



ALSAI PERFORMANCE REPORT 2016



Series: ALSAI's publications 03/2017/70

Tirana, 2017

REPUBLIC OF ALBANIA
SUPREME AUDIT INSTITUTION

ALSAI PERFORMANCE REPORT 2016

Tirana, 2017

Title:

ALSAI PERFORMANCE REPORT 2016

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Series: ALSAI's publications

03/2017/70

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ISBN:

978-9928-159-56-4

Printed by "Classic Print"

Tirana, 2017

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INTRODUCTION

In the Declaration of XXII INTOSAI Congress, organized in December 2016 in Abu Dhabi is emphasized that: *“Citizens are the ultimate beneficiaries of public auditing and have expectation for professionalism. It is the SAIs duty to perform the highest quality audits and provide citizens with reports that support transparency, good accountability and trust in government. Only the best work can make a real difference to their lives”*.

In accordance with the fundamental orientation of the recent INTOSAI Congress, that the supreme public audit must be in the service of the citizens, and based on the ISSAIs, we hereby publish this English edition of the ALSAI’s Performance for 2016. Since 2012, ALSAI has published the performance of its activity in Albanian and English (a joint publication) and it is the second year that we publish an English edition in response to the growing interest of our international partners, of our homologue SAIs with which we have a close cooperation, with our European partners with whom we are implementing a twinning project, with all the diplomatic representatives accredited in Tirana as well as foreign organizations and associations working in Albania, particularly those who promote transparency on the public funds, good governance and the fight against corruption.

The institution has worked to increase the capacity of its audit body. Being an watchdog institution who serves to the citizens and the Parliament for the good administration of public funds and assets, the spirit and motto of its audits during 2016 has naturally evolved from *“national audit in the service of national governance”* in *“national audit in the service of citizens”*, which is the motto of INTOSAI for 2017 and onwards.

2016 is the second year of measuring the institutional performance according to the Performance Measurement Framework of SAIs (PMF), an instrument which was adopted as a standard in the INCOSAI XXII, in Abu Dhabi.

The year 2016 also represented the last year of the implementation of ALSAI’s Development Strategy 2013-2017 (revised) fulfilling most of its objectives. The institution has fulfilled its constitutional and legal mandate by carrying out 154

audits from 154 planned. The diversity of audit types reflects the development and modernization of ALSAI, maximizing the human resources and capacities currently available to the institution. Audits have covered all areas of state activity focusing on the largest expenditure institutions or those of a primary importance for the economy and good governance of the country.

The performance audits in AL-SAI are increased in number and scope compared to the period 2012-2014 when the institution resumed this type of audit. During 2016 there have been conducted 13 audits and ALSAI is progressively advancing towards the European model of performance audit.

The findings of ALSAI audits, detailed in this book, have increased the indicator of the audit benefit of the institution. For 2016, for one ALL spent by ALSAI, the institution has requested for compensation 76.8 ALL, a sum equal to the four years 2008-2011. For the five-year period 2012-2016, the average of the benefit indicator was 127.1 ALL, or about 6 times more compared to the 10 year period 2002-2011 (21.1 ALL).

ALSAI has struggled uncompromisingly against financial abuses and fraud with public property, aiming to improve public governance by deepening uncompromising war on corrupted officials, mainly addressing denunciations to prosecution office with charges "*Abuse with official duty*", "*Violation of tender equality*", etc.

In the last five years , 2012-2016, ALSAI has made **219 criminal charges** for 718 persons, or one criminal charge per week, for middle and high level officials, that were found to have seriously violated the rules and laws, while **in the ten year period**, 2002-2011, ALSAI has made **168 criminal** charges for 490 persons.

During 2016, ALSAI has strengthened the audit capacities, through a continuous qualification process, based on professional trainings. The staff structure has continued to change not only in favor of auditing staff, but some of the employees have completed their studies in second faculties or have obtained various certificates and scientific degrees. During the five-year period 2012-2016, every auditor in ALSAI was trained on average 25 days/per year, or 12 times more than in the 10 year period 2002-2011 (2 days/year).

ALSAI values the importance of communication, transparency of the institution and gradually increased the activity transparency. By the end of 2016, ALSAI was present 6.7 times more with information and articles in the print media and we have

multiplied the presence of the institution in the audiovisual media, compared to 2010.

In the last five years 2012-2016, ALSAI has published 67 books. Each year the dynamics of institution publications is increased by 10 percent and conveys the strategic directions of institution reform for the improvement of public governance. ALSAI publications are the implementation of the international obligations of engagement of audit institutions in the field of documentation publications to enable citizens to gain broader access. The publications, which are enriched year after year, reflect every chronicle of the reforms launched by ALSAI and through them we increase our transparency and accountability as an institution, while increasing the citizens' confidence on our audit work.

The publication "ALSAI Performance Report 2016" provides in details the main directions of the reforms undertaken by the institution, accompanied by quantitative and qualitative indicators that measure the achieved results. We can mention just one indicator of these reforms, confirmed in November 2016 by the representatives of Austrian Court of Audit, which is at the same time the General Secretariat of INTOSAI, during the presentation of the Peer Review Final Report on the independence of ALSAI. This report confirmed the institution's high independence, gained through the strict adherence to the international standards of Supreme Audit Institutions, ISSAI, and by the adoption by the Parliament in November 2016 of the new integral law of ALSAI.

The recent Xth EUROSAI Congress in Istanbul marked an important moment in the developments of this important European organization. The purpose of this congress was to serve as *a platform for the exchange of audit knowledge* among its members, to promote mutual understanding of audit knowledge and to improve the auditing of public funds. In this regard, this English edition serves precisely to this objective.

Bujar LESKAJ



MESSAGE OF THE ALSAI`S CHAIRMAN

In achieving the strategic objective to consolidate a Supreme Audit Institution that functions as an independent professional body, aiming the maximization of values and advantages for the benefit of the citizens, ALSAI focused the institutional management and activity ***towards a sustainable development***. The undertaken reforms are in accordance with the ISSAIs, the recommendations of the EU Progress Reports, constitutional obligations and the expectations of the Parliament, public and all the stakeholders.

Through this report, ALSAI addresses the orientation of the Declaration of Abu Dhabi of the INCOSAI XXII organized in December 2016 “*Providing a Global Public Voice*”, while simultaneously aiming at meeting the objective that citizens are the main beneficiaries of the work of the SAI. It is our constitutional duty and obligation to perform audits with professionalism and quality, to achieve transparency and an effective accountability.

Referring to the institutional performance track of 2012-2016, ALSAI has consistently aimed at contributing with a strong impact to the changes for better for the lives of citizens, guided by ISSAI 12 guidelines “*The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*” in the following directions:

- Contributing to the strengthening of accountability, transparency and integrity in the process of managing public funds, aiming to increase public confidence and promote the use of public funds with economy, efficiency and effectiveness.
- Conducting audit activity by focusing and showing accountability and attention in the audit of important and strategic sectors, with a direct impact on improving the lives of citizens.
- Orienting the institutional activity toward a *model institution of excellence*, serving as an example of good governance, transparency and accountability by following the standards of integrity and ethics, in promoting quality culture and

continuous improvement through increased professionalism and application of INTOSAI community best practices.

ALSAI has consistently aimed at **consolidating an effective institutional governance** through the application and use of management tools such as the SWOT analysis and/or other assessment tools launched by INTOSAI, profiled and dedicated to the performance assessment of Supreme Audit Institutions, such as the SAI Performance Measurement Framework (PMF) adopted at the Abu Dhabi Congress in December 2016.

Through the use of the PMF instrument it is possible to ensure the identification of the potential factors that influence the achievement of objectives and the improvement of the institutional performance. Also, it is possible to identify the **managerial aspects** that need to be improved, different possibilities or risks subject to a more effective decision-making and meeting the expectations of strategic objectives. On the other hand, the application of this instrument for the purpose of self-assessment also reveals the SAI's efforts to increase credibility for the Parliament, the media, the public, etc.

Through the Performance Report of 2016, ALSAI presents to the Parliament, the media and above all to the public, the values and benefits that our performance as a Supreme Audit Institution has brought, referring to the impact on public finances and the fight against corruption in Albania. ALSAI's performance is linked not only to the number of findings and recommendations but also to the identification of the most risky areas in the administration of public finances. By indicating the weaknesses of the audited systems, we aim to raise Parliament's awareness on the most important issues when it comes to public finance management, as this is our mission based on the Constitution.

Regarding the forthcoming period, we guarantee that ALSAI will continue to carry out audits in compliance with the constitutional and legal framework based on the principles of independence, integrity, objectivity, accountability, public interest, professionalism, cooperation and transparency. Our main objective is to contribute in good governance, through a preventive and uncompromising fight against corruption and abuse of public property, increasing thus the public confidence and promoting the use of public funds with economy, efficiency and effectiveness.

I. LEGAL FRAMEWORK, MISSION AND VISION

The SAI mandate is very broad and includes the audit of all public authorities and entities administering public funds. SAI has the competence to undertake compliance audits, financial audits, performance audits, IT audits and any type of audit that the Chairman may consider relevant and necessary.

Referring to the requirements of Law No. 154/2014 “*On the Organization and Functioning of the Albanian Supreme State Audit*”, drafted pursuant to articles 81, 83, item 1, and 162 up to 165 of the Constitution, the competences and scope of work are defined in Article 10 “*Competences*”, related with:

- a) *audit of budget implementation by the governmental units, including the annual budget accounts;*
- b) *audit of public revenue collection;*
- c) *auditing the use, administration and protection of public funds and public or state property by general governmental units;*
- d) *auditing the annual financial statements of governmental units and providing an audit opinion;*
- e) *auditing the public sector internal audit systems;*
- f) *auditing the users of public funds, provided by the European Union or other international organizations, unless otherwise stated in a special law;*
- g) *auditing the use, administration of funds and public or state property and protecting the economic and financial interests of the State in companies, in which the State has more than half of the shares or when the borrowings, loans and their obligations are guaranteed by the State;*

- h) auditing, for the purpose of protecting public interests, activities or sectors regulated by concession contracts;*
- i) auditing of political parties, public entities or associations for funds allocated to them by the State Budget;*
- j) auditing other entities, as defined in specific laws.*

The State Audit Institution gives each year an opinion about the annual report on the implementation of the consolidated budget, which includes the assessment made pursuant to Article 15 of this law.

According to the type of audits it performs, the Law states that in **financial audits**, the Supreme Audit Institution should determine whether the reported results and financial situation of the auditee, as well as the use of the resources are presented accurately and in accordance with the rules of financial reporting (Article 11).

In **compliance audits**, the Supreme State Audit should determine:

- a) whether the revenues and expenditures have been in accordance with the law of the State Budget, with the relevant legal and sub-legal acts and with the principles of the law on financial management and control;
- b) whether the general principles of the public sector financial management system and the behaviour of public sector officials are applied (Article 12).

In **performance audits**, the Supreme Audit Institution should assess whether the programs, organization of work and processes, activities and management systems of public sector entities operate in accordance with the principles of economy, efficiency and effectiveness. The Supreme State Audit is authorized to carry out the performance audit at any time it deems necessary (Article 13).

In **IT audits**, the Supreme Audit Institution gathers and evaluates the evidence so as to determine whether a computer system protects assets, maintains data integrity, allows audited entity targets to be effectively accessed and uses resources efficiently, (Article 14).

ALSAI's Mission

Informing the public and the Parliament of Albania on the use of resources with economy, efficiency and effectiveness from the central and local government and other public entities, as well as promoting accountability in the public sector in accordance with the best practices of the EU and INTOSAI international standards, contributing thus to good governance through the fight against corruption.

ALSAI's Vision

ALSAI aims to be a professional body that contributes to the increase and the saving of public money value, providing assurance to the user of financial accounts and helping to improve the management of the Government and other public entities through auditing, gaining therefore the confidence of Albanian citizens and auditees.

II. MANAGEMENT OF CHANGE AND INTERNAL INSTITUTIONAL GOVERNANCE

1. INSTITUTIONAL PROGRESS AND REFORMS

The Albanian Supreme Audit Institution during 2016 continued with the consolidation of the institutional reform on the path towards institutional progress and modernization in reflecting EU requirements and best practices – *Acquis Communautaire*, the implementation of an ambitious and contemporary institutional development platform referring to the dimensions of well-functioning and the performance of ALSAI's performance subject to good governance and public accountability.

In order to demonstrate the level at which the ALSAI performs in relation to INTOSAI standards, ALSAI has applied as a tool of performance measurement the instrument of *“Performance Measurement Framework of Supreme Audit Institutions”* approved at the INTOSAI Congress, Abu Dhabi December 2016.

ALSAI is ranked among the Supreme Audit Institutions that voluntarily has embraced the self-assessment initiative of institutional performance in view of progress and advancement in moving forward development reforms, as this performance measurement framework constructively enables us to develop institutional capacities in a strategic plan, monitoring objectives and increasing accountability.

INTOSAI's Standard Document *“Supreme Audit Institution Performance Measurement Framework”* adopted at the INTOSAI Abu Dhabi Congress in December 2016 has a set of indicators to measure SAI performance towards the best international practices in terms of **institutional management and audit activity performance**. Based on this methodology, ALSAI has carried out the evaluation of these six areas:

1. *Independence and Legal Framework;*
2. *Internal Governance and Ethics;*
3. *Quality of Audit and Reporting;*

4. *Human Resources and Training;*
5. *Communication and management of third parties;*
6. *Financial Management, Assets and Supporting Structures.*

As already confirmed, the institution has begun the path towards the implementation of the ISSAI standards, one of the most difficult challenges of the Supreme Audit Institutions across the INTOSAI community and in consideration of this aspect, through the use of this instrument we are giving in detail the level at which SAI applies the INTOSAI Standards and at the same time the development perspectives in this regard.

1.1. Strategy for Management and Development 2013-201 (revised)

The extension of the audit scope with the new organic law of ALSAI 154/2014 prompted the need to review the ***Institutional Development Strategy 2013-2017*** and the Action Plan for the period 2015-2017. The Strategy Review aimed at setting priorities and fair and appropriate allocation of resources, focusing on achieving objectives and managing risks, in accordance with the obligations deriving from the Organic Law.

Managing change through ensuring the continuity of the implementation of the objectives of the ALSAI Development Strategy 2013-2017 (revised) adopted by the Chairman's Decision No. 42, dated 31.03.2015, has continued with the focus on the 6 priority objectives of institutional modernization:

- a) Expansion of institutional capacities to strengthen and develop the regulatory framework in line with ISSAI Standards;
- b) Increase of audit capacities and the quality of audit activity;
- c) Consolidation and increase performance audits;
- d) Development and consolidation as well as increasing the number of IT audits and the use of IT in auditing;
- e) Increasing the contribution of ALSAI in the fight against corruption;
- f) Increasing influence through communication and cooperation.

The management of institutional change and reform during 2016 was implemented by following the steps hereunder:

- *Continuous reassessment*, by updating, adapting and extending the dimensions of strategic objectives through sub-objectives;

- *Ensuring monitoring* as a process that enables updating objectives by adding value to the strategy for institutional development;
- *Strategy Monitoring Process* at annual level. The process of monitoring the strategy was carried out throughout 2016, thus enabling the updating of the objectives by adding value to the strategy for institutional development. To this end, with the decision No. 123 of the Chairman, dated 29.09.2016, the Report on the Monitoring of the Development Strategy of ALSAI 2013-2017 has been approved (revised).

It can be confirmed that strategic institutional management has been conducted towards international public audit norms and principles and in full convergence with the EUROSAI and INTOSAI Development Strategy, thus fulfilling expectations throughout the implementation period of the strategy.

1.2. The Strategy on International Audit Standards Implementation

In line with the Institution Development Strategy, **it was drafted the International Audit Standards Implementation Strategy (ISSAI)** on the basis of the Agreement signed on 12 March 2013 with IDI, the INTOSAI Development Institute. The use of “CAAT” techniques (compliance assessment techniques) enabled us to identify ISSAI requirements for any type of audit, thus opening the way for a SWOT analysis for each type of audit performed by ALSAI. In June 2015, ALSAI reported to IDI on the fulfilment of the commitment agreement obligations, part of which is the development of the ISSAI Strategy and Implementation Action Plan.

The process of implementing the ISSAIs is dynamic and subject to its own development. This is also clearly apparent from the highest level of achievement of the Strategy objectives during 2016, expressed in more detail in the Implementation Matrix part of the Monitoring Report of this Strategy, which was approved by Chairman’s Decision No. 123 dated 29.09.2016.

In the framework of meeting the strategic objective for the development of national audit standards, ALSAI during 2016 has translated and published updated ISSAIs as an important basis for the development of standards by the SAI institution and specifically:

- ISSAI 100 “Fundamental Principles of Public Sector Audit”;
- ISSAI 200 “Fundamental Principles of Financial Audit”;
- ISSAI 300 “Fundamental Principles of Performance Audit”;

- ISSAI 400 “Fundamental Principles of Compliance Audit”.

The ISSAI Implementation Strategy Monitoring Report prepared and published during 2016 revealed a rigorous pursuit of the fulfilment of objectives but not only, this report is a evidence of institutional efforts to progress towards the full implementation of ISSAI Standards.

Monitoring has resulted in the **fulfilment of objectives** and action plan and activities in order to meet the expectations of institutional progress and modernization.

The implementation of ISSAIs is a long process and is continuously being combined with the ALSAI activities being carried out within the framework of the implementation of the IPA 2013 Project “*Strengthening of External Auditing Capacities*”.

1.3 The design and implementation of Financial and Compliance Manuals. The pilot audits during 2016

In the framework of implementing the requirements of the 2013-2017 Institutional Management Strategy (revised), the ISSAI Implementation Strategy and the activities provided in the 2014-2020 Public Finance Management Strategy, Pillar 6, and in compliance with the requirements of Trigger Matrix Budget Program, in December 2015, there were set up working groups for drafting the Compliance Audit Manual and the Financial Audit Manual.

