decision has been issued, and not inclusion in the unmanaged asset ever in administration. For these unmanaged assets there is no register, despite the ongoing efforts of asset administrators, in terms of enforcing the decision.

Local Self-Government Units

The poor quality and poor management of public property management is also noted with significant and repeated problems in years for local self-government units.

In the structures of local self-government, there is a lack of vision regarding property and their mismanagement starting with the lack of available property inventories, issues on which SAI has recommended organizational measures to improve the situation. Local Self-Government Units have been transferred to most of the properties, pastures and forests for which inventories and registrations have not yet been made in the Registration Office (Immovable Property Registrareion Office), with the justification of the lack of relevant maps. From audits in the Municipality of Fier, Durrës, Vlora, Shkodra, but also in the smaller Municipalities of Saranda, Lezha, Roskovec, the problem of poor management of inventory of assets divided by cadastral items is evident. This is accompanied by a lack of asset inventory and a lack of accounting evidence on them.

On the audit of the evaluation of property titles in the Prefecture institutions

In the audits of the prefectures of Lezha, Berat, Korça and Vlora districts, violations of law no. 9948, dated 07.07.2008 "On the Review of the Legal Validity of Creating Ownership Titles on Agricultural Land", amended in the following directions:

- The Local Property Valuation Commission, in the former Agriculture Enterprises and in the priority tourism areas, has not taken any decisions with the direct controls exercised on its own initiative, in violation of Article 7 of Law no. 9948, dated 07.07.2008 "On the Review of the Legal Validity of Creating Ownership Titles on Agricultural Land", as amended.
- The Local Property Valuation Commission, for decisions that have been finalised by the court, has not filed a criminal report to the justice authorities, to the members of the land allocation commissions of all levels, since they have exceeded the legal powers, which have led to serious damage to the interests of the state by dividing agricultural land over the norm per capita or without being a resident.
- The Local Property Valuation Commission has not taken over the agricultural land vacated by natural and legal persons who have benefited from the law, while this agricultural land has been submitted to the Regional Council, the Administration Department and Land Protection (ADLP) fictitiously, as agricultural land continues to be used by natural and legal persons who have benefited in violation of the law, action contrary to Article 9, para 2 of Law no. 9948, dated 07.07.2008 "On the Review of the Legal Validity of Creating Ownership Titles on Agricultural Land", as amended, and Item 4 of the DCM no. 1269, dated 17.09.2008 "On the composition, manner of functioning and duties and responsibilities of state structures charged with reviewing the legal validity of the creation of ownership titles on agricultural land", as amended.

- The Local Property Valuation Commission did not request from mayors of the commune/municipality, the area of agricultural land, made available for separation by villages, for former agricultural cooperatives on 01.08.1991 and for former Agriculture Enterprises on 01.10.1992, the number of villages by the villages, the confirmation of whether or not the land acquisition act was issued, the area of agricultural land according to the act that is verified or reviewed, action contrary to point 2 of the DCM no. 1269, dated 17.09.2008 "On the composition, manner of functioning and duties and responsibilities of state structures charged with reviewing the legal validity of the creation of ownership titles on agricultural land", as amended.
- The Local Ownership Valuation Commission did not initiate an administrative investigation on the ground, as the Land Allocation Commissions of all levels have allocated agricultural land to the cadastral voice "Forest" with no fruit and low boniteti, action contrary to point 2, article 2, of law no. 9948, dated 07.07.2008 "On the Review of the Legal Validity of Creating Ownership Titles on Agricultural Land", as amended.

The joining of the former Municipalities into the Large Municipalities as part of the territorial reform has also led to problems regarding the **leasing of significant areas of intact agricultural land by the former municipalities**, with very long deadlines from 30 to 99 years, while also finding rental cases without having them owned and in the absence of complete documentation often notarized.

Also, there is a lack of specialized staff at the Territory Defense Inspectorate, which has already been established in most of the municipalities for the purpose of controlling the territory, reflected in major damage to forests and pastures by humans, the decline of fires etc.

We have recommended a careful management of property, starting with its inventory by cadastral items, filling in registers according to legal requirements and building human capacities to effectively manage the properties owned by these units of local self-government. The functioning of internal control systems is important to guarantee the quality of this process.

Local Offices of Registration of Immovable Property

The audits at the Local Offices of Registration of Immovable Property and the Legalization, Urbanization and Integration of Informal Buildings Agency (ALUIZNI) have highlighted, in addition to measurable economic damage, a hidden and immeasurable economic damage, many times higher than the first, closely related to

the chain of social, environmental, legal and human consequences caused by the illegalities committed over the years with the property by the employees and respective directors of the two institutions. This, along with the problematic of court proceedings, is the main source of unmanageable bills that the Albanian State is paying and will have to pay for the coming years in response to the decisions of the Human Rights Court in Strasbourg. We point out that this inherent obligation is a very high debt that will cost future generations for many years.

The Local Offices of Registration of Immovable Property have registered and altered intangible State properties in favor of private persons, with changes in cadastral items, without technical-legal documentation, and specifically without prior approval of the Minister of Environment or the Council of Ministers, depending on the areas changed according to law no. 9385, dated 04.05.2005 "On forests and forestry service", as amended, and without requesting the assessment or competence documents from the District of the Directorate of Land Administration and Protection, actions exceeding the powers of the enumerator and contrary to law no.8752, dated 26.3. 2001 "On the establishment of structures for the protection and administration of agricultural land" amended by law no. 10 257, dated 25.3.2010 "On some amendments and additions to law no. 8752, dated 26.3.2001. This problem is ascertained in the Local Offices of Registration of Immovable Property, Librazhd, Korca, Mat and Skrapar total 32 cases with a total area of 640,849 m2. This illegality also includes the alienation of public property, falsification of property documentation for the purpose of unduly benefiting property titles in the areas tourist and seaside resorts. It was concluded that the illegal disposal of agricultural land and land in favor of private persons, as a result of giving the surfaces more than the title of ownership. The Local Offices of Registration of Immovable Property did not have the property acquisition act Book of Plots, as well as lists of land-based households, not singling out the "state" surface over the norm, contrary to law no. 7501, dated 19.7.1991 "On land", by law no. 7843, dated 13.7.1994 "On the Registration of Immovable Property" and Article 25 of Law no. 33, dated 21.3.2012, the decree of President no. 5747 dated 29.06.1978, Law no. 9482, dated 03.04.2006 "On the Legalization, Urbanization and Integration of Illegal Constructions", as amended, as well as Regulation no. 184, dated 08.04.1999, "On the Work of Immovable Property Registration Office", as amended, actions that have resulted in the unfair profitability of "State" property by private individuals without title ownership. Specifically in the Local Offices of Registration of Immovable Property

Lezha, Librazhd, Korça, Skrapar, Durrës in a total of 77 cases with total area 476,962 m².

It was established the registration of agricultural land under invalid ownership documents. The Local Offices of Registration of Immovable Property have registered agricultural land according to the property acquisition act that do not meet the elements of form and content to be valid property documents, actions contrary to law no. 33, dated 21.03.2012 "On Immovable Property Registration", as amended, DCM no. 2, dated 12.09.2012 "On the determination of the elements of the acts, which are verified by the immovable property registration and the procedure for issuing the order of the enumerator", DCM no.2, dated 13.06.2013 "On the Procedure of Public Administration Bodies for Immovable Property Acquired by the Land Acquisition Act", DCM no. 994, dated 9.12.2015, "On the Procedure of Registration of Acquisitions of Land Acquisition". Specifically, immovable property records with invalid property documents were filed in LRZPP Lezha, Librazhd, Korça, Skrapar, Durrës in total in 66 cases with a total area of 178,393m².

The registration of common areas in the new buildings, "dwelling houses" type by the construction firms, was done without counting the required documentation for collection and settlement of the obligation for the registration of common spaces and service fees for the registration of separate units, actions which have resulted in the avoidance of the ownership transfer tax by the construction companies. To the extent that the state budget has imposed a measurable economic damage in the total amount of **254 million ALL** adding here and the missing revenues of 69 million ALL from the non-calculation and collection of the obligation to rent for the use of land owned by the state.

We have recommended a number of organizational and disciplinary measures in order to increase the accountability of the structures to act in accordance with the law and the protection of public property. In all cases of established illegalities we have demanded an active role of State structures to eliminate the effects of these illegalities.

The Agency for Legalization, Urbanization and Integration of Informal Areas and Buildings (ALUIZNI)

Regional Directorates of ALUIZNI have performed legalizations of illegally constructed buildings on sea coast, rivers or drainage channels; on public land; without respecting the distances from the motorways; informal buildings in protected archaeological

areas of "A" and in protected areas of "B" are legalized; informal constructions in lake and lagoon protected areas, contrary to law no. 9482, dated 03.04.2006 "On the Legalization, Urbanization and Integration of Informal Areas and Buildings", as amended. More specifically, these violations were found in the units of ALUIAB: Korça Region, Shkodra Region, Saranda Region.

Regional Directorates of ALUIZNI have only acted by announcing Local Government Units and have provided the entities with legalization permits without having previously received Infrastructure Impact Tax contrary to Law no. 9482/2006 as amended. The ALSAI with the Decision of the Chairman no. 42, dated 30.04.2017, in order to enable the collection of these obligations has consistently required legal interventions to guarantee the collection of revenues that accompany the process of legalization. Failure to impose a tax on infrastructure impact resulted in a loss of **266.6 million ALL** calculated from 7814 legalization cases in Shkodra, Korça, Tirana and Saranda.

From the data taken in the Regional Department of ALUIZNI of Tirana, from 2006 to 30.06.2017, according to information on the facilities excluded from ALUIZNI Regional Directorates in the Berat, Dibër, Durrës, Elbasan, Fier, Gjirokastrë, Korçë, Kukës, Lezha, Shkodra, Tirana and Vlora result that they have been filed to be excluded from the legalization process 1431 objects constructed in violation of the law, data that result inaccurate since only in the 5 Regional Directorates audited by ALSAI, were found **2598 more facilities** to be excluded from the legalization process for which there are still no legal proceedings for exclusion from the legalization process, as are artefacts built in archaeological areas, historical sites, museums, streets, school yards, irrigation and drainage channels, public lands, tourist areas, rivers, lakes, railroad tracks, high voltage lines, etc.

At the General Directorate of ALUIZNI in Tirana, we found that from the total amount of self-declaring documents of 463,196 objects, there are 17,000 qualified objects from the Regional Directorates, but not equipped with a legalization permit, stopping procedures unannounced and in contravention with the law. It is also noted that there is no organization for tracking and implementation of policy strategies related to the procedures of compensation and transfer of property from state to owner in accordance with the legal framework for legalization and integration of informal areas and buildings.

ADMINISTRATION OF STATE-OWNED COMMERCIAL HOLDING COMPANIES

The Supreme State Audit pursuant to Article 15 of Law 154/2014 "On the Organization and Functioning of the High State Control" carries out audits of commercial companies, in which the state has more than 50% of the shares, aiming at the determination of accountability and transparency in the management of public wealth by the administrators of these companies.

Electricity Distribution Operator -EEDO

From the audit at EEDO JSC, the audit found violations of legal and subordinate legal acts with an economic damage to "EEDO" JSC and State Budget of **4.908 million ALL**, as well as a financial negative effect from court proceedings Unfair settlement of employment contracts amounted to 188 million ALL or 1.4 million EURO.

From the settlement of the obligation on behalf of EEDO, it was found that the value of 2,864 million ALL paid during 2016 was carried out pursuant to the settlement agreement in accordance with the obligations referred to Law no. 114/2014 dated 31.07.2014, which is considered by the ALSAI² as an economic damage without possibility of collection, caused by the actions and omissions of the state institutions.

Negative financial impact due to court proceedings for unjustified termination of employment contracts was 188 million ALL or 1.4 million EURO.

Albanian Electricity Engineering (AAE Holding)

The audit found violations of the legal and sub-legal acts with consequent economic damage amounting to 967 million ALL, in procurement procedures and contract enforcement, and in the purchase and sale of electricity as a result of incorrect decision-making of the Energy Regulatory Entity(ERE). Potential economic damage of 1.9 million ALL, tax liabilities and execution of works contracts. Negative financial effects of 9,236 million ALL as a result of illegal layoffs, tax penalties, procurement procedures and contract enforcement, and the sale and purchase of electricity as a consequence of the wrongful decision of the Energy Regulatory Entity . Missing

² Decision no. 140 dated 30.09.2015 "On the Evasion of Audit Materials Exercised in the Ministry of Energy and Industry "On Auditing and Evaluation of Economic and Financial Activity and Decision Making in Concessionary Agreements"", approved by the Chairman of ALSAI.

revenues worth 1.5 million Euro or 210 million ALL, from Energy Capacity Reduction for the period January 2016 - April 2017.

From the audit of the sale of electricity, it was found that financial and tax effects were implemented in implementation of the Decisions of the Energy Regulatory Entity no. 27, dated 16.02.2015, no. 143, dated 26.12.2014, no. 144, dated 26.12.2014 and no. 149, dated 24.12.2013, on electricity purchase prices by small private producers and concessionaires. By the decision of the Administrative Court of First Instance no. 884 (909), dated 07.03.2017, which decided "Declaring the Invalidity of Decision no. 143 and 144 dated 26.12.2014 of the Energy Regulatory Entity for the "Review of the unique price of electricity sale to the licensees for the production of electricity from existing and new hydro power plants with installed power of up to 15 MW for the years 2013 and 2014", ERE JCS was caused economic damage amounting to 860 million ALL, as a consequence of not following the procedures by the ERE for revision of the selling prices of electricity, and charges with responsibility the Energy Regulatory Entity, which (ERE) with its actions or omissions has created a confusing situation in the electricity production / sale market, thus damaging the legitimate interests of the AEE and State Budget.

In implementation of ERE's decisions no. 156, dated 24.12.2015 and no. 190, dated 22.12.2016, which decide on the enforcement of decisions no. 139, dated 26.12.2014 "On the determination of the electricity production tariff by AEE JCS" and Decision no. 141, dated 26.12.2014, which defines the ancillary services tariff of AEE JCS. which was left in force for 2016 and onwards, as well as the removal of AEE JCS from the function of the public wholesale supplied and the transfer of this function by the EEDO with DCM no. 244 of 30 March 2016, as amended, which was to be associated with the rights and obligations that this function currently carries, without first calculating production costs, overdraft costs, operating costs, etc. which AEE JCS currently has, causing AEE JCS to have a negative financial effect of 9,086 million ALL, regardless of the high cost of operation and moreover the inability to survive in a market that with its merchandise other companies operate.

From continuous usage data, recorded on a time basis by the AEE, the main average usage indicators in HPP Vaja e Dejës have resulted after the construction and commissioning of HPP A, the lower level of HPP Vau i Dejes has been increased by reducing its abrasion and lowering the hydropower output. The reduction of energy capacity for the period January 2016 - April 2017 is in total 25.57 GHz, with a value of 1,508,630 Euro, which is considered to be a deficit for the State Budget.

The Energy Regulator Authority-ERE

Regarding the audit of the Energy Regulatory Entity (ERE), the ALSAI initiated two audits (out of which a performance audit) during 2017, which were not carried out due to unlawful obstructions and allegations of the head of this institution, Mr. Petrit Ahmeti. More specifically, ALSAI, with memo no. 636, dated 03.06.2017 and no. 963, dated 13.09.2017, ALSAI has formally notified the ERE regarding the decision of the Chairman of the ALSAI to initiate two audits with the object: "On the implementation of the compliance and regularity of the economic and financial activity" and "On the performance of ERE activity". Preventing the development of two ALSAI audits, the Chairman of the ERE, Mr. Petrit Ahmeti, has raised a number of unlawful allegations addressing to the ALSAI with paper no. 436/1, dated 08.06.2017, no. 436/3, dated 30.06.2017 and no. 436/5, dated 18.09.2017, claiming that the ALSAI is non-disapproval in the ERE's audit.

In response to the above-mentioned ERE documents, ALSAI has repeatedly explained the ERE Chair not only in relation to the relevant legal basis that allows ALSAI in carrying out these two audits but also with the fact that such obstacles are considered intentional in terms of preventing an independent constitutional institution such as SAI in carrying out its functional and legal audit duties. Both audits initiated by SAI in ERE were judged as necessary to be developed in the wake of the findings resulting from SAI audits exercised at EEDO pursuant to audit program no. 272/1, dated 17.03.2017, as amended³, and in AEE JCS pursuant to audit program no. 689/1, dated 28.06.2017 amended⁴, where it is evidenced the causation of an economic damage of 3,878 million ALL, of which 3,018 million ALL in EEDO and amount of 860 million ALL to AEE JCS as a consequence of ERE decisions -s.

In case the ALSAI would have been allowed by the ERE to complete the two planned audits to be developed in this institution, SAI could include the findings that would result from these two audits in the Annual Budget Execution Report of 2016 forwarded to the Assembly by document no. 425/5, dated 23.10.2017. Consequently, the ERE, through preventing the development of these two ALSAI audits, has not only prevented the ALSAI and its auditors from implementing a constitutional and legal duty, but at the same time damaged the legitimate interests of the State (in the case to the Assembly) in informing him about the

³ Decision concluded by the ALSAI Chairman no. 120, dated 25.09.2017

⁴ Decision concluded by the ALSAI Chairman no. 212, dated 29.12.2017

implementation of the state budget and the damages caused as a result of the activity and decision-making of state institutions (in the present case ERE).

In response to the unresolved attitudes and actions of the President of the ERE, regarding the omission of the development of two SAI audits, the SAI has forwarded to the Prosecutor's Office the criminal report no. 636/5, dated 01.11.2017, against the President of the ERE, on the accusation of "Opposing an employee performing a state duty or a public service", provided by Article 235 of the Criminal Code, while in correspondence no. 636/9, dated 21.01.2018, no. 636/10, dated 21.01.2018 and no. 636/11, dated 21.01.2018, informed the Speaker of Parliament of Albania, the Deputy Speakers of the Assembly, the Legal Affairs Committee, Public Administration and Human Rights, the Committee on Economy and Finance and the Commission on Production Activities, Trade and the Environment, demanding at the same time the exercise by them of the proper institutional influence in terms of unlocking the artificially created by the ERE Chairman in not allowing the SAI to perform his institutional and legal institutional duty.

ALBPETROL JCS

As a result of the violations found and potentially addressed in the audit report, Albpetrol JCS has caused an economic damage of 501 million ALL⁵. The economic damage and the use without effectiveness and without economics have come from the implementation of contract no. 531/10, dated 02.03.2016, for the sale of oil quantity of 30,000 tons of oil for the period from March to December 2016 and contract no. 7805/15, dated 17.12.2016, for the sale of oil quantity of 167,000 tons of diesel for the period 17.12.2016 until 30.12.2016.

We noticed that the costs of transportation, storage, stocking etc. were deducted for the quantities of the oil sold from the sale price, in the exact manner referred to the terms of the respective contracts, also because the price fixed in the auction and in the sales contract is 69.54% of the Brent price.

Concluding, that the price should not be deducted from the transport costs from the Albpetrol JCS stations to the Vlora Port set out in the Auction Documents, but this price should be deducted, only the actual transport costs from the Albpetrol stations to the ARMO refinery, in Ballsh area. The same reasoning should have been followed for storage, stocking etc. Costs, where price adjustment should not be done for planned costs but factual costs. For oil withdrawn from Albpetrol JCS

⁵ Referred Decision by ALSAI Chairman no. 226, dated 31.12.2017

stations, which went directly to the ARMO Ballsh refinery, no storage costs were carried out while Albpetrol JCS was deducted for planned costs according to auction documents.

For contract no. 531/10, dated 02.03.2016, for the sold quantity of 29,152,501 tonnes of oil, the transport and storage costs amounted to 506,961.9 USD, which was unduly paid by the purchasing company "Porto Romano Oil". For contract no. 7805/15, dated 17.12.2016, for the quantity sold of 167,000 tonnes of crude oil, the costs of transport and storage, etc, have been incorrectly decreased, to a total value of USD 3,520,360, a value unduly received by the purchasing company "Porto Romano Oil".

Concluding, Albpetrol JCS should have accurately calculated all economic effects, based on the quantity transported on the basis of actual distances and factual costs incurred for storage, stocking, etc., and should have analyzed transport and storage costs. Given the dynamics of the events that accompanied the development and conduct of the audit in Albpetrol a.s. society, the fact that the company is in a period of estimate the privatization threshold, for the findings of the audit in this company we have asked **the Ministry of Infrastructure and Energy, and further the Supervisory Council of Albpetrol JCS and/or the internal audit structure of Ministry of Infrastructure and Energy, that in cooperation with experts in the field of hydrocarbons (petroleum), they should examine/analyze all the economic effects caused by the implementation of the hydrocarbon (petroleum) contracts.**

As ALSAI was out of audit periods as defined in audit program no. 576/1, dated 29.05.2017 as amended, Albpetrol JCS and the Supervisory Council, in cooperation with the Ministry of Infrastructure and Energy, has been reconsulted to conduct an audit of gross basic oil auctions and the implementation of gross basic oil purchase contracts executed during the years 2013 to 2015 or and for previous years with the audit object "Estimating and calculating the sales costs (transport, storage costs, etc.) based on the quantities transported at the actual distance and actual costs incurred for storage, storage, etc.". If the difference between the planned cost and the actual cost arises, it is required to follow up all the necessary administrative and legal procedures for their collection.

WATER AND SANITATION ENTITY (WSE) JSC

This entity has performed poorly in the collection of rights incurred as a result of offering service to customers where only for 2016 the new accumulated debt was in

the amount of 744 million ALL. ALSAI finds that the growth of bad debt is a consequence of ineffective management that in many cases puts financial strain on society. Total debt to the WSE JCS created and carried forward since 2008, at the end of 2016, resulted in a total value of 3.575 million ALL. This includes service bill billing (regardless of the categories of beneficiaries) at 2,696 million ALL reflecting an additional debt only for 2016 at the amount of 346 million ALL, the accumulated interest rate of 306 million ALL, and the liabilities to local tax at 606 million ALL. The highest level of debt is retained by household customers with an unpaid obligation of 1.653 million ALL, a value that only increased by 23% in 2016. Although attempts have been made to manage the accumulated billing debts for WSE JCS Tirana service billing, the fact that bill billing for billing of 2016 is not 744 million ALL, reflects the great problem related to the incorrect addressing of this the problem with the management structures, as long as any additions to the obligations imply a lack of income in the company. We note that, based on law no. 8975, dated 21.11.2002, "On the Treatment of Drinking Water Drinking Bills as Executive Title", amended, "Tax Bill of Drinking Water Drinking, according to the model determined by the Ministry of Finance, pursuant to Article 36 of law no. 7928, dated 27.4.1995 "On value added tax", is an executive title and the execution office is charged for its execution ", but this arrangement has not had any impact on the improvement of the accumulated debt situation by making arrangements austerity in collecting non-effective overdue obligations.

From the audits carried out in the WATER AND SANITATION ENTITY, it was concluded that these companies encountered a number of problems and encountered difficulties during the reorganization process under the DCM no. 63, dated 27.01.2016 "On the reorganization of the operators offering the service of drinking water supply, waste collection and treatment of wastewater", with scope of service pursuant to law no. 115/2014 "On the Administrative-Territorial Division of Local Government Units in the Republic of Albania", DCM no. 510, dated 10.05.2015 "On the approval of procedures for the transfer of rights and obligations, personnel, property, assets, archives and any other official documentation in the local government units affected by the administrative-territorial reorganization". In the face of this fact, ALSAI has recommended that the Administrators of the Company, the Municipalities (single shareholder companies) and the Administrative Councils be taken immediate measures to enforce all administrative-legal procedures for completing the asset transfer process by taking in handing over the assets and all the technical-legal documentation required and

required for the continuation of the normal business of the companies. Also, these structures should take measures and set up working groups for accurate and complete identification of assets and inventories by specifically identifying the pooling / asset allocation through the physical inventory process.

II.3 PERFORMANCE AUDIT REPORT

Strategic focus of Performance Audit

Performance Audit is no longer a new practice in ALSAI's institutional experience. As conceived in the past strategy as one of the two modern pillars of ALSAI development, a major challenge in boosting the supreme audit role in Albania and the natural institutional future, in line with world experiences, performance has grown steadily during the past 5 year, rooted in International Auditing Standards and the new Law No. 154/2014, rooted in the work of auditing colleagues, domestic and foreign associates and branches spread across all sectors that exercise public-economic activity.

Over the past 5 years, performance auditing succeeded in successfully achieving all set strategic objectives, but challenges for the future are still present, especially challenges to revolve this audit into the engine of institutional development and upgrading; specifically:

1. Performance audits increased in number and quality as predicted. Out of 1 audit in 2011, 4 audits in 2012 and 8 audits in 2013, in 2017 were conducted 16. Increasing quality indicators are impact on the Assembly, where the performance audit report that is being discussed and requested by Parliamentary Committees has increased (3 performance audits requested by the Parliamentary Committee on Economy and Finance for next year 2018). In the print media and academic environments of performance reports have grown steadily, with 2017 counting tens of independent media citations of our findings, conclusions, and recommendations. Another indicator of qualitative improvement is the use of our reports by foreign associates who have a direct interest in performance reports or focus on issues that were the subject of this audit.

However, guaranteeing quality for these reports requires even greater engagement. Key challenges in this regard remain: audit coverage of the most vulnerable areas,

orientation of findings, conclusions and recommendations towards 3E, application of appropriate methodology for the underlying issue, proactive and integral investigation of socio-economic problems, conceptualization of the process of quality assurance as dynamic (chain) and non-static (link), broad-based cooperation within and outside the institution, and most importantly, cultivating human resources with ambition and motivation to grow professionally and personally.

2. The performance audit succeeded in changing the traditional approach that ALSAI has historically applied to the entities under audit and did so by creating its own profile as an institutional model to be followed. The ALSAI's advisory and advisory role not only expanded through performance audit over the past 5 years, but deepened in issues that go beyond the "rigidity" of the law or the "coldness" of financial figures. The ALSAI's media success with performance audits is a direct consequence of the pervasive potential that this audit embodied in the past 5 years for complicated financial, legal, social, cultural, economic and environmental problems not only by "translating" into one language simple performance bureaucratic issues, but serving the Assembly and citizen information about what is tangible, critical, and vital to the services the state offers to citizens.

However, the potential that this audit carries for the institutional future is far greater than the last five years. The main directions of this potential are related to the performance of the state budget's use of economic growth, stimulation of employment, efficiency and public debt economy, fiscal stability and investment promotion, well-being of pensioners and vulnerable groups, diversification of energy resources, and the enrichment of cultural heritage, the physical and mental wellbeing of the young generation, etc. This potential can and should be picked by putting the performance audit at the center of institutional attention for the coming years.

3. From the standpoint of formalization, the past 5-year-old cemented and legally subdivided the performance audit. Law no. 154/2014 mandated the ALSAI to perform performance audits explicitly and specifically, with unlimited access, both in subjects and information, as well as with the right to report to the Assembly with individual performance audits. This basic performance document was followed and detailed by the Performance Auditing Manual and the Performance Metering Set, published in April 2015. Both of these documents are constructed according to the Western spirit applicable to this type of audit by the homologue SAI Slovenia, the Netherlands, Sweden and Great Britain. Also, the working papers used in the

performance audit were successfully prepared and implemented, but their unification with the SAI's general practice in this regard still has a way to go.

The main tasks of the performance audit department in the documentary base that will be used in the coming years relate to: updating strategic, tactical and operational documents reflecting the dynamics of good practices and audit experience; computerization of the documentary process to increase access and transparency, time consuming time, human and financial resources; as well as filtering national performance audit standards in line with the international ISSAI standards and US GAO's "Yellow Book".

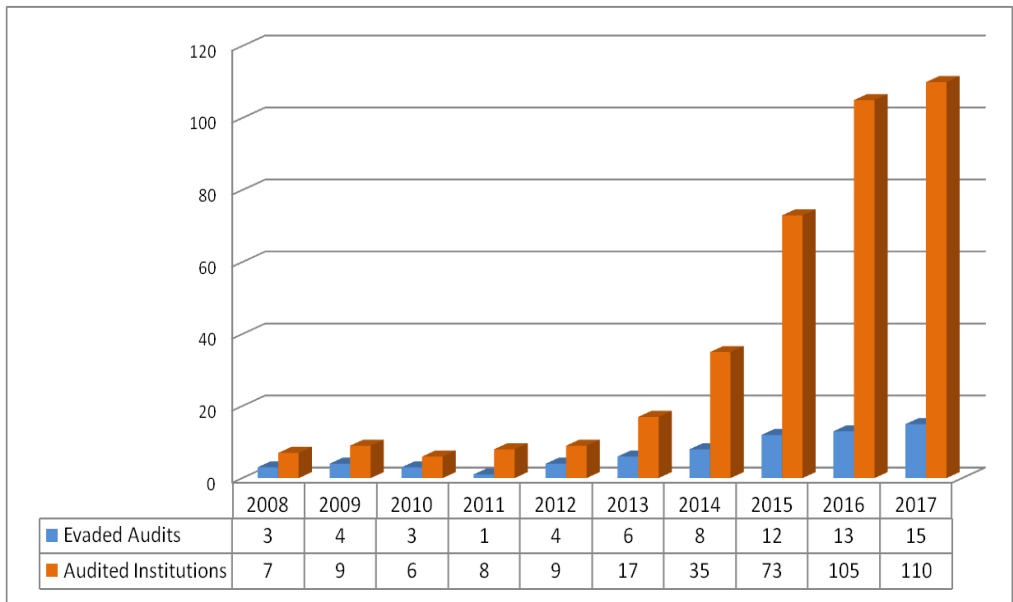
4. The impact of the performance audit work is a consequence and contribution from and to the stakeholders within and outside the ALSAI. Collaboration with local and foreign experts, academia, media, civil society, audited entities and other departments within the institution are and will remain a "compass" for audit work and "litmus test" for the quality of our findings, conclusions and recommendations . In the past 5 years, the performance collaborated successfully in parallel and piloted foreign audits, engaged experts in the fields of environment, sport, journalism, energy, sociology and economics, organized workshops and conferences with academics, professors and researchers young scientists, set up joint working groups with the auditors of other departments and initiated and completed joint audits with the regional SAI.

In institutional terms, the co-operation of stakeholder performance audit reflects the realization of the leadership hierarchy vision and, in particular, the Chairman, articulated in the Strategy 2013-2017. This future cooperation needs to be expanded both in inputs and outputs and specifically: performance auditing should continue to be stimulated by media and civil society issues, use scientific approach of the investigations suggested by the academy, to formulate audit reports according to international practices and to deliver capillary reports to all stakeholders in order to create a cycle or chain that feeds and feeds on performance. Increasing the profile of our work in this regard is the real challenge that performance audit has in the SAI and beyond. Only by making our audit work required by the subjects and the Assembly, based on real and inherent, credible (through transparency and professionalism) problems by the media, society and citizens, performance auditing will take up place within the institution and will give the potential impact that it carries out of the ALSAI.

Activity and risk analysis

The performance of performance audits during the past strategy has increased with regard to the number of audits and entities covered by this type of audit, as can be seen from the following chart.

Graph no.18: Performance over the years



Source: ALSAI, Statistics Sector

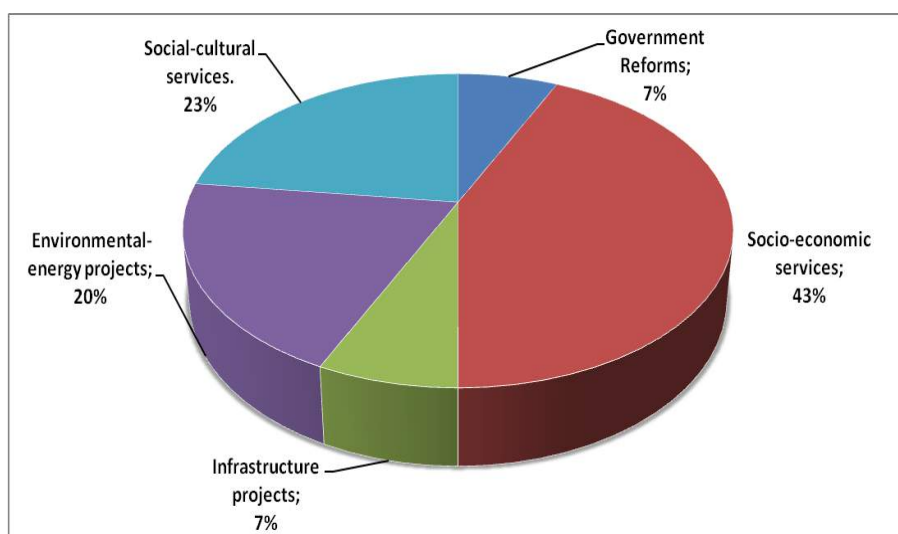
Most of the performance audits (approximately 90% of them) are process audits, while the rest represent institutional audits. This trend also explains the growing geometric progression of the institutions covered by this type of audit, because with the arithmetical increase in the number of audits from year to year, a growing number of institutions that are linked to a particular chain (process) . In institutional terms, performance audits represent on average 10-12% of annual auditing work and this volume is still far from transforming this audit into a modern pillar of SAI development. Performance in developed SAI’s accounts for over 50% of annual audit work.