The two Manuals have been drafted based on ISSAIs, determination of priorities and drafting of the International Standards Implementation Strategy ISSAI 2015-2016, in the requirements of IDI INTOSAI Guidelines, ISSAIs, and Best Practices in the Field (European Court of Auditors Manual) and specifically:

- *ISSAI 100 “Basic Principles of Public Sector Audit” defining the fundamental principles for public sector auditing in general;*
- *ISSAI 400 “Fundamental Principles of Compliance Audit” defining the fundamental principles of ISSAI 100 and further develops them by adapting them to the specific context of compliance auditing;*
- *ISSAI 200 “Fundamental Principles of Financial Audit” defining the fundamental principles of ISSAI 100 and further develops them by adapting them to the specific context of auditing the financial statements;*

- ISSAI 4000 “General Introduction to Compliance Audit Guidelines”;
- ISSAI 4100 “Compliance audit guidelines for audits performed separately from audit of financial statements”;
- International Auditing Standards (ISA) of the International Federation of Accountants IFAC;
- International Public Sector Accounting Standards (IPSAS);
- Financial Audit and Compliance Manual of the European Court of Auditors;
- IDI Guidelines requirements, INTOSAI Guidelines “On the Implementation of International Standards on Auditing, ISSAI on Compliance Audit and Financial Audit”, as well as the best practices in the field.

The manuals were approved by the ALSAI’s Chairman on 31.12.2015 and sent to the European Delegation and SIGMA for giving opinions in view of their improvement.

At the end of the review process by SIGMA, the latter addressed recommendations stating that: *Further enhancements should follow based on the lessons learned from pilot audits to support auditors in implementing INTOSAI Audit Standards.*

▪ **Carrying out pilot audits subject to testing of audit manuals**

In 2016, referring to the Trigger Matrix Budget Program, part of the Public Financial Management Strategy 2014-2020, ALSAI was obliged to carry out 13 pilot audits 3 financial audits and 10 compliance audits, based on the above manuals subject to their testing in practice and improving the drafted manuals. For this reason, with the Decision of the Chairman No. 197, dated 31.12.2015, there were assigned the respective Departments that would be engaged in this task. The ALSAI at the end of 2016 completed the performance of pilot audits in accordance with the obligations set out by the Matrix of Budget Program implementation of the Public Finance Management Strategy and is awaiting the performance of the review mission by SIGMA’s experts.

In line with the recommendation addressed by the EU that “*ALSAI should increase the number of financial/compliance/regularity pilot audits, in line with INTOSAI’s updated manuals and auditing standards*”(Progress Report 2016 for Albania, page 85), in the audit activity plan of 2017, ALSAI has planned to progressively increase by about 40% compliance audit pilot and, expressed in specific terms, the number

of compliance audits will increase from 10 compliance audits to 14 audits to be carried out throughout 2017.

The development of financial audits, provision of an opinion for the financial statements will constitute one of the priorities of the audit activity.

In the audit activity plan of 2017, we have anticipated progressive growth by doubling the number of pilot financial audits and, expressed in specific terms the number of financial audits will increase to 10 financial audits throughout 2017.

▪ ***Further Steps to Improve the Manuals***

Pursuant to Order No. 77 of the Chairman, dated 30.06.2016, it was set up the ***Working Group on Improving Compliance and Financial Audit Manuals***. This decision refers to SIGMA's recommendations and implementation activities of the IPA 2013 Project. Based on SIGMA's recommendations, addressed to ALSAI, it was emphasized that: *Further enhancements should follow based on the lessons learned from pilot audits to support auditors in implementing INTOSAI's Audit Standards.*

At present, the ALSAI is working on reflecting and reviewing specific practices and requirements resulting from pilot audit and it will continue the integration of recommendations resulting from the process of reviewing and updating existing manuals throughout the implementation of the IPA 2013 project.

1.4. Implementation of an Effective Risk Management System. Risk Management Strategy

The ALSAI's Risk Management Strategy is one of the basic documents and the axis of the risk management system adopted by the Chairman's Decision No. 42 dated 30.03.2015.

The purpose of the Strategy is to ensure that the concept of risk management is the foundation of organizational culture through the risk reduction philosophy and its assessment, for any activities performed by the Albanian Supreme Audit Institution.

This document defines the general principles of risk management at the Supreme Audit Institution, a systematic approach used to identify, analyze, evaluate, address, monitor and communicate the main risks associated with ALSAI

responsibilities in order to minimize unforeseen negative events and maximization of opportunities.

The ALSAI's Risk Management Strategy has been developed in accordance with ISSAI 9130 "Public Sector Internal Auditing Standards Guidelines - Extended Information on Institutional Risk Management" and Law No. 10296, dated 08.07.2010 "On Financial Management and Control". The strategy also refers to the responsibilities and objectives set out in the revised ALSAI's Strategy 2013-2017.

In order to be effective, risk management should become part of the ALSAI's culture integrated into daily work plans and activities and should not be seen as a detached program. Then, risk management is the duty and responsibility of every employee in the ALSAI, of each level up to the highest management hierarchy.

The Risk Management Strategy focuses on both strategic and operational risks. The Risk Management Strategy at the Supreme Audit Institution provides a comprehensive and structured approach to identifying, assessing and managing the institution's risk. It aims to build and foster development based on regular reviews and updated assessment processes.

▪ ***The risk management team, as a key component for an effective risk management system***

Pursuant to the Decision No. 161 of the Chairman, dated 13.02.2016, aiming at the functioning of an effective risk management system, the ALSAI's risk management team has been established. The members of the Risk Management Team cooperate and co-ordinate their activities with the executives of the structural units, the Directors of the relevant Departments and Directorates in order to fulfil the managerial responsibilities throughout the process of risk identification, evaluation and monitoring with the main aim of meeting the objectives of the Department/Directorate as well as the institutional objectives.

Furthermore, in accordance with the requirements of the Law "On Financial Management and Control", the risk register for ALSAI was revised, with the aim of updating it with the new internal and external risks both at the institutional and structural level.

The whole process has been subjected to the analysis and updating of controls in order to minimize risk.

▪ ***Risk Management at the Albanian Supreme Audit Institution***

Risk Management is an accompanying process of achieving targeted objectives. Awareness and expression of risk components in an analytical register increases the chances of success in achieving the objectives in accordance with the Mission and Institutional Vision. Risk Management involves identifying, evaluating, controlling and monitoring those potential events that may have a negative impact on achieving unit objectives and is built to provide reasonable assurance that these objectives will be achieved. The objectives of the High Audit Institution have been expressed in the revised Institutional Development Strategy 2015-2017, revised. These objectives are in line with the recommendations for the development of the Albanian Parliament's Resolution on ALSAI, October 2016. In particular Recommendation No. 7, "ALSAI during 2016 and onwards should implement the Risk Control Management Strategy in order to identify, analyze and monitor the main risks associated with ALSAI's responsibilities in view of minimizing unforeseen negative events and maximizing opportunities during the audit activity", relates to the risk components of the Development Strategy; with managerial risks, institutional risks, risks associated with audit activity such as asset register. The breakdown of these risk components complements the institutional risk management framework across all dimensions of the institution's functioning.

Risk management in ALSAI is a process that finds support in its successful implementation for the sake of simultaneously fulfilling the management of the working environment, providing a network of risk communication and activities undertaken for this purpose has a strong support from senior management and is realized with the support of a positive institutional culture.

ALSAI has used the continuous risk identification that is required to identify new risks that have not emerged before, changes in existing risks or risks whose existence is no longer appropriate for the ALSAI. In any case, the risks are considered closely linked to the objectives, are addressed and prioritized in relation to them according to the respective level, from the lowest technical level to the strategic objectives. In this regard, the events are identified and the impact they will have if they occur and in this identification a wide range of internal and external factors that may increase the likelihood of risks or opportunities are taken into consideration, in the full context of the purpose of ALSAI's audit activity.

ALSAI, in the final document, has resulted in 3 Risk Matrices:

- (i) *Matrix of risks related to audit activity*
 - (ii) *The institutional management risk matrix and;*
 - (iii) *Matrix of financial management updates, assets and supporting functions.*
- (i) *Matrix of risks associated with audit activity*

Managing the audit process to achieve the objective of increasing the quality of the audit requires the identification of risk components. Risks and risk factors are grouped into two main components: External factors and internal factors: External factors include, but are not limited to factors deriving from changes in the political, social and technological environment and economic problems affecting both the ALSAI and the entities audited. Internal factors deriving from the mandate, management method and they include structure, competencies, skills and how information systems work. As part of the ALSAI's Risk Management Strategy, each Audit Department and the Director have drafted the Departmental Risk Register, which is linked to the audit process.

(ii) Matrix of Institutional Management Risks

Financial management and control is another factor that affects the achievement of the institution's objectives. After identifying all operational objectives and strategies, the risk management process requires managers to identify all the risks associated with each objective (i.e. events that may threaten the achievement of the objective, including not benefiting from all the opportunities given). Identifying the risks associated with financial management and control is a process that involves finding, recognizing and describing the risks that may affect the achievement of the objectives. It also includes identifying the causes and potential consequences associated with the realization of the institution's objectives. Financial Management and Control Risk Matrix combine the elements of Financial Management and Control with the objectives set out in the Strategy for Institutional Development, 2015-2017, revised. Risks are external and internal. External risks are related to geopolitical, economic and external partners. Internal risks are related to risks linked with system planning, processes and operations, risks related to human resources, risks related to legality and supervision aspects, and risks related to communication and information.

(iii) Matrix of Financial Management Risk, Assets and Supporting Functions

Asset management is a fundamental part of financial management. This register is valid in the preparation of accounts, but it is important to note that mismanagement of assets affects in the long run the normal development of audit activity. It is also a good practice to verify the status of the entity's current assets and to plan changes. The asset register includes both movable and immovable assets and specifies assets owned by the entity and those held under its legal control. Along with the risks of supporting functions, the normal development of audit work is ensured.

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the “Internal Institutional Governance” and the “Strategic Planning Cycle” indicator.

*Referring to the Performance Measurement Framework (PMF) the indicator of the **Strategic Planning Cycle** consists of four dimensions, the status of their realization resulting in a maximum rating ¹(level 4) and specifically:*

- (i) The contents of the Strategic Plan; **Status: Completed/Maximum score 4;**
- (ii) Contents of the operational plan/annual plan; **Status: Completed/Maximum score 4;**
- (iii) Organizational planning processes; **Status: Completed/Maximum score 4;**
- (iv) Monitoring and reporting of performance; **Status: Completed/Maximum score 4.**

The assessment through this instrument concludes that the Strategic Management Cycle of ALSAI is in line with the principles and requirements of ISSAI 12 “The Values and Benefits of SAIs; IDI Guidelines “On Strategic Planning”, ISSAI 20 “SAI’s Independence Transparency and Accountability Principles” and the INTOSAI Guidelines “On Communicating and Promoting the Values and Benefits of SAIs”.

Referring to the dimensions of the Strategic Plan's content, operational plan/annual plan and organizational planning of ALSAI, the status of implementation results as follows:

¹ The assessment is made on spores from 0-4 where 4 means that all criteria have been met.

(i) Content of the Strategic Plan Status: Realized/Maximum Score 4		
A	The current strategic plan is based on a needs assessment covering the main aspects of the organization and an identification of gaps or areas requiring performance improvements.	<i>Completed</i>
B	The strategic plan incorporates a results framework, logical framework or similar which has a logical hierarchy of purposes (e.g. mission-vision-goals-objectives; or input-activities-output-outcome-impact).	<i>Completed</i>
C	The strategic plan contains a manageable number of indicators measuring the achievement of the SAI's strategic objectives (E.g. related to its external deliverables (e.g. reports), internal capabilities, communication with stakeholders and legal framework.	<i>Completed</i>
D	The strategic plan is complemented by an implementation matrix or similar document which identifies and prioritises the projects that need to be undertaken to achieve the goals and objectives of the strategic plan, and which identifies risks to achievement of the strategic plan.	<i>Completed</i>
E	Stakeholders' expectations and emerging risks are factored into strategic (...) plans, as appropriate".	<i>Completed</i>
F	The current strategic plan is based on an assessment of the institutional framework (e.g. the formal and informal practices that govern the SAI's operations, as well as country governance, political economy and public financial management systems) in which the SAI operates, and the current capacity of the SAI's key stakeholders to make use of the SAI's reports.	<i>Completed</i>
G	Where necessary and appropriate, the strategic plan includes measures designed to strengthen the SAI's institutional environment.	<i>Completed</i>

(ii) Contents of the operational plan/annual plan **Status: Completed/ Maximum Score 4**

For the year 2017, the annual audit activity plan was drafted with the assistance of the Polish twinning projects experts from the NIK.

An effective annual plan should contain the following:		
A	Clearly defined activities, timetables, and responsibilities.	<i>Completed</i>
B	Coverage of all the SAI's main support services, like financial management, HR and training, IT and infrastructure, etc.	<i>Completed</i>
C	Clear links to the strategic plan.	<i>Completed</i>
D	The annual plan contains or is linked to a budget, and there is evidence that considerations have been made about the resources needed to complete the activities in the plan.	<i>Completed</i>
E	An assessment of risks connected to achieving the objectives of the plan.	<i>Completed</i>
F	Measurable indicators at the outcome and output level.	<i>Completed</i>
G	Baselines of current performance and milestones for major indicators.	<i>Completed</i>

(iii) Organizational planning processes **Status: Completed/Maximum score 4**
(Development of the strategic plan and annual/operational plan)

Effective planning processes require:		
A	High-level ownership of the process: the head of the SAI and the SAI management are involved in and own the process.	<i>Completed</i>
B	Participation: the opportunity for everybody within the organization to provide input into organizational planning in some form.	<i>Completed</i>
C	A variety of appropriate external stakeholders are consulted as part of the process.	<i>Completed</i>
D	Communication: there is effective communication of the organizational plans to everybody within the organization.	<i>Completed</i>

E	The strategic plan is made publicly available.	<i>Completed</i>
F	There is a process for annual and/or in-year monitoring of progress against the strategic plan and annual/operational plan.	<i>Completed</i>
G	Planning the plan: there are clearly defined responsibilities, actions and a timetable for developing the organizational plans.	<i>Completed</i>
H	Continuity: the last strategic plan was in place by the time the previous strategic planning period had ended.	<i>Completed</i>
I	The organizational planning process has been evaluated to provide input to the next planning process.	<i>Completed</i>
(iv) Performance Monitoring and Reporting		
Regarding the measurement and reporting of institutional performance:		
A	SAI assess and report on their operations and performance in all areas.	<i>Completed</i>
B	SAI uses performance indicators to measure achievement of internal performance objectives.	<i>Completed</i>
C	SAI may use performance indicators to assess the value of audit work for Parliament, citizens and other stakeholders.	<i>Completed</i>
D	SAI follow up their public visibility, outcomes and impact through external feedback	<i>Completed</i>
E	Where appropriate, “the SAI... publish[es] statistics measuring the impact of the SAI’s audits, such as savings and efficiency gains of government programs.	<i>Completed</i>
Following the annual reporting of institutional performance:		
F	SAI publicly report the results of peer reviews and independent external assessments.	<i>Completed</i>
G	SAls make public the audit standards and core audit methodologies it applies.	<i>Completed</i>

1.5. The implementation of an effective system of ethics and integrity

The focus of the institutional management activity is to ensure continuity of the implementation of an effective system of integrity and ethics through the implementation of the IntoSAINT regulatory and guiding framework, the Code of Ethics and the Regulation of the Administrative Organization of the ALSAI.

Referring to the fact that ***Ethics and integrity are a key component and prerequisites*** for establishing trust in the Supreme Audit Institution, ALSAI during 2015 also engaged in drafting a new Code of Ethics, which was approved by Chairman's Decision No. 56 dated 30.04.2015.

The Code of Ethics reflects the best practices in the field, being drafted **as an integral document** including: The Code of Ethics of the ALSAI, the Code of Ethics of the European Court of Auditors and ISSAI 30- Code of Ethics.

It may be confirmed that for the first time in the Ethics Code of ALSAI, the set of ethical principles and values have been elaborated **in a contemporary profile**, reflecting thus the challenges faced by *public auditors globally*.

The ethical dimension in general and that of integrity in particular have been addressed not only as a requirement that must be met by all ALSAI's staff, but ethical values and integrity are addressed in a profile and institutional level as one of the priorities of managerial activity that tends to establish an institutional level so that the ALSAI is and *functions as a model of ethical excellence and guided by the example*.

ALSAI has ensured that the entire regulatory and guidance framework is drafted in the spirit of IntoSAINT in order to promote integrity as a key feature of confidence perceived by the Parliament and stakeholders.

IntoSAINT is a self-assessment tool that is getting more and more widely used in the INTOSAI community and enables the assessment of risks towards the integrity and maturity of systems to manage these risks. In addition, with the Order No. 26 of the Chairman, dated 27.01.2017 "On establishment of the structure responsible for signalling and protection of signallers" it was set up the responsible structures according to the definition of Law No. 60/2016 "On Signalling and Protection of Signals".

At present, the strengthening of the ethics and integrity system is among the priorities of institutional management and as a member of the *Task Force* for Audit and Ethics, it has already established its ethical structure, **the Ethics and Integrity Sector**, its Code of Ethics and in reflection of the best practices of the most advanced homologue institutions it has also set up the **Ethics Committee**.

The Ethics Committee functions as an ad hoc body of professional judgment and covers issues related to ethics and integrity.

In order to meet the objective that the ethical behaviour of the ALSAI staff is an integral part of the activity of each auditor, during 2016 the activity of the committee and the ethics sector focused on addressing cases of non-compliance with the norms and basic requirements of the Code of Ethics.

In the forthcoming period, ALSAI aims at the following:

- Realization of a performance audit “On assessing the integrity at the SAI institution”;
- Continuous monitoring of the risks and maturity of integrity, ethics and institutional discipline systems;
- Preparation of Monitoring Reports from the Ethics and Integrity Sector on the inspections carried out;
- Monitoring by external experts and co-operation with other agencies and anti-corruption NGOs.

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the Dimension of the “Internal Control Environment” - indicator “Ethics, Integrity and Organizational Structure”.

From the evaluation through the PFM instrument it is concluded that the indicator “Ethics, Integrity and Organizational Structure” for ALSAI has been maximally evaluated (score 4) and is in line with the ISSAI 10 principles and requirements “The Mexico Declaration” ISSAI 20 “SAI’s independence, Transparency and Accountability Principles” IntoSAINT - Integrity Self-Evaluation Methodology Instrument and INTOSAI’s Guidebook “On Communicating and Promoting SAI’s Values and Benefits”.