From the point of view of the number of findings, conclusions and recommendations for each audit as a medium, their number has increased from year to year, where the findings represent the largest measure of audit work, followed by conclusions and fewer recommendations. From the 3E point of view,

although auditing reports do not make a clear division or classification according to this dimension, much of the number finds the findings, conclusions and recommendations that address the effectiveness, followed by those for efficiency and then the economy. Auditors still face difficulties or are unable to translate the harm caused to the 3Es in monetary terms, and consequently performance auditing does not account for the classic audit benefit report: Potentially Spent Money from Auditing with the Expenditures Consolidated. Also, audit work continues to be generally descriptive, plagiarized plagiarism of government strategies or programs, unmatched by primary data from audit groups themselves and still far from critical analysis and specific addressed recommendations.

The performance audit department shared its audit work over the past 5 years in five areas or main directions:

Graph no.19: Performance Audits by Field 2013-2017



Source: ALSAI, Statistics Sector

The division of labor in these directions aimed at:

- The micro-economic focus of the issues under audit, to keep control of the audit risks and accumulate the necessary experience, since performance audit was a new practice and should be consolidated in the ALSAI;

- Profiling the working groups in order to achieve economies of scale in auditing, aiming to create a core of specialized auditing specialists in a particular field.
- Targeting the issues of the day for the citizen and the Assembly, aiming to increase the impact of the audit work on these users, through the media, academia and stakeholders for cooperation.

Audit topics that explored these areas of auditing initially preserved their micro-economic character and over time they started to mention macro aspects, but not strictly, especially in the last year of strategy implementation. The profiling of audit groups was not realized in the initial expectations, for a number of reasons, with the most important being: staff turnover, incoherent and emergency planning from all institutional roles, loads of some audits or trainings in parallel, etc. Problems targeted by performance auditing still positively impact the Assembly and the citizens, partly because of the nature of the audit itself that is close to everyday issues and as such seduces the readers of our reports and partly because of the channels of communication (official and social) that forwarded audit reports to these parties.

From a methodological point of view, although there is sufficient and contemporary reference, such as ISSAI Performance Standards, Performance Audit Manual, Performance Measurement Indicators and auditors have participated in numerous trainings at home and abroad, characterized by:

- Successful convergence of the reporting structure to what is provided in the Manual and Standards;
- Truncated risk analysis and use of the same method (SWOT) to assess the risk areas;
- Difficulty in building the pyramid of issues, its underline questioning, its marking of criteria, audit techniques and responsible persons;
- Surface analysis of issues under audit;
- Non-audit of the audit after the final reporting stage;
- Lack of imagination and innovativeness.

In the 2018-2022 strategy, the audit work in the performance department should:

- Focuses on macroeconomic issues, in addition to micro-economic ones;

- Continue focusing on auditing process rather than institution auditing;
- Reclassify audit areas by considering other criteria such as: government priorities, sectorial budgeting, e-government, etc;
- Classify and Monetize Findings, Conclusions and Recommendations according to 3Es, and not merely on: organizational and legal, as is the SSA's tradition in legality and financial audits;
- Maintain and promote profiling and specialization of auditors by creating a core or professional locomotive to manage change and increase the weight of performance reports within and outside the institution;
- Add quality guarantee filters within the department by enhancing communication between colleagues and setting up groups that certify each other's work;
- Generate up to 25-30% of the institutional audit work last year of the next strategy, with an average annual increase of 4 audits per year. This increase should be "financed" or adding no. of performance department auditors (new recruits, turnover from other departments to performance) or by creating a performance division that consists of two or three departments that perform "clean" performance and "mixed" audits "Where to dominate the performance element. Currently in ALSAI performs numerous legality audits where in fact extensive performance elements are dealt with.

Risks that threaten to attain these objectives and therefore need to be actively managed are:

- ✖ Changing the philosophy and vision of the leadership hierarchy for the role that the performance audit must carry out within and outside the institution;
- ✖ Turning staff or loading them with some parallel assignments outside the department preventing the creation of a professional core;
- ✖ Inadequate quality assurance throughout the audit workflow;
- ✖ Inactivity of auditors to apply audit methods that classify and monetize audit work according to 3 or more E;
- ✖ Focus on micro-audit issues, generating segmented audits and with partial impact.

Review of audit performance from 2017

From the quantitative point of view, a total of 15 audits were avoided in 75 subjects, with a number of findings, conclusions and recommendations, respectively 528, 424 and 396. On average, for each audit, 41 findings, 33 conclusions and 31 recommendations were made, these increased figures respectively by 52, 108 and 54% compared to the previous year. From the 3E point of view, findings, conclusions and recommendations addressing the economy were 172, Efficiency 477, and Efficiency 683.

Regarding the classic audit effectiveness report, which compares the money saved from audit work, with the money spent on this job, due to the inability to monetize in any case and currently the 3Es missing, did not calculate as a parameter.

From the point of view of time delivery, 7 out of 15 audits were overruled during the first half of the year, while the rest in the second half. Regarding the quality of audits, it is ascertained that:

- a) The department is increasingly converging towards the unified reporting structure in the manual;
- b) Selected topics tend to reflect civic issues and other relevant criteria, such as materiality, audibility, testing of new techniques, regional and European audits, etc.
- c) Recognizing and Respecting ISSAI Performance Standards is not at the right level and this is mainly apparent when audit evidence is obtained by the entity and, without being tested by auditors, is readily available in the draft report and further in the report.
- d) The risk analysis still leaves room for much of the audits. Excluding 1 or 2 audit groups performing the SWOT analysis, all other groups do not evaluate, categorize and rank the risk, then naturally focus on the performance problem. In this respect, a key role plays also dept. of methodology, which should intensify its training and testing work.
- e) Much of the audit teams are still slow in building the pyramid of issues to be audited, as well as a lack of rigorous risk assessment. As noted in the assessment of audit files, this pyramid is not labeled with the techniques of harvesting, processing and analyzing information on lower-level questions, the timing of the performance of the work or the allocation of other resources for the return of the response and the auditor who is responsible

for the quality of work on that issue. All this, not only better orienting work, but saving time and increasing productivity.

- f) From the point of view of the criteria, each audit team has abundant references to the audits carried out, deciding not just legal criteria, but also other EU criteria or good practices.
- g) Generally, subject observations are valued and reflected with the due diligence and seriousness, and in this regard, the auditors are encouraged to make more confrontation with the subjects and not be merely solicitous.
- h) Guaranteeing the quality of audit work, despite the formal filters that exist, is losing.
- i) Finally, language and writing style in drafting programs, draft reports, and reports has improved significantly, but access to content reports from an average reader can be done even better, fragmentation of reports on many issues loses interest the audience and the lack of a specialized structure in the SAI for language editing, translation into English and format, in many cases weakened the value of some reports that would otherwise have an impact on the public and other partner SAIs.

All last year's performance audits spark sharp issues, including Auditing on Unification of Customs Points with Kosovo, Graduation process of 2016, Food Safety, Policy Effectiveness for Strategic Tourism Development, Prespa Preservation Ecosystem Preservation, Quality of the Air, the Effectiveness of Measures Taken by the Tax Authorities in the Collection of Outstanding Obligations, Improvement of the Customs Valuation System, Performance of the Department of Public Administration, Public Procurement Procedures in Albania, Public Debt Management Performance, Grant Effectiveness in the Agency for Rural and Agriculture Development, Cost of Hospital Services, etc.

II.3.1 IN THE FIELD OF EDUCATION AND SPORTS

Mature examination (examination to enter the university school) **2016**. The audit concluded that the admission model that was applied in 2016, a model which they are trying to implement again, is not the right one, both in conception and in application. This model is not in accordance with the concept of the Law 80/2015 nor with the good practices of Western countries by which this Law is adapted. It is recommended that MES (Ministry of Education and Science) and ESC (Educational

Service Center) should actively engage in the application process by initiating it early on, assisting applicants and HEIs (Higher Education Institutions) in their requirements for proper process performance against reasonable fees and performing the process registration of winners without interfering with the accession process, but at the end of it, based on the final lists sent by HEIs. HEIs should concept, design and implement the admission process itself, in accordance with the Law and Good Practice. Their eligibility criteria should reflect their long-term policy to enable applicants the potential profiling of secondary education, as should not be confined to the calculation of the averages, but may also include other aspects of the candidate's assessment, especially for the preferred study programs. *MES should cancel the Guideline no. 15, date 19.05.2017, "On Application and Registration Procedures ..., for the academic year 2017-2018", because there is a potential risk that this instruction will again undermine the effectiveness of the process, such as the effectiveness of the Law on the Admission Process.*

The Quality of Pre-University School Buildings. From the audit it was concluded that the Municipalities, in cooperation with the MESY (Ministry of Education, Science and Youth), the government, interest groups etc., should study the creation of a more favorable, long-term climate in the administration and management of the pre-university school system buildings, in accordance with the conditions of reality, the needs they operate, the best experiences and the EU standards. *It is recommended to encourage the reforms to assess the quality of pre-university school buildings, specifying them as the "third teacher" for their very important influence in the delicate process of teaching and learning in the education system.*

Development of sports. The audit found that the current state of the sport in Albania suffers from the lack of vision and the ineffectiveness of policies for its development by different governments and the relevant Ministry, the scarce funds allocated each year in its favor from the State Budget, and the ineffectiveness in the use of various funding sources for sport. The central government and the responsible ministry have always given sport a secondary role in the lives of Albanian citizens and athletes, elite or amateur. The Ministry Education, Sports and Youth, despite the efforts, has been ineffective in terms of sport development, making the small amount of grants allocated to federations to result in a non fulfillment of their mission in promoting and practicing normal discipline and increasing the public interest. Central institutions and local government units do not fully guarantee the conditions for exercising activities by athletes, students or

young people. The Ministry Education, Sports and Youth has not been fully efficient in allocating available funds, while not contributing to the improvement of sports infrastructure. The General Directorate of Taxation and the Supervisory Authority of Gambling have not completely paid for the account of the National Fund for the Development of Sports, the revenues from betting companies over the years 2013-2016, causing the budget of the MESY a negative financial effect, inefficiencies and missed incomes of 22.9 million ALL. The missing current year revenue, up to July 2017, which is destined for sports development, is 7.9 million lek. The ALSAI has *recommended that the Ministry of Education, Sports and Youth should reconcile with the General Directorate of Taxation and the Supervisory Authority of Gambling the amount of 22.9 million ALL for the years 2013-2016 and that of 7.9 million ALL for the current year, with the purpose of collecting these missing revenues from licensed betting companies.*

II.3.2 IN THE FIELD OF TOURISM

Policy Effectiveness for the Tourism Strategic Development. The audit found that the measures taken by the government and the responsible institutions for tourism can provide the prerequisites for the development of the tourism sector in its actual situation, but on the other hand they are insufficient to ensure its sustainable development in the long run. The tourism sector, together with the institutions responsible for tourism, suffer from a lack of efficiency and effectiveness. The lack of strategy based on studies and action plans, the lack of issuance of legal and subordinate legal acts in time and the lack of the creation of some important institutions provided for in the Law not only reduce the effectiveness of the institutions but question the functioning as well as affect negatively the development of tourism. "Tourism Priority" would be more productive with complete legislation, concrete work, communication and close cooperation with the public and private sector, with the aim to develop this important component of our economy. *Recommended: The MEDTTE (Ministry of Economic Development, Tourism, Trade and Entrepreneurship) to take the necessary measures to establish the Regional Tourism Development Committee.*

II.3.3 IN THE FIELD OF ENVIRONMENT

Maintaining the Ecosystem of Prespa National Park. The audit found that the current situation of Prespa National Park is the result of the constant pressure in

recent decades by residents as well as poor management of responsible institutions. Unsustainable utilization of forests, uncontrolled cutting of wood for heating purpose and in some cases for illegal trading, illegal hunting and fishing, non-management of urban waste and sewage and the non-cooperation of institutions which have the task of manage and co-ordinate their actions in order to preserve the whole ecosystem in Prespa Park, are the main problems identified in this audit. However, some of the threatening factors of deteriorating ecosystems have been reduced and forests have the opportunity to recover if and whether the recommendations left by this audit will be taken into account will be strictly implemented. Institutions involved in PNP management have not implemented all the objectives of the Management Plan starting with firewood management, fishery management, illegal hunting, etc. Korça AdPZ (Administration of Protected Zones) has not fully implemented the objectives of the PNP Management Plan regarding forest management. There is no co-management zone in the Prespa lakes, and all fishermen from 2013 until today have been operating as illegal. The performance of the Pustec and Devoll Municipalities related to waste management has been violated in all its three principles (economically, efficiency and effectiveness). Pustec and Devoll Municipality for several years do not perform waste management in accordance with law no. 10463 of Integrated Waste Management, since they manage waste by throwing and burning them or by letting them smoke in open environments. The same thing happens with the discharge of sewage into the Prespa lakes and their filtration into groundwater that subsequently pollutes the agricultural lands and end up in the watershed of Prespa Lakes. The use of water resources through water wells is totally out of monitoring and control by the Water Resources Policy Department and the State Water Inspectorate. They have no data on the amount of water used by local residents or businesses, the exact number and location of these wells. *It is recommended to Pustec Municipality, referring to the competencies given by Law no. 107/2014 "On Territorial Planning and Development", to respond officially to any application made to its offices by providing a complete and substantiated response on the basis of the aforementioned law and approved urban planning related to applications for building permits made at its address.*

Air Quality. The audit found that the measures taken by the central and the local government to improve the air quality in our country were not effective and efficient. The National Strategy on Air Quality (NSAQ) adopted in 2014, has not yet been implemented. The Ministry of Tourism and Environment has never reported

on the implementation of the NSAQ. The National Action Plan on Air Quality has not been approved and as a result no Municipality in Albania has approved the Local Air Quality Action Plans. Air quality monitoring does not fully meet the standards set by the relevant EU directives. The values published for Tirana, as well as other cities of Albania from the mobile station of the National Environmental Agency (NEA), are not representative as their average value. The number of fixed air quality monitoring stations in Albania is not sufficient to produce representative and reliable data for the respective cities. The National Inspectorate of Environment and Forests (NIEF) does not carry out inspections in terms of exceeding the pollutant emission rates because it does not have any tools/labs to measure these field emissions. The Inspectorate of Public Health (IPH) has not conducted any epidemiological study to assess the link cause consequence of the impact of air quality on the health of the population. *It is recommended that the NEA compiles the Environmental State Reports in full compliance with the National Environmental Monitoring Programs.*

II.3.4 IN THE FIELD OF FISCAL ADMINISTRATION

The Effectiveness of Measures Taken by Tax Bodies in Accruing Liabilities. From the audit it is concluded that the Central Tax Administration has failed to manage unpaid tax obligations within the deadline and to effectively implement organizational and austerity measures for their collection. This is clearly evidenced in the considerable increase in value and number of subjects with unpaid tax liabilities of over two years, thus adversely affecting the State Budget revenues. The General Directorate of Taxes could not collect unpaid obligations from taxpayers because it did not create the conditions for the full implementation of the legal framework in force regarding the tax liabilities; the collection structures by force have not regularly applied the risk assessment method and have not carried out the proper monitoring and control over the regional tax directorates of this important activity for the realization in practice of sequestration procedure and then seizure against the taxpayer with obligations, the cooperation with other state institutions has been partial as well, reducing significantly the effectiveness of the Central Tax Administration's activity in enforcing coercive measures to collect unpaid tax liabilities in time. *Recommended: The Tax Administration to organize training seminars and trainings for forced collection of unpaid tax liabilities for the taxpayer*

employees and the taxpayer tax organizations, in order to inform and educate taxpayers.

The Unification of Customs Points with Kosovo. From the audit we have come to the conclusion that despite the progress achieved in the field of trade exchange and customs cooperation, the signed agreements do not constitute a complete regulatory basis for customs unification with Kosovo both in the technical and economic sense. Signed agreements are characterized by a form of expression of good will, but they are not reflected in sound government policies that would successfully and accurately bring customs union with Kosovo. It is noted that there is no ongoing institutional commitment, based on a special strategy for customs unification with Kosovo, which has significantly damaged the confidence of businesses on both sides of the border.

The activity of the Ministry of Finance and Economy and the General Directorate of Customs is deficient in the unification of customs points as a technical and operational process and has not created the premise for a rapid customs union between Albania and Kosovo. The decisive step has not been taken, the unification of fiscal policies as a prerequisite for securing the customs union, which constitutes a potential for increasing the exchange of goods, the growth of the economy for the two countries, as well as a preparation and maturity process for the Albanian institutions, facing the challenges posed by the integration into the European market". *Recommended: To the Ministry of Finance and Economy to undertake studies, based on the feedback of the Union of Chambers of Commerce and Industry of Albania and Kosovo Chamber of Commerce, and draft a special national strategy for the customs union with Kosovo, in order to isolate Kosovo from the generalization of a cooperation with Southeast Europe. Such a strategy would outline the work of the Ministry of Finance, other ministries and the General Directorate of Customs under an ongoing institutional commitment and extended in well-defined timeframes, based on clear objectives.*

Improving the Customs Assessment System. From the audit we have concluded that improving the performance of the Customs Administration at all its levels, the General Director of Customs and Customs, requires the increase of the service level of Customs Administration to commercial entities, establishment of fair standards, unification of the customs valuation in all customs branches for identical cases, increased transparency in order to ensure equality in the market through the application of fairer procedures and methods of valuation of goods for customs

purposes, requirements that cannot be realized without the inclusion of all actors who have a key role in the chain of this service. *We have recommended the drafting of fair, simple and understandable legislation for administration and business, as well as ensuring and enforcing the most straightforward procedures in updating the available data file. The compilation of guidelines and the insurance of fairer procedures in determining the customs value of goods, the achievement of the best standards and its unification. The rigorous implementation of established procedures, more transparent and efficient service to commercial entities.*

II.3.5 IN THE FIELD OF HUMAN RESOURCES MANAGEMENT

Performance of the Department of Public Administration. From the audit it was ascertained that the Department of Public Administration - as the sole administrator of the HRMIS system and the institution responsible for the implementation of the civil service legislation in the state administration institutions - has not drafted a strategic institutional plan and an action plan for the implementation of the HRMIS system both for the data and interoperability, for the purpose of putting it into full operation. The HRMIS system is not filled yet by the data from all the foreseen institutions, especially by local government units. The interaction process of the HRMIS system with other systems is currently suspended. The HRMIS system fails to achieve the goal set out in point 9, Chapter II of the DCM no. 117 as a source of information and planning, due to the low level of filling in data from institutions, as well as the lack of interaction with the treasury system at the Ministry of Finance, the General Directorate of Taxation, the Compulsory Health Care Fund and the Social Insurance Institute. The effectiveness and efficiency of this system has not been achieved and it is not yet known when it can be achieved. *Recommended: The Department of Public Administration should take appropriate measures to include in the annual reports accurate reporting on the degree of achievement of the target compared to its forecasts, clearly designing expectations and concrete achievement.*

II.3.6 IN THE FIELD OF PUBLIC FINANCE MANAGEMENT

Public Procurement Procedures in Albania. From the audit, it was concluded that the Public Procurement Agency, in cooperation with the field specialists, the legislative institutions and the interest groups, would establish a better approach of trust through the dynamic process of drafting in the policies of public procurement

procedures "Negotiation without announcement of the preliminary notice of contract" for the maximum reduction of abuses and guarantee of public funds. Today, the challenge in drafting the most effective public procurement procedures lies in increasing transparency, trust and avoidance of abuse, because in many cases the public procurement performance is only measured in figures, but we forget that the way contractors perform the procurement of goods, works and services reflects the social approach to citizen service and economic operators. *Recommended: To the PPA to take measures to monitor as many public procurement procedures as "Negotiation without prior notice of contract" and the technical criteria set by the Competent Authorities for it.*

The Performance of Public Debt Management. SAI has tried to answer the question: "Is the public debt secured with public efficiency and is it used efficiently?" It has been concluded that despite the efforts made by the Ministry of Finance and Economy, the indicators used for public debt management do not meet the requirements of the accepted standards regarding the assessment of sustainability, debt cost and its management with economy and efficiency. The outcomes of the indicators responsible for assessing the sustainability and the cost of public debt such as: External Debt/Exports, Foreign Debt/Currency Reserves and Short-Run Primary Gap Indicator, show that our economy's ability to leverage public debt is declining. These results relate directly to the cost that the state faces with the repayment of interests and principal. Failure to break down mid-term public debt management strategies into concrete action plans and alternative strategies does not enable the Ministry of Finance and Economy to diversify the risks of reaching a public debt management. *Recommended: The MFE, in cooperation with the public debt structures, should consider a broad spectrum of debt indicators in order to properly identify the public debt stock.*

The Effectiveness of Grants in the Agency for Agricultural and Rural Development (AARD). We have come to the conclusion that the Agency for Agricultural and Rural Development has failed to achieve the targeted effectiveness of managing and administering budget funds for national schemes, because human resources management has shown deficiencies in organic structuring, basic training, recruitment, training the assessment of their performance and so on. There have been shortcomings in subsidy procedures for national schemes analyzed in dynamic for terms and conditions of benefit, as well as their implementation by AARD. The information provided was ineffective, as the means of communication were limited,

the insufficient and inadequate information, has not been properly managed etc. Olfactory funding does not prove to be effective, as the procurement procedures have not been properly implemented, the regulatory compliance has not been followed, the audits and monitoring for this scheme by the AARD have been inadequate, increasing the premise for abuses by the institution. Benefited investment funds are not used properly in the economic aspect, in order to generate sufficient revenue to support value chain development so that they can develop credible financing projects. The monitoring sector was missing for a period of 4 years, and consequently also the monitoring of small national schemes and investments was missing, significantly reducing the effectiveness of the funds allocated to them. *Recommended: The AARD should take the necessary measures to establish a sector that serves to inform and advice the farmers in order to avoid mistakes, delays during the preparation of the documentation and the penalties that occur during the control of the applications.*

Cost of Hospital Services. The audit found that the current cost estimation system for hospital services is an estimate that carries excessive costs and does not reflect real costs, orienting the needs of hospital health institutions towards cost estimation not in accordance with their cost. The lack of specialty services at regional and municipal hospitals as well as the lack of primary service performance have created increased cost and concentration of patients at the largest university center QSUT. The implementation of health packages is a good initiative for approving the protocols of these packages, but their financial assessment method contradicts the public procurement law, thus increasing the costs of these health services. The Ministry of Health and Social Protection together with the Fund and the QSUT should engage in the design and implementation of clinical protocols for all hospital services, having as orientation the DRG model and the latest international classification of diseases ICD-10. *Recommended: Reorganizing the map of hospitals on the basis of hospital service performance indicators constitutes an indispensable and necessary condition for reducing excessive costs of the healthcare system. The premise of creating a healthcare market would lead to the supply-demand balance by increasing the efficiency and quality of services provided by patient care providers. The Obligatory Insurance Healthcare Fund should apply the public procurement procedure to beneficiaries of non-public health institutions for health packages.*

Food Safety. It was found that the National Food Authority has failed to guarantee consumers confidence in food safety in the country because the regulatory framework is unfulfilled, it overlaps, duplicates competences and lacks of institutional responsibilities. The scientific committee and the board did not function and after 2016 the general directors were appointed in contravention of the relevant legal requirements. The National Food Authority has shown deficiencies in the administration of the civil service and there is no rational distribution of inspectors in the regions and sectors within them, it has poor inspection capacities as a result of illegal removals, lack of compliance with vocational training criteria; lack of training, testing, qualifications and consequently low quality and number of inspections. Inadequate administrative sanctions have been imposed on law offenders. The laboratory equipment is considerably amortized and out of use and labs are unauthorized, the investment in assets and inspection infrastructure, and the country-wide labs equipment needed, necessary to improve food safety in the country, are missing.

Recommended: The Minister of Agriculture and the National Food Authority NFA should take the necessary measures to enable the normal functioning of the Scientific Committee and the Scientific Panels by making available all the necessary information on specific issues for which is required scientific opinion for the purpose of the activity the NFA, under the conditions of food industry and global economy modernization.

II.4 INFORMATION SYSTEMS AUDIT REPORTING

Information Technology (IT) Audit as one of the most innovative and most difficult types of Audit is today undoubtedly the audit institutions challenge not only of the region but also of the most developed auditing institutions INTOSAI members.

SAI, starting in 2012, has followed consistent policies for the development of the Information Technology Audit. During 2012-2017 steps have been taken towards the development of IT audit through: recruitment of new employees; making necessary legal and organizational changes, developing audit capacities; equipment with appropriate methodology as well as training and certification from international organizations of IT auditors of SAI.

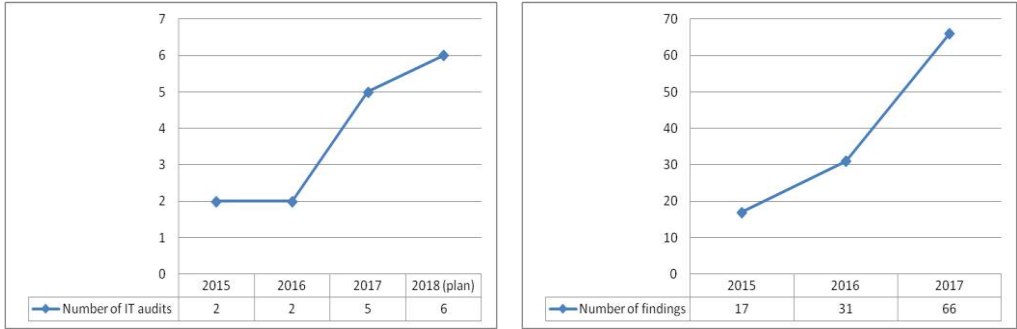
The SAI Strategy 2013-2017 for the first time presented the ambitious Objective of the Development of IT Information Systems audits by establishing in December 2014 the Information Technology Audit Directorate. At the beginning of 2017 by the implementation of this strategy, the Information Technology Audit is divided by the Central Budget Audit Department, the High Public Administration, the Financial Management and Internal Audit and the Foreign and Information Technology Audit Department is established.

In terms of IT audit development, are used the internal and international opportunities offered by international partners, with particular emphasis on the training of 3 auditors provided by INTOSAI Development Initiative (IDI), exchanges and trainings with groups of the IT work of EUROSAI and INTOSAI (ITWG and WGITA), the cooperation with the Swiss Audit Office concretized by carrying out the IT self-assessment in 2015 and the IT Audit self-assessment in 2016, the trainings conducted in specialized IT audit centers during 2017 in India and Pakistan, as well as the support provided by the SAI specialists of Poland, Portugal and Estonia through the Twinning Project (AL 13 IB FI 01) for training SAI directorate IT staff, the help to create the database for IT auditing entities (ICTS Database), creating and training of the first support line with knowledge on IT auditing and the development of the Active Manual on the Information Technology Audit.

This electronic manual of high values for the risk analysis, audit planning as well as the use of previous auditing experience constitutes a novelty not only for SAI but also for the global auditing community. This product, which was born and tested in a pilot audit, was also upgraded by the modest contribution of the SAI Information Technology Auditors. The product has been presented several times by the IT teams of EUROSAI and INTOSAI as the fruit of this twinning project and has been recognized and implemented as an innovation in the audit field by the international IT auditing community. The manual implementation in the second half of the year, brought improvements of the IT audit indicators. The year 2017 has reflected an increase in the number of audits. Thus, 5 IT⁶ audits were carried out compared to 2 carried out in 2016. As a result, the number of findings has progressively increased.

Graph no.20: Number of IT audits and findings

⁶ One of which thematic



Source: ALSAI, Statistics Sector

Auditing Information Technology Systems in the Directorate of Water Supply and Sewerage, Tirana (Wss)⁷

After the IT audit in WSS a.s., SAI concludes that the IT in WSS is being developed in the absence of an Information Technology Strategy bringing about a lack of clear reflection of the objectives regarding IT infrastructure and the resources needed to set up for the development and maintenance. The lack of a Strategic Plan carries the risk of mismanagement of the resources needed to support the WSS's activity of Information Technology. Information Technology should be extended to all processes of the Tirana Water Supply and Sewerage Activity.

The audit found that the WSS has no written rules on the closing procedures for IT users. There is no notification of the IT sector to shut down users who have terminated their employment relationships, from the relevant departments as well as from human resources department. Leaving the users of the system (billers, IT cashiers and sales department specialists, etc.) "active" after they terminate their work relationships, constitutes a security breach in the billing application, making it unsafe for interference. The security of WSS information systems is at risk due to the lack of written rules for changing passwords. The involvement of the IT Sector in Operational Processes (System Data) in the System, alongside with the tasks for maintenance and system development presents a conflict in the sharing of responsibilities and poses a risk to WSS.

⁷ http://www.klsh.org.al/web/it_ukt_3443.pdf

Failure to maintain and analyze system logs for 2016 (for lack of space) by the WSS IT sector, carry the risk that the interferences in the information technology systems cannot be identified. IT investments carried out by the WSS have left out of focus the investments in IT for the automation of water production, treatment and pumping plants. There are no requests from the Departments of Production and the Engineering Department to introduce automation and use of the information technology. In the Bovilla plant it was found that the application server for command and monitoring of the water processing was out of function and was replaced with 2 pc. The plant control application was stored without backup and the PC was without efficient ventilation and without alternative power systems. The Bovilla plant is guarded by private guardians without signaling systems and security cameras. The communication of the depot station pumping station is performed by mobile and the system can be commanded manually only for 4 hours in case of failure of the abovementioned application.

Bovilla plant and water level measurement at the warehouse. In the water depots it was found that there is no automation for measuring the water levels in the warehouse. Failure to use intelligent warehouse systems brings the implementation of the approved water supply chart for water supply three times a day, regardless of the requirements in the system. Meanwhile, the depots are surrounded by urban areas, guarded by private guards for only 2 tours without signaling systems and security cameras.

From the WSS's dispatcher Audit was ascertained:

- WSS's dispatcher in its 24-hour service does not use information technology systems for obtaining information from production sources, transmission lines, warehouses and distribution networks, registration of information and actions carried out;
- No intelligent IT systems are used to enable the performance of water balances;
- Documentation of the dispatching activity is carried out manually by not allowing the use of information for analysis.

Information Technology Auditing in ISI.⁸

The audit of IT systems at the Institute of Social Insurance (ISI) concluded that the institution is developing information technology using the resources made available, thus by giving a contribution to the administration of social security in general and the implementation of pension policies in particular.

Despite the efforts, there have been identified deficiencies for which is needed careful addressing. Thus, the ISI does not have an Information Technology Strategy, the lack of which results in a non reflection of the objectives related to the infrastructure, the necessary resources and the instruments needed to measure the objectives. The lack of the Strategic Plan carries the risk of mismanagement of the resources needed to support the activity. The Directorate of Information Resources operates with an undated and unapproved regulation. From the audit of human resources in the TIK structure, it was concluded that there was a lack of qualified personnel in the critical positions of this structure, as well as the needs for training of DBI staff were not analyzed.

The audit found that ISI did not build a disaster recovery strategy and there are no plans that determine the continuity of the processes in the cases of failure of the primary data center supporting PCAMS, CMIS and DMAI systems. There is no disaster recovery center (DRC) for the primary data center where PCAMS, CMIS and DMAIS systems servers and network infrastructure are maintained. PCAMS, CMIS and DMAIS backups are stored in Tape Libraries, which, after being loaded, are stored in the same building with PCAMS, CMIS and DMAIS systems. The ISI does not have documentation regarding: Work Continuity Projects (BCPs), test procedures, there are no list of tests conducted for 2016 and there are no results about the actions taken or recommendations for them, no documentation about safety plans and list of items assessing priority for emergency processes. From the audit of automatic check on payroll, a process that has been implemented since the beginning, in the service of ISI, it results that the system does not provide accurate results. The implementation of the recommendations of this report as well as the support of the IT development in ISI by government structures will increase the stability and security of the pension scheme.

⁸ http://www.klsh.org.al/web/vendimiok_3285.pdf

Auditing Information Technology in the Institute of Statistics.⁹

In the Audit of Information Technology at the Institute of Statistics (INSTAT), taking into account the role of the information technology in meeting the INSTAT's mission in producing neutral, transparent and up-to-date statistics, as well as their importance in the processes of development of the transformation of the socio-economic areas, using the Active Audit Manual for risk assessment, SAI conducted the audit only in two main areas (IT governance and information security) and their 5 subsections.

The audit found that the level that reflects the information systems in the absence of an INSTAT strategy indicates a detached development from the institutional objectives as well as the lack of resources needed to set up, develop and maintain the IT. Despite the efforts made, INSTAT has not taken enough regulatory and organizational measures to guarantee the information systems. In our judgment, managing the critical elements in the information systems is insufficient and inadequate. The investment in the information systems has not solved the continuity of Business Continuity Assurance and did not provide Disaster Recovery.

From the audit it was concluded that the storing and processing of statistical data in a server room with physical security and insufficient environmental conditions, contrary to the recommendations of the National Agency of Information Society NAIS on "Server Room Building" poses the risk of loss of information of particular importance. The adoption of a regulation for the server room by INSTAT itself, in accordance with the parameters set by the NAIS under these conditions, is a necessary measure for recognizing the problem but it doesn't find implementation under the circumstances.