In order to assess the dimension of Ethics, Integrity and Organizational Structure, ALSAI has to meet the following requirements:

(i) Internal Control Environment - Ethics, Integrity and Organizational Structure Assessment Status -Maximal Score 4		
In order to promote ethical behaviour and strong control environment, the Institution should:		
A	Have a code of ethics.	<i>Completed</i>
B	The code of ethics sets out “ethical rules or codes, policies and practices that are aligned with ISSAI 30. As a minimum it should contain criteria which address the auditors’ “integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency	<i>Completed</i>
C	Review the code of ethics at least every ten years to ensure it is in line with ISSAI 30.	<i>Completed</i>
D	Require all staff to always engage in conduct consistent with the values and principles expressed in the code of ethics, and [...] provide guidance and support to facilitate their understanding.”	<i>Completed</i>
E	Require that any part that is addressed to carry out the work in its responsibility should be committed to the ethical requirements of the institution.	<i>Completed</i>
F	Make the code of ethics publicly available.	<i>Completed</i>
G	Implement an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing.	<i>Completed</i>
H	Have an approved and applied organizational structure and ensure that responsibility is clearly assigned for all work carried out by the SAI.	<i>Completed</i>
I	Have clear job descriptions covering the main responsibilities throughout the organization.	<i>Completed</i>
J	Ensure staff are clear on their tasks and reporting lines.	<i>Completed</i>

K	Have assessed its vulnerability and resilience to integrity violations, through the use of tools such as IntoSAINT or similar, in the past five years.	<i>Completed</i>
L	Apply high standards of integrity (...) for staff of all levels” by adopting an integrity policy based on an assessment using IntoSAINT or a similar tool.	<i>Completed</i>

1.6. Organizational Changes

The changes and developments that have taken place in the ALSAI's operating environment in recent years, the expectations resulting from the adoption of the new law, highlighted the need to review and adjust the organizational structure and forms of interaction between the units of the institution.

Changes in organizational structure have considered the possibility of completing the organizational structure subject to an effective institutional management, and a clear structure and an optimum stratification. The review has considered possible changes of responsibilities and role-sharing for both primary audit and supporting functions, aiming at an appropriate hierarchy and clear reporting lines. It is also aimed at adapting a flexible organizational structure that reflects the **“COSO model”** versus the five components in order to provide effective internal control systems thus forming an integrated system that responds dynamically to changing eventual conditions.

In order to meet the expectations for institutional modernization and the implementation of ISSAIs, during 2016, ALSAI continued the consolidation of the Performance Department functioning, established at the beginning of 2012 and the Audit Policy Department (in 2017 the Department of Strategy and Audit Methodology) is in operation, the main axis of whose activity is the drafting of audit policies and the support of audit departments during the exercise of their audit functions. Furthermore, the Law and the Standards Implementation Department has been set up and it is functioning, in the composition of which the Quality Control and Standards Implementation Directorate has been set up and functions as well as the “hot” and “cold” Control Sector; this is a structure in line with the strategic objective of carrying out audit activity in line with ISSAIs and strengthening the control component and quality assurance in accordance with ISSAI 40 **“Quality Assurance”** requirements. Subject to the SAI objective, a separate Directorate of IT

Audit was established in order to become part of its Audit Practices and Information Technology Audits.

Based on the recommendations addressed by the foreign experts during the implementation of IPA project, the mission “Review of the Current Structure”, the current structure was changed with the appointment of the post of Director General focused on “audit performance”.

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the Dimension of “Internal Control Environment” indicator: “Internal Control System”.

From the evaluation through the PFM instrument it is concluded that the “Internal Control System” indicator for ALSAI was maximally evaluated (score 4) and is in line with the principles and requirements of ISSAI 40 “Quality Control and Quality Assurance” and the INTOSAI GOV 9100 Guidelines, which is based on the regulatory framework of the COSO model for internal control”.

Internal Control System Maximum score 4	
To promote effective internal control within the SAI, the SAI should:	
a) Operate a clearly defined system for identifying, mitigating and monitoring major operational risks.	<i>Completed</i>
b) Ensure its internal control policies and procedures are clearly documented and applied. INTOSAI GOV 9100	<i>Completed</i>
c) Maintain an annual process for the heads of all SAI departments/units to provide assurance they have carried out their risk management responsibilities.	<i>Completed</i>
d) Ensure the Head of the SAI signs a statement of internal control which is published as part of the SAIs annual report.	<i>Based on the existing Legal Regulatory Framework, the Authorizing Officer signs a statement on the internal</i>

<p>e) Have undertaken a review of the internal control environment and report on it within the last five years.</p>	<p><i>control functioning system and submits it annually to the Chairman of ALSAI and to the First Authorizing Officer at the Ministry of Finance: "Annual Report on the Functioning of the internal control system in ALSAI".</i></p>
<p>f) Clearly assign responsibility for internal auditing and ensure the staff tasked with this have the appropriate mandate, skill set, experience and resources to do the job.</p>	<p><i>Completed</i></p>
<p>g) Ensure its internal auditors are independent from management and report directly to the highest level of authority in the organization</p>	<p><i>Completed</i></p>
<p>h) Have a system for monitoring the implementation of recommendations from internal audit and its Audit Committee (or committee with similar function, or the Head of SAI).</p>	<p><i>Completed</i></p>
<p>i) Have a notification procedure in place for employees to report suspected violations ("whistle blowing").</p>	<p><i>A separate structure was set up at ALSAI, pursuant to legal requirements.</i></p>
<p>j) Have developed and implemented a job rotation policy to manage possible conflicts of interest.</p>	<p><i>Completed</i></p>

On the development of the methodology for drafting the annual plan, based on risk assessment

One of the factors that has positively impacted the quality assurance of the audit work for the year 2016 is the improvement of the Methodology. The diligent preparation of the annual program of activity of ALSAI is related to the determination of priorities, the argumentation and involvement in auditing

program of audit subjects, based on risk assessment and materiality determination. *In function of the above and in the fulfilment of the activities planned in the Strategy of Institutional Development, the action plan for the implementation of the Strategy was drafted, Guideline No. 4 dated 31.12.2015 approved by the Chairman "On drafting the annual plan of ALSAI based on risk assessment".*

In cooperation with the Polish experts, the Directorate of Methodology and Development and the Directors of Departments/Directorates, within the IPA project, improved the methodology of annual audit planning. The annual audit plan for 2017 was carried out with the assistance of experts of Project IPA 2013. The objective of this practice was to make positive changes in planning through consultation, discussion, drafting of recommendations, and risk assessments. The importance of this activity is related to better planning of the audit force as well as finding the best possible entities to be audited in order to realize the optimization of institutional performance.

1.7. On the implementation of the action plan of the recommendations of the Parliament Resolution of October 2016

ALSAI, based on the Constitutional and Legal Obligations, submitted to the Parliament of Albania the *"Annual Performance Report 2015"* in reference to which the Parliament addressed on October 20, 2016, the *"Resolution on the Performance of the ALSAI"*.

Through this Resolution, the Albanian Parliament valued the role of the Albanian Supreme Audit Institution, as the independent constitutional institution of external economic and financial control, which audits the efficiency and usefulness of public and state funds and public property. It also estimated the importance of operation of this institution on the basis of guaranteeing the principles of independence, integrity, objectivity, accountability, public interest, professionalism, cooperation and transparency and has confirmed the support to the institution's mission to work and contribute to good governance.

In accordance with the applicable legal framework and the best practices of EU and INTOSAI international standards, the Supreme Audit Institution prepared the Action Plan as an effective instrument for the full, efficient and timely implementation of

the Resolution's Recommendations of the Parliament and sent it to the Parliament on 25.10.2016.

Recommendations of the Parliament's Resolution are in the same line and integrated with the objectives of SAI's Development Strategy 2013-2017 (revised), based on the directions and strategic plans for the development of INTOSAI (2011-2016) and EUROSAI (2011- 2017) organizations and the Law No. 154/2014, "*On the organization and functioning of the Supreme Audit Institution*" as amended. The Resolution recommendations and the Action Plan have been integrated with the objectives and activities of the IPA 2013 Twinning Project implementation in order to strengthen administrative capacities and further development of institutional modernization, for the implementation of the International Auditing Standards widely used by the INTOSAI Community and the best EU practices, which SAI is implementing in cooperation and interaction with Polish NIK and Croatia's SAI.

SAI is maximally committed in the implementation of the specific measures in the Action Plan for the implementation of the recommendations of the Assembly Resolution, October 2016.

1.8. Human Resources Development and Management

SAI has implemented a human resource policy that embodies the values, principles and general objectives of human resource management, with the aim of providing staff with competence, skills and commitment towards the implementation of ethical principles, to carry out auditing and managerial activity in accordance with International INTOSAI Audit Standards and with the applicable legal framework.

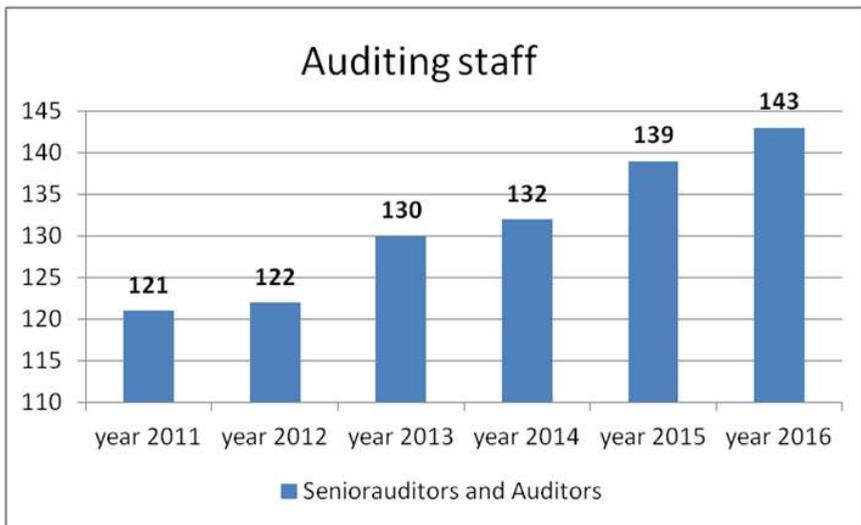
Based on the requirements of ISSAI 40, which states that "*Human Resource Policies include (inter alia): recruitment, professional development and promotion*", ALSAI has oriented policy implementation towards transparent recruitment procedures, promotion and assurance of professional competence through continuous professional development.

The purpose of SAI is to continuously improve its performance, this can only be achieved through a staff who is motivated, well-managed and fairly rewarded.

The effective and professional management of Human Resources is vital for the institution of SAI.

For 2016, by Decision No. 7, dated 03.02.2016 of the Chairman of the ALSAI, “On the Structure of Work Order, Classification of Workplaces and Salary Levels in SAI”, as amended, an organic structure was approved with a total of 176 employees. From 2011 and 2012, the years in which the structure had a total number of 156 employees, it increased by 5 additional posts in 2013, respectively 161 employees, 5 posts for 2014, respectively 166 employees, 5 posts for 2015, respectively 171 employees and 5 posts for 2016, respectively 176 employees.

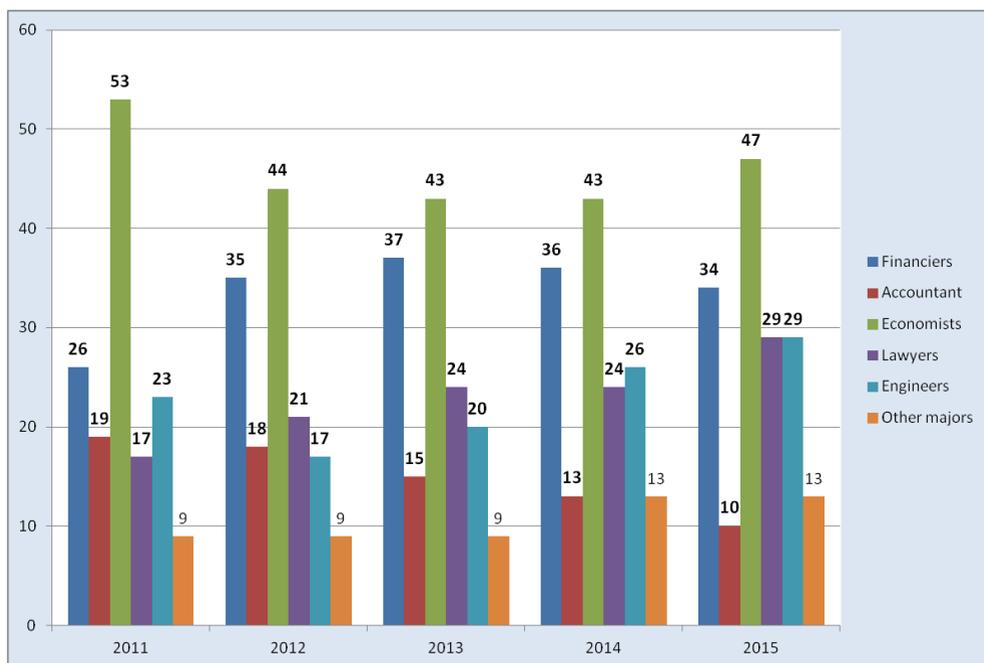
In total, the auditing body in 2016 was 143 employees (from 139 in 2015, 132 in 2014, 130 in 2013, 122 employees in 2012 and 121 employees in 2011) which occupies 81 % of the total number of employees.



As the chart clearly shows, the structure of employees has continued to change in favour of the audit staff.

Classified according to education, in the organic structure for 2016, there are 160 employees with higher education or approximately 94.7%, compared to the total number of employees in 2016, 162 employees or approximately 94.7% versus the total number of employees resulted in 2015, 157 employees, or approximately 95% resulting in 2014, 149 or 94% resulting in 2013, 145 employees, or 93% in 2012, and 141 employees or 90% resulting in 2011.

Divided by graduation profile, the classification of employees with higher education is as follows:



In order to improve their performance and to acquire new knowledge, skills and techniques, some of the employees have completed their studies in second faculties or they have obtained various certificates that enable them to effectively use their skills already acquired in new situations and respectively:

- Two employees (General Director) have the title “Professor” and “Assoc. Professor”.
- Four employees have the title “Doctor of Science”.
- 16 (10%) employees have a second degree, out of whom 13 in Law, 2 in Finance and 1 in another faculty.
- 1 employee has an International Accounting and Auditing Degree (CIPFA)
- 4 employees have a Chartered Accountant Certificate and 1 employee has a Certificate as an Accounting Expert.
- 20 employees have a Certificate of Internal Auditor.
- 8 employees have a Certificate of Real Estate Valuation.
- 8 employees have certificates of on-line training developed by IDI (INTOSAI Development Initiative).

Recruitment and selection is the starting point for the management of human resources. It is closely related to the strategy, structure and functions of SAI. Recruitment and selection are important as they help the SAI to ensure that it has the right staff with the right qualifications, skills and experience to meet current and future needs.

During 2016, all procedures were followed up according to the rules and legal provisions of civil servant law, for the recruitment of 24 employees, of 27 employees recruited in 2015, of 25 employees recruited in 2014, 21 employees recruited in 2013 or 25 recruited in 2012.

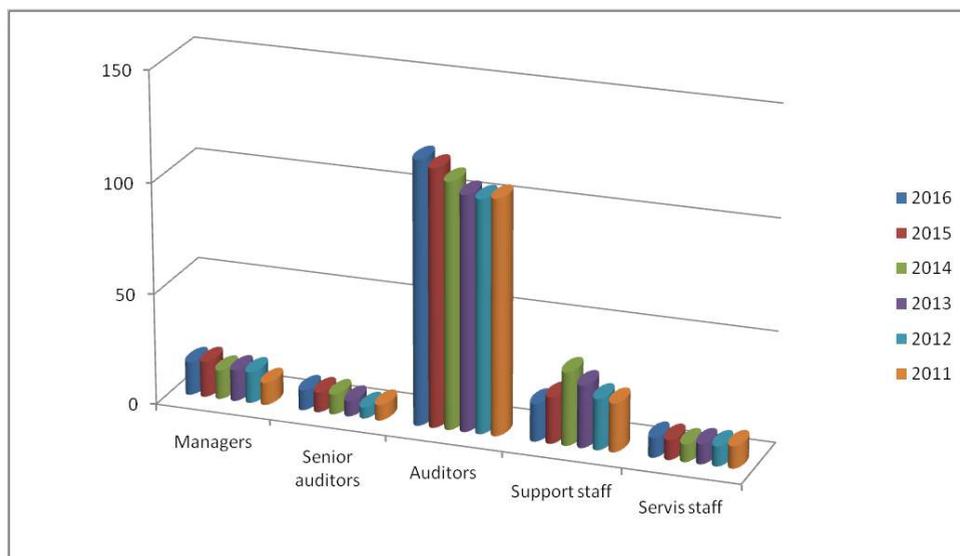
- In accordance with the needs and organic law of ALSAI, 2 employees were recruited through appointment acts or temporary contracts with a fixed term in 2016, 2 employees were recruited through appointment acts or temporary contracts with a fixed term in 2015, 2 employees through appointment acts or temporary contracts with a fixed term in 2014, compared to 2013, when 6 employees were recruited through temporary contracts with a fixed term, or compared with 2012 where 3 employees were recruited by appointment act and 8 employees with temporary contracts.

SAI itself represents an institution to create opportunities for the promotion and integration of new staff in the audit process. Thus, during 2016, 5 tests were conducted and 16 auditors were promoted in category, while during 2015, 6 tests were conducted and 27 categories of auditors were promoted in category, during 2014, 6 tests were conducted and 20 changes were made in category, during 2013, 3 tests were conducted and 23 changes were made in category, thus giving the opportunity to develop professional careers within the institution through the competition. Meanwhile, there are 2 cases of demoting in categories.

In 2016 the composition of employees according to the functions and duties they perform was:

- 15 Managing staff, constituting 8.8% of the total number of employees, out of 16 Managing staff 9.3% in 2015, 13 in 2014, 14 in 2013, 2012 and 10 in 2011.
- 9 Chief Auditors, constituting 5.3% of the total number of employees in 2016, out of 9 Chief Auditors, 5.3% in 2015, 9 (5.4%) Chief Auditors in 2014, 7 (4%) Chief Auditors in 2013, 5 in 2012 and 7 in 2011.
- 119 Auditors (70%), out of 114 Auditors (66.7%) in 2015, 111 Auditors (67%) in 2014/106 (66%) Auditors in 2013, 105 in 2012 and 106 in 2011.

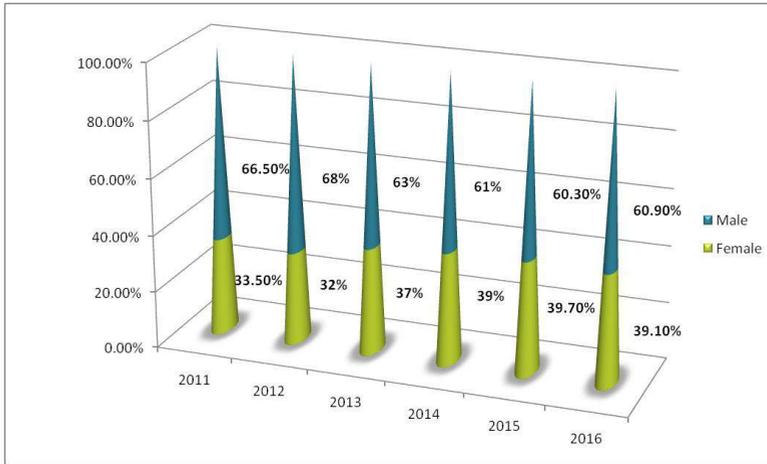
- 17 supporting employees (head of sector, specialists, lawyers, spokespersons, service employees) accounting for 10% of the total number of employees in 2016, 23 supporting employees accounting for 13.4% of the total number of employees in 2015, 33 in 2014, 28 in 2013, 23 in 2012 and 22 in 2011.
- 9 service workers accounting for 5.3% of the total number of employees, out of 9 (5.2%) in 2015, 8 (5%) in 2014, 9 in 2013, 2012 and 10 in 2011.



Managing staff, Chief Auditors, Auditors, Supporting employees, Service workers

Other equally important indicators for human resources are the age of the institution's employees and the female/male ratio during 2011-2015 respectively as follows:

- The average age in SAI at the end of 2016 is 43.3 years old, from 45.4 years old in 2015, 46.1 years old in 2014, 46.21 years old in 2013, 48 years old in 2012 and 50 years old in 2011.
- The average work experience with the institution is 9 years, from 7.2 years in 2015, 8 years in 2014, 8.2 years per person in 2013, 5.5 in 2012, 9.1 in 2011.
- There are 34 employees under the age of 30, 67 employees from the age of 31 to 50, while 68 employees are over the age of 51.



- Female/male ratio 39.1% with 60.9% in 2016, from 39.7% to 60.2% in 2015, from 39% to 61% in 2014, 37% to 63 in 2013, 32% to 68% in 2012, 33.5% to 66.5% in 2011.

There are 69 female employees in the Institution, out of whom 8 are in managerial positions (General Secretary, General Director, Director of Department, Director of Directorate, Head Auditor, Head of Sector), 17 female employees in Departments, Directorates and Supporting and Ancillary Sectors and 44 female employees in audit positions.

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the Human Resource Management field

Referring to the PMF Performance Measurement Framework, the Human Resource Management Indicator consists of four dimensions, the status of their realization results²:

(i) Human Resource Function/Maximum Score 4;

(ii) Human Resource Strategy/Moderate Score 2;

(iii) Human Resources Recruitment/Maximum Score 4;

(iv) Remuneration, Promotion and Staff Welfare/Maximum Score 4;

² Evaluation is made with score from 0 to 4 where 4 means that all dimension criteria have been met. ALSAI has conducted a *maximum level narrative evaluation*, the evaluation with three means that 3 of the dimension criteria have not been met.

Following the end of this evaluation process, the ALSAI will focus on drafting a **Specific Human Resource Management Strategy** for which work has started, as a human resources policy document has been prepared by IPA 2013 project experts.

Below are the requirements to be met by SAI for an effective management of the human resources of the institution and specifically:

(i) Human Resources Function. Status: Completed/Maximum Score		
The institution should assign responsibility for human resources management to a particular department or individual:		
A	Who have the appropriate skill set, experience, and resources to do the job.	<i>Completed</i>
B	Developing and maintaining a human resources strategy and policies.	<i>Completed</i>
C	Developing and maintaining a competency framework.	<i>Completed</i>
D	Providing guidance and consultation on human resource matters.	<i>Completed</i>
E	Maintaining a performance evaluation appraisal system.	<i>Completed</i>
F	Maintaining personnel files (e.g. signed code of ethics, and continuing professional development reports).	<i>Completed</i>
(ii) Human Resources Strategy Status: Under review process/Assessment 2		
The institution should have a human resources strategy which:		<i>Under process</i>
A	Is aligned with the strategic plan/objectives of the SAI.	<i>ALSAI does not have a specific human resources strategy but the strategic objectives in this regard are integrated into the Institutional</i>
B	Covers recruitment, retention, remuneration, performance appraisal, professional development.	
C	Contains considerations about the number and type of staff required for the strategic planning period.	

D	Has indicators, baselines and targets	<i>Development Strategy (2013-2017), revised. A human resources policy document has been prepared by IPA 2013 project experts and ALSAI is working on its adaptation.</i>
E	Achievement of the targets in the strategy is monitored annually	
F	The strategy is communicated to all staff	
G	The Human resource strategy is reviewed and regularly updated, at a minimum once every five years	
(iii) Human Resources Recruitment Status: Completed/Maximum Score 4		
Recruitment processes should have the following features:		
A	There are written procedures in place for recruitment (and minimum qualification requirements for recruited staff).	<i>Completed</i>
B	The procedures for recruitment are made public.	<i>Completed</i>
C	The procedures for recruitment promote diversity.	<i>Completed</i>
D	In recent recruitments, the decision making process involved more than one person.	<i>Completed</i>
E	Current overall recruitment plans are based on an analysis of organizational needs, considering matters such as vacancies, existing competencies and skills levels, and staff turnover rates.	<i>Completed</i>
F	Advertisements of positions during the last year included a description of the skills and experiences needed, and were made public.	<i>Completed</i>
G	Internal human resources are supplemented by outside expertise as required, and the SAI has procedures in place to ensure the quality of the deliverables.	<i>Completed</i>

(iv) Reward, Promotion and Well-being of the Staff Status: Completed/Maximum Rating 4		
The SAI should have effective remuneration, promotion and staff welfare practices in place as demonstrated by:		
A	There are established routines to ensure individual performance appraisals take place at least once a year.	<i>Completed</i>
B	The most recent performance appraisal assessed the employee's performance against the job description or performance agreement made the previous year.	<i>Completed</i>
C	Where it lies within the SAI's powers, there is evidence that the most recent remuneration decisions and any awarding of bonuses were in accordance with established procedures.	<i>Legislation does not anticipate the provision of promotion rewards</i>
D	The promotions procedure takes into account an assessment of performance and potential to perform at the higher level.	<i>Completed</i>
E	Promotions awarded during the past year, or the last two promotion decisions, followed established procedures.	<i>Completed</i>
F	The SAI has a functioning staff welfare policy (this can be part of the human resources strategy).	<i>Treatment Reference in the section of human resources strategy</i>
G	Employees have had an opportunity to express their views on the work environment to management within the last year.	<i>Completed</i>
H	The management has acted according to the problems identified in the workplace.	<i>Completed</i>

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the "Leadership and Internal Communication" indicator.

Referring to the PMF performance measurement framework, the "Leadership and Internal Communication" field consists of two dimensions: the status of their implementation results³:

(i) Leadership Status: Accomplished/**Maximum Score 4**;

(ii) Internal Communication Status: Accomplished/**Maximum Score 4**.

From the evaluation through the PFM instrument it is concluded that the Leadership and Internal Communication indicator for ALSAI is maximally assessed (score 4) and is in accordance with the principles and requirements of ISSAI 20, ISSAI 40, the INTOSAI GOV 911 and ISSAI 30 "Code of Ethics".

LIDERSHIP	4
Features of effective SAI leadership:	
a) The SAI leadership holds periodic decision making meetings. Derived from CAF: pg. 19, SAI PMF Task Team.	<i>Completed</i>
b) Key decisions made by the SAI's leadership are documented and communicated to staff. SAI PMF Task Team.	<i>Completed</i>
c) The SAI leadership has identified and disseminated the SAI's values and promotes these in its public activities, core documents and regular communications. CAF: pg. 18, SAI PMF Task Team.	<i>Completed</i>
d) The SAI leadership has successfully implemented a system where authority is delegated and where managers are held accountable for their actions. Derived from ISSAI 20:pg 4, ISSAI 40: pg. 5 (E.g. in case of inadequate quality control of audits).	<i>Completed</i>

³ The evaluation is done with a score from zero to four where four means that all dimension criteria have been met..

e) The SAI leadership has considered strategies (within its available powers) to incentivise better performance, and has implemented these. Derived from INTOSAI GOV 9100: pg.30.	<i>Completed</i>
f) The SAI leadership has demonstrated initiatives to set a tone enabling accountability and strengthening the culture of internal control. INTOSAI GOV 9100, ISSAI 30: pg. 6.	<i>Completed</i>
g) The SAI leadership has demonstrated initiatives for building an ethical culture in the organization by identifying ethics as an explicit priority; leading by example; maintaining high standards of professionalism, accountability and transparency in decision making; encouraging an open and mutual learning environment where difficult and sensitive questions can be raised and discussed; and recognising good ethical behaviour, while addressing misconduct. ISSAI 30: pg. 6-8.	<i>Completed</i>
h) The SAI leadership has demonstrated initiatives to establish “an internal culture recognising that quality is essential in performing all of its work.” ISSAI 40: pg. 5.	<i>Completed</i>
Internal Communication	
a) Regarding internal communication, the following criteria should be met by the SAI in the period under review:	
b) The SAI has established principles for internal communication, and monitors the implementation of these.	<i>Completed</i>
c) The SAI leadership communicates the SAI's mandate, vision, core values and strategy to staff. AFROSAI-E Handbook on Communication for SAIs, CAF: pg. 18.	<i>Completed</i>
d) The SAI leadership informs and consults employees regularly on key issues related to the organization. Derived from CAF: pg. 9.	<i>Completed</i>
e) The SAI uses appropriate tools to promote effective internal communication, e.g. newsletter/magazine, email addresses for all staff, an intranet, etc. AFROSAI-E Handbook on Communication for SAIs.	<i>Completed</i>

<p>f) There are regular and open interactions between management and staff, e.g. organizational and unit-wide briefings, regular team meetings. AFROSAI-E Handbook on Communication for SAIs. The SAI has an electronic communication system which allows all staff to communicate and share information. AFROSAI-E Handbook on Communication for SAIs.</p>	<p><i>Completed</i></p>
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1.9. Professional Development and Training

Methodological development

The development of the audit methodology, as well as the methodological evaluation processes, constitutes the basis for functioning at the required institutional levels. Currently, ALSAI is at an evolving stage of audit procedures. The 2016 developments included the fulfilment of the three main objectives:

- applying the legislative framework for auditing,
- further development of audit methodology and audit capacities.
- strengthening of institutional capacities, and improving audit impacts.

✓ The positive development processes have been:

Improvement and review of the indicators of institutional performance measurement, as part of the 2014-2020 Public Finance Management Strategy (SMFP). Our country is implementing the reform of the administration in line with the European Community norms. ALSAI is part of the sixth chapter of the indicator passport. The improved indicators are:

- The indicator 6.1.1 was improved by reflecting in more accurate manner the increase in the share of financial audits toward the total number of audits. The revised methodology is the percentage of the audit types toward the total number.
- The indicator 6.1.2 was differentiated by identifying the accepted recommendations level – a different indicator than the one implemented
- Indicator 6.1.13 reflected the training strategy and the methodology of measuring the training days over standards. The measurement

methodology evidenced the number of trained days over the standards toward the total number of trained days, as well as the percentage of auditors trained on the standards.

✓ *Improvement of the Guideline on the Follow-up of the Recommendations.* With the Act. No. 1 dated 04.11.2016 "On the procedures for tracking and documenting the work, on auditing the verification of the implementation of the recommendations", there were reflected the improvements that followed the regulatory and functional framework of ALSAI, improvement of audit methodology and the implementation of ISSAI standards. This guideline also reflected the experience accumulated by the SAI, as well as the conclusions of the cooperation with IPA project experts, homologous SAIs and experience from the engagement in INTOSAI, ECA and SIGMA international activities. The framing of the follow-up process of the recommendations helps not only the ALSAI's auditors but also the audited entity, which is oriented towards its activity to implement the SAI recommendations.

✓ *Improvement of the Instructions on Increasing Auditing Quality and Capacity.* The Act. No. 2 dated 30.12.2016 came as an improvement of the 2012 Act. to promote and support the professional and individual development of ALSAI's auditors. The purpose of this guide is to further strengthen the human resources capacities of the SAI, orienting the continuous professional development of the auditor. The guidance was developed to promote professional development and aimed at promoting the professional development of ALSAI's auditors. It is a norm that shows the accountability we feel toward the citizen and society as part of our efforts to make a change in everybody's life. It aims not only the professional development of auditors, but also the promotion of attitudes and a lifestyle. The orientations of this guidance aim to create an atmosphere where the demand for the account for itself and for the colleague encourages the spirit of cooperation and accountability. The ALSAI's institutional efforts to apply audit standards and good audit practices should be accompanied by this individual developmental spirit.

Along with the above the developmental processes have been developed also:

- *Monitoring the institutional and departmental risk management strategy.*
- *Monitoring of the Development Strategy, 2013-2017, revised.*
- *Monitoring the ISSAIs Implementation Strategy.*

- *Improvement of audit manuals.*

✓ *In the framework of the IPA project* and in cooperation with the Polish NIK experts, the Croatian SAI experts and the local SAI experts, during 2016 there were carried out a series of development activities on methodology and work practices by delivering conclusions in the form of recommendations, which will be become objectives and action plans. In short, we point out:

✓ *Development of the annual audit planning methodology.* In cooperation with the Polish experts, the Directorate of Methodology and Development and the Audit Departments within the IPA project, it was improved the methodology of the annual audit planning. The objective of this practice was to make positive changes in planning through consultation, discussion, drafting of recommendations, and risk assessments.

✓ *Drafting the human resources policy document.* In cooperation with the Polish experts, the Human Resources Department and the Audit Departments within the IPA project, it was developed the methodology of recruitment, motivation, job descriptions for each auditor, development of a promotion system and career development. Development of training programs and employee appraisal.

✓ *Analysis of the ALSAI's regulatory framework.* In cooperation with the Polish experts, the Legal Department, and the Audit Departments it was performed the analysis of the regulatory framework and the implementation of the law 154/2014 of ALSAI. According the Lima Declaration and the INTOSAI standards there were highlighted the dimensions of this approach in terms of improving the law, redesigning relationships with audited institutions and the role of SAI law in implementing the audit standards.

✓ *Review and update of the performance audit manual.* In collaboration with the Croatian experts, the Department of Performance Audit, the Directorate of Methodology and Development and the Audit Departments, was conducted a review of the performance manual. This review highlighted the shortcomings of the risks used in performance auditing and processes of the work from the audit planning until the final report is drafted.

✓ *Development of an interactive IT audit manual.* In cooperation with the Polish experts, the Directorate of IT, the Directorate of Methodology and Development as well as the Heads of Departments and based on the ALSAI's audit manual, there were developed some recommendations for its further improvement.

✓ *Review of ALSAI communication, definition of goals, objectives and tools for the ALSAI's communication strategy.* In cooperation with the Polish experts, the Directorate of IT, the Directorate of Communication, Publishing and Foreign Relations, the Directorate of Methodology and Development and the Directors of Departments was highlighted the electronic aspect of communication in ALSAI on the role of audit departments in the process of informing the stakeholders. On this purpose a workshop was held between the Polish, Croatian and ALSAI experts. In this workshop there were highlighted the ways of improving the communication of the SAI with its stakeholders and the media.

✓ *Examining the internal organizational structure.* In cooperation with the Polish experts, the Directorate of Methodology and Development and the Heads of Departments in the focus of this review it was the improvement of the functional processes, organizational structure and the way to apply an effective and efficient performance of obligations that arise from the new organic law 154/2014.

✓ *Development of methodologies for quality control and assurance.* Quality Management Policies and Guidelines and Checklists are the products of the standards implementation process and manual developments in the improvement of the audit process.

Training process during 2016

The application of the training process in ALSAI is already developed and is now a tradition. The development of the above requirements can be considered a consolidated process. Based on the objective of the Development Strategy 2015-2017, and in the Annual Training Program, during 2016 there were conducted in total:

- 3,702 training days for employees and
- 342 training days from management staff to auditors.

In total, the training days developed in 2016 are 4,044.

The performance of this indicator over the years is:

- 3,702 training days for employees with an average number of 27 trainings days per auditor.

In total the training days conducted during 2016 are 4,044 compared to 0 days of training in 2002.

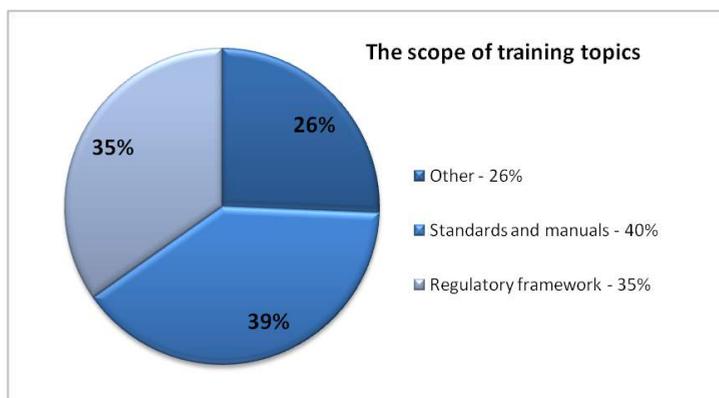


Regarding the consolidated indicators it results that on average training days for the period 2012-2016 there were conducted 3485 training days compared to 113 training days performed during the period 2002-2011.

Training categories:

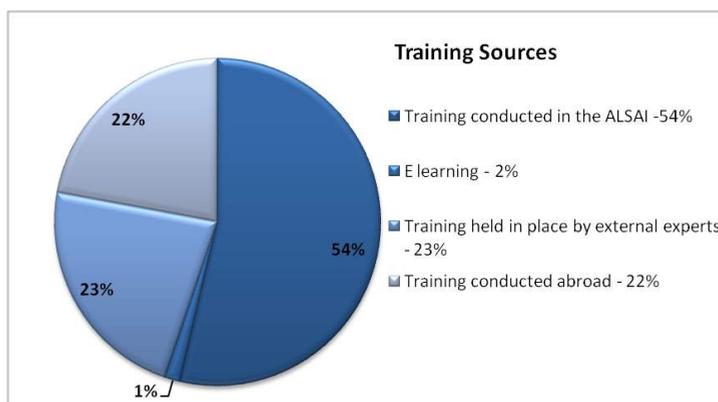
- Trainings in the field of audit methodology
- Trainings in the field of the regulatory and functional framework of the audited entities
- Other (conferences, workshops and study visits)

The training is structured in the following graph:



All auditors are trained on standards, manuals and audit methodologies. In this way, the training process has met the objectives of the Strategy for the Implementation of ISSAIs and also the Performance Indicators for the 2014-2020 (SMFP), indicator 6.1.3.