Information Technology Audit in the General Directorate of Local Taxes and Tariffs.¹⁰

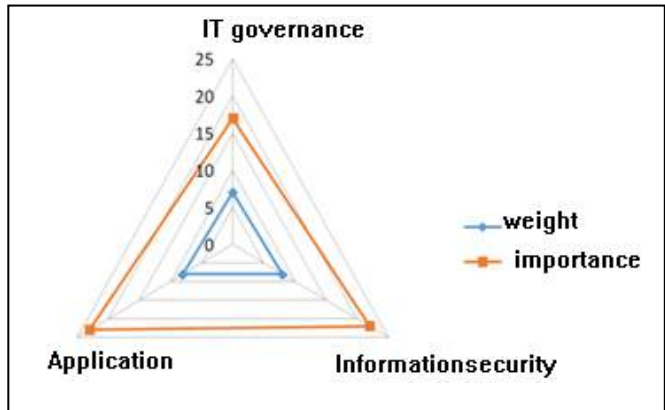
The General Directorate of Local Taxes and Fees (GDLTF) is a budget institution, subordinated to the administration of the General Economic Directorate of Tirana Municipality. Considering the role of information technology in meeting the GDLTF mission and the role of revenues collected from this directorate for the budget of Tirana Municipality, during 2017, SAI conducted an audit which, within the IPA project, was selected as a "Pilot IT audit in a typical state administration system"

⁹ http://www.klsh.org.al/web/199_vendim_instat_3776.pdf

¹⁰ http://www.klsh.org.al/web/224_vendim_dpptv_25_dhjetor_2017_3830.pdf

and was assisted by SAI experts from Poland, Portugal's Court of Accounts and the Estonian SAI. During this audit, the first active IT Handbook which was developed during the twinning project and its essential objective was to put into practice the "WGITA - IDI Manual on IT Audit for Supreme Audit Institutions"¹¹.

From the risk analysis to the Active Manual of preliminary information collected of the 7 main areas and 44 subfields Including all the IT processes in the GDLTF, there were selected as high risk areas 3 fields and 13 subfields providing a significant increase of the 3 E in this audit.



The audit showed that the institution does not have a written and approved Strategic Plan for the Information Technology by not doing strategic planning on institutional security and IT infrastructure, and not clearly reflecting the objectives related to the resources and instruments needed to measure the objectives.

The Internal Regulation, regarding the IT structure in the GDLTF, is not in line with the NAIS's recommendations; the regulation does not contain the necessary elements to ensure the proper functioning of the IT structure in the institution.

GDLTF does not have a risk register for the information technology, this in violation of the Law no. 10296, dated 08.07.2010, "On financial management and control", as amended, Instruction no. 30, dated 27.12.2011 "On the Management of Assets in Public Sector Units", thus not guaranteeing the identification and management of risks in the information technology.

The audit found that the physical environment of the network room is not in accordance with the standards set out in the Server Building Regulation (Version 1.0, dated 02.12.2008) approved by the NAIS (National Agency for Information Society).

¹¹ http://intosaiitaudit.org/WGITA23rd/23rd WGITAMeeting/IT_Handbook.pdf

From triggering audits that populate the audit chart, it turned out that the changes in the data are reflected in a comment form, which makes it difficult to track the audit trail, or extract reports and correctly record cases of interference in the system for those records that are saved. Other important areas are missing too: Login to the system; Year of Obligation; Tax liquidation deadline; Installment number; Taxation denomination; Old value and new value; Logout from the system; There is no audit trail for actions such as modifying, removing and granting a user's rights as well as other actions related to the user activities.

From the controls' audit of data removal and logging in the system, it is ascertained that the logs generated by the tax system are not analyzed through an application interface that enables a real-time browsing. The system Database "Local Tax Administration" is not registered as a state database in the ARK in violation of the Law No. 10325, dated 23.09.2010" On state databases" and DCM No. 945, dated 2.11.2012, the database registration is needed to standardize and secure it.

The vision of Albanian future in the Auditing of Information Technology

Starting from 2018 based on the SAI Development Strategy, 2018-2022 with the aim of consolidating the IT audit, it will be carried out:

Investment in capacity building. Investments in capacity building and the development of skills through internal and external trainings and will take measures to increase its staff number through new recruitment with the finalization of the efforts to establish the Department of Information Technology Audit. The rapid expansion of the computer technology and the use of "Data Analytics" in the audit require IT auditors (and not only) capable and well-trained in order to use this amount of information in the audit modeling for the assurance that the given controls and appropriate processes are set, they function effectively, manage the risks and vulnerabilities in the IT systems. SAI has planned to invest in the acquisition of the visualization analysis methods in the coming years.

Professional Standards. To carry out an IT audit with competence and professionalism, SAI needs a methodology based on an updated framework of the international professional standards where the translation and implementation of ISSAIs will occupy a special place. The tracking and participation in the IT workgroups of EUROSai and INTOSai (ITWG and WGITA) will provide not only the premise for implementing timely updates but also will provide a modest contribution to their design. The consolidation of the use of the Active Manual on IT

Audit will be accompanied by the preparation and publication of manuals on the audit of specific new information technology fields such as cloud auditing, e-government etc.

Sharing the knowledge. "The intensification of the use of modern information technology methods will be one of the basic tools for increasing the SAI's work performance and will facilitate cross-checks of the financial transactions."The SAI objective for the coming periods considers the transition to a further stage which aims at consolidating the IT Audits and the use of IT Audit elements in the compliance, financial and performance audits. The IT Audit Elements will continue to extend to Audit Departments by continuing the twinning project's practice of establishing a first-tier support line with IT knowledge in each department and its IT support.

III. COMMUNICATION AND COOPERATION WITH STAKEHOLDERS

III.1 COMMUNICATION AND TRANSPARENCY

The ALSAI, in meeting the strategic objectives and deepening the transparency through communication and in the function of the institution's contributions recognition by the citizens, in July 2017, has adopted the ALSAI Strategy for 2017-2019. This strategy clearly sets out the strategic objectives of the ALSAI based on the needs, demands and challenges of the institution in communication with the public and other stakeholders, but also under the conditions of the current human and financial resources and their limited growth opportunities for the period of implementation of the strategy.

Objective 1	Increase ALSAI's public profile and the understanding of its mission, vision and role in society, to strengthen citizens' trust in the institution.
Objective 2	Increase the external communication tools of ALSAI with citizens and various interest groups in order to increase the level of public awareness.
Objective 3	Promote ALSAI's audit results to transmit to the public the results and benefits of the institution in improving governance through the fight against corruption.
Objective 4	Increase the communication and interaction of ALSAI with the citizen, through the active participation of citizens in activities and roundtables.
Objective 5	Consolidate the participation of auditors in the opinion-giving in the written media and the gradual passing towards the public opinion on TV shows.
Objective 6	Increase the internal communication in the institution and exchange of information between departments and audit departments.

The Communication Strategy 2017-2019 aims at enhancing understanding of the principles and functions of ALSAI by the public and citizens, by institutions, non-governmental organizations and the media. It will try to stimulate public debate about ALALSAI findings and recommendations, a debate which then leads to increased sensitivities of various social groups, from the findings and recommendations of the institution during its audits.

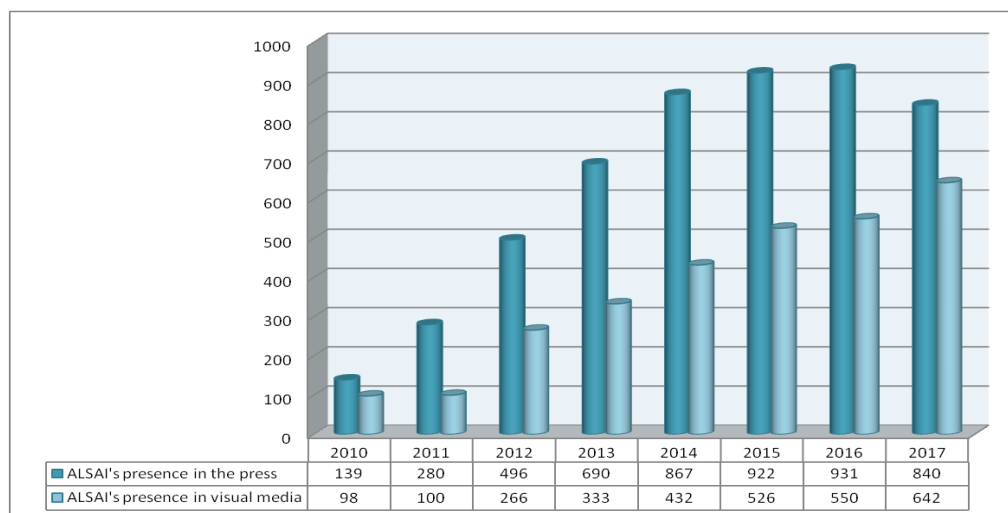
III.1.1 COMMUNICATION WITH THE MEDIA

During 2012-2017, the SAI, in fulfilling the objective of increasing the transparency has developed in several dimensions. Along with the growth of public communication channels, it has improved the content and quality of the messages in its press releases. Press releases have been and still are the main contributor to the public messages of the institution. The institution has endeavored to provide in a concise format the key findings and recommendations from any audit of particular importance for the good management of public money.

During 2017, the press has forwarded our reports and press releases to a large number of articles, announcements, editorials and analytical comments, about 840. The ALSAI has been present with about 100 chronicles more than last year (the number is increased from 550 to 642 chronicles). The media responded to our institutional announcements, problems arising from the audit activity and various activities this year. The transparency of ALSAI activity is increasing year by year and the institution has become increasingly open and cooperative with the media.

The institution has considered the written and audio-visual media as the main partner in realizing its mission as a "watchdog" for the good administration of public funds and property, and to strengthen the fight against corruption. This partnership has been real and since the annual analysis conducted in January 2012 and the latest annual analysis of 2017, where the media and the most prominent representatives of field professionals and non-governmental organizations fighting corruption have been invited to participate and discuss. The transparency of the institution's activity has been one of the main indicators of the institution modernization, the realization of its mission in the service of the citizens and the Parliament, thus increasing the citizens' trust in the work of the institution.

Graph no.21: ALSAI presence in press and visual media

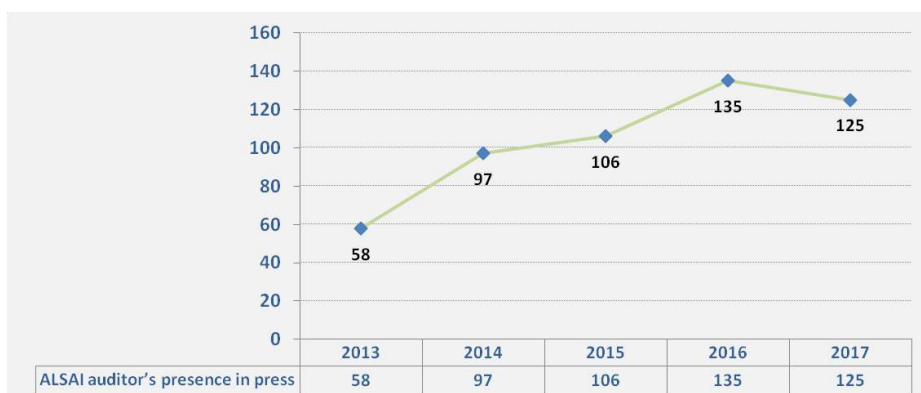


Source: ALSAI, Directorate of Communication

III.1.2 THE PRESENCE OF ALSAI AUDITORS IN THE WRITTEN MEDIA

The presence of ALSAI auditors in the print media was presented to the public in 9 volumes (period 2013-2017), which were added to the chain of ALSAI publications. During 2017, the ALSAI was present in almost all newspapers with 125 articles written by ALSAI auditors. During the five years, 2013-2017, ALSAI auditors have published 521 articles (the analysis begins with 2013, as before this year there was no presence of auditors in the media).

Graph no.22: ALSAI auditor's presence in the press



Source: ALSAI, Directorate of Communication

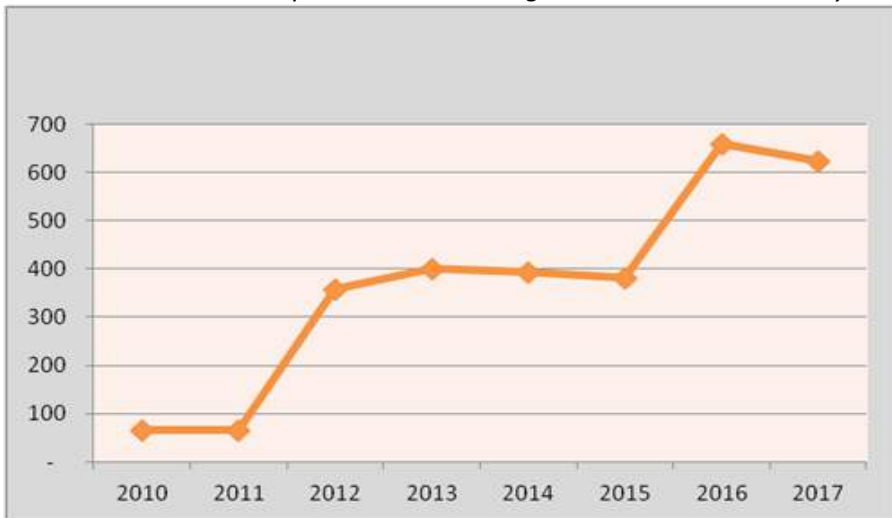
III.1.3 HANDLING CITIZENS' LETTERS

The ALSAI during 2017 has continued to handle letters and complaints of the citizens, who in any case have received an answer, even when the issue raised by them was out of the jurisdiction of the institution. In these cases, ALSAI has directed the citizens through official responses to the institution which they should address to receive answers to their concerns. ALSAI has handled 623 letters, during 2017, out of 660 letters handled for 2016.

We point out that in 2010 and in 2011, there were on average 65 letters annually, 10 times less than in 2017.

In 2017, out of the total of 623 letters, 246 were out of the jurisdiction of the institution. Of the 377 complaints under the authority of ALSAI, 204 of them were verified and answered, while 173 are in the process of being verified.

Graphu no.23: Handling citizens' letters over the years



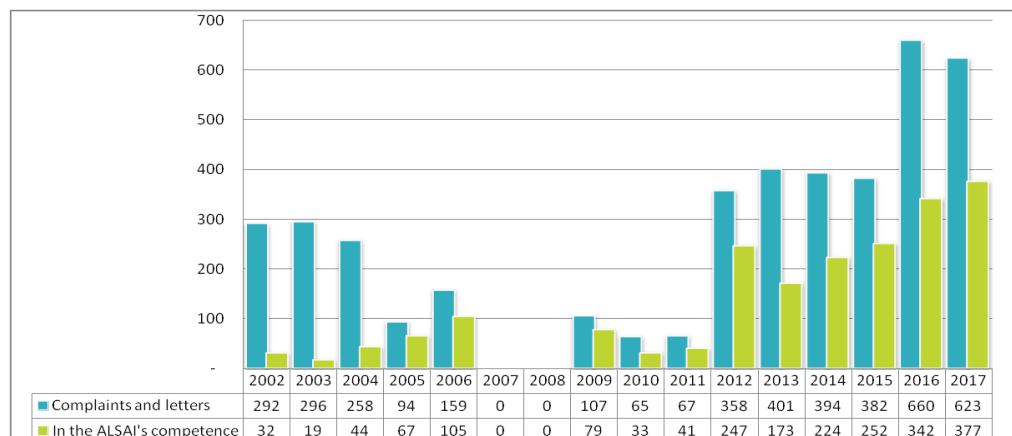
Source: ALSAI, Directorate of Communication

III.1.4 HANDLING OF THE RIGHT TO INFORMATION

The right to information as a constitutional right and already clearly envisioned in a particular legislation is the basic right of every individual in a democratic society. Since the adoption of the new law no. 119/2014 "On the Right to Information", the Supreme Audit Institution (ALSAI) has had an increasing number of requests for information from year to year.

Only during 2017, the requested information was handled entirely for 41 requests submitted to the ALSAI coordinator, by journalists, NGOs, citizens, public institutions, etc., through which citizens mainly require full audit practices.

Graph no.24: Handling Citizens' Letters



Source: ALSAI, Directorate of Communication

The Supreme Audit Institution in the last two years, in order to increase the transparency towards the public, has published almost all Audit Decisions in ALSAI's official website www.klsh.org.al, with 153 audits from 156 published in 2017 (98%) and 152 audits from 154 realized for 2016 (98.7%). The ALSAI's portal is a complete information window and the interested parties can find extensive information on the activity of ALSAI and especially on the audit reports. Also on the ALSAI's official website are published all the reports that were drafted and prepared by the ALSAI during 2017, such as activity report, budget report, monitoring reports, strategies, information on all activities developed by the ALSAI both internally and abroad, ALSAI publications, etc. All materials published in the SAI portal are accessible to the public not only in the read option but also in the downloadable option.

The transparency of ALSAI's activity is one of the main indicators of institution modernization and its multi-dimensional communication for deepening accountability. The ALSAI has developed the uninterrupted communication with the citizens in these six years, mainly through the cooperation with the civil society and the media, as well as through responses to citizens' letters.

III.1.5 OPEN MONTH FOR CITIZENS

The ALSAI in implementation of the Communication Strategy 2017-2019 and the Open Week Experience, organized in November 2016, organized the Open Month for Citizens on 7 November to 11 December 2017. During the open month, 49 different activities as meetings between different audit departments in order to exchange experiences; meetings with journalists; presentations of ALSAI's publications by new auditors; participation in the Book Fair 2017; introduction of the new ALSAI Regulation; the presentation of the publication of the ALSAI publications in two fairs; meetings and lectures with academics, professors, philosophers of various fields; presentation of the Draft Strategy for the development of ALSAI for the period 2018-2022; lectures by colleagues of partner SAIs, presentation of the actual budget for 2016; book promotions that are of interest to ALSAI; cultural activities, promotion of ALSAI's participation in various international activities in the last two years in order to exchange experiences; participation in the Congress and the regional exhibition "Solution of Solid, Liquid and Gaseous Waste", etc.

In the framework of cooperation with civil society and external experts, ALSAI organized several activities with the participation of Prof. Dr. Skënder Osmani, Prof. Dr. Sazan Guri, Prof. Dr. Artan Fuga, Prof. Dr. Hysen Çela, Vice President of the National Audit Office of Poland, Wojciech Kutyla, who held an open lecture with ALSAI's auditors on the topic "Ethics for Auditors", as well as Mrs. Darie Nielsen, who in the framework of the Understanding Memorandum between the Supreme State Audit and USAID for the project "Transparency in the Health System in Albania", held a lecture with ALSAI auditors at the Academy of Sciences.



Prof. Dr. Artan Fuga during the lecture with ALSAI's auditors



Lecture of Prof. Dr. Skënder Osmani with ALSAI's auditors



Lecture of Prof. Dr. Hysen Çela with ALSAI's auditors

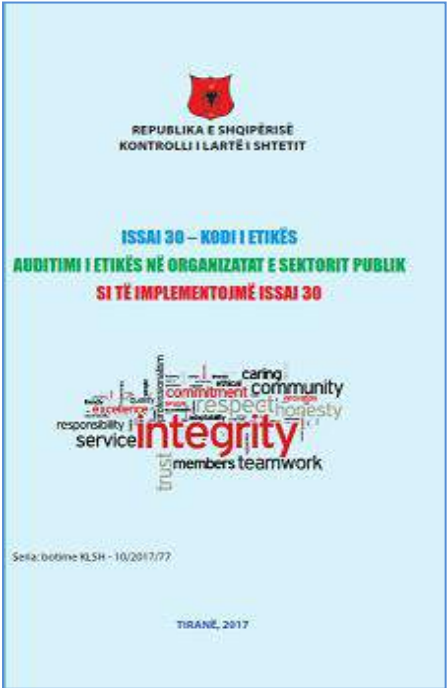
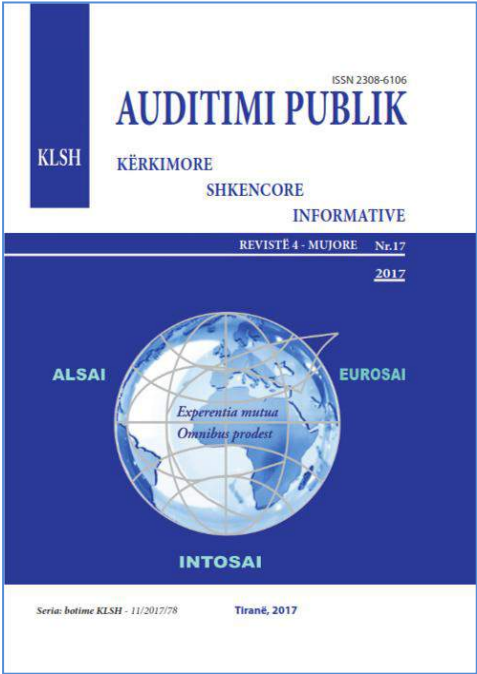
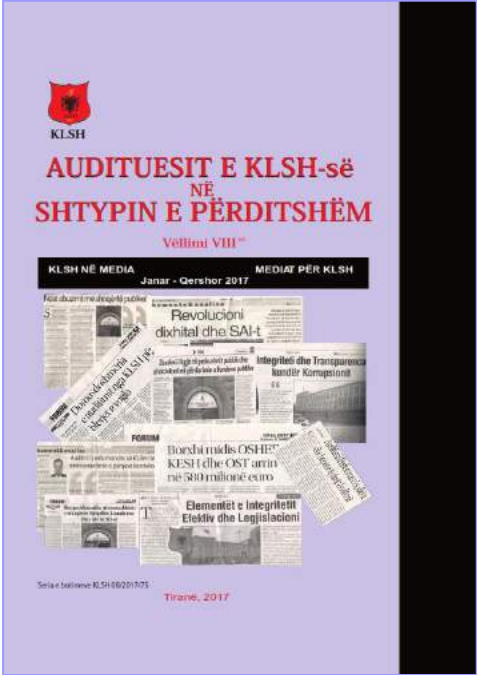


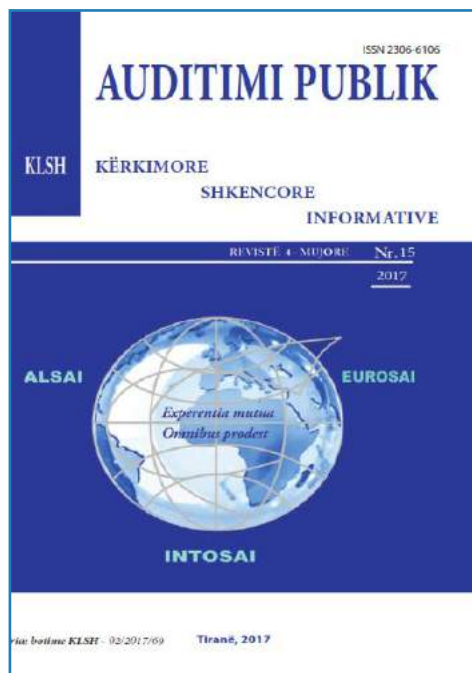
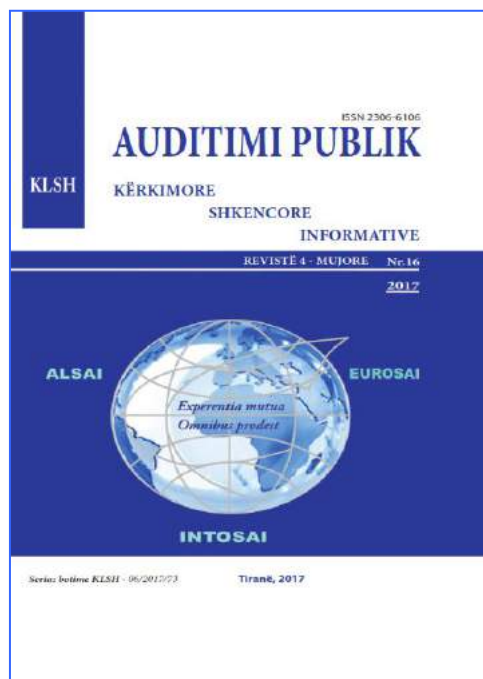
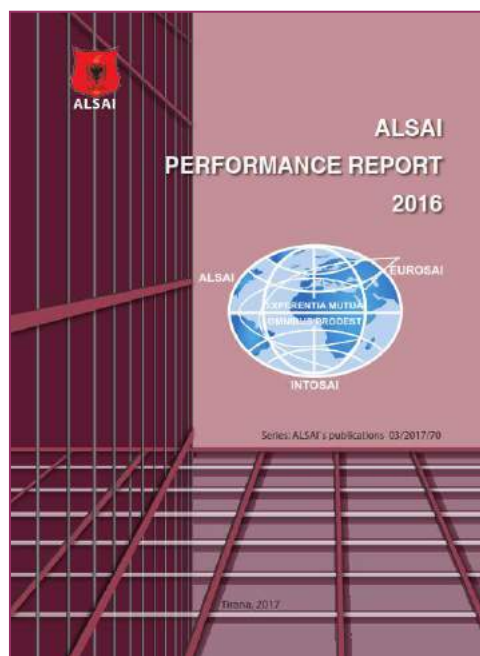
Lecture of Prof. Dr. Sazan Guri with ALSAI's auditors

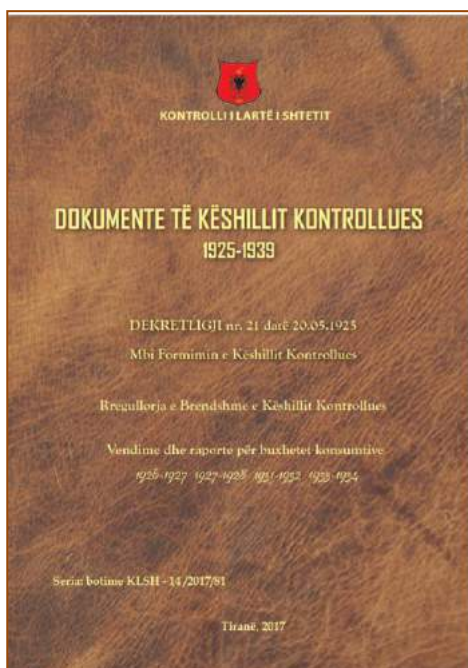
III.1.6 ALSAI's PUBLICATIONS DURING 2017

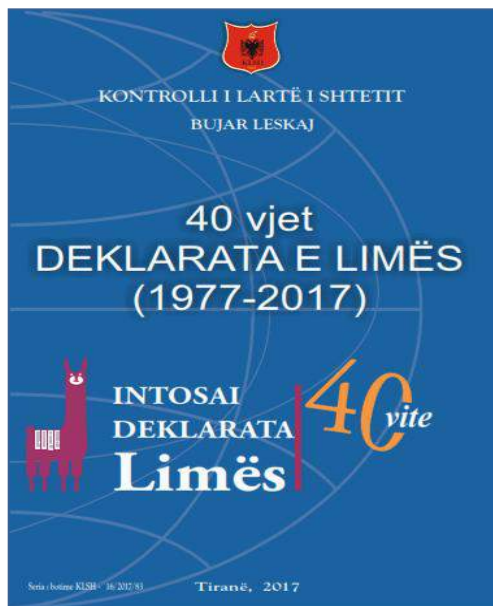
In the last six years 2012-2017, ALSAI comes with a series of 83 titles (books), whereas in 20 years (1991-2011), the ALSAI had only 12 publications, most of which were information brochures. In 2017, the institution published 16 books with the following titles:









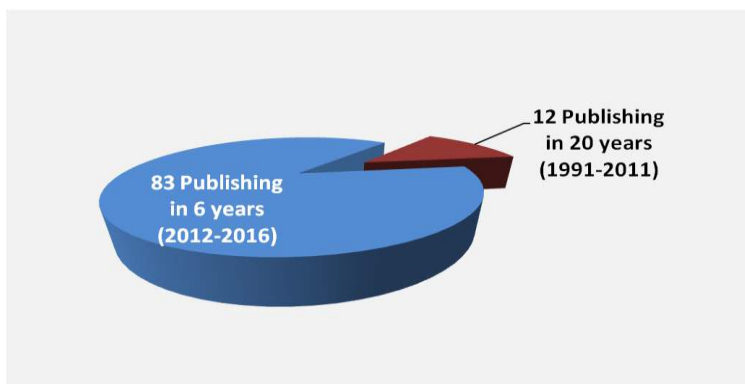


- "ALSAI Auditors in the Daily Press", Volume VII;
- "ALSAI Auditors in the Daily Press", Volume VIII;
- "ALSAI Auditors in the Daily Press", IX; - Scientific Research Magazine "Public Audit" No.15;
- Scientific Research Magazine "Public Audit" No.16;
- Scientific Research Magazine "Public Audit" No.17;
- "Annual Performance Report 2016" (in Albanian);
- "Annual Performance Report 2016" (in English);
- "ALSAI Annual Analysis 2016";
- "ISALSAI 30
- Code of Ethics
- Auditing Ethics in Public Sector Organizations
- How to Implement ISALSAI 30";
- "Asset management and administration planning guide to local government";
- "ALSAI Performance Measurement Framework"
- "Documents of the Control Council 1925-1939";
- "40 Years Lima Declaration 1977-2017";
- "Performance Audits in ALSAI 2016-2017";
- "European Court of Auditors - 40 years Public Auditing"¹

¹ For 2017, the total number of pages for the 16 titles is 1 307 250 pages and the total cost is 2,159,000 ALL. The average cost per 300-page edition and 250-300 copies is 130,000 ALL.

ALSAI publications are the implementation of the international obligations of engagement of audit institutions in the area of documentation publications to enable citizens a broader access. The column of publications, which is enriched year after year, reflects every chronicle of the reforms that the ALSAI has launched and through them, we increase our transparency and accountability as an institution, while increasing citizens' confidence in our work.

Graph no.25: Number of publications in years 1991-2011 and 2012-2017



Source: ALSAI, Directorate of Communication

Our publications are foreworded every year, since 2013, to the National Audit Office of Kosovo, with the aim of exchanging experiences on international standards of the public external audit and INTOSAI publications translated into Albanian, as well as putting in available the information on the activity of ALSAI and beyond.

The modernization of ALSAI is a continuous process based on the INTOSAI standards, which remain at the center of the ALSAI's publishing line. The publication "ALSAI Performance Measurement Framework" is a key strategic document of the Albanian Supreme Audit Institution, which has clearly shown that change, development and perfection is the philosophy of its functioning. This is a vital instrument which through the implementation of the whole activity evaluation process of the highest public audit institution, enables the realization of a detailed examination of the standards completion level compared according to a system built by INTOSAI.

The "Public Audit" Scientific Magazine, the first number of which has initiated in 2012, reached its 17th number and is an indicator of the commitment and values of the institution that continues to publish every four months a number of this

Magazine. The increase in the number of this scientific research magazine, is an indicator of increasing audit capacities of the ALSAI itself and reflects the scientific work of the ALSAI's staff, the academic world as well as the best practices from homologous ALSAIs and international organizations.

For the ALSAI, the historical memory is a cornerstone, one of the strongest components in establishing a sustainable identity not only of a nation and a state, but also of a leading public institution. With the "*Documents of the Control Council 1925-1939*" publication, the ALSAI does not offer readers simply a biography of an institution, but an important part of the mosaic of Albania's state-building history.

Performance audit, an objective to be achieved for the before 2012 ALSAI, today is a tangible reality that works smoothly through the Performance Audit Department, which includes 20 auditors which by the end of the year 2017 conducted 58 performance audits. This already consolidated innovation and this success is reflected this year in the publication "*Performance Audit 2016-2017*". With a simple structure, synthetic information and a thematic classification, this publication provides a summary of the work that the performance audit department has been doing these 2 years.

In order to promote its publications, the institution participated for the fifth consecutive year at the International Book Fair of Tirana, which featured 77 publications versus the 17 publications of 2013 when it first participated modestly in this fair. The ALSAI participated for the second time at the Klik Expo Group International Fair, which was held in Tirana on 23-26 November 2015.



The ALSAI stand at both fairs was visited by many students, researchers in the field of auditing, economics and citizens interested in the activity of ALSAI over the years.

III.1.7 THE V-th SCIENTIFIC CONFERENCE OF ALSAI

The V-th Scientific Conferences organized by ALSAI, was held on 11 to 13 October 2017 in Tirana and was conducted as a collaboration between the Faculty of Economics of the University of Tirana, the ALSAI, the Turkish Court of Accounts and the Accounting Foundation of Academic Cooperation of Turkey. This year's conference had as main theme "Audit for Sustainability and Development". At this conference three representatives from the ALSAI, Prof.Ass.Dr.Manjola Naço, General Director; Dr.Aulent Guri Chief Auditor in the Performance Audit Department and Ms. Ina Sokol, the first Auditor in Methodology and Development Department presented their papers. This conference comes after four Annual Scientific Conference that ALSAI has implemented since 2012 as in the following:

- The first conference with the theme "87 years of ALSAI in 100 years of Albanian State" (December 2012);
- The second conference with the theme "The Role of Supreme Audit Institutions for a responsible public management in today's challenges" (December 2013);
- The third conference with the theme "National audit to serve the National governance" (October 2014);
- The fourth conference with the theme "Risk Analysis in Audit" (June 2016).