In order to maximize the quality and diversity of knowledge in the training process it is aimed the diversification of information resources.



Sources of information are experts within ALSAI, external experts in the country, external experts from our strategic partners.

✓ *Experts within the SAI.* ALSAI has employees such as Prof. Assoc. Dr. and "Doctor of Science", auditors having a second degree in Law, Finance and other fields, employees having an International Accounting and Auditing Degree (CIPFA); employees who have an Approved Accounting Certificate and employee with the title of Accounting Expert; employees who have a Certificate of Internal Auditor; employees who have a Certificate of Real Estate Valuation, employees who have on-line training certificates from IDI, CEF and trained auditors at the European Court of Auditors. This "senate" constitutes an asset for internal trainers, which serves the training process within the SAI.

✓ *Experts from different organizations, associations and academic units for joint training activities and exchange of experiences* - ALSAI has continuously organized conferences, open- workshops and roundtables with the participation of various civil society actors. Such a tradition needs to be further consolidated and transformed into an institutional culture to create a transparent, additive and contemporary profile. ALSAI has signed many cooperation agreements with various associations, professional and scientific institutes, as a policy that also improves the process of knowledge exchange.

✓ *External Experts from our partner SAIs in the framework of assistance to Albania and the implementation of the Instrument for Pre-Accession Assistance, IPA 2013.* The twinning project in 2016 was applied by engaging experts from the Polish NIK and the Croatian SAI. The project emerged as an important technical support for the implementation of the new law, further diversification of SAI audit types and increased audit capacities in accordance with the International Standards on Auditing and best practices in the field.

ALSAI has signed a cooperation agreement with the State Audit Office of the Republic of Macedonia, the Audit Court of Austria, the Office of Audit of Bosnia and Herzegovina Institutions, the BNAO of Bulgaria, the State Audit Institution of Montenegro and three strategic partners; the Turkish, Polish and Croatian SAIs. In order to evaluate the training needs and build training plans at the end of 2016 it was conducted a data collection process through the "*Individual Training Plan*" form. This form was aimed at identifying needs in relation to:

- the preferred training area;
- preferred training method;
- identifying the most important topic of 2016;
- recognizing the nature of the training;
- Identifying the needs in the field of CAATs.
- gathering information about other areas of development of the training process.

The design of this form was carried out in order to optimize the opportunities and the training requirements. For this, each subject addressed has a stratifying rendering character. The respondents were oriented to each alternative to point out points, the total of which was 100%. The equalization implied a lack of preference and the highest pointing meant the preferred option. An incomplete alternative was included in each issue aiming at creating an interactive questionnaire.

In the following, we will highlight the results of this questionnaire by highlighting through the graphical descriptions the collected suggestions.

Preferred training topics. *The question raised in this case was to identify the preferred field for training.*

The addressed topics were:

1. Training on ISSAI standards;
2. Trainings on the Audit Manuals;
3. Training on the regulatory audit procedures etc;
4. Training on the ALSAI's organic law, internal regulation, development strategy;
5. Training on the auditee's regulatory framework and;
6. Other training.

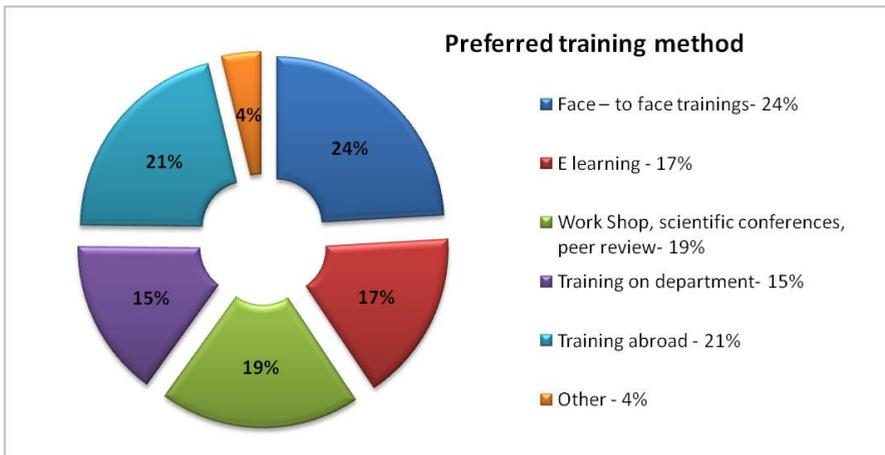
The results are as follows:



It can be noted a high need for trainings in the field of audit manuals, audit procedures regulations and the auditee's regulatory framework. About 15% were demands for training in audit techniques and the experiences gained from study visits to our international counterparts. In general the small dispersion of data indicates an orientation of the training process in all these areas without losing any of them.

Preferred training method: The question raised in this case was to identify the most preferred method of training. The topics covered are: 1. face-to face training, 2. e-learning training, 3. trainings in the field, scientific conferences, peer review, 4. trainings in the department, 5. trainings abroad, 6. other training.

The results are as follows:

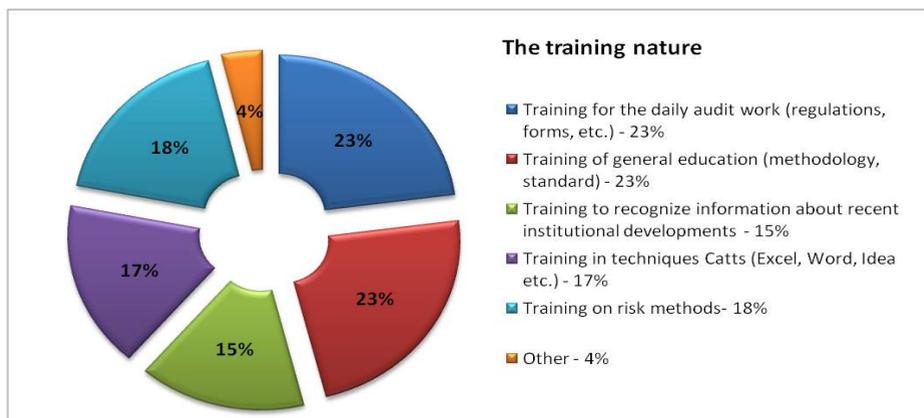


The most preferred methods were identified the face to face training and training abroad to share experience with our international counterparts. In this case the dispersion is bigger, but it still remains small and indicates an orientation of the training process in all these areas, without losing any of them. In other trainings there are predominant requirements for training forms such as case studies, etc.

Most preferred training topic. This question asked to highlight the example of the required topics. It is similar to the first question but has a more specific character, also highlighting the subject. This question has no stratifying character as it aims to identify the best. The results of this question highlight the auditor's demands, which relate to the work done in the department where he works. These statistics will constitute orientations for the development of training processes in the department.

The training nature. *The question raised in this case was the identification of the preferred nature to be trained. The topics covered were 1. Trainings on the day-to-day audit work (regulations, forms, etc.), 2. General training (methodology, standard), 3. Trainings on receiving information on the latest institutional developments 4. Training on the field of CATTs techniques (Excel, word, Idea etc.), 5. Training on Risk Methods, 6 Other Trainings.*

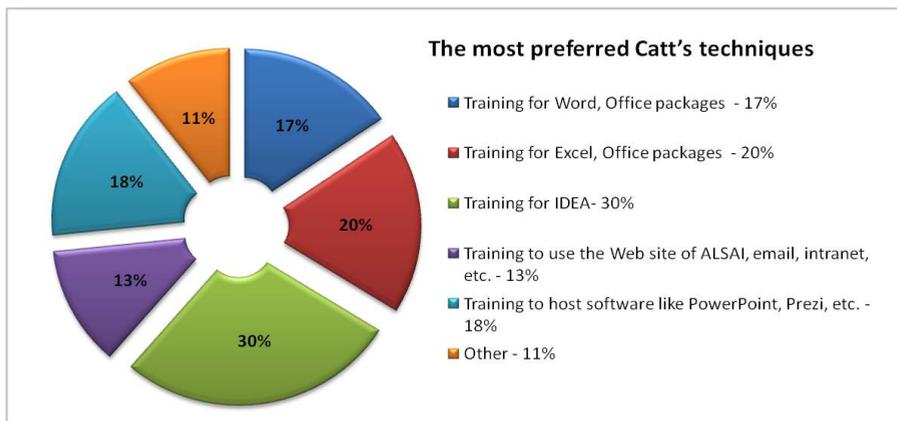
The results are as follows:



Favourite IT skills. *As an important indicator to further help the development of the, this question was formulated in these layers: 1. Trainings on the Office packages, 2. Excel, 3. Training on the IDEA programme, 4. Trainings on the use of the ALSAI web*

site, email, intranet, etc. 5. Trainings on the use of Power Point, Prezi, etc., 6. Other trainings.

The results are as follows:



There is a large interest mostly on the IDEA programme and Excel. Other techniques include requests for knowledge of the program Asycuda World, C @ ST, etc.

These data together with those resulting from the needs analysis at the institutional level, were integrated into the Consolidated Professional Development Plan at the institutional level.

Evaluation of the activity for professional development and training

The ALSAI assessment process is carried out as:

- Self-assessment using performance measurement indicators
- External evaluations including peer review evaluation and evaluation by external experts.

In brief, these assessment practices developed during 2016 were:

✓ *Institutional Analysis.* ALSAI conducted its annual analysis activity under this type of assessment. This analysis takes place at the departmental level and then at the institutional level. The methodology used is the SWOT analysis highlighting the strengths, weaknesses, opportunities and threats. Updating knowledge on the methodology applied in the annual assessment at the departmental and institutional level would provide an opportunity for a clearer and more comprehensive analysis of all the ALSAI staff. Different personalities of politics, the

academic world, government and our strategic partners participated in the analysis, providing information and assessment on the institution.

✓ *Peer review.* Together with the Auditors of the Austrian Audit Court, a Peer Review process was carried out by a staff of 4 auditors, three of whom were Auditors of the Austrian Court of Audit and one representative of the SAI of Moldova. On the peer-review was drafted a report on the "*ALSAI's Independence*" by the colleagues of homologue institutions. In May 2016 the ITASA (Self-Evaluation Process) process was conducted in ALSAI with moderators from the European Court of Auditors and by the Bulgarian National Audit Office and the Local Coordinator Director of the IT Audit Directorate. The purpose of ITASA is to manage a specific understanding of the state of the IT Audit function and the positioning of this audit process with the challenges of the future. This means taking into consideration the mandate of the Supreme Audit Institution, the lifespan and variety of IT projects in the governance sectors, the existing IT audit methodology, and the staff competencies.

✓ *Workshops.* On behalf of the motto on experiences sharing and referring to the engagements on important international audit issues ALSAI has undertaken an extensive agenda of participation in the international workshops activities. We can mention PPA II, Luxembourg, ISSAI 30, Krakow-Workshop on the Audit Opinion, Belgrade-Introduction to IT Audit, Seminar on the Public Procurement, Dubrovnik-PPA II, Podgorica-TFA & Ethics, Madrid-IT, Ankar-Risk Management and Assessment, Luxembourg-ECA, Project and Policy Analysis, ECA, PPA II, Prishtina-Public Procurement, CEF, Ljubljana-Business Project Management, PPA II, Sweden-Workshop on Corruption and Fraud, CEF, Slovenia - Workshop on Accounting Standards, CEF, Slovenia-Operational audit, Skopje, etc.

✓ *Scientific Conference.* Following the tradition of development processes through scientific conferences, on June 2016 ALSAI organized a Conference on "Risk and Audit". Approaches to risk analysis were numerous, but the three-day presentations of the Conference aimed at identifying risks to the country's economy, and identifying means to manage them.

Referring to the PFM Performance Measurement Framework for the Professional Development and Training Indicator for the four dimensions the status of their implementation is estimated as follows:

- ***Planning and Processes for Professional Development and Training: Status; Maximum Score 4***
- ***Professional Development of Financial Audit: Status; Moderate Score 2***
- ***Professional development of compliance auditing; Status; Moderate Score 3***
- ***Professional development of performance audit; Status: Moderate Score 3***

At the end of this assessment process, it results that in the following periods the focus on professional development policies will be the training in the field of financial audit but also the training in terms of compliance and performance audit.

The first dimension assessment requires that:

- The SAI has developed and implemented a plan for professional development and training;
- The SAI has strategy and/or annual plan for professional development and training;
- The SAI has established selective procedures for the staff to participate in training and obtain professional qualifications. The selection is based on considerations of the competence needed;
- All professional employees (leaders, managers, auditors, control personnel etc.) have a development plan based on an annual appraisal, and the implementation of the plan is monitored;
- There are mechanisms in place to monitor and evaluate the result of professional development and training of staff.

The first dimension is rated at score 4 (maximum) fully accomplishing the dimension of development. With regard to this dimension, we have evolved from 2015 to 2016 going from level 3 to 4 and this is because of:

- the identification of personal needs for training;
- the gathered information on necessary techniques of the training process;
- the testing of the knowledge acquired by the training has been carried out;
- the improved selection of trainers including trainers from the Polish and Croatian SAI experts.

(i) Plans and Processes for Professional Development and Training Status: Max score 4⁴		
A) The SAI has developed and implemented a plan for professional development and training which contains:		
I	Introduction and familiarization for new staff.	<i>Completed</i>
II	Internal training on the SAI's policies, procedures and processes.	<i>Completed</i>
III	Personal skills training (e.g. communication and writing skills, analytical skills, presentation skills, interviewing skills, ethics, supervision, IT skills).	<i>Completed</i>
IV	Management.	
B) The SAI's learning strategy and/or annual plan for professional development and training is:		
I	Aligned with the human resource strategy.	<i>Completed</i>
II	Linked to the goals/objectives stated in the strategic and operational plans of the SAI.	<i>Completed</i>
III	Based on results from a learning needs analysis.	<i>Completed</i>
C) The SAI has established procedures for selecting staff to participate in training and obtain professional qualifications. The selection is based on considerations of the competence needed.		<i>Completed</i>
D) All professional employees (leaders, managers, auditors, control personnel, etc.) have a development plan based on an annual appraisal, and the implementation of the plan is monitored.		<i>Completed</i>

⁴ The evaluation is done with a score from zero to four where four means that all dimension criteria have been met.

E)	The SAI has identified the audit “professions” or “cadres” that it wishes to develop in order to discharge its mandate.	<i>Completed</i>
F)	A system for professional development of non-audit/control staff is developed, with clearly assigned responsibilities. Appropriately tailored competency requirements and a plan for professional development for non-audit/control staff is developed based on identified needs, and implemented.	<i>Completed</i>
G)	There are mechanisms in place to monitor and evaluate the result of professional development and training of staff.	<i>Completed</i>

The assessment of the second dimension requires training on the professional development of financial audit. It consists of:

- Assigning responsibility for the professional development of one or more persons with expertise and authority in the institution;
- Developing appropriate and individualized competences for different auditors;
- Developing and implanting a professional development plan for financial auditors, based on an appropriate analysis that addresses their individual needs.

The assessment of this dimension is moderate at level 2 because professional development and training have targeted different types of audit discipline but there is no person or individual by type of discipline who is assigned to pursue professional development of specialized auditors for target discipline. For this type of audit we are in the process of developing a body of financial auditors who will conduct audits of the financial statements.

(ii) Financial Audit Professional Development - Status: Moderate score 2			
A)	Assign responsibility for professional development to a person or persons with sufficient and appropriate experience and authority in the SAI.	<i>Partially Completed</i>	
B)	Develop appropriately tailored competency requirements for different staff grades in financial auditing.	<i>Partially Completed</i>	
C)	Develop and implement a plan for professional development for financial audit staff based on an analysis adequately addressing identified needs and competency requirements for different staff grades.	<i>Partially Completed</i>	
	The plan for professional development and training in financial auditing should cover, as appropriate.	<i>Completed</i>	
	I	Internal training on the SAI's relevant audit standards and procedures.	<i>Completed</i>
	II	Learning on the job and supervision/mentoring schemes.	<i>Completed</i>
	III	Continuing professional development.	<i>Completed</i>

The evaluation of the third dimension requires training for professional development of performance auditing. It consists of:

- Assigning responsibility for professional development to a person or persons with sufficient and appropriate experience and authority in the ALSAI;
- Developing appropriate and individualized competences for different auditors
- Developing and implanting a professional development plan for performance auditors, based on an appropriate analysis that addresses their individual needs.

The assessment of this dimension is moderate at level 2 because professional development and training have targeted different types of audit discipline but there is no person or individual by type of discipline who is assigned to pursue professional development of specialized auditors for target discipline.

(iii) Performance Audit Professional Development		
Status: Moderate Score 3		
A)	Assign responsibility for professional to a person or persons with sufficient and appropriate experience and authority in the SAI.	<i>Partially Completed</i>
B)	Develop appropriately tailored competency requirements for different staff grades in performance auditing.	<i>Completed</i>
C)	Develop and implement a plan for professional development for performance audit staff based on an analysis adequately addressing identified needs and competency requirements for different staff grades.	<i>In process</i>
	The plan for professional development and training in performance auditing should cover, as appropriate.	<i>Completed</i>
	I Internal training on the SAI’s relevant audit standards and procedures.	<i>Completed</i>
	II Learning on the job and supervision/mentoring schemes.	<i>Completed</i>
	III Continuing professional development.	<i>Completed</i>

The evaluation of the fourth dimension requires training for professional development of compliance auditing. It consists of:

- Assigning responsibility for professional development to a person or persons with sufficient and appropriate experience and authority in the SAI
- Develop appropriately tailored competency requirements for different staff grades in financial auditing
- Develop and implement a plan for professional development for financial audit staff based on an analysis adequately addressing identified needs and competency requirements for different staff grades

The assessment of this dimension is at level 3 because professional development and training have targeted different types of audit discipline but there is no person or individual by type of discipline who is assigned to pursue professional development of specialized auditors for target discipline.

(iv) Compliance Audit Professional Development - Status: Moderate 3		
A)	Assign responsibility for professional to a person or persons with sufficient and appropriate experience and authority in the SAI.	<i>Partially Completed</i>
B)	Develop appropriately tailored competency requirements for different staff grades in compliance auditing.	<i>Completed</i>
C)	Develop and implement a plan for professional development for compliance audit staff based on an analysis adequately addressing identified needs and competency requirements for different staff grades.	<i>In process</i>
The plan for professional development and training in compliance auditing should cover, as appropriate.		<i>Completed</i>
I	Internal training on the SAI's relevant audit standards and procedures.	<i>Completed</i>
II	Learning on the job and supervision/mentoring schemes.	<i>Completed</i>
III	Continuing professional development.	<i>Completed</i>

1.10 The Peer Review Process by the Austrian Court of Audit

Independence and Legal Framework

According to the Lima Declaration (1977), the Mexico Declaration (2007), United Nations General Assembly Resolution A/66/209 (2011) and the adopted Resolution A / 69/228 (2015), the Independence of Supreme Audit Institutions (SAIs) is crucial to guarantee the ability to work freely and impartially and to contribute thus in good governance, transparency and accountability. ALSAI responded positively to the INTOSAI's request addressed to all Supreme Audit Institutions, members of this organization, inviting them to be part of a Peer Review on the SAI Independence. The Albanian Supreme State Audit accepted to be part of this process, considering the independence of the SAI as a priority in fulfilling their mission, and was selected by INTOSAI as EUROSAI representative to implement this process. On this purpose the General Secretariat of INTOSAI, the Albanian Supreme Audit Institution (ALSAI),

the Austrian Court of Audit (ACA) and the Court of Accounts of Moldova (CAM) agreed to carry out the peer review on the independence. The agreement for evaluation by counterpart institutions is based on the principles of volunteering, partnership and mutual trust. The process was conducted by the auditors of the Austrian Court of Audit, during 8-19 February 2016.

The objective of this peer review was to provide to ALSAI an assessment on its compliance with the ISSAI, regarding the independence (ISSAI 10: Mexico Declaration on SAI Independence ISSAI 11: *Good Guidelines and Practices Related to SAI Independence*) and to make recommendations to improve the independence of SAIs. Thus, central elements of ISSAI 12 were also reviewed: *The Value and Benefits of Supreme Audit Institutions—making a difference to the lives of citizens*. The importance of these issues has been confirmed by the United Nations (Resolution A/69/228 adopted in 2015) in promoting and upholding the efficiency, accountability and transparency of public administration by strengthening the capacities of SAIs.

The review process was based on eight principles of independence, according to the Mexico Declaration, (1) the existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework, (2) the independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties, (3) a sufficiently broad mandate and full discretion, in the discharge of SAI functions; (4) unrestricted access to information; (5) the right and obligation to report on their work; (6) The freedom to decide the content and timing of audit reports and to publish and disseminate them; (7) the existence of effective follow-up mechanisms on SAI recommendations and (8) Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources.

After completing the fieldwork on November 4, 2016, in the hall of the Academy of Sciences, the Director General of the Austrian Court of Audit, Mr. Robert Sattlrer, in the presence of professors, civil society, media and auditors of SAI, presented the Peer Review Report on ALSAI.

He praised the independence of the institution, gained by accurately applying international standards of external public audit (ISSAIs) and by the adoption of the new integral law of ALSAI by the Parliament in November 2014.



The Director General of the Austrian Court of Audit, Mr. Robert Sattlrer.

At the end of this process it resulted that the ALSAI framework reflects the requirements of:

- (i) ISSAI 1: The Lima Declaration;
- (ii) ISSAI 10: The Mexico Declaration on the Independence of Supreme Audit Institutions;
- (iii) ISSAI 11: Guidelines and Good Practices Related to SAI Independence.

In the course of exercising the institutional and audit activity, ALSAI will continue to implement the requirements of ISSAI 1 (Standards Level 1) and ISSAI 10 and 11 (Level 2 Standards).

The final report of this project was presented to the MPs of the Albanian Parliament, all the media, interested parties, and is published on the web page of ALSAI.

Referring to the performance measuring framework, dimensions of Independence and the Legal Framework, as confirmed also by the Peer Review Process the Independence and Mandate Indicator results with the maximum score, because it conducts its activity in accordance with ISSAIs 1, 10 and 11.

Dimensions to be assessed:

- Conformity and Constitutional Effectiveness and Legal Framework/Maximum Score 4;

Management of Change, Internal Institutional Governance-----

- Economic Independence/Autonomy/Maximum Score 4;
- Organizational independence/Autonomy/Maximum Score 4;
- Independence of the head of SAI and its officials/Maximum Score 4.

(i) Appropriate and effective constitutional framework	
a) "The establishment of Supreme Audit Institutions (...) shall be laid down in the Constitution; details [including the role, powers and duties of the SAI] may be set out in legislation." ISSAI 1:5. See also ISSAI 1:18.	<i>Completed</i>
b) The SAI's "(...) independence shall be laid down in the Constitution (...)." ISSAI 1:5	<i>Completed</i>
c) "The independence of Supreme Audit Institutions provided under the Constitution and law also guarantees a very high degree of initiative and autonomy (...)." ISSAI 1:8	<i>Completed</i>
d) The appointment, term, cessation of functions of the Head of the SAI (and members, in the case of collegiate bodies) and the independence of their decision making powers are guaranteed in the Constitution. ISSAI 1:6, ISSAI 10:2.	<i>Completed</i>
e) There is "adequate legal protection by a supreme court against any interference with a SAI's independence". ISSAI 1:5.	<i>Completed</i>
f) "SAIs should report on any matters that may affect their ability to perform their work in accordance with their mandates and/or the legislative framework." ISSAI 12:1	<i>Completed</i>
g) "SAIs should strive to promote, secure and maintain an appropriate and effective constitutional, statutory or legal framework." ISSAI 12:1	<i>Completed</i>
(ii) Financial Independence/Autonomy	
a) The legal framework explicitly or implicitly provides for the SAI's financial independence from the executive. ISSAI 1:7	<i>Completed</i>
b) The SAI's budget is approved by "the public body deciding on the national budget". ISSAI 1:7	<i>Completed</i>
c) The SAI is free to propose its budget to the public body deciding on the national budget without interference from the executive. ISSAI 10:8.	<i>Completed</i>

d) The SAI “shall be entitled to use the funds allotted to them under a separate budget heading as they see fit”. <i>ISSAI 1:7</i>	<i>Completed</i>
e) After the SAI’s budget has been approved by the Legislature, the Executive (e.g. the Ministry of Finance) should not control the SAI’s access to these resources. <i>ISSAI 10:8</i>	<i>Completed</i>
f) The SAI has “the right of direct appeal to the Legislature if the resources provided are insufficient to allow [it] to fulfil [its] mandate” <i>ISSAI 10:8</i>	<i>Completed</i>
g) During the past 3 years there have been no cases of undue interference from the Executive regarding the SAI’s budget proposal or access to financial resources. <i>ISSAI 10:8</i>	<i>Completed</i>
(iii) Organizational Independence/Autonomy	
a) The legal framework ensures that the SAI has “(...) the functional and organizational independence required to accomplish [its] tasks.” <i>ISSAI 1:5</i>	<i>Completed</i>
b) In practice, the SAI is “free from direction or interference from the Legislature or the Executive in the (...) organization and management of [its] office.” <i>ISSAI 10:3</i>	<i>Completed</i>
c) The SAI has the power to determine its own rules and procedures for managing business and for fulfilling its mandate, consistent with relevant rules affecting other public bodies. <i>ISSAI 10:8, ISSAI 20:6.</i>	<i>Completed</i>
d) The Head of SAI is free to independently decide on all human resource matters, including appointments of staff and establishment of their terms and conditions, constrained only by staffing and/or budgetary frameworks approved by the Legislature. <i>ISSAI 10:8</i>	<i>Completed</i>
e) The relationship between the SAI and the Legislature and also the Executive is clearly defined in the legal framework. <i>ISSAI 1:8, 9</i>	<i>Completed</i>
f) The legal framework “(...) provides for accountability and transparency [by covering] the oversight of the SAI’s activities (...)” <i>ISSAI 20:1</i>	<i>Completed</i>
g) The SAI is entitled to call on and pay for external expertise as necessary. <i>ISSAI 1:14</i>	<i>Completed</i>

(iv) Independence of the Head of the SAI and its members	
a) “The applicable legislation specifies the conditions for appointments, reappointments, [and] removal (...) of the Head of the SAI, and [where relevant] members of collegial institutions (...) by a process that ensures their independence (...).” ISSAI 10:2	<i>Completed</i>
b) The head of SAI, and [where relevant] members of collegial institutions [are] given appointments [and re-appointments] with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation.” ISSAI 10:2	<i>Completed</i>
c) “The Head of SAI and [where relevant] members of collegial institutions are (...) immune to any prosecution for any act (...) that results from the normal discharge of their duties.” ISSAI 10:2	<i>Completed</i>
d) Within the past 3 years, there have been no periods longer than 3 months during which there has been no properly appointed Head with tenure. SAI PMF Task Team.	<i>Completed</i>
e) The last appointment [or re-appointment] of the Head of the SAI was done through a transparent process that ensured his/her independence. ISSAI 10:2, SAI PMF Task Team.	<i>Completed</i>
f) During the last 3 years there have been no cases where the Head of the SAI (or where relevant) members of collegial institutions were removed through an unlawful act or in a way that compromised the SAI’s independence. ISSAI 10:2, SAI	<i>Completed</i>
g) The legal framework ensures that “in their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organizations and must not be dependent on such organizations.” ISSAI 1:6	<i>Completed</i>

Dimensions to be assessed:

- Sufficient and extensive mandate;
- Access to information;
- Right and obligation to report.

(i) Sufficiently Broad Mandate	
Scope of Audit	
a) "All public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by Supreme Audit Institutions." <i>ISSAI 1:18</i>	<i>Completed</i>
b) <i>Where criterion a) is not in place</i> , the SAI has the right to address the Legislature or the relevant legislative committee regarding concerns it may have over audit arrangements for any public financial operations which are not within the mandate of the SAI.	<i>Not applicable</i>
c) The SAI's mandate specifically ensures it is responsible for the audit of all central government activities. <i>ISSAI 10:3 (E.g. audit of the consolidated fund, including flows in and out of the fund, and all revenue, expenditure, assets and liabilities).</i>	<i>Completed</i>
d) SAIs are free from direction and interference (...) in the selection of audit issues, planning, (...) conduct, reporting and follow-up of their audits." <i>ISSAI 10:3</i>	<i>Completed</i>
e) During the past 3 years the SAI has not been given and has not taken any tasks which influence the independence of its mandate. <i>ISSAI 10:3</i>	<i>Completed</i>
f) There have been no cases of interference in the SAI's selection of audit clients or subjects within the last three years, in a way that may compromise the SAI's independence. <i>ISSAI 10:3,</i>	<i>Completed</i>
As a minimum, "SAIs should be empowered to audit the (...)" <i>ISSAI 10:3</i>	
g) "Legality and regularity of government or public entities' accounts". <i>ISSA 10:3</i>	<i>Completed</i>
h) "Quality of financial management and reporting". <i>ISSA 10:3</i>	<i>Completed</i>
i) "Economy, efficiency and effectiveness of government or public entities' operations". <i>ISSA 10:3</i>	<i>Completed</i>
(ii) Access to Information	
a) The law provides the SAI with unrestricted right of access to records, documents and information. <i>ISSAI 1:10</i>	<i>Completed</i>

b) The SAI has the right to decide which information it needs for its audits. <i>ISSAI 1:10</i>	<i>Completed</i>
c) In case the access to information required for the audit is restricted or denied, there is an established and appropriate process for resolving such matters, e.g. the possibility to address the Legislature or one of its committees, to take the matter to court, or direct powers to sanction those preventing access to information. <i>ISSAI 10:4,</i>	<i>Completed</i>
d) For jurisdictional controls, in the event that access to information considered necessary is hindered, the SAI has specific powers to sanction those responsible for such hindrance. <i>SAI PMF Task Team</i>	<i>Completed</i>
e) SAI staff have right of access to the premises of audited bodies in order to do the fieldwork the SAI deems necessary. <i>ISSAI 10:4</i>	<i>Completed</i>
(iii) Right and Obligation to Report	
a) "The Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament." <i>ISSAI 1:16</i>	<i>Completed</i>
b) The SAI has the right to publish its annual audit reports. <i>ISSAI 1:16</i>	<i>Completed</i>
c) "The SAI shall also be empowered to report on particularly important and significant findings during the year." <i>ISSAI 1:16</i>	<i>Completed</i>
d) "SAIs are free to decide the content of their audit reports." <i>ISSAI 10:6</i>	<i>Completed</i>
e) "SAIs are free to decide on the timing of their reports except where specific requirements are prescribed in law." <i>ISSAI 10:6</i>	<i>Completed</i>
f) During the past 3 years there has been no interference in the SAI's decisions on the content of its audit reports. <i>ISSAI 10:6</i>	<i>Completed</i>
g) During the past 3 years there has been no interference in the SAI's efforts to publish its audit reports. <i>ISSAI 10:6</i>	<i>Completed</i>

2. INSTITUTIONAL COOPERATION

2.1 Cooperation with homologue SAIs

In the annual ALSAI analysis for 2015, the President of the Republic, Mr. Bujar Nishani during his greeting speech said, "You (ALSAI) have set a very good standard of exchange of experience and partnership with institutions of other countries. What animates this dynamism is the work of every auditor and every engagement, because without this proactive approach, would be difficult for an institution to produce results in the way that we all want it to function".

This standard has also been implemented during 2016. In pursuance of the orientations and realization of the objectives, all procedures for the organization and development of established activities abroad have been followed and it is concluded that during 2016 these activities were attended by 153 auditors (Out of 157 total) or 765 days/people in total. In other words, nearly all ALSAI's employees have been at least once abroad. During 2015, 135 auditors were trained outside the country and 765 days/people were conducted.

Among the most important activities are the visits and the participation of the ALSAI's Chairman in the:



INTOSAI XXII Congress in Abu Dhabi

One of the most important activities of 2016 was the XII INTOSAI Congress, held on December 5-11, 2016, in Abu Dhabi, United Arab Emirates. This Congress is

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organized once every three years and is the most important activity of INTOSAI. The Congress work focused on how this organization can contribute to Sustainable Development Goals by emphasizing the message that external auditors provide a very important insight into legislative bodies, governments and society about achieving goals for sustainable development. The proceedings of the Congress continued with the adoption of four very important documents:

- 1) Procedural Rules;
- 2) INTOSAI Budget for 2017-2019;
- 3) INTOSAI Strategic Plan 2017-2022; and
- 4) Changes in the Statute of the Organization.

During this event the Chairman of the Supreme State Audit, Bujar Leskaj held a series of meetings with international counterparts and distinguished personalities in the field of auditing, such as Dr. Harib Al Amimi, President of the State Audit Institution of the United Arab Emirates and Chairman of INTOSAI, Gene L. Dodaro, Comptroller General of the U.S. Government Accountability Office (GAO), Dr. Vitor Caldeira, President of the Portuguese Court of Accounts, Krzysztof Kwiatkowski, President of the Supreme Audit Office of Poland and Mr. Besnik Osmani, Auditor General of the National Audit Office of Kosovo.



INTOSAI Working Group Meeting on ISSAI 30- Code of Ethics Review.

Among the beneficial activities within the ALSAI's engagement to adopt the international standards of external public audit is the INTOSAI Working Group Meeting on the ISSAI 30-Code of Ethics Review, held on March 2-4, 2016, where the Chairman of the ALSAI, Mr. Bujar Leskaj paid a visit to Krakow, Poland. During his stay in Krakow, Mr. Leskaj was welcomed in a meeting by the President of the Supreme Audit Office of Poland, Mr. Krzysztof Kwiatowski. In this meeting was discussed the *kick-off* of the twinning project on the institutional capacity building of the ALSAI, which has been implemented since March 2016 in our institution. On 2-4 March, 2016 this working group held its last meeting, which discussed the comments from 31 SAIs on the ISSAI 30 which was eventually approved at the Abu Dhabi Congress.

Albanian membership in NATO has provided to the ALSAI an important meeting such as the meeting of Competent National Audit Bodies (CNAB), where on May 10, 2016 was discussed about the Annual Report of the International Board of Auditors for NATO (IBAN). For several years, the ALSAI actively participates in this annual activity.

The International Board of Auditors for NATO (IBAN) is the independent, external audit body of NATO. Its main mandate is to provide the North Atlantic Council and the governments of NATO member countries with assurance that common funds have been properly used for the settlement of authorised expenditure.

During 2016, ALSAI has been present in 53 important activities such as conferences, meetings, seminars, workshops, trainings (the latter also in the framework of the implementation of cooperation agreements with homologous SAIs). The IPA Twinning Project "*Strengthening External Audit Capabilities*" with the assistance of Polish NIK and Croatian SAI has opened up a new horizon in ALSAI training, concretizing the acquired knowledge in practice through joint pilot audits. Among the most important are the participation in:

- The EUROSAI Working Group on Environmental Auditing (WGEA) meetings;
- The II Congress of Public Procurement in Slovenia;
- The VII Meeting of the EUROSAI Task Force on Audit and Ethics;
- The Seminar on Auditing Approach of the European Court of Auditors, in Luxembourg;

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- The Meeting of the EUROSAI Information Technology Working Group, Poland;
- The Training at the Turkish Court of Accounts and NIK;
- The Seminars of the European Institute of Public Administration;
- PPAII Workshops;
- SIGMA Program Conference on "SAI-Parliament Relations", etc.



The VII Meeting of the EUROSAI Task Force on Audit and Ethics.



*Contact Committee of the Supreme Audit Institutions of the EU
(two meetings).*



Official visit to the SAI of Kosovo.

On October 3, 2016, Chairman of the Supreme State Audit, Mr. Bujar Leskaj, held an official visit to the National Audit Office of the Republic of Bulgaria (BNAO) and signed a Cooperation Agreement with his counterpart, the President Mr. Tzvetan Tzvetkov.



Very significant and fruitful is the participation of ALSAI's auditors in the trainings organized by the Turkish Court of Accounts, where during the year 2016, 36 auditors (176 auditors in 2012-2015) were trained. This close and productive cooperation is the merit of Mr. Recai Akyel, former president of the Turkish Court of Accounts, currently a member of the Constitutional Court of Turkey.



Referring to the signed Cooperation Agreement and the IPA Project, 37 auditors were trained at the Polish NIK. The topics of the trainings were the role of the SAI in the fight against corruption and fraud; and on communication issues.



The Center for Excellence in Finance in Ljubljana, CEF, continues to be one of the main training institutions of ALSAI's auditors. With the world's finest finance lecturers, the ALSAI auditors have been introduced to the most recent audit techniques in the field of financial audit, where we can mention budget implementation

workshops and IPSAS Accounting Standards in the Public Sector.

Important to note is the Seminar on Public Procurement and EU Concessions from the European Institute of Public Administration. This institute is one of the most prestigious centres in EU, which provides training activities, scientific research and consultancy services in the area of EU decision-making, its laws and policies as well as regional issues.