ALSAI will continue the tradition created by these five conferences in the recent years. During 2018, there are anticipated to take place two scientific conferences, The VI Scientific Conference of ALSAI in cooperation with the SAI of Kuwait in Kwait city "On Risk-based Audit" on April 9-11 and at the end of 2018, it will organize the VII-th Scientific Annual Conferences of ALSAI.

III.2 ALSAI AND PARLIAMENT, THE CHALLENGES FOR EFFECTIVE COMMUNICATION

Another important dimension is the communication with the Parliament. Since 2012, ALSAI has paid special attention to relations with Parliament outlined this report on the tracks of strengthening accountability, transparency and good governance. Willingness to deepen cooperation was mutual because Parliament, especially the Committee for Economy and Finance, have shown a special attention

in relation to the ALSAI and institutionally supported us morally and in our work. The ALSAI is an agent of Parliament to ensure the well-administration effectively, efficiently and economically of public funds, according to INTOSAI Standards. ALSAI implements this mission and major task, reporting to Parliament by constitutional provisions, as well as applying any recommendation and orientation of the Parliament.

At the level of institutional communication, the ALSAI has sent to the Parliament, particularly to the Economics Committee, several reports of high public sensitivity and only during 2017, 24 were sent. For all tasks assigned by the Parliament, the Supreme State Audit has drawn up concrete action plans for their implementation.

These are the reasons that the institution has considered on this past five years Resolutions of the Parliament "For assessing the activity of the High State Audit" as his clear work programs. These recommendations are naturally included in the objectives of the Strategy of Development of ALSAI.

Within the institutional communication and relevant constitutional obligations of both institutions, the High State Control conveyed Assembly Albania's some Reports with high public sensitivity, of which:

- Information on ALSAI recommendations on the audit of the Bank of Albania;
- Report on Performance Audit of ex - Political Prisoners Rehabilitation;
- Report on Performance Audit of Public Transport in Tirana Municipality;
- Report on Performance Audit "Territorial-Administrative division in the Republic of Albania";
- The audit report developed in the Port Authority of Durres;
- Audit Report "Por the legality and regularity of financial-economic activity" on OSSHE, OST, KESH;
- Performance Audit Report "Consumer Protection from commercial abuse of weight and measurements" in Metrology Authority;
- The final report and the ALSAI recommendations for the audit on National Agency of Natural Resources;
- Information, reports and ALSAI audits realised on "Albpetrol" sh.a;
- Performance Audit Report on the Financial Supervisory Authority;

- Information on the integrity of the state administration officials;

ALALSAI has sent constant request to the Parliament for audit of ALSAI financial accounts.. Last year's decision on this matter and this year's will enable the realization of the audit of our accounts.

For the reporting period, ALSAI has submitted 12 reports/other decisions the Chairman of the Parliament and its Committees, dealing with very sensitive and important issues resulting from audits in different public entities completed during the last months of 2017 :

- Report/Audit decision of the General Directorate of Internal Control in the Ministry of Finance (Chairman of the Parliament, Commission for Economy and Finance, Under Chairman's of the Assembly);
- The report and the decision of the Audit of Treasury Directorate (Chairman of the Parliament, Commission for Economy and Finance, Under Chairman of the Assembly);
- The Audit Report of the General Department of Taxation (Chairman of the Parliament, Commission for Economy and Finance, Under Chairman of the Assembly);
- Audit Report "For the legality and regularity of the Public Procurement Commission (Chairman of the Parliament, Commission for Economy and Finance, Under Presidents of the Assembly);
- Audit Report "For the legality and regularity of the Public Procurement Agency (Chairman of the Parliament, Commission for Economy and Finance, Under Chairman of the Assembly);
- Report on the Performance Audit Agency for Agricultural and Rural Development (Chairman of the Parliament, Commission for Economy and Finance, Under Chairman of the Assembly);
- Report of Performance Audit on Public Debt Management (Committee for Economy and Finance);
- Performance Audit Report on the Cost of Hospital Services (Chairman of the Parliament, Committee on Labor, Social Affairs and Health, Under Chairman of the Assembly);

- Performance Audit Report on the quality of pre-university buildings (the President of the Parliament, Committee on Education and Public Information Media, Under Chairman of the Assembly);
- Report and Decision on Performance Audit on the Air Quality (Chairman of the Parliament, Committee on Productive Activities, Trade and Environment, Under Chairman of the Assembly);
- Report/Decision on Performance Audit of the Ministry of Education and Sports (Chairman of the Parliament, Committee on Education and Public Information Media, Under Chairman of the Assembly);
- Report and Decision on Performance Audit, Unification of customs points in Kosovo (Chairman of the Parliament, Commission for Economy and Finance Under Chairman of Parliament).

III.3 ALSAI RELATIONS WITH NGOSs, ORGANIZATIONS OF FIELD PROFESSIONALS, COUNTERPART INSTITUTIONS, INTERNATIONAL ORGANIZATIONS, ETC.

Cooperation with civil society organizations, organizations of professionals in the field and with the academic circles

In the last six years 2012-2017, ALSAI has signed 50 cooperation agreements, of which 27 with NGOs, 15 with homologous institutions and other state institutions and public universities. Partnerships with the professorship universities and organizations of professionals in the field has outlined during the year 2017 are highly appreciated their contribution to the ALSAI Journal, ALSAI Scientific Conference, training, recruitment of staff, etc.

On April 12, 2017, ALSAI Chairman and Finance Minister, Mr. Arben Ahmetaj signed a cooperation agreement aimed at enhancing the performance, efficiency and effectiveness of the external audit, internal audit and activity of the public financial inspection.

On April 17, 2017, ALSAI signed an agreement of cooperation with the Auditing Assistance Program Agency (AAPA), accredited by the European Union, aimed at enhancing and strengthening cooperation in the field of audit of EU funds, as well as other areas of mutual interest.

On June 30, 2017, ALSAI Chairman, Dr.Bujar Leskaj and "LUARASI" University Rector Prof. Dr. Arben Malaj signed a Cooperation Agreement in the ALSAI's premises.

On July 26, 2017, ALSAI Chairman and Director of the General Directorate for Prevention of Money Laundering (GDPML), z.Arlind Gjokuta signed a Cooperation Agreement. The agreement aims at establishing a mutual cooperation through the exchange of concrete and effectual information on the prevention and fight against corruption and money laundering.

On October 3, 2017, ALSAI Chairman and Mrs.Darcie Nielsen, Project Manager and Mrs.Catherine Johnson, Director of USAID in Albania signed a Memorandum of Understanding for the implementation of the project "Transparency in the Health System" in Albania. This project is funded by the USAID and implemented by the University Research CO, LLC and ALSAI.

The above Memorandum of Cooperation between the USAID and ALSAI, the Ombudsman and the High Inspectorate for the Declaration and Control of Assets and Conflict of Interest Prevention has made ALSAI an active partner of the International Development Agency of the United States. The USAID provides assistance to ALSAI through the project "Transparency in the Health System", which aims to improve health services for albanian citizens focusing on the fight against corruption based on two pillars: improving the transparency of government functions and promote cooperation between independent government institutions, civil society organizations (CSOs) and the media's to seek a more responsive governance in the health sector, by setting "effective communication bridges between different institutions. The project aims to improve inter-institutional coordination and enhance cooperation with civil society and media to raise awareness about the scale of corruption in the health system and pressure for reforms to increase transparencës. This concrete cooperation with USAID is an useful experience for further cooperation in other areas.

In the framework of cooperation with NGOs and increasing the transparency of the institution's activity in 2017, ALSAI has implemented joint mini-projects, or shared useful information with NGOs as follows:

- Center for Transparency and Free Information;
- Institute of Political Studies;
- Institute for Democracy and Mediation;

- Albanian Science Institute;
- Center Res Publica, etc.

III.3.1 COOPERATION WITH PARTNER SAIs AND OTHER INTERNATIONAL INSTITUTIONS

In 2017, 146 ALSAI auditors participated in activities abroad, or 675 days/people in total, in other words, almost all ALSAI auditors are trained at least once abroad during the year. ALSAI participated and conducted 58 activities, such as congresses, conferences, meetings, seminars, training, (these latter also in the framework of the implementation of cooperation agreements with counterpart SAIs):

- TFA & E meeting, on 2-3 February 2017 in London, which was attended by four ALSAI auditors (L.Nano, I.Islami, A.Patozi, A.Begaj);
- Meeting for the Pilot Performance Audit (study tour), on 7-9 February 2017 in Zagreb, which was attended by two ALSAI auditors (E.Leka, M.Berdo);
- The meeting with the theme "Good Governance and Audit in the Public Sector", during February 13 - 14 in Berlin, in which one ALSAI auditor (R.Muçà) participated;
- The WGEA meeting in performing the audit cooperation on air quality conducted in Krakow, Poland, on 26-27 February 2017 in which three auditors took part (A.Hasanbelliu; S.Guri; Xh.Çelaj);
- The meeting with the theme "Investigation of VAT fraud", during February 21 - 23 in Ljubljana, in which one auditor (J. Gocaj) participated;
- Training for one month on "Performance Audit", on datet 20 February to 17 March in Pakistan, which was attended by two ALSAI auditors (E.Vojka, E.Këlliçi);
- Seminar on "Integrity" on 27th February-March 3 in Hungary, in which one auditor (E.Doko) participated;
- Meeting PPA II, the dates March 7 - 9 in Skopje, in which three auditors (A.Guri, E.Agolli, A.Zylfi) took part;
- Fellowship at the GAO, from 20 March to July 14 at Washington, in which two auditors (E.Yzeiraj, A.Jonuzi) took part;

- The Working Group Meeting for IT audits conducted on dates 20 - 21 March in Geneva, Switzerland, in which three auditors (K.Kondakçiu, B.Haka, M.Abazaj) took part;
- Working visit to the SAI of Cyprus, on March 27, 2017 in Cyprus, attended by ALSAI Chairman three auditors (L. Lati, A. Agolli, I. Islam);
- Study visit for quality assurance, the dates March 27 -31 in Zagreb, in which 15 auditors (Y.Pulashi, A. Hasanbelliu, M.Haxhija, N.Nako, M.Bedini, M.Lleshi, I.Sokol, P.Beqiraj, Xh.Çelaj, E. Shia, J. Zhegu, E.Kabashi, E. Kocani, T.Dervishaj, Xh.Xhindoli) took part;
- Working Group Meeting of EUROALSAI audit of funds for natural disasters held in Rome during 30-31 March 2017 in which two auditors (M.Naço, A.Shehu) took part;
- Integrity Seminar, on 5-6 April 2017 in Bratislava, in which one auditor (M. Berdo) participated;
- Participation in the Kick- for working group on municipal audit, conducted in Vilnius on 11-12 April 2017 in which four auditors (S.Zeneli, K.Gjurgjaj, L.Baholli, Xh.Xhindoli) participated;
- Common table of External Audit, on April 19, 2017 in Kosovo, which three auditors (L.Nano, N.Piranjani, J.Troqe) took part;
- The visit to the SAI of Poland, the dates April 19 to 20, in which the Chairman of ALSAI and three auditors (I.Islami, A.Kalleshi, O.Levani) took part;
- Participation in the seminar on issues of integrity held in Budapest on the dates 24 - 28 April 2017 in which three auditors (L.Lati, F.Xhuveli, A.Hasanbelliu) participated;
- Meeting with the theme Public Procurement and Concessions On 25-26 April 2017 in Dubrovnik, in which auditor (L.Baholli) took part;
- The meeting of the European Council for issue of corruption war against, the dates 3 - 5 May 2017 Strasbourg, in which two auditors (Xh.Çelaj, E.Doko) took part;
- The activity of the National Audit Units CNAB to the annual report of the

International Board of Auditors activity (IBAN) for NATO in 8-9 May 2017, in which two auditors (M.Naço, A.Kristo) took part;

- Seminar EUROSAL-ECIIA, on May 11 2017 in Brussels which was attended by two auditors (L.Nano, M.Naço);
- The Contact Committee meeting on 15-17 May 2017 in Sweden, which was attended by two auditors (A.Shehu, A.Patozi);
- X Congress of the EUROSAL, on 22-25 May 2017 in Istanbul, which was attended by Chairman of ALSAI and four auditors (A.Gabili, A.Zaçe B.Lamaj, H.Kosova, M.Abazaj) ;
- UN-INTOSA Symposium on May 31-June 2 2017 in Vienna, which was attended by Chairman of ALSAI and one auditor (A.Stringa);
- Seminar for PMF, dates June 5 to 8 in Lisbon, which was attended by two auditors (R.Muçà, V.Karafilaj);
- Meeting PPA II, the dates June 5 to 9 in Belgrade, which was attended by two auditors (Gj.Preçi, A.Guri);
- Participation in the 10th Anniversary of ALSAI's Serb, on June 7, attended by the Chairman and two auditors (F.Zilja, Xh.Xhoxhaj);
- Study visit dates 10 to 14 July 2017 Warsaw, in which 16 auditors (L.Nano. A.Gjinopulli , E.Sako, N.Nako, B.Zeqiri, B. Arizaj, P.Beleshi, A.Topjana, S.Bregu, R.Xhaja, E.Vojka, E.Cukalla, L.Beqiri, E.Hyseni, P.Rama, Sh.Lushaj) participated;
- Study visit on 18-20 July 2017 in Wroclaw, in which 14 auditors (A.Zaçe, B. Hyka, M. Llanaj, G. Koka, S.Muçà, B.Meçaj, J. Gjocaj, B. Koka, A. Kafija, O. Levan, E. MuALSAI and E. Alushi) took part;
- Participation in the Conference of the Audit Office of Kosovo, on July 13 in Pristina, attended by Chairman of ALSAI and 15 auditors (A.Mandri, A.Opari, B.Thomas, A.Kume, A.Leskaj, A.Dinaj , A.Nesturi, A.Klosi, A. Mirashi, B.Shehu, G. Shata, B.Bileri, B.Pajaj and R.Guzi);
- Meeting on Transparency in government, in Washington, on August 30, 2017, attended by one auditor (E.Yzeiraj);

- The Task Force for Banking Union meeting held in The Hague on 4-5 September 2017, attended by two auditors (R.Muça, A.Stringa);
- Meeting of the Young EUROSAl, the dates September 11 to 14 held in Tallinn attended by two auditors (I.Dervishi, B.Haka);
- IT Audit meeting in iCISA, the dates September 11 October 6 in India, attended by one auditor (B.Dervishaj);
- IX Meeting of ECO-FIN, on September 28 in Brussels, attended by two auditors (L.Nano, E.Yzeiraj);
- Meeting on Energy and Climate Audit, on 28-29 September 2017 in Bratislava attended by three auditors took part (A.Guri, B.Arizaj, I.Dervishi);
- Internship in ECA, the dates October 1, 2017-February 29, 2018, Luxembourg (I.Sokoli);
- Seminar on Financial Audit (SNAO) on dates, October 3 to 5 in Sarajevo, attended by six auditors (J.Hoxhaj, D.Balliu, K.Xhaferaj, K.Sokoli, S.Hajdari, J.Plaku);
- NATO Conference in Sorbonne University, on 4-5 October 2017 in Paris, attended by two auditors (M.Naço, E.Meçaj);
- 4th Seminar of the EUROSAl Taskforce for municipal audit conducted in Riga on 5-6 October 2017, attended by four auditors (Q.Shehu, R.Golemaj, V.Rizvani, R.Ametllari);
- Seminar on the role of SAls in fighting corruption (IDI), the dates October 5 to 13 in Budapest, in which three auditors took part (A.Hasanbelliu, F.Xhuveli, E.Doko);
- The Contact Committee meeting, on 11-13 October 2017 in Luxembourg, in which participated the Chairman of ALSAI and three auditors (L.Milo, A.Shehu, B.Haka);
- The EUROSAl IT working group meeting, the dates October 18 to 20 in Lisbon, in which five auditors took part (K.Kondakçiu, B.Haka, M.Abazaj, E.Cukalla, A.Opari);
- Meeting Performance Audit on October 31 to 2 November in Kosovo, which was attended by two auditors (R.Ametllari, S.Agaj);

- The WGEA meeting in performing the audit cooperation on air quality held in Luxembourg on 8-9 November 2017, attended by two auditors (A.Hasanbelliu, A.Guri);
- Study Visit on November 8 to 9 dates in Kosovo, in which 12 auditors took part (L.Dulo, L.Hoxha, N.Llapashtica, Q.Meta, V.Vane, A.Anxhaku, A.Papadhimetri, A.Naska, B.Shkurti, D.Meçe, E.Muho, G.Hekurani);
- Meeting for joint audits, on 13-15 November 2017, in Prague, in which three auditors took part (S.Agaj, R.Karapici, A.Nesturi);
- Training on "Environmental Entry" on November 20 to 2 December 2017 India, which was attended by two auditors (A.Mirashi, B.Pajaj);
- Study visit on 20-21 November 2017 in Croatia, attended by 12 auditors;
- Meeting of Strategic Goal 1 Potzdam held in Germany on 29-30 November 2017, attended by four auditors (A.Gjinopulli, A.Bushi, I.Idrizaj, J.Birçe);
- IPA Adriatic CBC meeting, held in Italy, on December 4, 2017, attended by two auditors (B.Lamaj, D.Balliu);
- 40th Anniversary of the Declaration of Lima, on 5-6 December 2017, attended by the Chairman of ALSAI and two auditors (R.Muçë, E.Yzeiraj);
- Study Visit on 11-12 December 2017 in Bulgaria, attended by 12 auditors (A.Thomas, M.Kavaja, B.Zeneli, K.Gjurgaj, V.Selmani, I.Shkupi, A.Leskaj, XH.Domi, P.Gjuzi, D.Korea, B.Kotor, G.Sinojmeri)
- Regional Meeting for IT audit methodology, the dates December 12 to 13 in Belgrade, which was attended by two auditors (B.Haka, R.Guzi);
- Study visit dates December 18 to 19 in Montenegro, in which 12 auditors took part (A.Llakaj, A.Kafija, H.Isufi, H.Avdulaj, K.Kule, K.Dusha, M.Lloji, N.Piranjani, P.Daçi, R.Koçi, V.Peçi);
- Workshop at the Center for Excellence in Finance in Ljubljana, CEF, the dates December 18 to 20, in which three auditors took part (A.Stringa, A.Jonuzi, V.Sulo);
- Meeting on Internal Audit organized by IKAf, on 23-24 December 2017 in Prishtina, which was attended by two auditors (Q.Çibaku, K.Xhaferraj).

The following is the highlight of most important activities:

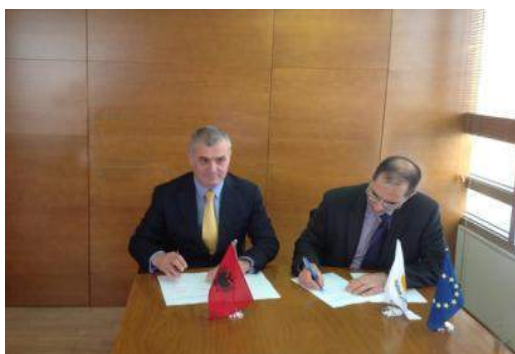
- On January 30, 2017, Chairman of ALSAI, Dr. Bujar Leskaj met in Washington DC with Senior Officials of the US Government Accountability Office (GAO), respectively Mr. James Christian Blockwood, Director of Strategic Planning and External Relations and Ms. Janet St. Laurent, Director of the Center of Excellence in Auditing. Mr. Leskaj and two senior representatives of the GAO discussed areas of cooperation with the Center of Excellence in long-term training and short-term Albanian auditors, particularly for Performance Audit and IT, as well as in the field of Strategic Planning 2018-2022.



- Development of the X-th Congress of EUROSAI. Part of congressional activity was the development of the seminar "Implementation of the ISSAIs: Challenges and solutions for further development" and the adoption of the Strategic Plan of EUROSAI, 2017-2023.



- As part of the expansion of cooperation with counterpart institutions on March 27, 2017, Chairman of the Supreme State Audit Mr.Bujar Leskaj, made an official visit to Cyprus Audit Office, which signed a cooperation agreement with his counterpart, Mr.Odyseas Michaelides.



- On 31 May to 2 June 2017 was held at the headquarters of the United Nations in Vienna INTOSAI's symposium in cooperation with the United Nations Organization (UN). In this symposium was also attended by Chairman of ALSAI, Mr. Leskaj as well as senior representatives of supreme audit institutions (SAIs) from 76 countries. The symposium is organized every two years by the General Secretariat of INTOSAI in Vienna, with United Nations support.



- With the invitation of the Auditor General of the National Audit Office of Kosovo (CAO), Chairman of the ALSAI, Mr. Bujar Leskaj and a group of ALSAI auditors attended the 9th Annual Conference of the CAO developed in 13 July in Pristina. The theme of the conference was *"Strengthening accountability, transparency and integrity of public sector institutions, through the implementation of the recommendations of the Auditor General"*.



- On June 12 - 13 October a delegation headed by Chairman of the Supreme State Audit, Mr. Bujar Leskaj attended the meeting of leaders ALSAI's members of the Committee of the European Union Contact, organized by the European Court of Auditors in Luxembourg and the activities marking the 40th anniversary of this Court.



- The main theme of the meeting of member SAIs leaders of the Contact Committee of European Union and EU candidate countries was "SAI's contribution to restoring the confidence of European citizens". Part of the Contact Committee activities was the meeting of the SAIs leaders, members of the Network's EU candidate countries and potential



candidates, which was held on October 11 2017. In this meeting it was discussed and reported on the activities carried out by the Network's members during the period 2013-2017, as part of Budva's declaration, signed by leaders of the SAI-s in November 2013.

- Një One of the most important events in the INTOSAI community in 2017 was the celebration of the 40th anniversary of the Declaration of Lima on the dates 5 - 7 December 2017. Part of the activities presented at the meeting was the presentation of the peer review that the Austrian ALSAI in cooperation with the Austrian Development cooperation



was conducted in seven different ALSAI, process performed and in the ALALSAI. Some of the estimated ALSAIs, including Albania, made a detailed presentation of the work and results of the peer review process.

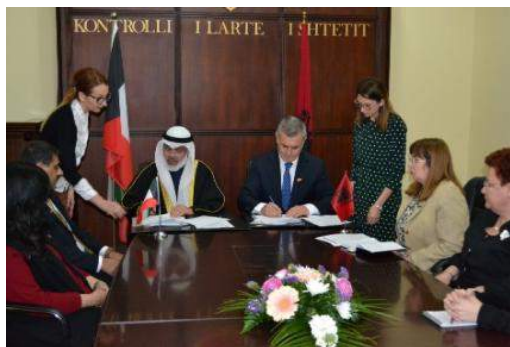
In this event, the President of ALSAI, Dr. Dr. Bujar Leskaj met Hubert Weber, who is a prominent personality of INTOSAI and the drafting and negotiation of the Lima Declaration, adopted in 1977 in Lima, Peru.

III.3.2 VISITS OF COUNTERPART SAIs IN TIRANA

ALSAI has given special importance to deepening cooperation with SAIs counterpart. During the 2017 ALSAI, has signed a cooperation agreement with the

SAI of Cyprus, Kuwait and the SAI of Hungary, agreements aimed at cooperation and exchange of the best experience in Auditing (in total, ALSAI has signed 15 agreements during 6 last years with counterpart institutions).

In all the meetings with his counterparts, Chairman of the State Control Wash expressed readiness for cooperation with the supreme audit institutions cited above with the aim of establishing and perfecting the audit capacity.



The visit of the President of the SAI of Kuwait z. Adel Abdulaziz Al-Saraawi on 6-7 March 2017 in Tirana.



Visit of the President of the SAI's of Czech Republic Ing. KALA, which it is simultaneously the First Vice-President of the European Organization of Supreme Audit Institutions (EUROALSAI



The visit of the President of the SAI of Bulgaria, z. Tzvetan Tzvetkov.



The visit of the President of the SAI of Slovakia z. Karol Mitrik.

During 2017, the Chairman of ALSAI, Mr. Leskaj received in separate meetings the Director of the Center of Excellence in audit of GAO's, Ms. Janet St.Laurent. These prominent representatives and the President of the SAI of Czech z. M.Kala and Vice President of the Polish NIK's held open lectures on ALSAI's auditors.



Znj. Mrs. Janet St.Laurent (GAO) during lecture with ALSAI auditors.



President of the Czech SAI, z.Kala during lecture with the ALSAI auditors



Vice President of the Polish NIK's, z.Kutyla during the lecture with the ALSAI auditors

III.3.3 ACTIVITIES ORGANIZED BY ALSAI IN COOPERATION WITH COUNTERPART SAIs AND OTHER INSTITUTIONS

ALALSAI during 2017, has proved its capacity to organize the international activities.



Here we can mention the roundtable about "SAI's role in the fight against fraud and corruption". This roundtable held on the dates 14 - 16 June 2017 was co-organized by SIGMA. The event, which was attended by representatives from the European Court of Auditors (ECA), the Supreme Audit Institutions (SAI) of Sweden and the Czech Republic, the SAIs of the region, Kosovo, Bosnia-

Herzegovina, Turkey, Montenegro and Serbia conveyed the important message that the Supreme Audit Institutions are one of the leading activists in the fight against fraud and corruption. With oversight of public finances and their role in promoting transparency and accountability in the public sector, they make an important contribution to the creation of an enabling environment for good governance. However, ALSAIs have different mandates in the fight against fraud and corruption and face significant challenges in meeting the expectations of stakeholders when it comes to the prevention, detection and reporting of fraud and corruption.

Another important event organized by the ALSAI and SAI of Estonia was the 15th meeting of the Working Group of EUROSAI on Environmental Audits. At the meeting held on 17-20 October 2017 was attended by 70 representatives of 26 SAIs of the EU. The main topics of activity were "Audit of land use and development" and "How can the data used in



environmental audits?". In this activity were presented about 25 works, in which was stated that land use management includes modification of the natural environment, which affects the lives of people but also fauna.

Audit of environmental policy by recognizing the depth of issues related to land use, consequences that lead to wrong policies developed by governments, puts ALSAIs first challenges to be coherent and avant-garde on the recommendations arising from audits carried out in this field.

III.3.4 ECA INTERNSHIPS AND FELLOWSHIP OF GAO

In the modernization of the State Supreme Audit of Albania has made a valuable contribution the European Court of Auditors (ECA), through internships and Office of the US Government's Audit GAO, through fellowships. Thanks to this assistance, the ALSAI is creating a new generation of auditors with the parameters of their Euro-Atlantic colleagues.



In 2017, were part of ECA's structures two auditors of the Supreme State Audit to a five-month period, taking advantage of the internship programs of this institution, to contribute to the departments and the various ECA's directorates. Internship is considered a very important tool to provide knowledge on the audit of EU funds, for the auditor ALSAIs to countries aspiring to become EU member. In total there are 12 auditors ALALSAI have won internships at ECA, including two audit internship that started in March 2018. As productive for ALSAI has resulted in cooperation with the US GAO where in the 2017 two auditors from ALSAI participated in a four-month fellowship at the GAO and during 2018 two auditors are attending this fellowship. Fellowship is designed to strengthen the capacity of ALSAIs to increase accountability and good governance. Participants have the opportunity to get acquainted with the American audit experience, aimed at developing strategies to bring about change and to convey acquired knowledge in their respective ALSAIs.

III.3.5 IPA 2013 TWINNING PROJECT IMPLEMENTATION IN 2017

The twinning project "Strengthening the external audit capacity", which began to be implemented in ALSAI in March 2016 continued to be implemented successfully during the year 2017. The project is divided into three components:

- *Improving the legal framework for the audit;*
- *The development of audit methodologies and reporting capabilities;*
- *Strengthening institutional capacity and improving the results of the audit impact.*

During this year were carried out 37 missions from which two belong to the first component, 24 missions belong to the second component and 11 missions belonging to the third component implementation.

After successful development of missions, in which Polish and Croatian experts have worked closely with ALSAI executives and auditor's, was drafted the following documents:

- *Analysis of the legal framework and SAI practices for monitoring the implementation of recommendations;*
- *Drafting of manual tracking of audit conclusions and recommendations;*
- *Document guidelines for the review of the Performance Audit Manual;*
- *Framework IT Audit Manual;*
- *The audit manual and other guidance on control and quality assurance;*
- *The report analyzes the risks for the internal structure;*
- *Draft template for the job description;*
- *The draft of the human resources policy;*
- *Draft-management schemes for the development of new auditors;*
- *Draft concept of procedures/rules for permanent training;*
- *Draft plan for improving the transparency of ALALSAI;*
- *Draft guidelines for external communications;*
- *Communication strategy and planning documents.*

At the end of 37 missions experts have provided over 80 recommendations by Polish experts, Croatian and Dutch on which, by decision of the Chairmen of ALSAI no. 83, date 30.06.2017 approved the action plan of the recommendations implementation of IPA project for the period March 2016 to February 2017. The ALSAI structures charged with the implementation of the twinning project recommendations have reviewed these recommendations and the status of their implementation.

SAI structures required for the implementation of the twinning project recommendations have reviewed these recommendations and the status of their implementation is as follows:

- The communication strategy is adopted;
- It is in the process of conception document for a more systematic approach to annual planning that enables ALSAI access and reporting for systems/processes and not only to specific subjects;
- draft of the Guidelines for the institutionalization of ALSAI relations with Parliament;
- It is in the process of drafting methodology based on risk for strategic planning of financial audits and compliance;
- Were reviewed and included in the Performance Audit Manual 12 recommendations left by Croatian experts and are in the process 4;
- They are in the process of consolidating the recommendations of Croatian experts on control and quality assurance. Missions for this component will continue during the year 2018;
- They are in the process of consolidation the recommendations referred to issues related to the change in management planning;
- It is in the process of assisting a case by case examination of the current audit procedures to ensure transparency and increase public confidence in the institution.

The document of the Human Resources Management Policy was drafted and approved and are integrated in this document expert recommendations for inclusion in this document requirements of ISSAI 40 in which determined that “human resources policies include (among others): recruitment, professional development and promotion”.

IV. INSTITUTIONAL MANAGEMENT AND STRATEGIC DEVELOPMENT

IV.1. PERFORMANCE MEASUREMENT BASED ON THE FRAMEWORK OF SAIs PERFORMANCE MEASUREMENT INDICATORS

The activity of ALSAI during the year of 2017 has been led by the motto “How can we as SAIs assist to regain the citizen’s trust in public governance?”, a motto which was based on the message given by the X-th Congress of EUROSAl¹. The SAIs not only in Europe, but throughout the world, have been summoned, in order to prove that they possess the capability to regain and strengthen the citizen’s trust in public governance through their increasingly precise, brave and preventive audits against mismanagement, lack of accountability and abuse with public funds.

The High State Control, the ALSAI applies internationally recognized standards of INTOSAI, the ISSAIs in achieving accountability, integrity and the utmost transparency of its activities, in order to further improve institutional performance.

In this context, the ALSAI has built the legal and methodological infrastructure that enables assessment on a voluntary basis of its institutional performance, by using the International Standards of supreme public audit and international best practices in the field.

In 2017, ALSAI has methodologically consolidated and implemented the Performance Measurement Framework², which is based on the methodology adopted in XXII INCOSAI the INTOSAI Congress in Abu d’Habi, in December 2016. This framework is presented in the form of a detailed index matrix, according to 6 main areas, each of which consists of many dimensions which are measured according to good criteria defined both from the point of view of measurement and the point of view of the score, the consequence of which generated information as well as analytical synthesis. Through synthesized indicators enable comparison of SAI performance with that of other Supreme Audit Institutions, and determines the dynamics of the institution's development over the years.

¹ EUROSAl’s X Congress, Instambul, May, 2017

² “Measurement Framework Performance of SAI-s” Series: ALSAI Publications” - 07/2017/74, Tirana 2017.

Evaluation of performance indicators, through this instrument, is the basis on which the ALSAI has provided strategic developments, relying on information and concrete data, which have identified aspects and actions to be taken to ensure full compliance with standards accepted, performance management, identifying opportunities to improve and monitor the work of ALSAI, as well as to increase the transparency of accountability.