Parallel Performance Audits (PPAII) Workshops are another important activity for 2016. After Montenegro, Kosovo and Sweden, PPAII stopped in Tirana where the fourth round of Parallel Performance Audit on Public Procurement was organized. The ALSAI



participation in this format is another evidence of the consolidation of the performance audit at the Supreme State Audit.

The SAI-Parliament relations are very crucial in the framework of strengthening accountability, transparency and good governance. On November 8-9 2016, in

Ankara, Turkey, was organized a Conference of Supreme Audit Institutions of the candidate and pre-candidate countries and the European Court of Auditors (ECA) on "*Developing Effective Relations between Supreme Audit Institutions and Parliaments*". This event was organized by SIGMA in cooperation with Turkish Court of Accounts. The conference was attended by the SAIs of Albania, Kosovo, Macedonia, Turkey, Bosnia and Herzegovina, Serbia, Montenegro, as well as representatives of the European Court of Auditors, DG Budget and SIGMA. The participation reflected the purpose of the selected topic where participants were representatives of SAIs and Parliaments of candidate and potentially EU candidate countries, thus becoming a forum among parliamentarians and community of the Network's auditors. ALSAI was represented by a delegation headed by Mr. Bujar Leskaj, while the Parliament by the MP Ervin Koçi, member of the Parliamentary Committee on Economy and Finances.



All of these activities have undoubtedly affected the enhancement of the professional capacities of ALSAI's auditors and also motivated employees in their daily work because they feel appreciated for their contribution to the achievement of the institution's objectives.

The ECA Internship and GAO fellowship

In the modernization of the Supreme State Audit, a valuable contribution has been made by the European Court of Auditors (ECA) internships and the U.S. GAO's fellowships. Thanks to this assistance, a new generation of auditors is being created in the SAI with the parameters of their Euro-Atlantic colleagues.

In 2016, 4 senior auditors were part of the ECA structures for a period of 5 months, benefiting from the internship programs of this institution by contributing to the departments and the various ECA directorates. The Internship is considered a very important tool to provide insight into the audit of EU funds for ALSAI's auditors and the auditors of aspiring countries to become EU members. In total there are 9 SAI auditors who have obtained internships at the ECA, including an auditor who started the internship in March 2017.

Similarly productive for the ALSAI has resulted the cooperation with U.S. GAO where in 2016 an auditor participated in a four month fellowship at this office while during 2017 two auditors are following this fellowship. This 4-month study course is designed to strengthen ALSAI capacities and increase accountability and good governance. Participants have the opportunity to get acquainted with the U.S. audit experience in order to develop strategies to bring change and to convey the knowledge gained in their respective SAIs.

The State Supreme Audit has published in 2015 U.S. Audit Standards. By combining this theoretical knowledge with the practical knowledge of auditors who have followed the fellowship, ALSAI will improve the auditing methodology to conduct high quality audits, with due diligence, integrity, objectivity and independence.

2.2 The implementation of the Twinning Project 2013, "Strengthening of External Audit Capacities"

On February 17, 2016, the Twinning Project contract was signed between ALSAI and partner SAIs of EU countries, Polish NIK and State Audit Office of Croatia. 2016 marked the first year of the project implementation. 2.1 million euro will be implemented within 24 months.

ALSAI organized a conference on the Twinning Project "*Strengthening of External Audit Capacities in Albania*".

The *kick-off* meeting of the Project was attended by Mr. Krzysztof Kwiatowski, President of Poland's Supreme Audit Office, Mr. Ivan Klesic, Auditor General of the State Audit Office of Croatia, EU Ambassador to Tirana, Mrs. Romana Vlahutin, Ambassador of the Republic of Poland in Tirana, Mr. Marek Jeziorski, Ambassador of the Republic of Croatia in Tirana, Mrs. Sanja Bujas Juraga, also representatives of

the Ministry of Education, Ministry of Finance, Civil Society, academic, media, auditors of ALSAI, etc.

The main objectives of this project:

1. Improvement of the legal framework for auditing;
2. Development of audit methodologies and reporting capacities;
3. Strengthening institutional capacities and improving the impact of audit results.



From the beginning of the project and by the end of December 2016, 36 missions were conducted, in which Polish and Croatian experts in cooperation with ALSAI's auditors have aimed at meeting the objectives set out above.

Improving the legal framework of auditing is the main objective, aimed at improving existing legal acts, approving documents and acts of other with a view to improving the auditing activity. In the five missions carried out during 2016, Polish experts have analyzed the primary and secondary legislation on which the ALSAI exercises its activity and devised the following documents:



- Analysis of ALSAI's legal framework vis-à-vis INTOSAI standards and other international standards;
- Analysis of the ALSAI' s legal framework vis-à-vis the models of EU member states;

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- Analysis of law enforcement and identification of possible obstacles to for the implementation of the proposed changes;
- Practical guidance on the implementation of the new ALSAI law in specific areas;
- Action Plan for drafting sub-legal acts;
- Review of Internal Regulation consistent with the new ALSAI law and the new approach to compliance audits, auditing Financial and performance indicators;
- Analysis of regulatory acts on ALSAI relations with Parliament and practice concrete relations between the two institutions;
- Draft Guide on Institutionalizing ALSAI's relations with Parliament as well setting a Working Plan for implementing this guide.



The main task of Supreme Audit Institutions is to examine whether Public funds are spent with economy, efficiency and effectiveness and whether comply with rules and regulations. One of the main objectives of SAIs are capacity building because only by carrying out audits based on scientific and technical knowledge,

qualifications and professionalism, we can be successful and meet the principles of independence, integrity, professionalism, credibility, inclusiveness, cooperation and innovation.

Achieving the second objective of the project, to develop audit methodologies and audit capacities, comprises the largest number of planned activities in the project. For the period March-December 2016, 22 missions were conducted in which focusing in the following directions:

- Improving audit methodology for the fight against corruption and fraud;
- Further development of risk - based approach to financial and financial audits Compatibility through the assistance of Polish experts in drafting the annual audit plan for 2017;

- Reviewing and updating the performance audit manual, as well as training Auditors in this area;
- Initiating work on the development of the information technology audit manual, Developing modules for standard audits for IT audits and creating a help desk for IT audits;
- Development of methodologies for quality assurance and control.

From 22 missions, 5 of them have been completed. So the experts have reviewed the system of combating corruption and fraud in Albania, the results of ALSAI against these phenomena. The experts have trained 50 auditors from ALSAI staff and have prepared a manual on issues of fight against corruption and fraud.

After meetings with the ALSAI staff, Polish experts have presented a framework of planning procedures, with time-limits that allow sufficient time for the entire planning phase, which is closely related to the risk assessment, the model of the audit planning card and the document for calculating the audit days for each auditor. In the framework of improving auditing methodologies by experts were reviewed two financial audits (Audit of legality and financial regularity at the Land and Water Management Directorate of the Ministry of Agriculture and Development and the Compliance Audit conducted in the Regional Directorates of Taxpayers Tirana), conducted during 2016 and have recommended improvement were provided in certain areas of financial audit and compliance.

For its very nature other than classical audits, performance auditing requires the development of methodologies that go hand in hand with the dynamic development of economy and technology. In this context, Croatian experts after reviewing the existing performance audit manual, based on the best practices in the field, have presented recommendations for improving this manual.

Experts in close cooperation with ALSAI Managing Directors and Auditors will continue to work during 2017 regarding the compilation of the information technology audit manual and the development of quality control and quality assurance guidelines and methodologies. Of particular importance to the supreme audit institutions is the impact of the audit results for increasing transparency and accountability. To this end, in accomplishing the third objective of the twinning project "*Strengthening institutional capacities and improving the impact of SAI audit results*", nine missions were conducted, which reviewed the activity of SAI and aimed at improvement in:

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- Planning changes in management;
- Examining the current human resources situation in ALSAI as well drafting policies and guidelines;
- Review of SAI communication, assignment of tasks and tools for strategy communication;
- Internal communication and determination of needs for internal communication and development;
- Examining current audit procedures related to ensuring transparency, by ensuring increased public confidence in the institution. Eight of these missions have been completed completely resulting in:
- Presentation of a document on risk analysis in the communication plan and Recommendations on this issue;
- Presentation of the results of the review of the human resources situation in SAI and Recommendations for its improvement as, presenting a report on this issue and The content of the document on human resources policies;
- Presentation of a list of strategic goals in the field of communication and the scheme for internal communication channels.

Project implementation has had a significant impact on the training of ALSAI staff in various areas where training courses on anti-corruption and fraud training, IT audit training, performance audit training and communication training can be mentioned.

In meetings with the experts of various missions there were 89 employees of SAI or otherwise 884 days/people were realized. From the budget of 6.9 million ALL provided by the state budget for this project for 2016 were spent 1.6 million ALL.

The project will continue until March 2018 and we are convinced that, on the basis of the experience of Twinning Project Partners, Polish and Croatian SAIs, the Project's products will strengthen the applicability of our recommendations as an essential tool for influencing the public good of the country.

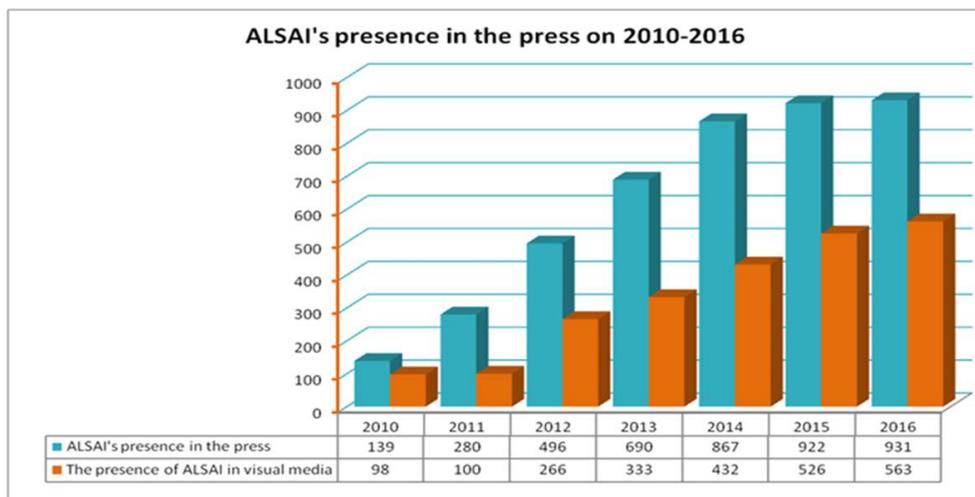
2.3. Communication and Transparency

Communication has never lost its importance, but has confirmed it is a very important and irreplaceable means of transmitting and exchanging thoughts, ideas, experiences and above all to convincing stakeholders, partners and collaborators on

the quality and importance of the idea, product, service, etc. There can be no professional life without communicating, without exchanging, without transmitting, and communicating precisely allows us to share.

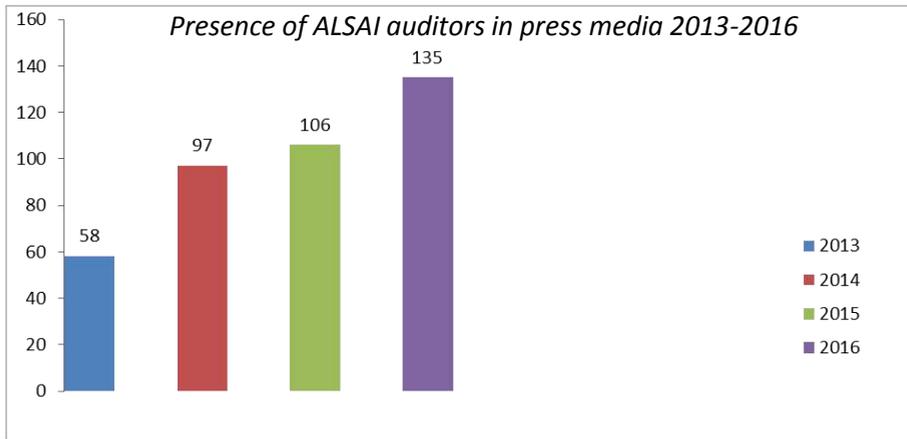
Today's world of communication is the world of the image because the produced impact is immeasurable. ALSAI has long understood the importance of communication, opening the institution and gradually increasing the transparency of its activity. By the end of 2016, ALSAI was present 6.7 times more with information and messages in the print media and we have multiplied the presence of the institution in the audiovisual media, compared to 2010.

During 2016, the press has reflected reports and press releases with a total of 931 articles, announcements, editorials, and analytical reviews, versus 922 in total during 2015. Journalists have responded to our pronouncements, problems arising from audits Exercised by us and various activities this year. Transparency of ALSAI activity is increasing annually, and this is evidenced by the figures in the table below:



On this regard, the presence of ALSAI auditors in the print media, whose writings were presented to the public in 6 volumes (period 2013-2016), have been significantly influenced by publications of the ALSAI. Auditor's writings contain more and more concrete writings on the issues that are most commonly encountered in the everyday life of the citizen who receives public services, but which are the sharpest ones, which are evidenced in the audits performed by them.

During 2016, SAI was present in almost all newspapers with 135 articles, written by 72 SAI auditors. During the four years, 2013-2016, ALSAI’s auditors published 396 articles.



SAI has implemented modern communication elements and is drafting a new communication strategy, in cooperation with Polish NIK, within the Twinning Project.

The Albanian Supreme Audit Institution, with its findings and recommendations, has tried to advise and rectify many of the concrete shortcomings of public funds management in Albania.

For this approach, also based on ISSAI 12, *"The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens"*, ALSAI promotes the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and trustworthy SAI is an essential component in a democratic system where accountability, transparency and integrity are an indispensable part of a sustainable democracy. In this regard, ALSAI has become more credible by the media and citizens.

The ALSAI website is an important window of transparency where the stakeholders can find numerous information on the activity of the ALSAI and especially on the reports and audits.

During 2016, ALSAI has established on the WEB, within the framework of increasing the transparency, the full decisions of the Chairman of ALSAI for 152 audits, out of the total 154 realized, i.e. 98.7%.

ALSAI has significantly expanded the presence in the country's print media channels, newsletters and magazines over the period 2012-2016 and this new approach is based on ISSAIs, respectively the Lima Declaration (ISSAI 1), and the ISSAI 20 "*Principles of Transparency and Accountability*", 8th Principle, on Timely and Broad Communication of Supreme Audit Institutions.

The innovative channels of communicating and transmitting information to the public by ALSAI has changed positively the way the public perceives ALSAI and the audit activity, increasing the citizens' credibility to the work of the institution. Therefore simultaneously has increased the self-confidence of auditors in their work.

The mission they have undertaken to inform the public and the Parliament about the use of public resources with effectiveness, economy and efficiency from the central, local government and other public entities.

In order to have the fullest and most direct knowledge of the activity of the Institution by the citizens, the Supreme State Audit organized the Open Citizens Week, from 28 October to 4 November 2016.

Appreciating his mission as an agent of the public and of the Parliament, ALSAI aims to strengthen the trust of the citizen and the public as a whole, through closer recognition of his activity, audits And their outcomes as well as the partnerships they have created at home and abroad to improve public governance, trying to fight corruption deeply.



During this week, citizens visited the premises of the Supreme State Audit and were introduced to the history and achievements of the institution in the 91 years of its existence through the mini-museum in the central corridor of the ALSAI, and meetings with leaders, auditors and experts from

different institutions, getting all the information they were interested in, including audits in the process.

The launch of the Open Week in ASAI was made by Chairman, Mr. Bujar Leskaj on 28 October 2016, in the hall of the Academy of Sciences during one lecture held by Professor Sang M. Lee, From University of Nebraska, USA.

On October 3, a workshop was held in cooperation with the Albanian Platform for Policy Advocacy and addressed the topic "*Presentation of Findings on Governance for 2015 and the first half of 2016*".

During the Open Week, on November 4, was organized the activity of audit presentation of the Department of Performance "*Rehabilitation of Former Political Persecutors in the Transition Period*". This event attended by representatives of all the Associations of the former politically persecuted, director of the Institute



for Integration of Former Political Persecutors, Mr. Bilal Kola and other staff representatives of this Institute, Director of the Institute for the Study of Communist Crimes, Mr. Agron Tufa, former political prisoners, several NGOs, media representatives, researchers, etc. The Chairman of the ALSAI, Mr. Bujar Leskaj highlighted the importance of this first-time audit in our country. Mr. Leskaj underlined the audit recommendations for a full rehabilitation of formerly persecuted politicians.



SAI continues to issue a statistical bulletin every three months, including the identified economic damage, missing revenues, recommended disciplinary and administrative measures, as well as criminal charges submitted to the Prosecutor. The Bulletin, other than being published on the WEB, is sent to the Parliament of the Republic of Albania, the Independent Institutions, EU Delegation, embassies in Albania, the NGOs and all other organizations with whom we have signed a Cooperation Agreement.

During 2016, ALSAI has handled correctly the complains submitted by the citizens, who always have received an answer, even when the issue raised by them was outside the institution's competences. However, even in these cases, ALSAI has oriented the citizens on the competent institution in order to solve their complains. During 2016, ALSAI handled 660 letters and complaints, out of which 318 were outside the jurisdiction of the institution. Out of 342 complaints under the authority of ALSAI, 209 of them were verified and answered, while 133 are in the process of being verified.

The Annual Institutional Performance Analysis of 2015

On 1 February 2016, the State Supreme Audit Institution developed the Annual Work Analysis of the Institution for 2015.

The analysis was honoured with the participation of the President of the Republic of Albania Mr. Bujar Nishani, Ambassador of the United States of America to Albania, Mr. Donald Lu, Chairman of the Commission of Economy and Finance in the Parliament of Albania, Mr. Erion Braçe, Attorney General, Mr. Adriatik Llalla, Ombudsman, Mr. Igli Totozani, Minister of Justice, Mr. Ylli Manjani; General Inspector of HIDAACI, Mr. Shkëlqim Ganaj, Governor of the Bank of Albania, Mr. Gent Sejko, Chairman of the Competition Authority, Mrs. Lindita Lati, deputies of the Parliament and representatives of the academic world. The analysis was conducted with the participation of many representatives of civil society and professional delegation organizations with 10 auditors from the SAI of Kosovo, headed by Deputy Auditor General Mr. Artan Venhari.