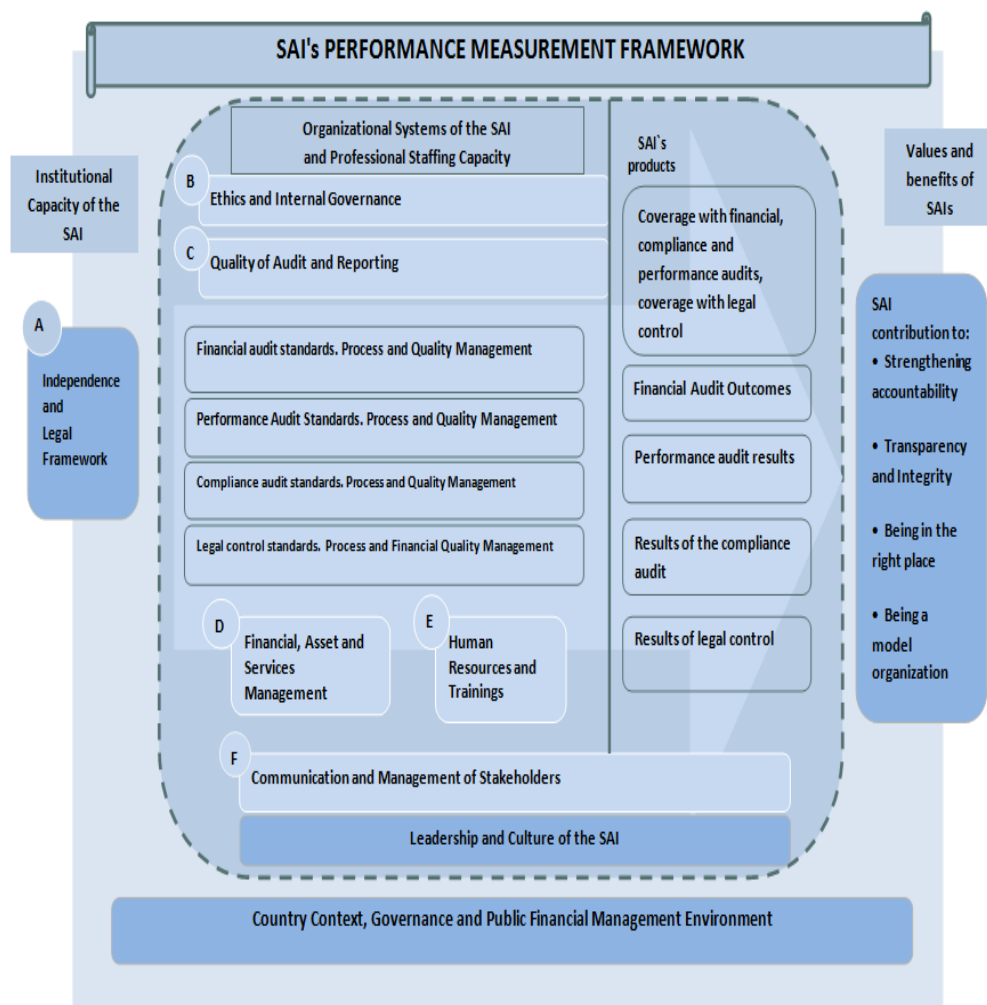
IV.1.1 PERFORMANCE ANALYSIS ON INDICATORS

The performance measurement framework is a clear methodological manual which aims to measure the ALSAI performance against established standards INTOSAI based on best practices. Systematic monitoring of performance indicators enables ALSAI to follow progress on the main aspects and provide important information on which to base management and organizational decisions. The following diagrama shows that performance measurement through this instrument consists of 25 indicators, which assess the activity of ALSAI in key areas:

- Independence and legal framework;
- Internal Governance and Ethics;
- Audit Quality and Reporting;
- Financial Management, Assets and Support Structures;
- Human Resources and Training; and,
- Communication and Stakeholder Management.

This matrix of indicators takes into account the fact that the supreme audit institutions are complex institutions and performance indicators of various aspects are interconnected with each other.

Evaluation and implementation of Measurement Framework of the ALSAI performance is regarded as the most difficult part, but is seen as the only possibility to realize analysis on the root causes and consequences of each element of activity, which should be improved and developed in compliance with standards. ALSAI has well defined indicators and is open to cooperate to enable consolidation as a modern public audit institution. This methodological approach is not a goal in itself but is in fulfillment of the Constitutional mission and brings value to citizens.



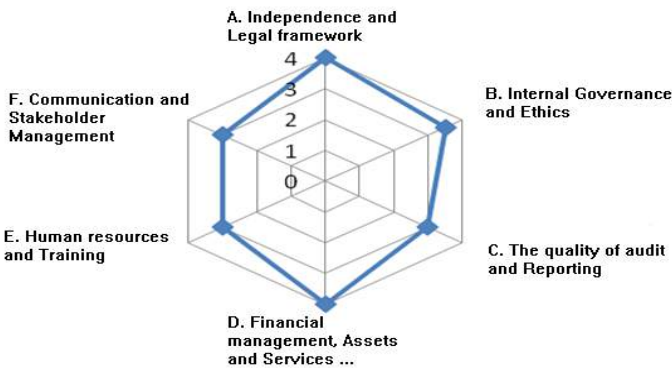
The ALSAI Performance Report for 2016 had in its structure the performance indicators based on a preliminary draft of the framework of SAI's performance measurements indicators of the INTOSAI Working Group for "Values and benefits of SAIs", where detailed criteria for each dimension are somewhat different compared to the analytical system indicators of the final document, which is used to measure the performance of 2017. Under these conditions, the results of performance measurement for 2017 can not be compared with the results of the estimated performance of 2016, due to changes in the analytical criteria used to assess the dimensions and respective fields. However, the information presented in the SAI

Performance Report for 2016 as well as in the Performance Report for 2017 provide the necessary transparency for stakeholders.

The methodology used to measure the performance of ALSAI for 2017 was based on the self-evaluation system, and the assessment carried out by the Austrian Court of Auditors, through a peer review process in relation to "Independence and Legal Framework", enabling its performance assessment in terms of resource constraints. Therefore, the analysis of the results of the performance measurement process is based on a hybrid methodology, as a result of which the institution's activity priority as well as the action plan for 2018, which guarantees continuous improvement and strategic development in all ALSAI dimensions in the implementation of ISSAIs and other relevant documents that are used as a reference evaluation, specifically for each specific criterion.

The performance evaluation results by the six fields, conducted by the scoring methodology of the Performance Measurement Framework (ALSAI 2017), where for each dimension and field level, the maximum scoring is 4, is shown in the following diagram.

Graph no.26: Performance Measurement Framework -2017



Source: ALSAI, Methodology Department

As shown in the graph above, the aggregate indicators in areas identify that ALSAI has an above-average-performance and specifically three of five areas assessment 3 (from 4) and two field assessment 4³.

³ For each dimension scoring and field level is in the ascending trend 1-4 where in the level 4 is the maximum level.

The evaluation of the specific indicators of each dimension of the other five areas is based on the self-assessment approach by the ALSAI working groups. The results of the scoring process based on specific criteria are presented aggregated in the table below.

IV.1.2 SUMMARY OF ALSAI's PERFORMANCE INDICATORS FOR 2017

Table of ALSAI performance indicators for 2017

Indicator	Field	Dimensions	Score
	A. Independence and Legal Framework		4
SAI-1	SAI Independence	(I). Appropriate and effective constitutional framework	4
		(II). Independence / financial autonomy	3
		(III). Independence / organizational autonomy	4
		(IV). The independence of SAI's President and its Officers	4
SAI-2	SAI term	(I). Enough warranty	4
		(II). Access to information	4
		(III). The right and obligation to report	4
	B. Internal Governance and Ethics		3
SAI-3	Cycle of Strategic Planning	(I). The content of the Strategic Plan.	3
		(II). Contents of Annual / Operational Plan	3
		(III). Organizational Planning Process	3
		(IV). Performance Monitoring and Reporting	3
SAI-4	Environment of Organizational Control	(I). Internal Control Environment - Ethics, Integrity and Organizational Structure	4
		(II). System of Internal Control	4
		(III). Quality Control System	3
		(IV). Quality Assurance System	4
SAI-5	Audits from External Sources	(I). The selection process for the contracted Auditors	
		(II). Quality Control of Audits from External Sources	N / a
		(III). Quality Assurance of audits by external sources	N / a

SAI-6	Leadership and Internal Communication	(I). Leadership	4
		(Ii). Internal Communication	4
SAI-7	General Audit Planning	(I). General Process Audit Planning	3
		(Ii) Contents of the General Audit Plan	3
	C. Audit Quality and Reporting		3
SAI-8	Covering the Audit -3-	(I). Coverage of Financial Audit	N
		(Ii). Screening, and objectives of Performance Audit	/a 2
		(Iii). Screening, and objectives of the Compliance Audit	4
SAI-9	Financial Audit Standards and Quality Management -3-	(I). Policies and Financial Auditing Standards	3
		(Ii). Management of Financial Audit and Group Skills	3
		(Iii). Quality Control in Financial Audit	4
SAI-10	Financial Audit Process -3-	(I). Planning the Financial Audit	3
		(Ii). Implementation of the Financial Audit	3
		(Iii). Evaluation of Audit Evidence, Conclusions and Reporting of the Financial Audit	3
SAI-11	Financial Audit Results -4-	(I). The timely submission of Financial Audit Results	4
		(Ii). Timely publication of the Financial Audit Results	4
		(Iii). Following implementation of comments and recommendations of the Financial Audit by SAI	3
SAI-12	Performance Audit Standards and Quality Management -3-	(I). Performance Audit Policies and Standards	2
		(Ii). Management of the Performance Audit Group and Skills	3
		(Iii). Quality Control on Performance Audit	3
SAI-13	Performance Audit Process -3-	(I). The Performance Audit Planning	3
		(Ii). Implementation of Performance Audits	2
		(Iii). Reporting on Performance Audits	3

SAI-14	Performance Audit Results -3-	(I). The timely submission of the Performance Audit Reports	4
		(Ii) . Timely publication of the Performance Audit Reports	4
		(Iii) Following the implementation of the Performance Audit comments and recommendations from SAI	2
SAI-15	Compliance Audit Standards and Quality Management -3-	(I). The Compliance Audit Policies and Standards	2
		(Ii). Management of the Compliance Audit Group and Skills	3
		(Iii). Quality Control of Compliance Audit	4
SAI-16	Compliance audit Process -3-	(I). Planning the Compliance Audit	2
		(Ii). Implementation of the Compliance Audit	3
		(Iii) assessment of audit evidence, conclusions and Reporting in Compliance Audits	3
SAI-17	Results of Compliance Audit -3-	(I). The timely delivery of the Compliance Audit Results	4
		(Ii). Timely publication of Compliance Audit Results	4
		(Iii) Following implementation of comments and recommendations of the Compliance Audit by SAI	3
SAI-18	Standards of Legal Control and Quality Management (Judicial SAI)	(I). Policies and Judicial Control Standards (Ii). Management of Judicial Control Panel and Skills (Iii) Quality Control Trial in Controls	N / a
SAI-19	The Legal Control Process (for SAIs with judicial functions)	(I). Planning judicial control (Ii). Implementation of judicial control (Iii) Decision-making process during the main controls (Iv) Final decision of judicial control	N / a

SAI-20	Results of legal control (for SAIs with judicial functions)	<i>(I). Notice of Decisions regarding the Judicial Control</i> <i>(Ii). Publication of decisions regarding the Judicial Control</i> <i>(Iii). Following the implementation of decisions regarding the Judicial Control</i>	N / a
D. Financial Management, Assets and Support Services			4
SAI-21	Financial Management, Assets and Support Services	<i>(I). Financial Management</i> <i>(Ii). Planning and Effective Use of Assets and Infrastructure</i> <i>(Iii) Administrative Support Services</i>	4 3 4
E. Human Resources and Training			3
SAI-22	Human Resource Management -3-	<i>(I) HR Function</i> <i>(Ii) Human Resources Strategy</i> <i>(Iii) HR Recruitment</i> <i>(Iv) Remuneration, promotion and Staff Welfare</i>	3 3 4 4
SAI-23	Development and Vocational Training-3-	<i>(I) Plans and Processes for Development and Training</i> <i>(Ii). Professional Development and Training on Financial Audit</i> <i>(Iii) Professional Development and Training on Performance Audit</i> <i>(Iv) Professional Development and Training on Compliance Audit</i>	3 3 3 3
F. Communication and Stakeholders Management			3
SAI-24	Communication with the legislative, executive and judiciary - 3-	<i>(I) Communications Strategy</i> <i>(Ii). Best practice in relation to Communication with the Legislative</i> <i>(Iii) Best practice in relation to Communication with the Executive</i> <i>(Iv) Best practices regarding communication with the Judiciary, Prosecution and Investigative Agencies</i>	3 3 3 4

SAI-25	Communication with the Media, Citizens and civil society organizations -3-	<i>(I) Best practice in relation to Communication with the Media</i>	3
		<i>(II). Best practice in relation to Communication with the citizens and Civil Society Organizations</i>	4

Field A, “Independence and legal frame”, the assessment of this ALSAI field of performance was based mainly on the assessment made by the Austrian Court of Audit, throughout a Peer Review process. The independence and legal frame are assessed by using two main dimensions and seven indicators, in order to determine the level of compliance with the constitutional framework and to guarantee the independence of ALSAI.

Considering the changes made, by the enactment of the 154/2014 law “The organization and function of the State Supreme Audit Institution(ALSAI)”, the ALSAI possesses a regulative framework that guarantees an appropriate independence level to fully accomplish its mission and constitutional obligations. While the main focus of the indicator it’s what is written in the legal framework (de jure), also, some criteria are connected to the fulfillment of the legal demands in practice (de facto). This framework sanctions the organizational independence while determining the audit plan, in the structure and necessary staff, to fulfill its obligations, while accomplishing its functions. The independence of the Chairman and the other officials is an element which is sanctioned very carefully in the new law, a fact which contributes to the maximal independence of the connected dimensions. Meanwhile, the dimension which is connected to financial independence, based on the budgetary restrictions because of the other organic laws, does not fulfill the conditions for a maximal rating, by being rated with only 3 of four points.

The mandate of the ALSAI has been evaluated by analyzing the adequacy dimension of the mandate, connected to the right to audit and the restraints connected to this right. The evaluation has proved that ALSAI has an adequate mandate in order to fulfill its mission, a mandate that does not possess any restraints that can withhold our work. This dimension has been highly rated. The law 154/2015 “The organization and function of the State Supreme Audit Institution”, has been an important step to sanction access in important information and the right to report, dimensions that have deeply improved the institutional performance. Based on the

aspect of the right, the dimensions that determine the mandate of ALSAI are rated with 4 points. The evaluation of the Austrian Court of Audit has concluded that the activity led by ALSAI was in total compliance with the: Declaration of Lima, Declaration of Mexico and the International Standard of Supreme Audit Institutions (ISSAI) no. 11.

This assessment for the Independence and Legal Framework of the ALSAI, was presented by the General Secretary of INTOSAI, in the Conference organized in honor of the 40th anniversary of the Declaration of Lima on the Independence of SAIs, in Lima, Peru, on the 5th of December 2017, and it confirmed the opinion of the assessment that... the independence, mandate and organization of ALSAI are legally de facto guaranteed and protected by the Constitution and the law of ALSAI. With the new ALSAI law in 2015, ALSAI has had great improvements in its independence compared to the previous law... the legal framework is adequate and effective and stands in compliance with the Declaration of Mexico”

Regardless that in our self assessment, the mandate of the Chairman guarantees institutional independence, based on the judgment of our Austrian colleagues, the criteria on the article that refers to the termination of the Chairman’s mandate, reflect an invasion of independence.

According to the legal framework, the ALSAI has an adequate mandate and full access into information, because the legal framework has been updated with good international principles connected to the right and mandate to audit. However during 2017, the auditing activity has been withheld and refused in two unprecedented occasions in the latest institutional developments (respectively “Albpetrol” a.s., which was solved due to the contribution of the Minister of Infrastructure and Energy and the Regulator Energy Entity still unsolved). These cases are indicators of the lack of accountability of the high leaders of these institutions, which has led to an encroachment of the Constitution itself. This fact indicates that the *de jure* mandate sanctioned by law has not been fully accomplished in the practical context.

Field B, “Internal governance and ethics”, Internal governance as an important field that impacts the institutional performance of every SAI, has been evaluated in compliance with the demands of ISSAI 20,12,20,30,100. The dimensions that are evaluated in Field B, reflect the SAI’s own foundations in its activity. The system of self assessment concludes that ALSAI is leaded by giving a good example and by

being a role model organization, and also it has promoted transparency and accountability through proper governance and ethical behavior, in order to fulfill its mandate. Also steps have been taken in order to assure proper governance by adapting and interacting in compliance with the principles of good governance, in all of its activity aspects. Based on the preamble of ISSAI 20: "SAIs are (...) responsible for the planning and fulfillment of its tasks by using the methodology and adequate standards in order to be certain that they themselves are promoting accountability and transparency on public activities, by objectively fulfilling their legal mandate and their responsibilities". It is important that this accountability has been clearly accepted in a high level of management and it has been followed and reflected in the governance of ALSAI and throughout the entire institution.

In the internal governance and ethics aspect, the assessment is based on measuring the dimensions that are connected to the Cycle of Strategic Planning, where the dimensions connected to the Strategic Plan, Yearly Plan, Organizational and Monitoring and Report of Institutional Performance Plan are also included. In order to assure a stable development and fulfillment of the Strategic Objectives in the level of expectations towards the consolidation of the undertaken reforms, in compliance with the international standards of auditing, ISSAI, with the recommendations of the Progress Reports of EU, with the constitutional obligations and with the Parliament's, public's, and all interested parties expectations, the management of the institutional change and development has been completed by considering the implementation of the strategic goals as a dynamic process by proceeding with reevaluation, update, widening and adaptation of its strategic goals. At the same time it has been preceded with the reassurance of the strategic monitoring plan as a process, which provides the update of the objectives by adding strategic value to the institutional development. The monitoring reports have been of use also as an instrument of information and transparency for the interested parties, such as the public, the Parliament and The European Commission, and all the international organisms, which can evaluate the institutional development.

These dimensions are evaluated with 3 points out of 4, which reflects the need for improvement, mainly connected with: the drafting of the general strategic plan in compliance with the expectations of the interested parties and its risks, the assessment of the risk related to the achievement of the yearly plan, the increase of the participation scale by creating the opportunity that all the employees within the

organization give their input on the organisational planning; or the inclusion of the third interested parties in consults are a part of the process.

The Environment of the Organizational Control has been evaluated through dimensions related to the Environment of Internal Control, Ethics and Integrity, System of Internal Control, System of Qualitative Control, and System of Qualitative Security. All of these dimensions are evaluated in compliance with the methodological guiding demands, the COSCO model the INTOSAINT model, etc.

From a methodological point of view, these indicators are evaluated with 4 out of 4 points, except for the system of qualitative control, for which we conclude that the ALSAI must improve its own methodological instruments of measuring risks that are related to the quality, also to take in consideration the program of sufficient resources in order to offer auditing work in the wanted level of quality. In order to achieve this goal, the ALSAI must possess a system to define the priorities of the work, by keeping in mind the need to maintain the quality in fulfilling the requests of ISSAI 40.

The environment of Internal Control, Ethics and Integrity. We must note that the institutional managerial activity runs through the fulfillment of ALSAI's regulative framework and the good practices of INTOSAI community, specifically of the INTOSAINT package (the instrument of self integrity assessment). The strategy for implementation of an effective system of ethics and integrity has been focused in three main columns,

1. The drafting and consolidation of the regulative framework on ethics and integrity. Based on the functions of the installment of the effective ethics and integrity system, ALSAI has been one of the first Supreme Institutions of Audit that voluntarily, since 2014, has adapted the self- assessment methodology of integrity (INTOSAINT), which is considered to be one of the most effective innovative methods, with an impact in the increase of expectations in the development of the integrity policies. The main principle of the implementation of this methodology is "self-assessment" and the key to the successful application of this instrument is the active and contributing role of each individual, part of the staff of the institution.
During 2013, ALSAI has applied and became a member of the EUROSAI task force "On the audit of ethics". ALSAI through its membership and active participation in this organism has aimed the installment and functioning of an

effective ethic infrastructure in the tion itself, and on the other hand it aims to undertake auditing missions, by considering that the fight against corruption and the policies for the installment of an effective integraty system should be part of the management of the public institutions. ALSAI was one of the first contributors of the re-designing of ISSAI 30, which was approved in the XXII-nd Congress of INTOSAI, in December 2016.

On July 2017, ALSAI became a member of the EUROSAI working group "On the role of Supreme Audit Institutions in the spread of ethics culture in the public sector", which is led by the Hungarian SAI. ALSAI through its participation and membership on this work group aims at conducting audits on ethics and integrity in the auditees of the public sector.

2. Management of ethics and integrity by following the imposition and implementation of rules, procedures and guidelines. In this regard, intensive training has been undertaken aimed at educating employees with the spirit of standards and moral values.
3. Exercise of oversight and control, investigative and punitive functions against misconduct and violations of ethics and integrity. ALSAI, as a result of the application of this instrument has taken measures against its employees who have resulted in violations against the rules of ethics and integrity. For the period 2012-2017, the Ethics Committee has decided on 10 dismissals from work of employees that have violated the ethics and have received an evaluation as "weak" in audit knowledge during the conducted tests. As well as 8 dismissals for poor performance tests (newly recruited auditors that do not result as winners after a test period of one year).

The Supreme State Audit in the framework of institutional integrity policy management as well as in meeting of the objectives to be a role model institution of integrity that guides through example, with document no. 1182, dated 18.11.2016, of the Chairman of the ALSAI requested the Inspector General of the High Inspectorate of Declaration and Audit of Conflicts of Interest (ILDKPKI) to perform full and in-depth verification of the statements of all employees/executives of the SAI, which carry the legal obligation to declare private interests (Director and Senior Officer level).

The ILDKPKI conducted verifications based on the requirements of law no. 9049, dated 10.04.2003 "On the Declaration and Control of Assets, Financial Obligations of Elected and Certain Public Servants", later amended for 28 ALSAI employees and

at the end of this process, none of them result in violations of the regulatory framework.

This aspect of the ALSAI's activity has been evaluated by the international partners. Thus, the President of the SAI of Bulgaria has stated: "...I maximally appreciate the work of the ALSAI in terms of Integrity issues and the establishment of Ethics structures in the SAI in terms of performance audits and particularly appreciate the work of institution according to the standards of the time" (from the speech of Mr. Tzvetan Tzvetkov, President of the SAI of Bulgaria, during his visit in Tiranë, 2nd of October 2017).

The system of internal control has been evaluated based on the COSO model. ALSAI during 2017 continued with the institutional management activity supported by effective internal governance and well-functioning of internal control systems.

In pursuance of ISSAI 20, ALSAI acts on the foundations of transparency and accountability. Also, under the ISSAI 12, which emphasizes the principle of leadership through the example, the Chairman and senior management are responsible for providing a good example to promote integrity, but also to enable effective fulfillment of the organization's mandate by developing an organizational culture which promotes efficiency, transparency and accountability. In this context, the Code of Ethics will be revised in 2018, stating that the ALSAI Chairman accepts the Code of Ethics of the Deputies.

Internal communication is one of the key aspects to keep the ALSAI's staff informed, motivated and in the same direction with the objectives of the institution. It is a powerful tool to stimulate increased staff engagement. In addition, the audit body plays an important role in communicating with citizens, highlighting the importance of the ALSAI's for the management of money and public wealth. Therefore, all staff are well-informed about the SAI's strategic work and priorities. Internal communication is considered an important means of exchanging knowledge, enabling employees to recognize initiatives undertaken throughout the institution, boosting innovation and generating new ideas.

ALSAI has built a system to determine work priorities to maintain quality by applying risk-based methodology to determine the audits to be carried out. Also, the resources needed to implement the plan have been taken into account, as well as the respective responsibilities for its implementation. But the criterion of systematic risk assessment throughout the planning stages is the aspect that needs

to be further improved. For this reason, this dimension is rated 3 versus 4 points. Regarding the fulfillment of the assessment criteria of the General Audit Planning content dimension, it was found that ALSAI should improve the barrier and risk assessment system for defining the audit priorities, budget and human resources available.

Field C, " Audit Quality and Reporting", aims at assessing quality as well as the results of audit work that is the primary activity of ALSAI for all three types of audit set out in the ISSAI and the Organic Law of the Institution: respectively financial, performance and compliance of the regularity. The performance of ALSAI for each kind of audit is evaluated using the following line: Principles - Through SAI-9, 12 and 15 indicators assess the standards, audit guidelines, competencies, and quality management that form the basis for the audit work performed; **The process** SAI-10, 13 and 16 indicators assess the quality of practices for all audit procedures during the period under review, from planning, auditing implementation, evidence evaluation, and end-of-reporting; and, Results - SAI-11, 14 and 17 indicators capture the results of the audit work and how these results are reported and followed. ALSAI for the period from January to December 2017 has made 156 audits from 154 planned audits, of which: 92 regularity audits; 25 compliance audits; 14 financial audits; 15 performance audits; 5 thematic audits; 5 IT audits;

ALSAI has managed to maintain a challenging target under which it has never fallen in the last 6 years. Audits are extended to central institutions and subordinate units to have a satisfactory coverage of the budget execution opinion (including the ministries and their subordinated agencies, general directorates and tax and customs departments as well as joint stock companies with state capital as a contributor to the budget revenues through dividends and not only), units of local self-government (municipalities, communes and districts) by closing the audit of projects with foreign financing since public investments in Albania amount to over 40% financed by these types of financing. However, the coverage indicator remains a challenging indicator by referring to the methodology of its calculation, according to the type of audits carried out.

The Standards of Auditing and Quality Management (financial and compliance audit). The financial audit constitutes one of the most traditional auditing activities but for the ALSAI practice, it is a new type of audit. For 2017, the SAI provided an opinion on the financial statements of 14 public units.

The number is still small, but in the conditions of Albanian reality, when there is a lack of the Consolidated State Financial Statements, the lack of a full financial reporting framework in the public sector, where financial reporting by general government institutions in Albania is carried out on the basis of assets, but with elements of asset management, engagements, debtors and creditors, the level of coverage is not an indicator that may reflect the criteria required by audit standards. ALSAI's opinion on financial reporting in the public sector over the years has been focused only on certain aspects and has been accompanied by repeated recommendations on the need for financial reporting in the public sector to be conducted in accordance with International Public Sector Accounting Standards (IPSAS). This situation has led the ALSAI, in harmony with the government-led public sector financial reporting developments, to work to ensure the appropriate institutional capacity to conduct financial audits in accordance with International Standards on Auditing (IAS) on the financial statements of the public sector prepared in accordance with IPSAS. For this reason, during 2017, the ALSAI continued to carry out financial audits in several public units, assisting in this field also by the expertise of the Polish SAI, which has engaged its experts in supporting two pilot financial audits from ALSAI.

The Performance Measurement Framework requires that the Financial Audit and Compliance Guidelines be adopted, referring to standards, or developed, national auditing standards are adopted either in accordance with ISSAI 200 and ISSAI 400. Regarding this dimension, the ALSAI has been assessed to partially meet (2-3 out of 4) requirements set out in accordance with best international practices.

- For financial audits, ALSAI fully complies with 20 of the 21 requirements of this scale. It has been assessed as partially met the requirements for determining the materiality of the financial statements as a whole, the level of materiality or levels to be applied for particular types of transactions, account balances or disclosures.
- For compliance audits, ALSAI fully meets 11 of the 18 requirements of this scale. It has been evaluated that the requirements related to the identification and assessment of audit risks, the understanding of the audit environment and internal controls, as well as the establishment of appropriate audit procedures that address the level of risks identified are partially met. ALSAI assessed as insufficient the procedures performed during the compliance audits related to

the identification of fraud risks and the drafting of the strategy and the audit plan.

- For performance audits, ALSAI fully meets 6 of the 21 requirements of this scale. While for the rest of the applications it is found that they are fulfilled in the partial level.

Regarding the Dimension of the Audit Team's Management and Evaluation Capabilities, regarding the establishment of a SAI by a system to ensure that the audit team as a whole has the right abilities and skills,

- For financial audits, ALSAI has fully met 10 out of 11 requirements set out in the financial audit module. It is estimated that the requirement for technical expertise, including IT expertise and specialized accounting or auditing areas, is partially met. The increasingly widespread use of IT systems in the financial reporting sector in the public sector requires the SAI to continuously develop the capabilities of auditing these systems in view of the effectiveness of financial audits.
- For compatibility audits, the assessment of this dimension is in line with financial audits, where ALSAI results to meet most of the criteria and partly some of them. Especially it is estimated that the requirements for identifying the knowledge, skills and expertise required for carrying out the audit work are partially met, including the assessment of the use of the work of external experts.

Regarding the quality of Audit Control in Financial and Compliance Audit, ALSAI fully meets the evaluation criteria. The ISSAI 40 requires that all work carried out should be subject to review as a means of contributing to the quality and fostering of staff learning and development. This process includes reviewing the audit plan, working papers and group work, as well as regular monitoring of audit performance by appropriate management levels. The review helps ALSAI to ensure that auditing is carried out in accordance with professional standards and applicable legal and regulatory requirements and that the auditor's report is appropriate to the circumstances.

Evaluating the *Planning Process* is a very important dimension that guarantees the quality of the auditing work. SAI partially meets the requirements of this dimension as for financial audit, compliance, and performance auditing. SAI results in fulfilling most of the criteria and partly some of them. In addition to challenges related to

materiality determination, financial audit, and risk assessment, the ALSAI should further develop the process of drafting, implementing, and monitoring an overall audit strategy that includes the purpose, timing and direction of the compliance audits audit. In this strategy, the nature, timing and extent of risk assessment procedures, as well as the nature, timing and scope of the audit procedures planned at the level of audit assertions should be determined. Until now, the ALSAI's work has continued with audit programs but as part of pilot audits with the Polish SAI, efforts are being made to standardize the incorporation of the audit strategy as part of the working papers. Moreover, the ALSAI should focus on financial risks during financial audits as well as the risks of material misstatement as a result of material discrepancies with laws and regulations, aspects of compatibility, which is also being addressed as part of pilot audits with the Polish SAI.

Regarding the implementation of the financial audit and compliance process as well as the evaluation of audit evidence, SAI partially fulfills the requirements of the evaluation criteria. Performing risk based audit is a priority of ALSAI and for this we are continuously working on planning, executing and reporting based on this audit method ensuring that audit opinion is based on appropriate evidence. SAI is also moving gradually from documenting only the audit findings, documenting all the tests performed, including sufficient audit evidence to support the conclusions drawn, taking into account the estimated risk of anomalies materials as a result of suspected fraud or fraud during the audit. In order to ensure that all planned audit procedures are undertaken or when all planned procedures have not been undertaken, be in the audit files an explanation of why they were not performed, which should be approved by persons responsible for the audit. The objective will be considered fulfilled when all audit files contain audit documentation that is sufficient to enable an experienced auditor without prior knowledge of the audit, to understand the nature, time and extent of the audit procedures performed, results, and audit evidence obtained.

ALSAI has been assessed to fully meet the requirements regarding timely submission and publication of financial audit and compliance results. Regarding the assessment dimension related to the follow-up of the implementation of audit recommendations, the ALSAI partially meets the requirements of the evaluation criteria. In accordance with best practices, SAIs should establish a materiality

assessment practice for the purpose of determining when a follow-up procedure requires an additional audit.

From the audits conducted in 2017, the ALSAI has identified lack of accountability by the heads of institutions at all levels, denying the requirements of the financial management law, low levels and inefficiencies of internal control systems, creating all the possibilities for expenditure not in compliance with legal requirements and low effectiveness in spending budget funds. From this year's audits, institutional practices and decision-making with negative effects on public funds are followed, where the level of damages and ineffective expenditures found is:

- Irregularities and financial violations, incomes and expenditures incurred, with economic damage in total amount of 11.5 billion Lekë or 85.8 million Euros.
- Violation of financial discipline negatively affecting the performance of public funds spent by audited entities, totaling ALL 99.05 billion or approximately EUR 739.7 million of which: 92.7 billion ALL in the field of income or approximately EUR 692.1 million and 6.3 billion ALL or approximately EUR 47.8 million, in the field of non-efficient spending, efficiency and fund-based spending. In total, violations amounted to 110.5 billion Lekë or approximately 825.6 million Euros.

The indicator of audit usefulness is the ratio of the amount of funds discovered as economic damage and required for compensation by ALSAI with the factual budget expenditures of ALSAI and is one of the most significant indicators of the performance of the Supreme Audit Institutions.

For 2017, for **every one ALL** spent by ALSAI, the institution detected as economic damage and asked for indemnification **31.9 ALL**. In calculating this indicator, in the factual budget expenditures of ALSAI for 2017, capital expenditures for the new ALSAI building (factual expenditures for 2017 have been doubled in relation to the factual expenditures of previous years because of this major investment). If the investment for the building is taken into account, the usefulness indicator is 19.9 ALL.

For the 6 years 2012-2017, it results that for every one lek spent for the institution, the ALSAI discovered and sought to be indemnified 108.7 Lek, or 5 times more, from 21.1 Lek that was requested in the 10 year period 2002-2011.

During 2017, the structure of types of recommendations that ALSAI gave to the auditees remained the same as in other years. The recommendations for legal

improvements, organizational measures, administrative measures and disciplinary measures for the period January - December 2017 are **3521 recommendations**, of which 1937 or 55% of the recommended measures were accepted and 1584 measures are being reviewed by the entities.

The auditing work is mainly focused on areas for which the Supreme State Audit Institution has assessed a high level of risk and where control systems are at levels that can not guarantee and provide assurance of an activity in accordance with the requirements of the financial and control management framework. Even in this year, *the greatest violations of inherent effects in the use of funds in violation of legal requirements, remain in the field of mismanagement of revenues and expenditures of budgetary funds; mismanagement of state property followed by irregularities and inefficiencies in the field of public procurement.*

With the aim of increasing the level of the recommendations' implementation by public institutions, ALSAI has encouraged the cooperation with the Ministry of Finance and Economy and other central and independent institutions to implement a common system for given recommendations by the external and the internal auditing, aiming to increase the level of control over the accountability of the implementation of recommendations as an instrument to combat the misuse of public money and wealth.

Overall, the ALSAI auditing activity, in compliance with INTOSAI standards and the best practices of the entire community of international SAIs , is clearly assessed *"The ALSAI has undertaken major reforms, which have aligned it with European auditing models and methodology. In Albania you have achieved a high standard as a state institution, while your work has marked important impacts on good governance in the country. As President of the Czech SAI and as Deputy President of EUROSAI, I would like to confirm my will to support the ALSAI in overcoming the challenges it faces in implementing international auditing standards"* (from the speech of the President of Supreme Audit Office of the Czech Republic, Engineer Miloslav Kala, during his visit in Tirana on 1-2 August 2017)

Also, during the conduct of the audit activity and more broadly, ALSAI has implemented correctly and professionally the recommendations addressed by the EU in the Progress Report of the European Union for Albania, which consist of:

"ALSAI to increase the number of pilot financial/compliance/regularity audits, in compliance with INTOSAI's updated manuals and audit standards". ALSAI as a target

for 2017 determined that it will progressively increase by about 40% the pilot of compliance audits, from 10 pilot compliance audits carried out in 2016 to 14 such audits in 2017 and carry out 10 pilot financial audits . Overall, ALSAI has implemented during 2017 25 compliance audits and 14 financial audits, exceeding the set target.

Performance audits are seen as one of the pillars of ALSAI's development and modernization. The biggest challenge for this type of audit is that it should not be applied purely as a procedure, but to be conceived as a philosophy of thinking and acting by all the ALSAI staff. A working philosophy that considers that the audit is not an end in itself, but primarily a prevention tool, correction and counseling instrument for the institution being audited. The development of audits is in line and in full compliance with the objectives of ALSAI's 2013-2017 strategic plan. During 2017, 15 performance audits were carried out in governmental reforms, important aspects of public finances, public procurement system, education system, environmental projects, and public services.

The assessment of *Skills and Management of Performance Audit Group* dimension in ALSAI is 3, thus demonstrating a "stable level" of it. Audit Groups in performance audits, due to the audit's nature itself, are composed in order to cover different professional fields (economics, judicial, social, etc.). In terms of age, the groups' composition aims to combine old experienced auditors and young ones who need to grow professionally. The aim in this direction and of the whole ALSAI has been the creation of a core of stable auditing groups, with colleagues who complement one another's knowledge and experiences.

Area D, "Financial Management, Assets and Support Structures", The assessment of this area showed that ALSAI has adequate organizational management and support structures that ensure good governance and that support internal control and management practices (in accordance with ISSAI requirements 12, Principle 9). This finding is comprehensive as to the assets' management and the support services of the institution. ALSAI under ISSAI 20 has managed its transactions economically, efficiently, and effectively and in compliance with laws and regulations. The performance evaluation system in relation to the assets and infrastructure planning and use dimension indicated that long-term planning for infrastructure's needs has to be improved in compliance with the strategic objectives of institutional development.

The allocated budget to the "Auditorial Activity of ALSAI" program is based on the Policy Statement Program (DPP) drafted during the 2017-2019 PBA process and is in the function of implementing the policy set out in the Basic Institutional Development Document, which is the revised ALSAI 2013-2017 development strategy. The budget policy of this program has aimed at the high quality and punctual fulfillment of the constitutional and legal obligations, of objectives and priorities of the institution envisioned in the revised Strategic Development Plan 2013-2017, taking into consideration the requirements set out in the Albania-EU MSA and monitored by DG Budget, in the framework of European Integration. The funds allocated for the operation of the State Supreme Audit Institution's activity according to the program for 2017, as well as the level of their realization, are presented in detail in the Annual Performance Report. During 2017 in concordance with the plan of auditing activities, the Internal Audit Department conducted the financial regularity audit of the financial-economic activity of the Supreme State Audit Institution for the period from January 1 2017 to December 31, 2017.

During 2017, the IT infrastructure was built in the new building environment and the investment in the creation of an information system for managing and supporting audit processes in ALSAI was made. This investment had an electronic system for managing issues and processes in ALSAI through the management of activities, issues, processes, reports, on an integrated and with automated workflows software platform, in accordance with the applicable manuals and regulations regarding the availability, integrity and confidentiality of the system. *Through this investment is aimed the: Optimizing of the auditing process while respecting the principles upon which it relies; Efficiency increasement by providing full case context to the auditor; Performance, productivity and internal operational efficiency improvement; Monitoring improvement and the increasement of case's management efficiency; Improvement and ensurance of transparency and of the organization's activity in pursuit of the objectives monitoring.*

We take this opportunity to address thanks to the Parliament's Economy and Finance Commission and to the Government for their disponibility and positive will shown in the allocation of funds and on supporting ALSAI regarding the infrastructural component, the building, working environments and the information technology, but bringing to the attention that the need for financial resources are insufficient, especially regarding the cost of labor and contracting external experts, the cost of which will make possible the fulfillment of the requirements from the

executive to cover the auditing of all local government units or auditing concessions and privatizations as a requirement of the Economy Commission.

Area E, "Human Resources and Training", this aspect of the activity is estimated based on ISSAI 40, Guidelines of the Committee of the INTOSAI's Capacity Building on Human Resources Management, Capacity Building Institutional Framework of AFROSAI-E. This area demonstrates ALSAI's performance in the management and development of human resources. Estimated dimensional aspects are related to: Human Resources Function; Human Resources Strategy; Human Resources Recruitment; and, Reward, Promotion and Staff Welfare.

Human resources management in ALSAI is considered a prerequisite and vital to the efficient and the effective functioning of the institution. In the framework of institutional reformation and modernization ALSAI has continuously implemented human resources management policy, which is in line with international standards of Supreme Audit Institutions and the best principles and practices of public administration recommended by the European Union. In cooperation with Polish NIK's experts, within the framework of the IPA 2013 project, during 2017, the document of the Human Resources Management Policy of the institution was drafted, which was approved by the Decision of the Chairman No. 228 dt.31.12.2017. The aspect of composing a concrete plan of possibilities for appropriate professional development of personnel should be further improved.

The organizational structure for 2017 has been approved with 181 auditors and supporting staff. From 2011 and 2012, years in which the structure has had a total of 156 auditors and supporting staff, the dynamics of their number's increase resulted in 5 auditors each year culminating in 181 auditors and employees for the year 2017. This increase reflects the increasing demands, in volume and quality as well as the complexity of ALSAI's auditing activities. The increase in the number of auditors has led to a reduction in the number of external experts contracted by ALSAI, whom represented personalities with recognized contributions in the respective fields and disciplines or even former experienced auditors. The main professions of the auditing staff are those of Accountant and Lawyer, due to the very nature and the growing complexity of the audited activities that require financial and legal interpretation, the demand for these two professions will continue to be a priority. Gender Equality and the reduction of the average age of employees are directions of the human resources policy whose indicators have improved. For 2017, the female/male ratio is 40% to 60%, from 33% to 67% in 2011

with the objective of achieving 50% to 50% in two years. Meanwhile, the average age in ALSAI at the end of 2017 is 42.9 years old, from 50 years old in 2011. The target for the next two years is to achieve 50% to 50% gender equality and 40 years of average age.

ALSAI has implemented effective human resources management and recruitment policies based on three basic principles that are: i) assessment of professionalism, ii) of transparency, and iii) open competition and participation in opportunities for all those that are interested.

Employee recruitment policies have been applied in line with the human resources development and management strategy in order for ALSAI to obtain the appropriate staff with the needed qualifications, skills and experience to meet current and prospective needs. As a very important process for the institution's performance, recruitment has been carried out according to all procedures, rules and applicable dispositions on civil servants. During 2017, 22 employees were recruited, of whom 1 director with the title "Prof. Dr.", 2 directors with International Accounting and Auditing Degrees and one auditor with the title "Doctor of Sciences": 8 Directors have the title "Professor" and "Associate Professor" and "Doctor of Sciences"; 19 directors and auditors have a second degree, out of which 14 in Law and 5 in Finance; 5 Directors and auditors have an International Accounting and Auditing Certificate/Diploma (CIPFA) and International Certificate in Auditing (CPA).

The Vocational Development System reflects the effectivity of ALSAI's professional capacity building policies over the years, for which performance indicators are represented at levels about 14 times higher compared to 2011 when this level was only 2.1 average training days per auditor, while at the end of 2017 the audit staff has followed on average 28.5 training days per each auditor. This approach enables staff to have access to best public sector auditing practices and to contribute to sustainable, independent institutional development and being an example of professionalism, integrity and ethics. The work synergy between auditors is intended under the motto "*United in ambition and determination*".

The content and format of the training has considered the auditors' need for high level training, to harmonize theoretical knowledge with practical knowledge at its best, and also effective interactive approach. To maximize the quality and diversity of knowledge in the training process ALSAI has aimed at diversifying training

resources by combining internal and foreign expertise capabilities, as well as accessing some components of the training topic. The simultaneous training in methodological development and the updating of knowledge in the field of laws and regulatory framework of audited entities is the primary objective.

10 ALSAI's Auditors have acquired training through 5 month internships by the European Court of Auditors (ECA) and 3 Directors and auditors through the 4-month fellowships from the US Government Accountability Office (GAO).

The policy of combining audits with well structured training sessions is estimated by the Director of the Center for Excellence in Auditing at GAO, who specifies that: *I appreciate ALSAI's flexibility in determining the number and kinds of audits that will be realized, which is essential for the activity of a Supreme Audit Institution. An important indicator for the increasing of auditing capacities is the trainings' program. In this area, ALSAI has created a solid tradition, for which GAO provides its contribution through fellowships for Albanian auditors"...* (From Mrs. Janet St. Laurent's speech, Director of the Center for Excellence in Auditing at GAO, during her visit in Tirana, March 23-24, 2017).

However, the performance measurement system in this dimension, identified aspects that need to be further improved such as: the learning strategy and the annual plan for professional development and training to be consistent with the human resources strategy; linked to the defined goals/objectives in the strategic and operational plans of ALSAI; and be based on the results of the analysis of learning needs.

Area F, "Communication and stakeholders' management", has been evaluated in accordance with ISSAI 12 requirements, and identifies one of the main objectives of ALSAI, the demonstration of its importance to the stakeholders. ALSAI has used all the best recommended practices in order to increase stakeholders' knowledge and for them to understand the role and responsibility of the independent public sector auditor. ALSAI has identified stakeholders and developed a communication strategy by perfecting communication and management channels to involve all stakeholders. Taking lessons from our counterparts, communications is considered an important instrument to increase the confidence of citizens as well as *Dr. Josef Moser, the former President of the Austrian Court of Auditing and the former Secretary General of INTOSAI for the years 2004-2016 has said "... we will be known for our work only if we can communicate to citizens what we do clearly and also the added value generated*

*by our audits for the state and society, so that we can be perceived as indispensable strategic institutions for the interests of citizens*¹⁴.

The *Communication Strategy* is rated with 3 out of 4 possible points. The communication policy is vital to the role and fulfillment of ALSAI's mission, as well as its usefulness in maximizing the value of products, audit reports and implementation of recommendations. ALSAI has drafted and approved by Decision of the Chairman of ALSAI, on July 31, 2017 "The Strategy of Communication of ALSAI for the 2017-2019 period", thus complementing the objective that it has had as an institution within the framework of the National Plan of European Integration.

The development strategy 2018-2022 includes as an integral and very important part the success of achieving the objectives set in the Communication Strategy 2017-2019. To this end, implementation in all dimensions of the Communication Strategy 2017-2019 will be the most efficient instrument for enhancing and deepening the impact of ALSAI's audit activity, while also strengthening the partnership with stakeholders by making them its most loyal allies in increasing the pressure on the executive to fully implement the recommendations of the external public audit institution.

The INTOSAI's motto "From the common experience, everyone benefits (*Experientia mutua omnibus prodest*)" is the essence on which ALSAI has built and implemented the Strategy for Development during 2012-2017, as well as the philosophy of this strategic document for the period 2018-2022. The use of appropriate instruments in establishing a cooperative environment with all parties and maintaining the independence of auditing are prerequisites for establishing a fair and professional interaction.

In its entirety, this assessment encourages us to deal with issues and defines aspects that require further improvement in reference to the best international practices. ALSAI will continue to engage in the development of the profession through active participation in international and regional cooperation activities, and in particular in its participation in working groups and "task forces" established on specific issues.

Good practice in communication with the Parliament has been rated at 3 out of 4 possible points. The aspect that needs improvement is in unison with the

¹⁴ *Fragment from the speech of Dr. Josef Moser, former President of the Austrian Court of Audit and former Secretary General of INTOSAI for the years 2004-2016, at the 21st Symposium of UN-INTOSAI..*

recommendations issued by SIGMA's and the World Bank's/PEFA's assessment documents, where it is required that ALSAI further emphasizes the request for organizing public hearings and in particular of the respective Parliamentary Committees with the audited units. This, in order to follow the implementation of the recommendations and the increasing of ALSAI reports' impact. Awareness of the Parliament's members for the benefits an effective public audit brings to the state and society and the mutual role of the legislature in increasing the impact of adding ALSAI audits' value should remain at the core of the efforts to ensure a supportive and useful external environment.

The willingness to deepen cooperation has been reciprocal, as the Parliament has shown a special focus regarding the State Supreme Audit Institution. The contribution of the Economy and Finance Committee, its chairman and of the Speaker of Parliament has been crucial to the adoption of the new ALSAI Law 154/2014 (dated 27/11/2014). From an inherited reporting practice of only two times to the Parliament, the budget report and performance report, communication has been intensified by sending different reports or informative letters. Thus, the Supreme State Audit Institution has sent to the Parliament reports of high public sensitivity, among which we mention:

- Information on ALSAI's recommendations for Bank of Albania's audit;
- ALSAI's recommendations on the audit performed in the Ministry of Internal Affairs (administrative territorial division);
- The audit Report "On the Implementation of Legality and Regularity of Economic-Financial Activity" in Electric Power Distributor Holding(OSHE), Electric Power Transmission Holding(OST) and in Albanian Electric Corporation Holding (KESH);
- Final Report and ALSAI's recommendations on the audit of the Natural Resources National Agency (AKBN);
- Information, reports, recommendations of ALSAI on the audit in Albpetrol a.s;
- Information on the integrity of state administration officials;
- Consecutive requests to audit ALSAI's financial accounts, etc.
- The audit report at the Ministry of Energy and Industry (MEI) and State Advocate has received a special treatment by the Parliament, known in the media as the CEZ affair. The Special Parliamentary Commission set up to investigate the

implementation of Albanian legislation in defense of the country's interests during the settlement agreement between CEZ and the Republic of Albania, has invited at the hearing in October 2016 the ALSAI Chairman, who participated and gave ALSAI's opinion.

- The Performance Audit Report "On the Rehabilitation of Former Politically Persecuted People", "On Public Transport in the Municipality of Tirana", "On Consumer Protection from Weight and Measurements abuses" in the General Directorate of Metrology, etc.
- In 2017, the audit reports that ALSAI judged important to be recognized by the MPs have been sent to the Parliament.
- The report on implementation of ALSAI's recommendations in the last two years is sent as part of the activity performance report.

The European Commission also addressed in September 2017 the recommendation *"Albania should improve the implementation of External Audit Recommendations. ALSAI should inform the Economic Commission within the second quarter of 2018 on the adoption of measures for monitoring the acceptance and implementation of the recommendations addressed by ALSAI for 2017"*. In pursuance of this recommendation, ALSAI has drafted an audit activity plan for the implementation of the recommendations for the following period of the first 6months of 2017.

Good practice in communicating with the Executive is rated 3 out of 4 possible points. INTOSAI's XXII Congress in Abu d'Habi, United Arab Emirates, committed itself to increasing the contribution of INTOSAI and SAIs to the 2030 Sustainable Development UN Agenda, including good governance, in order to strengthen the fight against corruption. Considering the critical role that SAIs have to guarantee the design and implementation of national strategies in relation to sustainable development as well as the integrity, credibility and comparability of national statistics submitted to UN from different countries to assess progress towards Agenda 2030.

In applying the best practices of INTOSAI, ALSAI will periodically invite senior executive members in meetings to discuss disturbing issues regarding both institutions, including common findings, trends and origin of the cause identified by analysis of audit reports.

On assessing the dimension of *ALSAI's relations with the media* the assessment is 3 out of 4 identifying that press conferences should be organized for its annual report and including, where appropriate, other important reports and performance audit reports in fulfilling the requirements of INTOSAI's Instruction "Communication and Promotion of SAIs' Values and Benefits". At the end of 2017, the institution has been present in about 100 more chronicles over the last year and a few more times with information and messages in the written media by sixfolding its presence in the audiovisual media compared to 2010. It was also featured in the print media in 840 articles, announcements, editorials and analytical reviews versus almost zero during 2010-2011.

This approach of ALSAI has also been evaluated by the Center for Excellence in Auditing at GAO, which states that "...I consider the publications of articles from ALSAI's auditors in print innovative because they serve in the strengthening of transparency by creating concrete lines of communication with the citizens. I also appreciate ALSAI's publications in the recent years, the recommendations from the institution for audited public sector entities, criminal charges, etc." (from the word Mrs. St. Laurent held during her visit in Tirana, March 23-24, 2017).

The Dimension on *Good Practice in Communication with Citizens and Civil Society Organizations* showed that ALSAI has considered itself as the voice of the citizen and the public. The statistics show that from a plethora of letters (complaints, requests, information, etc.) from citizens that the institution received and dealt with in 2011, during 2012-2017, letters and requests from citizens increased not only in number, but what is the most important and that is the qualitative difference consists in the fact that in every case the citizens have received answers to the problems and concerns raised. Only for the year 2017, ALSAI handled 623 letters and complaints from citizens, out of which 377 were found in the competency, 204 of them have been verified and received responses, while 173 were in the process of being verified. Therefore the evaluation of this dimension was maximal.

The process of the institution's development and modernization could not be achieved with the right efficiency if close cooperation with our international partners wasn't made possible and especially without the contribution of the Polish SAI (the NIK), through the twinning project funded by the EU IPA 2013 Program. The twinning project "Strengthening of external audit capacities", which started in March 2016, continued to be implemented successfully in 2017. The project is

divided into three components: Improvement of the legal framework for auditing; Development of audit methodologies and reporting capacities; Enhancement of institutional capacities and improvement of the impact of audit results. During this year, 37 missions were conducted, of which 2 belong to the first component, 24 missions belong to the second component and 11 missions pertaining to the implementation of the third component. At the end of 37 missions, the twinning experts have provided more than 80 recommendations by Polish, Croatian and Dutch experts on which, with Mayor Decision no. 83, date 30.06.2017 an action plan for implementing the IPA project recommendations for the period March 2016 - February 2017 was adopted. SAI structures tasked with implementing the twinning project recommendations have reviewed these recommendations and the status of their implementation.

IV.2 INSTITUTIONAL MANAGEMENT PROGRESS

IV.2.1 SWOT ANALYSIS OF ALSAI

SAI has continuously used the SWOT analysis as a basic tool in recognition and appreciation of its institutional capacity and setting of development objectives for future periods.

	STRENGTHS	WEAKNESSES
Legal & Regulatory Aspect	Adoption of International Accounting Standards ISSAI (Laws, Regulations, audit manuals)	Working papers still in the consolidation process.
	Work processes and support described and detailed in strategic, tactical and operational documents.	Regulatory acts imported from the executive branch. (Government) Lack of a Council of Ministers Order on the implementation of ALSAI recommendations.
	Adoption of the Periodic SAI-PMF through the hybrid model to avoid deviations in self-esteem.	cycle of reviewing and updating the regulations, manuals, etc.

Organizational Aspects	Clear hierarchy for achieving institutional objectives, three operational and support lines, as well as five horizontal levels.	
	Investments in increasing audit capacity in general for each type of audit, focusing in terms of performance and IT audits, as productive audit approaches to the challenges of time.	Limited infrastructure and logistics available to support the development of processes, growth and development of audit activity.
	The existence and use of appropriate instruments to enhance the integrity and ethics of the audit staff.	Insufficient human capacity (quantity) to cover all audit challenges offered by the Albanian reality.
	Reliance on a methodological device developed and similar to that of more developed counterpart institutions.	Resistance to change, the impact of inherited tradition in audit practice.
	Institutional culture of leadership in favor of transparency and healthy accountability inside and outside the SAI-the.	Limitations on the skills of auditors (mainly aged over 50 years) for communication and reporting in foreign languages.
	Policy for motivating and promoting career growth of the staff based on merit and ability.	
	Building institutional structure based on the philosophy of growth and continuous improvement in all dimensions. Leadership by example.	
	Managers with degrees, long institutional experience and deep knowledge in the field of auditing.	Outsourcing of two or more parallel tasks to subordinates (for congestion effects), bringing disruption in the audit work.
	Experienced auditors and diversified academic background.	The observed discrepancy with the level of training and prospects of auditors.

	Structured periodic tests for updating and enhancing knowledge of audit with a view to maintaining the current position of work and career advancement.	Difficulties in absorption of innovative approaches to audits.
Financial Aspect	Normal budget for contracting external expertise and financially motivated employees.	The lack of a financial political motivation related to job performance.
Operational aspect	Conducting joint and parallel audits with the SAI experienced in the field of Medical Ethics and performance audits.	Difficulties in implementing eISSAI-s.
	Structured mentoring of new auditors by experienced colleagues.	Difficulty in giving its opinion on the financial statements of the audited entities.
	Audit work planned and controlled in time.	insufficient study of audit documents and incomplete approach to problems ascertained.
	Significant impact to the audited entities and stakeholders.	Deficiencies in the application of risk-based audit and weaknesses in audit methodology.
	Cooperation with internal audit structures in the subjects.	Inadequate quality control assurance.
	Cooperation with media, academics, experts dhe NGOs.	Shortcomings in the proper formulation and clear findings, conclusions and recommendations.
	IPA project	Insufficient capacities in electronic data processing.
		Deficiencies in pursuing audits after reporting.
		General audit plans in some cases.

Communication Aspect	Quantitative and qualitative improvement of professional publications in the field of auditing.	Lack of a special unit for language and graphic editing published materials.
	Full transparency of audit reports, observations of the subjects and decisions of the Head of the SAI in official and social online platforms.	audit reports formulation of easily accessible content from the average citizen.
	Presence of audit reports on the EUROSAT database.	Press articles in some cases non-technical to the target level.
	Organization and participation in conferences, workshops, meetings, national and international fairs.	
	The careful and professional handling of citizen's requests.	
	Media presence with articles on the carried out audits.	
	OPPORTUNITIES	THREATS
Legal & Regulatory Aspect	Clear constitutional and legal warrant (the new Law 154/2014 "On the organization and functioning of SAI").	Legal inability for professional certification of auditors.
	Full institutional independence in operational, organizational and financial aspects.	Financial dependence from the government.
	Mandate to realize all kinds of audits in all public entities.	Indifference or obstacles from the executive branch on our audit work.
	Unlimited access to information.	Obstacles by some institutions and public companies to provide all the information required.
	Obligation to report directly to Parliament with integral reports, as well as reserving the right to report on specific issues with special reports.	Lack of a sub-committee at the Finance and Economy Committee to follow up of recommendations
	Opportunities to contract external experts with a view to increasing audit quality.	

Communication Aspect	Support from international organizations.	Below average interest outside the institution (including members of Parliament) for the findings, conclusions and recommendations.
	Excellent cooperation relations with counterpart institutions.	Further consolidation of the anti-culture of impunity among high-level officials.
	Support and increased awareness by the Parliament, in particular by the Commission of Economy and Finance, as well as from other stakeholders.	More frequent changes of legislation, changes in public administration organization and state institutions in the country.
	Unique perception of the value chain in the public administration.	Inadequate perception of the media and the public on how they should be using the results of SAI audits.
	The IPA Twinning Project of the European Union.	In sporadic cases, opposing the SAI's findings, for political reasons or other interests

IV.2.2 ON THE MANAGEMENT OF THE SYSTEM OF ETHICS AND INTEGRITY IN ALSAI

Institutional management activities over the past six years have focused on ensuring the development sustainability and effectiveness of the system of ethics and institutional integrity through the implementation of the regulatory framework of ALSAI and best practices of the INTOSAI community, specifically INTOSAINT (integriteit instrument of self-assessment). The strategy for implementing an effective system of ethics and integrity is focused on three main pillars:

1. Develop and consolidate the regulatory framework on ethics and integrity.
2. *Management* of ethics and integrity followed by the imposition and implementation of rules, procedures and instructions. In this regard, we have conducted intensive trainings aiming to educate the employees with the spirit of standards and moral values.

3. The exercise of supervisory, investigative, punitive and control functions, against behaviors and violations of ethics and integrity.

Institutional integrity policies

The focus of policies pursued is given to measures taken for the installation of an effective integrity continuous system, part of the daily management of the SAI institution and not a temporary policy, in view of preventing an environment of corruption and implementing an ethical culture and integrity. Integrity issues in ALSAI, are considered a daily standard component to all auditors.

Supervision and monitoring investigation for the prevention of incidents of violations against corruption or integrity have been and are the main focus of the daily activity of the ALSAI. Promoting integrity has been the focus of management activity. The practical aspect of the management philosophy "Ton at the top" is conducted under the principle of "leadership by example".

The ethics infrastructure and integrity in ALSAI

ALSAI Ethics Code. Based on the requirements of ISSAI 30 "Code of Ethics of INTOSAI", the ALSAI has developed a new Code of Ethics (approved on 30th of April, 2015), which is an integral document with the Code of Conduct of the European Court of Audit.

Application of the self-assessment instrument of integrity, the INTOSAINT

In view of the installing an effective ethics and integrity system, SAI is listed among the first Supreme Audit Institutions that voluntarily since 2014, has adopted the self-assessment instrument of integrity (the INTOSAINT), considered one of the innovative and effective methods, with impacts on growth expectations in the development of integrity policies. The INTOSAINT methodology (the Integrity Self Assessment of INTOSAI) is designed as a self-assessment instrument and diagnostics specifically for Supreme Audit Institutions. The main principle of application of this methodology is the "self-esteem" and the key to the success of the application of this instrument is an active and contributing role of each individual of the institution. Through this instrument, as a result of the efforts of each individual, in order to develop a structured approach to integrity policy and implementation SAI has continued to apply the self-assessment instrument in the coming periods reflecting the performance of institutional activity in terms of both performance and identifying vulnerable areas, assessing the controls focusing on the future.

Resulting from the application of this instrument, the SAI has taken action against employees who have resulted in violation of the rules of ethics and integrity. For the period 2012-2017 these measures were taken.

- 10 dismissals for ethics violations and previous observations and assessment level "low" in advanced testing.
- 8 dismissals for poor results in the tests (auditors recruited not resulting as confirmed after a probationary period of one year).

Verification of private interests' declarations of all ALSAI employees/directors

The ALSAI, under the institutional integrity policy management, and in order to fulfill the objectives of being a model institution in integrity which leads by example, was among the first public institutions of the country to voluntarily "initiate a vetting process" and through the letter No. 1182 dated 18.11.2016, ALSAI Chairman asked the General Inspector of High Inspectorate for the Declaration and Audit of Assets and Conflict of Interest (ILDKPKI) to conduct a thorough verification of the declarations of all ALSAI employees/directors, who are legally obliged to disclose their private interests, in search for conflicts of interests.

Referring to this request, the SAI expressed the institutional will to strictly apply the ILDKPKI's decisions at the end of this process, or even apply sanctions for the different findings that may result for ALSAI leaders/auditors, in view of the completion of the evaluation framework of the conflict of interest's declaration forms.

The ILDKPKI checks were carried out based on requirements of the Law no. 9049, dated 10.4.2003 "On the declaration and audit of assets, financial obligations of elected officials and public servants" as later amended, and the completion of this process did not produce any result in a violation of the regulatory framework.

ALSAI- member of the Task Forces and Working Groups of INTOSAI and EUROSAI

In 2013, ALSAI applied and was accepted as a member of the Task Force of the European Organization of Supreme Audit Institutions (EUROSAI) "On the audit of ethics". ALSAI, through the membership and active participation in this organization, aimed on the one hand, the installation and operation of an effective ethics infrastructure and on the other hand, intends to conduct compliance and performance audit missions with the subject of Ethics and Integrity in public institutions, considering the fight against corruption and policies for the installation

of an effective system of integrity to be part of the management of public institutions.

ALSAI at the end of 2013 applied and was accepted as a member of the ISSAI 30 Review Group, the Code of Ethics INTOSAI, led by the Polish SAI, an initiative undertaken by the Supervisory Board of the Professional Standards Committee (PCS) of INTOSAI. ALSAI was a contributor of drafting the new ISSAI 30, which was adopted at the XXII Congress of INTOSAI, December 2016.

In July 2017, ALSAI became a member of the Working Group of EUROSAI "On the role of Supreme Audit Institutions in the dissemination of ethical culture in the public sector" which is led by the Hungarian SAI. ALSAI through participation and membership in the Working Group intends to exercise ethics and integrity audit in the public sector entities.

Structural units of Ethics, Integrity and Whistleblowers

1. In November 2014, reflecting the best practices in the field, ALSAI created a special structure, Sector of Ethics and Integrity, responsible for investigating violations against the integrity, which is a preventive measure in terms of strengthening the system integrity control in the SAI. Through the creation of this sector, the SAI appointed as part of the organizational the "Structure of ethics and integrity" which, inter alia, has strategic and managerial responsibilities in terms of integrity. The activity of this structure is focused on i) monitoring the implementation of the requirements of the Code of Conduct ii) communicating about issues of ethics, training and resolution of ethical dilemmas and integrity iii) investigating and periodic checks for violations of ethics and integrity rules etc.

2. **In December 2014. ALSAI established the Ethics Commission**, which functions as an ad-hoc organization of professional judgment and covers issues relating to ethics and integrity. The Commission is composed of three members, the Head of the Ethics Department and integrity, an auditor who has worked 25 years in the SAI, who is retired but his professional curriculum has demonstrated the high profile of ethics and integrity in the office conduct, as well as a SAI auditor who is nominated by the direct vote of the staff of the institution. In order to fulfill the objective that the ethical behavior of ALSAI's staff to be an integral part of any auditor activity, the activity of the committee and sector of ethics is focused on addressing cases of non-compliance with basic standards and requirements of the Code of Ethics.

3. In January 2017, ALSAI set up the responsible structure "for signaling and protection of whistleblowers" which consists of three members conform to the definition of Law No. 60/2016 "For signaling and protection of whistleblowers". In November 2017 the responsible entity has conducted the presentation of the activity "for signaling and whistleblowers in Albania" with the SAI staff.

The Order no. 219, dated 31.12.2017 of ALSAI Chairman has adopted special internal regulation on the procedure of the administrative investigation of signaling, mechanisms for protecting confidentiality and protection from retaliation at the Supreme State Audit. In fulfillment of the obligations of law no. 60/2016, dated 02.06.2016 "On signaling and protection of whistleblowers" the responsible unit in HIDAACI reports periodically on its activity.

Protocol of investigation of breaches in ethics and integrity and internal guidelines

In the internal regulations of the organization and functioning of the institution, there are procedures which tend to consolidate and strengthen the control system of employee integrity during the audit activity. We can mention here the right of conducting investigations during the audit process depending on different signals for breach of integrity from auditors, thus there is a protocol for investigating violations of integrity.

With a view to installing and further development of a new organizational culture in an annual basis, we have issued guidelines for "direct communication to improve the audit work and increase the implementation of INTOSAI standards in ALSAI", creating in this way concrete spaces for expressing "positive criticism" from the bottom-to-the-top or giving opinions, suggestions for improving the work of the institution. The issuance of these guidelines is a "tool" for effective promotion of integrity to encourage employees to discuss problems, management evaluation or even the suggestion of different opinions.

Publications and training on Ethics and Integrity

Integrity policies are implemented spending a considerable part of budget funds in this direction as conducting training both inside and outside the country, or various publications such as:

1. INTOSAI Auditing Standards ISSAI 30 "Code of Ethics", 2012;
2. INTOSAI Methodology, 2014;

3. Ethics in Supreme Audit Institutions and other public institutions, 2014;
4. Code of Ethics ALSAI, Year 2015;
5. ISSAI 30 - Code of Ethics adopted at the INTOSAI Congress in December 2016, 2017;
6. Guide "Audit of ethics in public sector organizations", 2017.
7. The guide "How to implement ISSAI 30", 2017.

The development prospects: the contribution of SAI's audit of integrity and good governance in the public sector

Referring to the best practices of the field and definitions of the strategic plan 2018-2022, ALSAI aims to contribute to the installation of an effective ethics infrastructure in public sector institutions.

Institutional Contribution: ALSAI has established an effective system for integrity control and an effective ethics infrastructure and contributes through leading by example in promoting integrity in the public sector and consequently good governance.

Strategic Contribution: ALSAI seeks to include audit programs, conducting audit of integrity and ethics.

SAI intends to carry out monitoring of the functioning of the integrity control systems as well as conducting training and increasing knowledge on INTOSAI methodology, for institutions and public sector entities and internal audit bodies. From the operational standpoint ALSAI will conduct audits of ethics during compliance and performance audits, by focusing on assessing the maturity of the operation of the control system of ethics and integrity, as well as identifying strengths and weaknesses in order to address the recommendations for designing effective and efficient systems in the public sector institutions.

IV.2.3 DEVELOPMENT AND MANAGEMENT OF HUMAN RESOURCES

Human resources are an important factor in the implementation of key institutional objectives.

Supreme Audit Institutions are considered as the ideal model in terms of institutional management and expectations in this regard in the field of human resources management are quite high and under the focus of the internal institutional governance. In this view of human resource management in ALSAI, it is

considered as a prerequisite and vital for the functioning of the institution efficiently and effectively. ALSAI under the institutional reform and modernization has implemented on an ongoing basis a management policy of human resources, which is in line with international standards of Supreme Audit Institutions and principles of good public administration practices recommended by the European Union. In cooperation with the Polish NIK's experts, within the framework of the IPA 2013 project, in 2017 a document was designed regarding the institution's human resources management policy, approved by the decision of the Chairman no.228 dated, 31.12.2017.

In this context, the ALSAI had as a primary objective, not only building internal capacity but maintaining an organizational structure that will enable efficiency in carrying out its constitutional role as an institution that guarantees added value in spending public money.

The organizational structure

For 2017, the organizational structure was approved by Decision no. 4, dated 27.01.2017 of the Chairman of ALSAI, "On the Structure of the job classification and salary levels in the ALSAI," as amended, for a total of 181 auditors and supporting employees. From 2011 and 2012, years in which the structure had a total of 156 auditors and staff, the institution's dynamics on adding staff has resulted in five auditors every year culminating with 181 auditors and employees for 2017, thus covering the increasing demands in volume, quality and complexity of the activities subject to audit, with sufficient human resources.

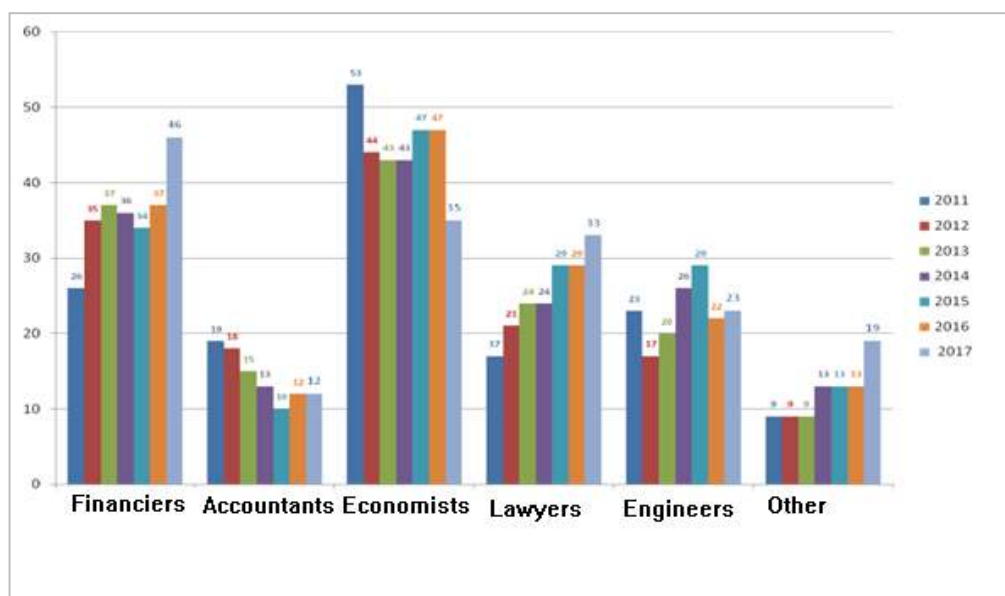
Table of ALSAI's structure in years

	2011	2012	2013	2014	2015	2016	2017
Managerial Personnel	10	14	14	13	16	15	16
Senior Auditors	7	5	7	9	9	9	12
Auditors	103	105	106	110	116	119	118
Support staff	22	23	28	33	23	17	20
Operative Personnel	10	9	9	8	9	9	10
Total	152	156	164	173	173	169	176

Source: ALSAI, Human Resources Directory

Referring the graduating profile of the staff, it appears as follows:

Graph no.27: Composition of ALSAI staff over the years



Source: ALSAI, Human Resources Directory

The main occupations are accountants and lawyers. Considering the nature and growing complexity of the activities under audit, which require financial and legal interpretation, the demand for these two professions will continue to be a priority.

In order to improve their performance and to gain knowledge, skills and new techniques, a part of auditors and directors have completed their studies in the second branch or in different national and international certificates, as follows:

- 3 Managers have the title of "Professor" and "Associate Professor"
- 6 Managers and auditors have the title "Doctor of Science"
- 19 Managers and auditors have a University second degree, of which 14 in Law and 5 in Finance,
- 5 Managers and auditors have Diploma / Certificate in International Accounting and Audit (CIPFA) and the Certificate in International Auditing (CPA)
- 5 Accounting audit certificate have adopted and 2 auditors are certified,
- 19 Managers and auditors have certificate as Internal Auditors,

- 12 auditors have the certificate of assessment of Real Estate,
- 8 Managers and auditors have Diploma/Certificate in training developed by the IDI (Development Initiative of INTOSAI).
- 10 Auditors have acquired training through internships with 5-month term by the European Court of Auditors (ECA) and 3 Directors and auditors through the Fellowship 4-month term by the US Government Audit Office GAO.

The processes of recruitment and selection of new staff

Recruitment and selection of staff is considered as the starting point for the management of human resources, as closely related to strategy, structure and functions. SAI has implemented effective management policies and recruitment of human resources based on three basic principles are: i) Assessment of professionalism, ii) transparency and iii) open competition and the possibility of participation for everybody concerned.

Employee recruitment policies are applied in line with the development strategy and human resource management that provide appropriate staff qualifications, skills and experience to meet the needs of current and perspective. As a very important process for the organization's performance, recruitment is conducted according to procedures, rules and legal provisions on civil servants. During 2017, 22 employees were recruited, one having the "Professor Doctor", two Managers with International Diplomas in Accounting and Auditing and auditors with the PhD title.

Policies of promotion and career development

The purpose of the promotion policy in ALSAI is to provide the use of employee potential in line with the institutional regulatory framework. This policy is intertwined with politics for motivation and professional development. Any ALSAI employee has the right to promotion and proof of this is any member of the SAI staff. Given the international standards, a supreme audit institution should maintain and develop professional staff for the purpose of creating opportunities for promotion and integration of new staff. During 2017 five tests were conducted and 22 promotions were approved for auditors (16 junior auditors and 5 senior auditors have been promoted).

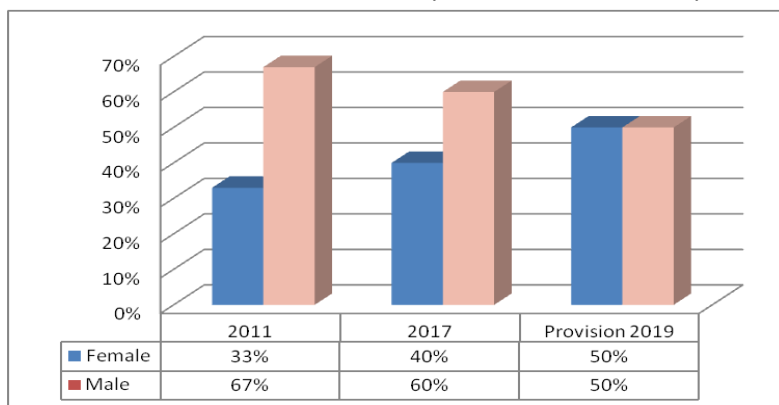
Gender equality

The staff in terms of gender composition results in improved indicators. Thus, ALSAI has 70 female employees and nine of them are in managerial positions (Secretary

General, Director General, Department Director, Director, Senior Auditor, head of Sector), 46 female employees work as auditors and 15 female employees in audit support departments and sectors.

For 2017, the female/male ratio is 40% to 60%, from 33% to 67% in 2011. For 2018 and 2019, the ALSAI will attempt to make it 50% to 50%. Graphically the trend is as follows:

Graph no.28: Gender composition

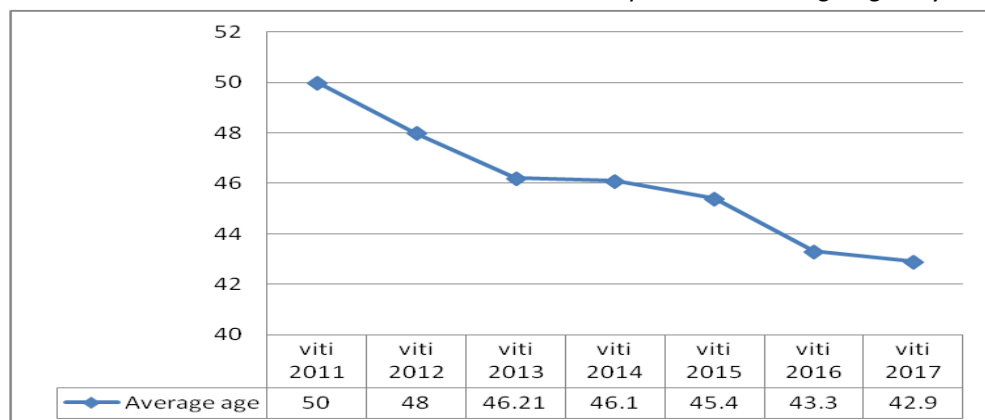


Source: ALSAI, Human Resources Directory

Age and Experience

Other indicators equally important for human resources are the age of the employees to ensure a continuity of the work and weaving experience with the auditors according to INTOSAI methodologies by the new staff.

Graph no.29: Average age in years



Source: ALSAI, Human Resources Directory

The average age in ALSAI at the end of 2017 is 42.9 years, from 50 years old in 2011. The progress of age indicators in these years has a lowering trend for the average age of employees that due to the recruitment of employees with professional skills to respond to the dynamic development of new technologies, new areas that the public sector faces.

The staff is composed of 35 auditors under the age of 30 years, 75 auditors in the range of 31-50 years old and older than 51 years are 66 auditors and supporting employees.

Seniority in the institution in 2017 is 7.4 years compared to 9.1 years in 2011 and for the period 2012 to 2017 a total of 25 auditors retired.

IV.2.4 PROFESSIONAL TRAINING

Capacity development is governed by institutional strategic thinking and developed in conjunction with the vision of the High State Control after 2011, in creating a culture of learning at an individual and institutional level, ensuring the strengthening of its capacity and making them capable to provide change. An analysis of training activities for 2017 and its results confirmed that ALSAI has created an effective training system and professional capable creating the necessary professional skills and possess the skills that make it possible for them to implement ISSAI auditing standards, with the ultimate goal to give users the assurance of the quality and accuracy of SAI audit reports.

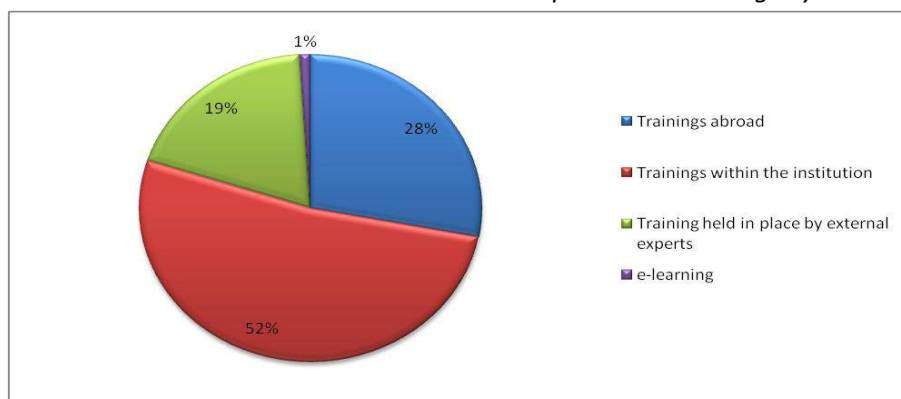
The objectives of ALSAI for professional development were outlined in the Annual Training Program for 2017 aiming at providing training auditors with a viable approach to enable staff preservation and continued development of skills and knowledge, career development, encouraging the exchange of knowledge and experience. This approach enables staff to have access to the best practices in the field of auditing in the public sector and contribute to institutional development for a stable SAI, independent and an example of professionalism, integrity and ethics.

Participation in the training of auditors shows that the trend of sustainable development has increased. Implementation of this policy for professional auditors development has brought changes in the way of thinking and conceiving training in the institution, which for years was regarded "as a long-term investment" and not an overrated objective or barrier to conducting audit work. During 2017, 4317 days

of training were conducted, allowing an average number of 28.5 days of training for each auditor.

The Professional Development System reflects the effectiveness of policies for increasing professional capacity of SAI policy in the years for which performance indicators are represented at levels about 14 times higher compared to 2011, when it was only an average of 2.1 days of training for auditors while at the end of 2017 audit staff attended an average of 28.5 days of training for each auditor.

Graph no.30: Trainings by sources



Source: ALSAI, Department of Methodology

This represents the highest level of this indicator throughout the development of this institution over the years.

Trainings have accompanied the growth of the auditing body, exceeding the average of 25 training days per auditor per year. The content and format of the training has considered the need for training auditors to a high level, to harmonize the best of theoretical knowledge with practical knowledge with an effective interactive approach. To maximize the quality and diversity of knowledge in the training process, ALSAI has attempted to diversify training resources along with internal capacities similar to those of foreign expertise.

This development coincides with the level of professional maturity of the institution achieved as a result of the institutional reform in the last six years (2012-2017). The evolution of the audit body proportion with experience and profile to match the audit activity is reflected in the way of conception and the training process implementation, which is geared towards: identifying the best trainers, developing modern methods of training, constructing canals and assessment procedures.

Graph no.31: Average training day for employees



Source: ALSAI, Department of Methodology

Diversification of the training process has managed access to certain components of the training topics. The primary object is the simultaneous training in terms of methodological development and update of knowledge in the field of legislation and regulatory framework of the entities being audited.

IV.2.5 ORGANIZATIONAL STRUCTURE COMPLEMENTS

In order to achieve the expectations of institutional modernization and implementation of ISSAI International Auditing Standards during 2017, we continued to consolidate the operation of the Performance Department created in the second half of 2012. By decision of the Chairman No. 7 dated 10.02.2017 the Department of Strategy and Audit Methodology was created, the main axis of which is the design and development of audit policies, development strategies, monitoring and developing methodology manuals and supporting auditing departments in the exercise of their audit functions. Likewise, continued consolidation of the Department of Law Enforcement Standards, in whose composition is established and functions the Department of Quality Control and Standards Enforcement. Likewise, during 2017 the consolidation of the Audit Department and Information Technology continued.

IV.2.6 INFORMATION TECHNOLOGY (IT) RESOURCES DEVELOPMENT

The High State Control (ALSAI), as the supreme audit institution of the Republic of Albania carries out its activity on all levels of State/public administration and in the

course of its activity, faces a huge influx of information which must be maintained, controlled and processed for auditing purposes and to be distributed to stakeholders (public, Parliament, stakeholders etc.).

By the beginning of 2017 as a result of investments in the network infrastructure (physical network + wireless + server rooms) it became possible to offer IT-based services such as e-mail communication, with the possibility of accessing both from the internal network and from the external network; Authentication and control of ALSAI users based on Microsoft Active Directory and Domain Controller; Print Server that manages and reports printing process and increases safety; public website www.klsh.org.al, *which is hosted in an external environment*; the use of analytical techniques (CAAT) using the IDEA program; Intranet service hosted on the servers of the institution; electronic entry and exit system in the institution building.

These services are set on the Microsoft Hyper-V virtualization technology to enhance stability and security. Internet access is provided by a router / Firewall that has sufficient capacity for the protection of existing applications and internal users.

During 2017 were achieved:

Establishment of the IT infrastructure in the new building environment. This project worth 58,560 thousand ALL was used to establish information technology infrastructure in the premises environment which lies on four floors, in addition to that it required raising additional Network infrastructure investment for adding the net topology of the SAI network. The investment conducted included the construction of the server room with AKSHI parameters; increasing the physical network and extending of the wireless network; assistive devices for the network on each floor; the security system of premises and access; establishment of the IP wireless system.

Investing in the creation of an information system for auditing management processes and support in the SAI, is worth 34.561 thousand Lek and was conducted with the objective of realizing an electronic system for managing issues and processes in ALSAI, through activity management issues, processes, reports on a soft platformware integrated and automated workflow, in accordance with applicable regulations and manuals about the availability, integrity and confidentiality of the system. This investment is aimed at the: Optimization of the audit process while respecting the principles on which it relies; Increase efficiency by ensuring the full context of the case to the auditor; Improved performance,

productivity and internal operational efficiency; Improved monitoring and increasing the efficiency of case management; Improving and ensuring transparency and monitoring activity of the organization in implementing the objectives.

IV.2.7 INTERNAL CONTROL AND FINANCIAL REPORTING

Internal environment control

The ALSAI, in order to create an effective internal control system, has taken into consideration the best practices that make this target possible, based on the COSO model.

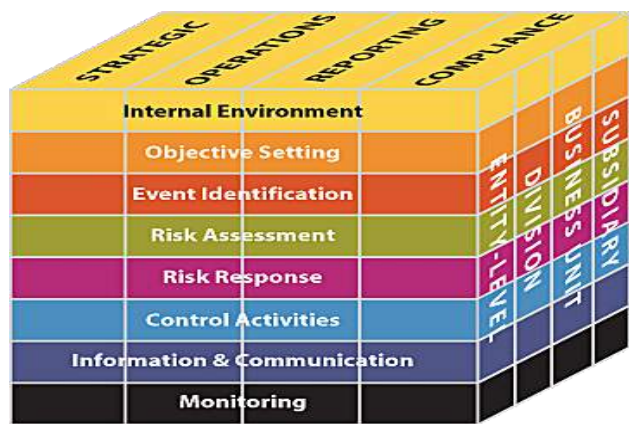


Figure: The internal environment control according to COSO model

Control environment: The senior management structures of ALSAI determine the framework of expectations according to the levels which is certified by internal control. The control environment consists of personal and professional integrity, ethical values, competence policies and human resource management practices that serve and enable responsible management, recruitment and staff development. Objectivity and accuracy of performance measurement and motivation are considered as environmental control instruments.

Risk assessment: The risk is continuously taken into account by the SAI management. This fact is expressed in the setting of objectives based on risk analysis, undertaken by the management team.

Control activities: Activities are established through policies and procedures that ensure that guidance is being implemented to minimize the risk of achieving the objectives. Control activities are carried out at all levels of the Institution. In their entirety, control activities have had preventative or identifying features that include authorizations and confirmations, verifications, reconciliations, and institutional performance results.

Information and Communication: Communication is the process of providing, distributing and receiving the necessary information. Internal communication refers to the instruments according to which information is disseminated through the institution, electronically or not. This enables the staff to receive a clear message from the executives on the importance and control responsibilities.

Monitoring activities: Continuous assessments are used to understand whether the objectives set out in the strategic plan have been implemented and to what extent they have been met. All links to the organizational structure of the Institution have provided periodic information on the implementation of the rules of operation and the regulation of audit procedures. The findings from the monitoring reports were communicated to the executives for whom the respective measures and decisions were taken. An example of the implementation of this model is the process of monitoring the Institutional Development Strategy 2013-2017 over the last two years.

Pursuant to the law no. 10296, dated 08/07/2010 "On Financial Management and Control" with amendments and by-laws issued for its implementation, the SAI has issued the relevant acts and in accordance with the above, the establishment of the Strategic Management Group of the Institution was approved and the Coordinator Risk and Delegated Risk Coordinator as well as the Risk Management Team.

ALSAI's organizational structure reflects the requirements of Article 12 of the Law no. 10296, dated 08/07/2010 "On Financial Management and Control" regarding the reporting and education policy criteria for the implementing officer. Implementing Officer (The Finance Officer reports to the Secretary General at the same time as the Authorizing Officer of the Institution).

ALSAI has drafted the SAI Risk Management Strategy, continued with its implementation and carried out its monitoring. All this process has been subjected to the analysis, updating the controls in function of risk mining.

In compliance with the Law on Financial Management Control within the legal deadline no. 1296/1 dated 27.02.2018 was sent to the Ministry of Finance to the

First Authorizing Officer, the Declaration and the Annual Report for 2017 "On the quality of the internal control system in the SAI ", Questionnaire Response" On the self-assessment of the functioning of the financial management and control system in SAI "and the document no. 1296/3 dated 27.02.2018 was sent to the FMC system development and development plan for the period 2018.

On the Internal Audit Reports

The State Audit Office has been established and functions within the State Audit Office. During 2017, in compliance with the auditing activity plan, this directorate conducted:

A. Auditing the financial regularity of the High State Control (ALSAI) activity for the period from January 1, 2017 to December 31, 2017.

The object of this audit is to provide a general judgment on the functioning of the internal control systems at the Supreme State Audit, giving an opinion on the implementation of the 2017 budget and the regularity of the transactions reflected in the financial statements of institution.

The purpose of this audit is to assess the activity of the State Supreme Audit Institution in accordance with the applicable regulatory framework.

The scope of this audit is the economic and financial activity for the period from 01.01.2017 to 31.12.2017.

Criteria: The legal definitions and rules of functioning of the institution, the norms and methods defined according to the requirements of laws, administrative acts, regulations of the institution and respective manuals as well as the standards accepted and sanctioned by law.

The overall conclusion of the audit is: The internal control systems are functional, guaranteeing a careful management and supervision of the activity. Drafting and implementing the budget reflects the implementation of legal requirements. The budget increase in the amount of 111,068.5 thousand ALL or 19% increase relates to investments that could not be foreseen in the initial budget as a result of the transfer of the institution to the New Building. The financial reports provide a fair view of the transactions and activities carried out during 2017. However, there are areas where minor improvements are needed.

B. Audit of the IPA 2013 Project, "Strengthening External Audit Capacities in Albania", implemented in ALSAI.

The object of this audit is to verify the efficient and sound management and control systems established for the IPA structure led by the Senior Program Officer for ALSAI.

The purpose of this audit is the report on the aforementioned IPA structure for the Twinning Project "Strengthening External Audit Capacities in Albania" based on assessments and findings, as well as providing recommendations for system improvements.

The scope of this audit is based on the system for the period from 01.01.2017 to 15.12.2017.

The overall conclusion of the audit is: Functioning of the management and control system for Component I of the IPA 2013 Project "Strengthening External Audit Capacities" for the period 01.01.2017-25.12.2017 is assessed in Category 1: ***The Project was well managed, but needs minor improvements in some areas.***

IV.3 REVIEWS BY EU, SIGMA AND INTOSAI COMMUNITY

IV.3.1 FULFILLING THE EU PROGRESS REPORT RECOMMENDATIONS

In the 2016 Progress Report of the European Commission for Albania, the EU has addressed to ALSAI the recommendation:

"The SAI has to increase the number of financial/compliance/regularity audits, in accordance with updated manuals and INTOSAI audit standards". ALSAI as the target for 2017 determined that it will progressively increase by about 40% the pilot of compliance audits, from 10 pilot compliance audits carried out in 2016 to 14 such audits in 2017 and will carry out 10 pilot financial audits. Overall, during 2017 ALSAI has implemented 25 compliance audits and 14 financial audits, exceeding the set target. During 2017, within the framework of IPA twinning project implementation, "Strengthening of External Audit Capabilities", ALSAI underwent the process of piloting some audits, a process that will be accompanied by the final improvement of audit manuals, according to a concrete action plan.

ALSAI has drafted and approved by the Decision of the Chairman, on July 31, 2017, "The Strategy of Communication of ALSAI for the period 2017-2019", thus

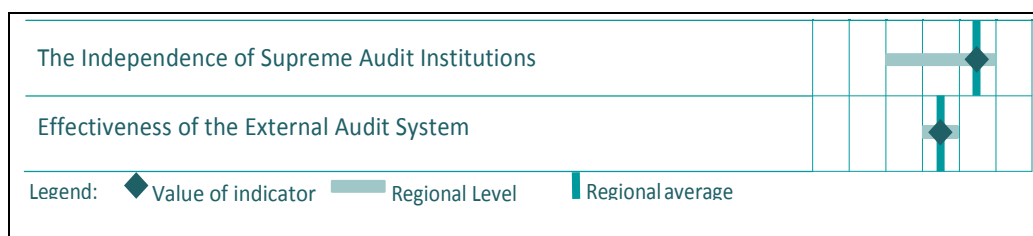
completing task as an institution within the framework of country's National Plan of European Integration.

IV.3.2 IMPLEMENT SIGMA RECOMMENDATIONS AND ALSAI ACTION PLAN

In December 2017, the SIGMA published the Monitoring Report "Principles of Public Administration in Albania", in which it expressed the assessment for the period 2015-2016. The report assessed ALSAI under the heading "External Audit" on the basis of two principles of Public Administration: Principle 15 "Independence, mandate and structure of the supreme audit institution are established, protected by the Constitutional Law and the legal framework and are respected in practice"; and Principle 16 "The Supreme Audit Institution applies impartial and objective standards to ensure high quality audits, positively impacting on public sector functioning" is assessed on the basis of the "External Audit System Effectiveness" indicator. The SIGMA's overall assessment refers to the following data:

Indicators

0 1 2 3 4 5



The value of the "Independence of the Supreme Audit Institution" indicator is 4 (versus 5 in total), stating that: Independence, mandate and the organization of SAI are established and protected by the Constitution and the SAI Law, 2015. However, the public's perception of the SAI's independence is low.

Sub Indicators	Scores
1. Constitutional and legal independence of ALSAI	4/4
2. The organizational and managerial independence of ALSAI	5/5
3. Adequacy of ALSAI mandate and compliance with the ISSAIs	3/3
4. Access to information and environments	1/1
5. Perception of SAI's independence from the public (%)	0/3
Total⁵	13/16

⁵ Balkan Barometer, annual survey conducted by the Regional Cooperation Council (RCC), <http://www.rcc.int/seeds/results/2/balkan-opinion-barometer>, <http://www.rcc.int/seeds/results/3/balkan-business-barometer>.

The "External Audit System Effectiveness" indicator at level 3 assessed the extent to which external audits contribute to improving public finance management and how Supreme Audit Institutions apply standards to ensure high quality audits

Sub-Indicators	Scores
1. The mandate of external audit coverage	6/6
2. The compliance of audit methodology with the ISSAIs	3/6
3. Quality Control and Quality Assurance of Audits	5/6
4. Implementation of ALSAI recommendations	2/6
5. Use of ALSAI reports by the legislature	4/6
Total	20/30

ALSAI has addressed all the recommendations given in this Monitoring Report to the "Implementation Action Plan for SIGMA Recommendations" adopted by ALSAI Chairman Order no. 1350, dated 30.12.2017. Specifically, the main recommendations presented in Monitoring Report in the short term (1-2 years) include:

- ALSAI should start preparations for updating the Development Strategy 2018-2022. This recommendation has been completed by drafting the Development Strategy 2018-2022⁶.

Also, SIGMA has supported the development of the Strategy by providing an independent and professional opinion on the document and that is part of the Strategy of Development of SAI 2018-2022 as follows:

The ALSAI Development Strategy seems to encompass every possible aspect of external auditing in the public sector. The strategy is well developed with reference to the INTOSAI and EUROSAI congresses, which show that ALSAI is determined not only to comply with INTOSAI Standards but also committed to implementing INTOSAI⁷ community ideas.

- *ALSAI should develop a Risk-Based Audit Strategy in which:*
 - a) The current focus on increasing the number of reports should be re-directed towards improving the quality of audit work and recommendations in line with ISSAI; and*

⁶ ALSAI's Chairman Decisionno. 229, dated 31.12.2017 "On the Approval of the Strategy for Development of ALSAI 2018 -2022"

http://www.klsh.org.al/web/Strategjia_e_zhvillimit_te_KLSH_2018_2022_3182_1.php

⁷ Document "Review of the Strategy of Development of ALSAI 2018 -2022, OECD/SIGMA 12032018.

b) Gradual reduction of the number of compliance audits, considering increasing the number of financial audits and performance audits.

The recommendation was addressed by being included in the Strategic Goals for the period 2018-2022 as specific objectives supported by the respective objectives and activities. Strategic Objective 2.2: "Risk Based Audit" is supported by concrete activities to develop risk-based audit strategy as an approach to all types of audit. This will be accomplished through the creation and use of specific instruments of ongoing and proper implementation of risk-based audit in practice as well as the development of a "risk map at national level" for the longer term. Strategic Objective 1.2: "Increasing Focus on Performance Audit" and at the same time Strategic Objective 1.3: "Performing Financial Audits in full compliance with International Standards on Auditing defines actions that SAI will undertake to increase the number and quality of performance audits as well as financial audits. One of the instruments to be used is the inclusion of compliance elements in compliance audits and financial audits.

- ALSAI should establish the rule that for each audit engagement, such as in the Program and Report, the budget coverage measure should be determined.

The recommendation has been completed through the Rules of Audit Procedure⁸, which sets out the requirement for each of the stages of the implementation of the mission to indicate the extent of budget coverage for the audited entity. "The SAI will update the Standard Statistical Documents Documents the extent of the audit budget coverage will be treated as information for each individual audit and consolidated at the institutional level.

- ALSAI should improve its relations with the public by organizing press conferences on published auditing reports, and organize seminars to enhance the performance presentation presentation to a wider audience.

The recommendation is addressed in the SAI Strategy Strategy 2017 -2019⁹. The objectives and activities envisaged in the Communication Strategy determine the directions on which will be worked out to ensure public awareness raising and all stakeholders on the impact and benefits of ALSAI audit reports. Also in the Strategy of Development of SAI 2018-2022, the recommendations are included in the

⁸ *Approved by ALSAI's Chairman Decision no. 107, dated 08.08.2017*

⁹ *Approved on July 31, 2017.*

Strategic Purpose no. 3 "Improving Communication and Cooperation Channels", Goal 3.5: Increasing the impact of reporting through increasing users of SAI products. Follow-up, monitoring and reporting on the implementation of the Communication Strategy will ensure the continuation of this recommendation. Also, the Rules of Audit Procedure define new requirements and criteria for drafting audit reports in accordance with ISSAI requirements. ALSAI will continuously evaluate the impact of audit reports that must comply with the requirements of the Rules of Procedure as well as responding to the needs of users of these reports in the most appropriate way. SAI will apply appropriate and effective instruments to ensure that its role as "citizen's voice" is heard and at the same time that the public feel the impact of the audit work.

In the long term, 3- 5 years, the SIGMA recommends:

- ALSAI should develop a long-term training strategy to improve the professional skills of audit staff for the use of ISSAI-s

ALSAI has established a consolidated system of Professional Exercise Training. Since 2012, SAI organizes training and professional development activities on the basis of the Annual Training Program, based on a detailed analysis of the training needs. Development Strategy 2018 -2022 includes as the Second Strategic Goal "Optimization of Professional Capacities, Audit Capabilities, Logistic Work Procedures and Other Supporting Functions in SAI" for the next five years. Specific Objective 2.3 "Promoting and Promoting High Professional Value of Auditors Through Cultivating a Lifelong Learning Culture" and Goal 2.4 Strengthening the Structured Vocational Education System through Certification of External Auditors and Continuous Development "reflect the the requirements of ISSAIs related to the development and training of ALSAI staff to enhance professional skills and to ensure the performance of audit activity in accordance with ISSAI. Since 2013, ALSAI has signed the INTOSAI Agreement for the "3rd ISSIs Implementation Initiative" program under which it approved the ISSAI Implementation Strategy in 2015 and monitored it in continuity. The implementation of this Strategy is set in the focus of the upcoming strategic period 2018-2022 and Objective 2.6 "Professional Standards Implementation through the Development of Applied Methodologies and Standards Compliant to Best Practice Practices", defines the directions of development of the framework methodology and audit procedures based on the full adoption of ISSAIs. The methodological initiatives will be supported by professional development

programs developed on the basis of INTOSAI Standards and to ensure their full implementation in the SAI audit practice.

- *ALSAI should develop a vision on the fulfillment of its advisory role regarding international and national developments in public finances and auditing.*

The inclusion of ALSAI in the National Public Financial Management Strategy 2014-2020, Pillar VI of the Strategy, is a starting point for further awareness-raising and enhancement of the advisory role, in addition to being the watchdog of public finances. In addition, SAI will focus on providing recommendations for improving the regulatory framework and/or orienting and advising the executive, contributing to the development trends of public finance management policies. Increasing the ALSAI's cooperation with the Assembly and relevant Committees for the deployment and use of effective instruments for tracking the implementation of audit recommendations with audited entities will continue to be in the expected developments as one of the most appropriate and appropriate ways to increase the impact of the audit work and the improvement of governance. ALSAI considers SIGMA as a strategic partner over the years, and its very important support for institutional development. ALSAI as a member of INTOSAI and EUROSAI will continue to act actively and contribute to international initiatives in the field of public finances and auditing with these organizations, other international professional organizations as well as SAI counterparts.

IV.3.3 REVIEWS FROM THE INTOSAI COMMUNITY

Assessment of independence of ALSAI by colleges of homologue institutions

The ALSAI activity regarding the independence and implementation of the basic audit principles of the Lima Declaration and Declaration has been assessed by the Austrian Court of Audit through the Peer Review process.

These findings were presented by the INTOSAI Secretary General at the Conference on the occasion of the 40-th anniversary of the Lima Declaration on Independence of the SAIs in LIMA, Peru on 5 December 2017, confirming the opinion of the evaluation that *"... the independence, mandate and organization of the ALSAI are legally de facto established and protected by the Constitution and the Law of the ALSAI. With the entry into force of the ALSAI Law in 2015, ALSAI had significant*

*improvements in its independence compared with the previous law projections. the established legal framework is appropriate and effective and complies with the Mexico Declaration"*¹⁰.

Evaluation by the Vice-President of the SAI of Poland (NIK) and Project Leader of the Twinning Project IPA 2013, Mr. Wojciech Kutyla for meeting the objectives of the Development Strategy 2013-2017 by ALSAI.

Warsaw 20 March 2018

The ALSAI Development Strategy 2013 – 2017 outlined the main directions for the enhancement of ALSAI's capacity to deliver audits leading to increasing efficiency, accountability, effectiveness and transparency of the public administration.

Concurrently, in March 2016 the twinning project "Strengthening of external audit capacity" (AL 13 IB FI 01) was launched. It is implemented by the ALSAI together with its partners from the Supreme Audit Office of Poland and the State Audit Office of Croatia. The activities undertaken within this project cover all five strategic objectives of the ALSAI Development Strategy.

As the twinning project implementation is at its final stage and most of the assumed results have been already achieved, I can confirm that all ALSAI's strategic development objectives have been reached.

The ALSAI adjusted its internal regulatory framework, including audit manuals and guidelines on various types of audit as well as quality of audit, to the international audit standards. The organisational framework of the institution has been changed in line with the European good practices, which increases the organisation's effectiveness in accomplishment of its goals.

The twinning project included the realisation of pilot audits in accordance with the ISSAI framework and European best practices. Apart from that, the ALSAI auditors have been exposed to these practices during their study visits to the EU MS countries as well as they widened knowledge during a number of trainings and workshops. A special attention was put on the improvement of ALSAI's capacity to carry out performance and IT audits as well as ability to tackle corruption. That definitely led to increasing auditing skills of ALSAI auditors, which, as a result, improves the quality of ALSAI's audits.

The successfully implemented Development Strategy 2013-2017 contributes to the improvement of transparency and accountability of public finance management in Albania.



¹⁰ Final Report of the "Peer Review" on the Independence of ALSAI, prepared by the Austrian Court of Audit (ACA), June 2017, "Public Audit" Magazine no. 16/2017, Series: ALSAI Publications - 06/2017/73, page 66, paragraph 1.3

**Evaluation by the Deputy Chief Audit Officer of the State Audit Office
of the Republic of Macedonia**

It is an honor and pleasure that we were again among you in the Republic of Albania, and on behalf of the State Audit Office of the Republic of Macedonia I represent, I wish you a successful job!

The execution of the state audit which includes examination of documents, financial transactions that represent revenue and public expenditures, assessment of the use of funds in terms of economics, efficiency and effectiveness, as well as assessment of the use of taxpayers 'and citizens' funds represents the main priority of each Supreme Audit Institution

We highly appreciate the work of the SAI, especially the work of ALSAI Chairman, Mr. Bujar Leskaj, who with his determination and dedication, I think has led the SAI as the Supreme Audit Institution on the map of the most valued institutions from the region's colleagues and beyond.

We have followed your work as Supreme Audit Institution and we have been invited many times to take part in SAI events, where you are really the only ones in the region that organize the Scientific Conference.

Acknowledgments to the Chirman, Mr. Bujar Leskaj for the excellent cooperation between the two institutions, stressing that such a practice should serve as an example of the other institutional mechanisms of our two countries.

NASER ADEMI

**ASSISTANT (DEPUTY) TO AUDITOR GENERAL OF THE STATE AUDIT OFFICE OF
THE REPUBLIC OF MACEDONIA**

Evaluation by the Auditor General of Kosovo, Mr. Besnik Osmani

Honorable friends,

I am happy to point out that the cooperation between the auditors of Albania and Kosovo is an excellent example of cooperation and capacity building. The implementation of joint projects, especially in performance audits or the organization of joint activities in the framework of continuous professional education represent the concrete example of the unification of audit activities.

The Albanian SAI enjoys special respect among the family of the Supreme Audit Institutions in Europe and beyond. As such, we have been given the opportunity to promote the Kosovo's National Audit Office in the path of international integration.

During the cooperation, I have found the priority given and the deep commitment of the ALSAI, which is very useful to ensure the Albanian Parliament and the albanian public that the economic activity of the public institutions and other state entities, as well as that of central and local government units that are using and safeguarding public funds are in full legal compliance and for the intended purposes.

The implementation of the International Standards of Supreme Audit Institutions (ISSAIs), as well as maintaining and strengthening the integrity and credibility of our institutions remain an ongoing challenge. I am very grateful to Chairman Leskaj and ALSAI staff that we work together in achieving these objectives.

With regard

Besnik Osmani

General Auditor of Kosovo





"... I highly appreciate the work of the ALSAI in terms of Integrity issues and the establishment of Ethics structures in ALSAI in terms of performance audits and in particular evaluate the work of the institution according to the standards of the time."

(by the President of SAls of Bulgaria, Mr. Tzvetan Tzvetkov during his visit to Tirana on 2 October 2017).



"I appreciate the ALSAI's flexibility in determining the number and types of audits to be carried out, which is essential for the activity of a Supreme Audit Institution. An important indicator for increasing audit capacities is the training program. In this area, SSA has created a solid tradition for which GAO contributes through fellowships to Albanian auditors "....

"... I consider innovative publications of the ALSAI auditors in the print media because they serve to strengthen transparency by creating concrete lines of communication with citizens. I also value SSA publications in recent years, recommendations provided by the institution for audited entities, criminal reports, etc."

(by Mrs. St.Laurent, Director of the Center for Excellence in Auditing at GAO during her visit in Tirana, March 23-24, 2017).



The President of the Kuwait Audit Bureau (SBA) During his visit to Tirana on March 6-7, 2017, Adel Abdulaziz Al-Saraawi praised the role of the Supreme State Audit in improving the financial management in Albania and the institutional reforms undertaken by the SAI, which, he stressed, are also reflected in the active presence of SAI auditors in the INTOSAI working groups. *"We have respect for your work and we have come up with new aspirations to set up a new phase of cooperation between the ALSAI and the SBA."*

President Al-Sarawai expressed special interest on ALSAI's Scientific Annual Conferences and supported Mr. Leskaj's proposal to organize a joint scientific conference, a proposal which was reflected in the cooperation agreement. On September 9-11, 2018, the SAI of Kuwait will hold the Sixth Scientific Conference of ALSAI in cooperation with the SAI of Kuwait, on Risk-Based Audit, with the participation of the SAIs of Poland, Kosovo, China, etc.



"The ALSAI has undertaken major reforms, which have aligned itself with European auditing models and methodology. In Albania you have achieved a high standard as a state institution, while your work has marked important impacts on good governance in the country. As the President of the Czech SAI and as deputy. EUROSAI President I would like to confirm my will to support the Supreme State Audit in overcoming the challenges it faces in implementing international auditing standards."

(from the speech of the President of the Supreme Audit Office of the Czech Republic, Ing. Miloslav Kala, during his visit to Tirana on 1-2 August 2017)



"Mr. Leskaj has supported and has been the promoter of cooperation between the two Supreme Audit Institutions since the beginning of his mandate as Chairman of the ALSAI. This co-operation has been fruitful in terms of strengthening the capacities of auditors and especially in terms of the support that institutions have provided to each other in the INTOSAI and EUROSAI communities "

(from the speech of President of Polish NIK, Mr.Krzysztof Kwiatkowski during the ceremony of the awarding the Chairman of the ALSAI the Night's Order of Merit for the Benefit of the Republic of Poland, by the President of the Republic of Poland on 19 April 2017 in Warsaw.

IV.4 MONITORING THE IMPLEMENTATION OF ALSAI STRATEGIES

ALSAI has already established a solid foundation on which the future strategy is being built, which represents how the change from actual achievements to expectations will be managed. Future developments, outlined in the ALSAI 2018-2022 Development Strategy, have been determined based on assessments and analyzes, in reference to what has been done and what is meant to be achieved by the ALSAI. The monitoring of the implementation of the previous Development Strategy identified important experiences in recent years.

This monitoring also confirmed that ALSAI has shown professionalism as in the forecasts for its strategic development as well as in the implementation and successful implementation of them. The monitoring praised the progress made towards the planned objectives as well as the effectiveness of the policies set in achieving the vision and mission to fulfill the constitutional mandate of the SAI in five years.

IV.4.1 STRATEGY MONITORING RESULTS 2013 - 2017

The year 2017 was the last year of the implementation of the Strategic Development Plan 2013-2017, the basis of which was presented in the Platform presented by Mr. Leskaj in December 2011, at the Commission of Economy and Finance, as nominee candidate by the President of the ALSAI Chairman. The process of institutional reform brought about radical changes that were reflected in the way of organizing, functioning and strengthening the role of the highest public auditing institution in Albania. ALSAI as a member of INTOSAI and EUROSAI, apparently in the last five years has adopted a long-term vision for the development of the public audit system.

The Strategic Plan 2013 -2017, strongly supported by the International Standards on Auditing, oriented the ALSAI activity towards the developments that set this institution alongside the counterpart institutions of the developed countries of the region. Auditing activities rely on international auditing standards and in its activity there have been motors of INCOSAI Congresses "National Audit in the Service of National Governance" and "Public Auditing in Citizens Service". The ALSAI Development Strategy for the period 2013-2017 defined 6 Strategic Goals covering the most important dimensions of institution growth, based on a thorough and professional analysis of the institution's status for needs assessment but above all with a focus on it is clear what this Institution wanted to reach the horizon of five years later.



In the Strategic Development Objective 2013-2017, the Strategic First Objective was to develop the institutional capacities of ALSAI through the amendment and refinement of the regulatory base in accordance with international auditing standards and good European practices. ALSAI has a contemporary organic law and

is fully in line with INTOSAI standards, endorsed by the Albanian Parliament at the end of 2014, with the assistance of the expertise of the European Union's General Budget Directorate. An overall, regulatory, administrative and organizational internal framework has been adopted and are in place together with the Manuals and Specific Guidelines for the Adoption of ISSAI Standards.

SAI's philosophy in meeting the ***Second Strategic Objective***, increasing audit capacities and quality of audit, is guided by best international principles and practices, based on the methodological and professional development of human resources in two main pillars: (1) Establishment of a high professional profile of the public auditor; (2) Ensuring the performance of auditing activities in full compliance with the standards of external public audit as well as good practices in the area of the audited audit manuals, audit procedures, reporting and transparency improvement as well as ongoing training of the audit staff.

Professional development and increased audit capacity strongly support the commitments undertaken under the ***Third Strategic Objective***, improve quality and increase the number of performance audits. With the approval of Law No. 154/2014, the ALSAI was mandated to perform performance audits explicitly and specifically, with unlimited access, both in subjects and information, as well as with the right to report to the Assembly with individual audits performance. For 2017, the number of performance audits has increased by 20%, reaching 15 audits, a trend that will continue to be pursued, turning this type of audit into the core auditing audit work of the ALSAI pursuing the models of European counterpart institutions and beyond.

In the Fourth Strategic Objective, the ALSAI, moved towards an ambitious development of audits in information technology systems. In Law no. 154/2014, ALSAI was mandated to conduct information technology audits as a special type of audit through which ALSAI collects and evaluates evidence to determine whether a computer system protects assets, maintains data integrity, allows the subject's audited targets to be effectively accessed by using resources efficiently. Under this objective, the Audit Directorate of IT was established and the first audits of this kind were made, as it was worked to adopt the complete regulatory framework upon which such complex audits are conducted. The number of IT audits is modest but with an upward trend from year to year, a fact that indicates that in this audit, the consolidation of audit work is satisfactory.

In fulfillment of the ***Fifth Strategic Objective***, ALSAI has increased its contribution to good governance through the fight against corruption. The undertaking of anti-corruption actions has received new dimensions from year to year. The discovery and denunciation of corruption cases in audited public entities has been accompanied by concrete measures to combat corruption as a phenomenon rather than as an individual case. ALSAI in fulfilling its mission has made the level of accountability of governmental and public institutions transparent. During 2012-2017, the amount of economic damage detected by the Albanian public external audit institution has exceeded US \$ 1 billion in an economy with annual GDP of about USD 10 billion.

Under the ***Sixth Strategic Objective***, ALSAI has integrated modern communication elements and has adopted, in June 2017, the Communication Strategy 2017-2019, aiming to convey the voice of the citizen and the public through audits and reports on their findings and recommendations. The communication strategy emphasizes ALSAI's relations with the public and the Assembly as well as other partners at national and international level. In 2016, the Assembly adopted the Resolution on the State Supreme Audit Institution's assessment for 2015, assessing the progress achieved by the institution in aligning its audit work with international standards in the field. This Resolution expresses the maximum engagement of the Assembly in order to improve cooperation and the possibility of establishing a Subcommittee within the Committee on Economy and Finance to systematically monitor the activity of ALSAI and in particular on the implementation of SAI recommendations by state institutions .

Communication through modern elements has succeeded in meeting the objectives of this strategy. The ALSAI web site is a window more and the interested can find numerous information on the activity of SAI and especially for the reports and audits. The publication of the decisions of the Supreme State Audit Office up to 98% has significantly expanded communication channels with the country's print media, newspapers and magazines. This new ALSAI approach is fully compliant and is based on professional standards of supreme ISSAI public audit, respectively in the Lima Declaration (ISSAI 1), as well as in ISSAI Standard 20 "Transparency and Accountability Principles ", 8th Principle, on Timely and Broad Communication of Supreme Audit Institutions.

Following a positive and innovative tradition launched in 2013, for five years 2013-2017, SAI auditors have published 521 articles, essays, editorials, print media profiles, published in 9 volumes, which have been added to the ALSAI publications list.

An added value of the ALSAI, in the last six years (2012-2017), in the area of communication and transparency of the institution, is its publication, which has reached the end of 2017 in 83 titles, from only 12 modest publications of the 1992-2011 periods. Each year, the dynamics of the publications of the institution increase by 10%, aiming for the period from January 2012 to December 2018 to reach 100 published books.

As a novelty in the field of communication, there are Relations with International Organizations and Institutions, homologous SAls as well as professional organizations and civil society within the country, through the signing of Collaboration Agreements. Over the past six years there have been 9 Cooperation Agreements with State Institutions, 27 Agreements with Civil Society Organizations, Universities and Office of International Programs, and 15 Homologue Institutions of EU and Regional Member States.

As an innovative method of combating fraud and corruption based on a balancing methodology of preventive and punitive measures, ALSAI has translated and published "Ethics Auditing" and in the near future the conduct of ethics and integrity auditing in public entities will be an important tool in strengthening the ALSAI's preventative role in the fight against corruption. Moreover, starting from 2014, annual analyzes have been conducted using an INTOSAINT integrity self-assessment instrument for the institution. The Financial Fraud and Corruption Audit Manual, drafted by Polish experts during the implementation of the IPA project during 2017, constitutes a structured instrument not only for ALSAI auditors in fraud and corruption audit cases but also performs the functioning of the preventive system and discoverers of potential corruptive actions within the institution.

The monitoring of the implementation of the previous Development Plan identified the important experiences in recent years and confirmed that ALSAI has shown professionalism both in the forecasts for its strategic development and in its implementation and successful implementation. The ALSAI Strategic Development Plan Monitoring Report 2013-2017 assessed that overall performance indicators set

out in the Action Plan were achieved both in terms of content and time of their realization in about 90% of the target targets and 10% are in process or unfulfilled.

IV.4.2 STRATEGY OF INTERNATIONAL AUDIT STANDARDS (ISSAIs) IMPLEMENTATION

The "ISSAIs Implementation Initiative 3i" presented by the International Organization of Supreme Audit Institutions, INTOSAI and IDI (INTOSAI Development Initiative) in 2012, supports the Supreme Audit Institutions of the developing countries for the implementation and ISSAIs.

In the light of this Program, Supreme Audit Institutions members of IDI (INTOSAI Development Initiative), part of which is our institution, are committed to implement strategies that ensure not only the adoption of standards, but above all the aim compatibility in their implementation. In March 2013, the State Supreme Audit Office signed with representatives of INTOSAI and IDI, the 3th Program Implementation Agreement, "ISSAI Implementation Initiative." Our commitment to this the deal includes:

- Defining the role and responsibilities of moderators, who will guide the ISSAI implementation process at national,
- conducting ISSAI compliance assessments with the help of ISSAI moderators, drafting ISSAI implementation strategy,
- Monitoring, evaluating and reporting on this implementation every year as part of the regular annual reporting process on the performance of the agreement activity.

In this context, during the year 2017, ALSAI continued to meet the objectives of the Strategy for the Implementation of International Standards on Auditing, thereby fulfilling expectations, fully engaging in the implementation of professional standards in the exercise of audit function in line with INTOSAI's approach, and EUROSAIs, considering this process as one of the most dynamic challenges faced by all SAIs globally, which is "Implementing International Auditing Standards, ISSAIs". The ISSAI implementation process during 2017 focused on these three directions:

1. Implementation of ISSAIs in accordance with the ALSAI mandate.

2. Evaluating performance of audits versus ISSAIs.
3. Use of ISSAIs as a reference framework in audit activity.

From this point of view, the entire ISSAI implementation process has been carried out through revisions and revisions of ALSAI audit methodologies, processes and procedures as well as all other institutional factors that impact on ensuring compliance of audit activity with professional standards. The process of implementing the ISSAI standards is dynamic and in function of its own development. This is clear from the highest level of meeting the objectives of the Strategy expressed in the implementation matrix as part of the Monitoring Reports of this strategy. The ISSAI Implementation Strategy Monitoring Reports including the 2017 Monitoring Report demonstrate a rigorous pursuit of the fulfillment of the objectives, but not only, they are evidence of institutional efforts to progress towards full implementation of the ISSAI Standards.

IV.4.3 STRATEGY FOR RISK MANAGEMENT

"Risk Management Strategy in ALSAI", based on ISSAI 9130 "Public Sector Internal Auditing Standards Guide - Extended Information on Institutional Risk Management" and Law no. 10296, dated 08.07.2010 "On Financial Management and Control", approved by the Decision of the President of ALSAI No. 41, dated 30.03.2015, decided as Main purpose: Ensuring that the concept of risk management is the foundation of organizational culture through philosophy risk reduction and assessment of any activity performed by the institution of the ALSAI.

The ALSAI Risk Management Strategy provides a comprehensive and structured approach to identifying, evaluating and managing the institution's risk. It aims to build and promote development based on regular reviews and update assessment processes ALSAI during 2017, continued with the implementation of the risk management strategy, considered as one of the basic documents and the axis of the risk management system. ALSAI has considered risk management as part of an organizational management culture integrated into the daily work plans and activities, aiming at identifying risk mitigation and risk assessment for any activity performed by the institution of the Supreme State Audit Institution. Risk Management during 2017 has been realized as a process that is attached to the achievement of the targeted objectives in line with the recommendations for the

development of the *Albanian Parliament's Resolution on the ALSAI of October 2016*.

In particular, the recommendation of the resolution was that: *"The ALSAI during the following period should implement the Risk Management Management Strategy in order to identify, analyze and monitor the main risks associated with SAI responsibilities in order to minimize unforeseen events and maximize opportunities during the audit activity"*¹¹ has been the focus of risk management in all its components closely related to the risk elements of the Development Strategy; with managerial risks, institutional risks, risks associated with audit activity. The breakdown of these risk components has complemented the institutional risk management framework across all dimensions of the institution's functioning throughout the 2017 activity. In conclusion, we highlight that ALSAI has carried out during 2017 and the process of monitoring the implementation of the Risk Strategy resulting in with a monitoring report that was published and in the ALSAI's web site, enabling all stakeholders to provide information in the light of the progress made in this regard.

IV.5 THE ALSAI DEVELOPMENT STRATEGY FOR 2018-2022, AS A CONTINUATION OF THE PROCESS OF INSTITUTIONAL MODERNIZATION

ALSAI has set the strategic focus of development guided by the concepts and principles addressed in the two major Resolutions of the General Assembly, which have accepted and emphasized *"...the role of Supreme Audit Institutions in promoting an administration efficient and responsive public, conducive to the realization of development priorities. They play a critical role in the fight against financial fraud and corrupt practices."* Messages followed by the XXI and XXII Congresses of INCOSAI: *"National Audit in the Service of Good National Governance"*¹², *"Supreme Audit Institutions (SAIs) Serving Citizens"* and *"United in ambition and determination"*, Constitute the essence of SAI's development objectives for the period 2018-2022.

"ALSAI as minister of Citizens" will be the motto of the ALSAI Development Strategy for the period 2018-2022

¹¹ *Resolution of the Parliament of Albanian on ALSAI Performance, dated 20 October 2016, section "Recommendations", item 7.*

¹² *Declaration of the XXI Congress of INCOSAI, Beijing, October 2013, "40th Anniversary of the Lima Declaration (1977 - 2017)", Series Publishing SSA-16 2017/83, p. 219..*

SAI, as an active partner of the international network of Supreme Audit Institutions, has integrated into the strategic development framework messages from the XXII Congress of INCOSAI "Supreme Audit Institutions (SAIs) in the service of citizens" and "The united in ambition and determination".

SAI has already established a solid foundation on which the future strategy is being built, which represents how the change from actual achievements to expectations will be managed. Future developments are based on evaluations and analysis in reference to what has been done and what is meant to be achieved by the ALSAI, always towards fulfilling the mission and vision and maintaining and developing our values and principles. The third ISSAI Objective 12, which states that "The SAI should be a Model-Oriented Model Organization", represents the axis on which the ALSAI Development Strategy is designed and which aims to ensure transparency and accountability right; good governance; compliance with the Code of Ethics; capacity building through the promotion of learning and dissemination of knowledge. The mission and vision of ALSAI is concrete in three strategic purposes, in which ALSAI will focus its activity for 2018-2022.

IV.5.1 OBJECTIVE 1: INCREASING THE FUTURE AUDITING IMPACT AT 6 Es

ALSAI is committed to develop as an example-led institution. This goal is supported by the 7 Sub-Objective.

1.1. Strengthening the independence and mandate of the ALSAI. Independence and the mandate of ALSAI are sanctioned in the Constitution and in the Organic Law, being considered a necessary condition for fulfilling the mission and achieving the goal and the strategic objectives over the years. The report with the conclusions and recommendations of the Peer Review of Independence will serve for the SSA as a basis upon which the necessary changes in the relevant legal framework will be proposed in order to ensure that all the preconditions deemed necessary for the independence of the institution are ensured clarifying and addressing uncovered audit areas by the ALSAI for an unlimited and independent approach to auditing of institutions, organizations and companies that are users of public funds, regardless of their status, including the users of EU assistance funds .

1.2. Risk-based Audit - Effective Audit Approach. The key challenge and strategic goal of the institution is to draft a "National Risk Hazard Map" as a comprehensive

document that defines and assesses the political, economic, social, technological and environmental risk throughout the public sector in Albania for the upcoming period, wide, not only between institutions, but above all with scholars, university professors and research institutions

1.3. Conduct Financial Audit in accordance with international auditing standards.

Financial audit is one of the most traditional auditing activities in the history, but dynamically refined by financial reporting developments, including the increasingly large role of information technology in this area, as well as the evolutions of international standards audit. This development makes it necessary for the ALSAI to guarantee appropriate institutional capacities to conduct financial audits in accordance with International Standards on Auditing (ISA) on Public Sector Financial Statements prepared in accordance with IPSAS.

1.4. Increasing focus towards Performance Audit. Performance Audit is conceived in the past strategy as one of the modern pillars of ALSAI development, according to world experiences. Ambitious goals put the focus on further performance performance developments. Specifically, the scope of performance audit faces quite significant risks such as: Changing the philosophy and vision of the steering hierarchy for the role that the performance audit must carry out within and outside the institution; the auditor's inability to apply audit methods that classify and monetize audit work according to 3 or more E; focus on micro-audit issues, generating segmented and partial impact audits, and more in the overall framework of the institution.

1.5. Deepening in Information Technology Audit (IT). ALSAI establishes the need for further IT Audit developments in the top of the objectives that have a direct impact on institutional performance growth. The ALSAI objective for the upcoming period considers the transition to a phase aimed at consolidating IT Information Audits, and the use of IT Audit elements in compliance, financial and performance audits.

1.6. Consolidation of Compliance Auditing assessed according to ISSAI requirements.

The ALSAI experience so far has shown that compliance audits are the most widespread type of audits performed. The evaluations of international institutions have expressed positivity regarding the ability of auditors to carry out this type of audit and their outcomes. Nevertheless, ALSAI acknowledges the need that while it will be working towards increasing the number of financial and performance audits, the quality and the context of compliance audits may not be left aside.

1.7. Quality as a priority of ALSAI - Quality Improvement and Benefit from ALSAI Audit. Recognizing and being aware that quality is essential to achieving the objectives and fulfillment of the mission serving the Assembly and Albanian citizens, ALSAI will adopt a Quality Management System that includes both sides, quality control and quality assurance. Quality control will be consolidated through the strict implementation of the ALSAI Audit Procedures Regulation. This procedure is also supported by Quality Assurance, which is carried out by independent individuals who have not participated in the audit process being reviewed.

1.8. Strengthen the follow-up to the implementation of recommendations, increase the level of recommendations received and implemented. The real effect of ALSAI's audit activity is measured by the level of implementation of recommendations by audited public entities, law enforcement institutions, and policy makers. To this end, the ALSAI will use the necessary tools to ensure the construction and implementation of the system of procedures and the proper infrastructure within the institution, to ensure systematic and periodic tracking of the implementation of recommendations coupled with inter-institutional cooperation for the effective achievement of the objectives. Indispensable is also the synergy with other factors to require the government to implement orders and guidelines for the implementation of the ALSAI recommendations.

1.9. Increase the impact of reporting through increasing users of ALSAI products. ALSAI is committed to consistently be an interactive and inclusive institution to maximize the contribution it provides, through the development of expertise, to respond to emerging problems and challenges and to be able to demonstrate the appropriate authority for generating positive impact on issues being audited. ALSAI aims to increase the impact and impact of its audits by expanding the users database of its products, findings, opinions and audit recommendations to serve both direct and indirect users, using the most effective communication channels to arrived to the latest user, a simple citizen.

1:10. The ALSAI role in the fight against corruption. ALSAI goals for the dimension of integrity and prevention of corruption go beyond the institution, extending it to all state bodies. The main objective in the 2018-2022 Strategy will be the adoption by the Assembly of the Law on "Material Responsibility" which is considered a very important tool to fight "rooted" corruption injected "... in the arteries of functioning state from the "culture of impunity" and the lack of accountability of senior public servants, abusers of public interest."Taking into account the sharpness of this

problem evidently evidenced by audit activity, ALSAI will insist on the building of an interagency or national unit or committee to establish a common front of the fight against corruption by taking measures to prevent it.

IV.5.2 OBJECTIVE 2: OPTIMIZATION OF PROFESSIONAL CAPACITIES, AUDITING CAPACITIES, LABOR PROCEDURES, LOGISTICS AND OTHER SUPPORTING FUNCTIONS

2.1. Performance Measurement Framework - as a tool of assessment and development factor of ALSAI activity. The needs assessment through the IPM will be the basis on which ALSAI will anticipate strategic developments, based on concrete information and data identifying the aspects and actions to be undertaken to ensure full compliance with accepted standards, performance management, determination of opportunities to improve and monitor the work of ALSAI, and to increase transparency and accountability.

2.2. Implementing Professional Standards by developing methodologies and standards applicable in accordance with best practice practices. The application of professional standards is considered by ALSAI as one of the ongoing challenges faced by all SAIs globally. Implementing Standards ISSAI is a dynamic process and one of the challenges of institutional development of ALSAI. In fulfilling this strategic objective, the institution is engaged in reviewing and updating of ALSAI audit methodologies, processes and procedures to ensure compliance of audit activity with professional standards and values.

2.3. Promote and stimulate the high professional values of auditors through the enactment of the culture of lifelong learning. Human capital, auditors, remain the most important and valuable asset for the ALSAI, considering that success in fulfilling the mission and achieving its objectives depends significantly on the creation of a competent and well-trained audit team. Through these elements emphasizes the necessity of continuous education culture by auditors. The realization of 25 training days per year for every ALSAI auditor is not only objective but also a tradition. ALSAI Human Resource Policies are the main instrument for promoting the professional values of auditors through continuous training, as it is based on building and functioning of the value system.

2.4. Strengthen the structured system of vocational education through the certification of public auditors and continuous development. ALSAI considers the training and professional development of auditors as an audit standard. External public sector auditors should be able to respond to changes in the economic, social, technological environment and face the growing standards of auditing; face political or public pressures or other challenges related to the vulnerability of the audit profession. The objective refers to changing the main idea on which the ALSAI training system is based: from the "gap filling" method, in providing the best employees the opportunity to participate in high quality training activities.

2.5. Implement and continuously monitor the ALSAI Human Resources Development Policy Paper. Continuous monitoring, assessment of the implementation of the Human Resource Policy Document will be one of the tools by which ALSAI will measure the effectiveness of these policies and keep the management system of these resources up to date to ensure delivery and use the most effective of these resources.

2.6. Integrity as a fundamental value of ALSAI. The focus of the policies pursued by the leadership of ALSAI was to build an effective system of integrity as well as its effective and continuous functioning, considering it as an integral part of the institution's day to day management and not as an interim policy. The objective of this approach is the impact on the creation of a non-corrupt system and environment and the implementation of an ethical and integrity culture. The ALSAI will continue to work fully and uncompromisingly for each individual in order to create an environment where ethical values and integrity are essential to the overall formation of the state auditor.

2.7. Strengthen the Internal Control System. ALSAI aims to maintain and update the established legal and regulatory framework in the service of domestic governance by implementing effective control policies and procedures to maintain a sound control environment. The adoption and implementation of the Government's Greenhouse Standards will enable the application of criteria for the design, implementation and functioning of an effective internal control system based on the principles of the five control components: the control environment, risk assessment, control activities, monitoring and information communication, as defined by the COSO model. The essence of the objective of strengthening internal control will be the preservation of values, integrity and ethics in carrying out auditing tasks by each individual of each executive level and senior to the ALSAI.

IV.5.3 OBJECTIVE 3: STRENGTHENING COMMUNICATION AND COOPERATION

ALSAI will continue to engage in the development of the profession through active participation in international and regional cooperation activities, and in particular in its participation in working groups and "task forces" established on specific issues.



1.1. Consolidating ALSAI Relations with the Parliament. Based on the best practices and conclusions and recommendations from the SIGMA

and World Bank/PEFA assessment documents, the ALSAI will further emphasize the demand for public hearings and in particular of the relevant Parliamentary Committees with audited units. This in order to follow the implementation of the recommendations and increase the impact of ALSAI reports. Awareness of the members of the Assembly on the benefits that bring the state and society to an effective public audit and the mutual role of the legislature in increasing the impact to increase the value of ALSAI audits should remain at the core of efforts to secure a supportive and useful external.

3.2. The role of ALSAI in the 2030 Sustainable Development Agenda. INTOSAI's XXII Congress in Abu Dhabi, United Arab Emirates, committed itself to increasing the contribution of INTOSAI and SAIs to the UN's 2030 Sustainable Development Agenda, including good governance in order to strengthen the fight against corruption. Considering the critical role that SAIs have to guarantee the design and implementation of national strategies in relation to sustainable development as well as the integrity, credibility and comparability of national statistics submitted to the UN from different countries to assess progress against Agenda 2030. The Strategy of Development of ALSAI 2018-2022 is built and oriented towards the fulfillment of these commitments that belong to the international sphere. Audit planning should ultimately result in better coverage of the ODAs in audit reports.

These statements are considered by the ALSAI as important targets to be achieved during the implementation of the 2018-2022 Development Strategy.

3.3. Continuous implementation and monitoring of the ALSAI's Communication Strategy. Communication policy is vital to the role and fulfillment of the ALSAI mission, as well as its usefulness in maximizing value of products, audit reports and the implementation of recommendations. Development Strategy 2018-2022 includes as an integral and very important part the success of achieving the objectives set in the Communication Strategy 2017-2019. To this end, implementation in all dimensions of the Communication Strategy 2017-2019 will be the most efficient instrument for enhancing and deepening the impact of ALSAI's audit activity, while also strengthening the partnership with stakeholders by making them allies its most loyal to increasing the pressure on the executive to fully implement the recommendations of the external public audit institution.

3.4. Deepening and extending cooperation with other institutions. The Moto of INTOSAI "From the common experience, benefit everyone" (Experientiamutu Omnibus prodest), is the essence on which ALSAI has built and implemented the Strategy for Development during 2012-2017, but which is the philosophy of this strategic document for the period 2018-2022. The use of appropriate instruments in establishing a cooperative environment with all parties and maintaining the independence of the audit are the preconditions for establishing fair and professional interaction.

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