In his greeting speech, The President of the Republic of Albania, Mr. Bujar Nishani, addressed the audience, praised the work and contribution of auditors and their directors for all the professional and institutional investments, reaffirming the great importance of the ALSAI by pointing out that *“ALSAI has achieved a higher standard, more advanced standard, and perhaps is among the first institutions to*

have raised to a higher degree the issue of what constitutes the greatest challenge of our society, the credibility ..." .



The Institution's work analysis continued with the Institutional Performance Report for 2015, "The Main Reporting Indicators referring to ALSAI performance s based on the self-assessment instrument (PMF) and the best practices INTOSAI community". Subsequently, auditing groups referred the audits with the most significant impacts and significant effects on public finance management and economic development of the country, such as audits in the Energy Sector, Public Finance Management, the Health System, IT etc. Further on were presented the ALSAI's achievements in performance audits, institutional capacity building through the Sustainable Development Program and transparency of the activities of ALSAI: as one of the main indicators of institution modernization and its multidimensional communication



The second day of the analysis was held in one of the halls of the Polytechnic University of Tirana and was dedicated to young auditors under the motto of the 1st and 2nd Conference of Young EUROSAI with the central topic "SAI & I". 23 new auditors referred to themes focusing on the future. The topics addressed were the measurement of ALSAI's

performance, the SAI-Media interaction, a tool for increasing government accountability and institution reliability to the public, the SAI in a multicultural society, the influence of technology on the professional profile of an auditor, the link between ISSAIs and IPSASs, etc. At the end of the two days of the Analysis of 2015, the SAI focused on the institution's challenges for the year 2016 .

2.4 Cooperation with NGOs, professionals' organization and the academic world

In the last five years, ALSAI has signed 42 cooperation agreements, of which 24 with NGOs, 12 with homologous institutions and others with state institutions and Public Universities.

On February 10, 2016 was the Signed the Agreement of Cooperation between ALSAI and Economic Magazine "Monitor".

The purpose of this cooperation is to exchange data of mutual interest and enhancing the communication with the public in order to increase transparency.



On 25 February 2016 it was signed the Cooperation Agreement between ALSAI and Confindustria, represented by Mr. Gjergj Buxhuku, General administrator. The signing of the agreement with Confindustria is of great value because the field of activity of this organization is different and complementary to that of other organizations that ALSAI has a



cooperation agreement.

On 22 April 2016, the Cooperation Agreement was signed between ALSAI And the non-profit organization "Albanian Platform for Policy Advocacy". The Chairman of ALSAI has appreciated the seriousness and ambition of this organization, consisting of young people between the ages of 18 and 30, who with determination and courage entered the Albanian market of ideas and promote with their work accountability and transparency of the activity of public institutions.

The agreement will have mutual benefits. The activists of the "Albanian Platform for Policy Advocacy" will get acquainted with the audits, findings and recommendations of an independent constitutional institution such as ASAI and on the other hand, the auditors will be inspired by the courage of these young people who have shown professionalism during this time of their activation in the social life of the country.

Within the framework of this agreement, on October 3, a workshop (part of the Open Week) was held on the topic *"Presentation of findings from monitoring of Government for 2015 and the first six months of 2016"*. Representatives of ALSAI presented a summary of all audits carried out and the number of criminal charges sent to



the prosecutor's office. In the final audit report at the Portual Authority of Durrës, ALSAI is also based on the information and findings of the "Albanian Platform for Policy Advocacy".

On 2 June 2016 ALSAI signed a cooperation agreement with the Commissioner for Civil Service Oversight.

This cooperation emphasizes the fact that for the ALSAI, the enhancement of the quality of the audit work is essential and for the Commissioner for Civil Service Oversight, the provision of technical assistance to improve the functioning of the institutions involved in the civil service sector represents a special interest.



On 6 October 2016, a Cooperation Agreement was signed between the SAI and the Institute for Accountancy, Auditing and Finance (IKAF), Kosovo, represented by the Executive Director, Mr. Bujar Krasniqi. The agreement was signed in the

framework of enhancing professional standards in auditing through trainings, workshops and other joint activities.



Collaborations with the professors of Universities and the Professional Organizations have been enhanced during 2016, reflected in their contribution to the ALSAI's Scientific Journal, Scientific Conferences, trainings, staff recruitment, etc.

On July 2016, was signed the Agreement of Cooperation between ALSAI and the Faculty of Economic. The

agreement comes within the interest and goodwill of both institutions to cooperate in enhancing the capacities and professional knowledge of the staff of the ALSAI and in increasing the scientific activity of the Faculty of Economy of the University of Tirana in the field of



external auditing. The implementation of the agreement will basically have the contribution of the academic world's expertise, particularly the Accounting Department, to enhancing the quality of audit work. Three other areas where the academic world and ALSAI will crystallize their joint work will be the Annual Scientific Conference of ALSAI, The Scientific Journal "Public Audit" and the development of a Peer Review with the Faculty of Economy. In October of this year, ALSAI and the Faculty of Economy will hold a joint Scientific Conference on "Audit, Sustainability and Development".

During 2016, ALSAI's Chairman has signed three other cooperation agreements with homologous SAIs. On 2-4 March, during an official visit to Poland, the Chairman Leskaj and the President of Polish NIK, Mr. Kwiatowski signed a Joint Declaration in which the two institutions following the 2012 Cooperation

Agreement emphasized their commitment to the successful implementation of the Twinning Project.



The Chairman of ALSAI, Mr. Bujar Leskaj and the President of Polish NIK, Mr. Krzysztof Kwiatowski signing a Joint Declaration.

On 9-10 March 2016, in Prague, the Chairman of ALSAI, Mr. Bujar Leskaj, held an official visit at the Supreme Audit Office of the Czech Republic and signed a Cooperation Agreement with his counterpart, Mr. Miloslav Kala. The agreement was prepared on the basis of Article 15 of the Lima Declaration, the common principles of mutual respect, trust and cooperation.



The Chairman of ALSAI, Mr. Bujar Leskaj and the President of the Supreme Audit Office of the Czech Republic, Mr. Miloslav Kala, signing the Cooperation Agreement.

On October 3, 2016, the Chairman, Mr. Bujar Leskaj, held an official visit to the **National Audit Office of the Republic of Bulgaria (BNAO)** and signed a Cooperation Agreement with his counterpart, the President Mr. Tsvetan Tzvetkov. The 136-year experience of the Bulgarian SAI and the quality of audit work is a good model to be followed by the ALSAI. Through the support envisaged in the agreement, ALSAI and

BNAO will exchange experience in their audit activity through study visits, trainings and workshops.



The IV Scientific Conference "Risk Analysis"

The Supreme State Audit held on June 20-22, 2016 the proceedings of the Fourth Annual Scientific Conference on "Risk Analysis". The fourth year of the conference is not just a calendar routine, but confirms its success in overcoming its risk, confirming it as a forum of scientific thinking, Albanian and international one. The conference also drew the attention of the European Parliament, represented by the MEP Dr. Igor Šoltés, vice chairman of the EP's Budget Control Committee.



The IV Conference follows the three previous Scientific Conferences organized by the ALSAI: the first Scientific Conference on December 28, 2012, which referred to the institution's history on the occasion of the 100th Anniversary of Independence of the Albanian State. A year later, in year 2013, we organized the second Scientific Conference on "*The Role of Supreme Audit Institutions for an Accountable Financial Management in Today's Challenges*", and at the end of October 2014, the Third Scientific Conference on "*National Audit in the Service of National Governance*". The IV Scientific Conference was attended by 150 representatives from the partner SAIs of Poland, Turkey, Croatia, Kosovo and Montenegro, well-known and experienced personalities from Supreme Audit Institutions and EUROSAI, Academics, professors and experts from various fields, and "Risk Analysis" was designed under the motto of INTOSAI "*Experientia Mutua Omnibus Prodest*" (Mutual Experience Benefits All). The conference was chaired by the Chairman of ALSAI, Dr. Bujar Leskaj, by Dr. Igor Šoltés, Member of the European Parliament (former President of Slovenian SAI) And Mr. Wojciech Kutyla, Deputy Chairman of the Supreme Audit Office of Poland. also the conference was greeted by the Minister of Finance, Dr. Arben Ahmetaj and Prof. Dr. Anastas Angjeli, from the Academy of Science.



The conference conveyed the central message that, since we have a modest experience in the field of risk analysis, a fundamental reason for the backwardness of the country and the poor quality of public management and decision-making, the main state institutions, in cooperation with their European partners should organize workshops, roundtables, seminars and conferences for the exchange of advanced experiences, as well as methods and New technologies used in risk analysis, auditing and updating of the database for a professional and coherent decision-making. During the Conference days, participants were introduced with the books of Prof. Dr. Skënder Osmani as well as the books of the ALSAI Column published the last two years. The conference papers were published in two volumes by the ALSAI. During 2017, two scientific conferences, ALSAI's Scientific Conference in collaboration with SIGMA are foreseen, "*The role of SAIs in Fight Against Corruption*" and another Scientific Conference in cooperation with the Faculty of Economy of the University of Tirana, "*Audit, Sustainability and Development*".

2.5. ALSAI's Publications, 2016

A democratic society does not simply require an individual-book relationship, but requires the transition to a higher instance, between the institution and the book. Under the conditions of Albania, where corruption is one of the biggest challenges for the country, the linkage of institutions with the book is an integral part of the fight against corruption. Obviously, the binomial of good governance-culture is inseparable and to preserve this relation it is required the approximation of state institutions with the book, this cultural "institution". For the Albanian Supreme Audit Institution, the art of writing is of vital importance. SAI reflects its activity in the audit reports, which in itself constitute a "small" book.

Of course, they are not genuine literature, but a loyal chronicle of an event, in which the main character is the public interest, and auditors are "narrators". From this point of view, the role of the auditor also takes on the features of a writer, as the way of writing a report is as important as the figures and recommendations itself. This relationship, ALSAI has brought it to a higher stage, where the institution serves as a publishing house, thus adding another very important dimension to transparency. ALSAI comes in the last five years 2012-2016 with a series of publications of 67 titles. Each year the dynamics of institution publications increases by 10 percent and conveys the strategic directions of institution reform for the improvement of public governance.

SAI publications are the implementation of the international obligations of engagement of audit institutions in the field of documentation publications to enable citizens to gain broader access. The column of publications, which is enriched year after year, reflects every chronicle of the reforms launched by ALSAI and through them we increase our transparency and accountability as an institution, while increasing the citizens' confidence towards our work. In 2016, the Directorate of Communication, Publication and Foreign Relations has continued to work in this direction, adding 16 new editions to the 51 publications of 2012-2016, , with the following headings:

1. ALSAI's Auditors in the Daily Press, Volume V (July-December 2015);
2. Annual Analysis, 2015;
3. Scientific Journal "Public Audit" no. 12 (September-December 2015);
4. Publication of ISSAIs, 1- 400;
5. EU Directives on Public Procurement and Concessionaire Contracts;

6. Performance Audits in ALSAI 2012-2015;
7. ALSAI's Auditors in the Daily Press, Volume VI
8. Twinning Project, IPA 2013;
9. Scientific Journal "Public Audit" no. 13 (January-April 2016);
10. Annual Performance Report, ALSAI 2015, in Albanian;
11. Annual Performance Report, ALSAI 2015, in English;
12. The IV Scientific Conference of ALSAI Volume I;
13. The IV Scientific Conference of ALSAI, Volume II;
14. The Experience of European Countries in Public Audit;
15. 4 years of External Public Audit 2012-2015;
16. Scientific Journal "Public Audit" no. 14 (May-August 2016);



The Scientific Journal “Public Audit” reached its 14th number and is an indicator of the commitment and values of the institution. The increase in the number of this journal is an indicator of the increased capacities of ALSAI and reflects the scientific work of ALSAI staff, the academic world as well as the best practices from homologous SAIs and international organizations. This year, in this Journal contributed professors of economic sciences as well as distinguished and experienced personalities from the Supreme Audit Institutions (SAIs) from the countries of the region such as the President of EUROSAI and the President of the

Dutch Court, Mr. Arno Visser; Dr. Igor Soltes, vice President of the European Parliament's Committee on Budgetary Control ; Prof. dr. Dr. Skender Osmani, Prof. Dr. Sherif Bundo, Prof. Dr. Niko Pano, Dr. Zef Preçi, Prof. Dr. Omer Stringa, Prof. Dr. Sazan Guri, etc.

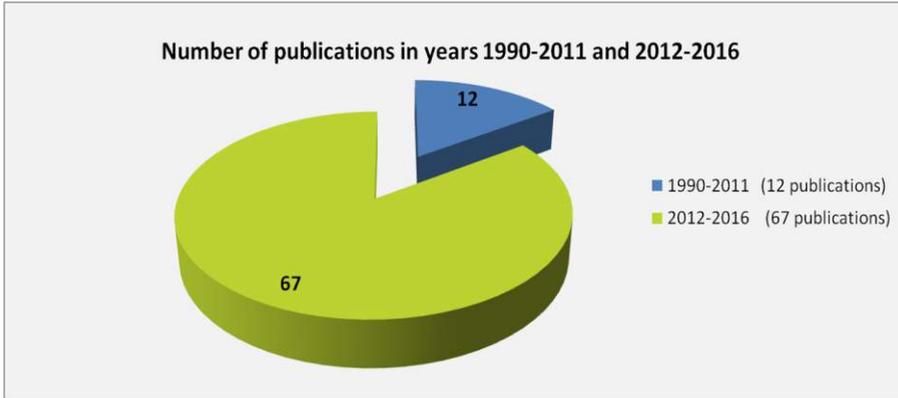
The modernization of ALSAI is a continuous process based on several milestones in the INTOSAI standards, which represent the core of the edition line of ALSAI. Thus, the book *"ISSAI, 1- 400"* reflects the extent of the a;SAI's absorption of audit standards, but also the challenges the institution has in their full adoption, in order to increase audit capacities and modernize ALSAI in the level of European SAIs. Focus on the professional education of public auditors, ALSAI brings to interested readers, involving not only auditors but also students, professionals in other areas related to auditing, publication of EU Procurement Directives Public and Concession Contracts, as advisable guidelines for reading and studying, thus leading to the challenges Albania's EU integration in the field of public procurement.

In March 2016, the implementation of the Twinning Project started in the framework of EU Assistance for Albania and the implementation of the Instrument for Pre-accession Assistance, IPA 2013. This conference was reflected in a special edition because it sets out the main directions of the work and the outcomes that are to be achieved in the modernization of the institution and in particular the impact this project will have on the formation and design of the external public auditor.

Performance Audit, started in 2012, today is a tangible reality that normally functions through the Performance Audit Department, which includes 20 auditors and by the end of 2016 have carried out 43 performance audits. This consolidated innovation and success is reflected in the publication *"Performance Audit 2012-2015"* prepared by the Chairman of ALSAI, Mr. Bujar Leskaj and by Mr. Rinald Muça, Director of the Performance Audit Department. This publication is a chronicle of the journey of Performance audit and the book reflects the work of 30 audits over 130 audited institutions during the period 2012-2015.

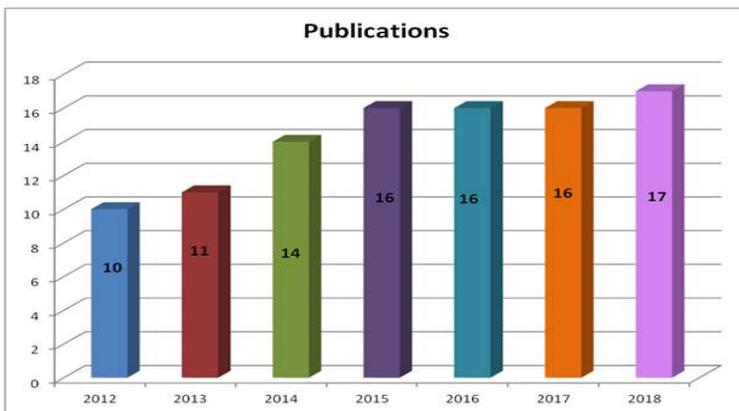
The book "4 Years of External Public Audit, 2012-2015", prepared by the Chairman Mr. Bujar Leskaj, completes the leitmotiv *"Audit, knowledge and development"* of the publishing line followed by the ALSAI. This publication unfolds to the interested reader, through the documents of the Chairman, the change and the evolution of the ALSAI in the culture of audit work and in the enhancement of the quality of its

findings and recommendations. Overall, the book provides a picture of the undertaken reforms towards a European Supreme Audit organization, which guides by the example it provides, in line with the INTOSAI and EUROSAI Strategic Guidelines.



The ALSAI will continue to publish new editions for 2017,

- ALSAI Auditors in the Daily Press, Volume VII and VIII;
- Annual Analysis, 2016;
- "Public Audit" no. 15, 16 and 17;
- Annual Performance Report, SAI 2016, in Albanian and English;
- ALSAI's Scientific Conference;
- INTOSAI Congresses, from Lima to Abu Dhabi;
- Public Audit, 1925-1939;
- Public Procurement Audit Manual, ect.



Each year the dynamics of institution’s publications is increased by 10% and convey the strategic directions of institutional reform, such as the increased contribution in improving public governance. 10 to 16 publications are published yearly, with a flow of 250-300 copies per title. The total cost for the 67 headings published for 2012-2016 is 10,333 thousand ALL and the average cost for each heading is 580 ALL. For 2016 the total number of pages for the 16 titles is 1 307 250, total cost 2,353 thousand ALL and the average cost for each edition 540 ALL.

Evaluation according to the Performance Measurement Framework (PMF Instrument) of the field "Communication with Stakeholders"

Dimensions to be assessed:

- (i) *Communications Strategy/ Score 3;*
- (ii) *Good Practice Regarding Communication with the Legislature/Maximal Score 4;*
- (iii) *Good practice Regarding Communication with the Executive/Maximal Score 4;*
- (iv) *Good practice Regarding Communication with the Judiciary, and/or Prosecuting and Investigating Agencies/ Score 3.*

(i) Communication Strategy/Score 3	
a) Establish a strategy for communications and/or stakeholder engagement.	<i>In process</i>
b) Identify key stakeholders with whom the SAI needs to communicate in order to achieve its organizational objectives.	<i>Completed</i>
c) Identify key messages that SAI intends to communicate.	<i>Completed</i>
d) Identify appropriate tools and approaches for external communication.	<i>In process</i>
e) Align its communications strategy with its strategic plan.	<i>In process</i>
f) Periodically monitor implementation of the communications strategy.	<i>Partly Completed</i>
g) “(...) periodically assess whether stakeholders believe the SAI is communicating effectively.	<i>Partially Completed</i>
(ii) Good Practice Regarding Communication with the Legislature/Score 4	
a) “(...) report its findings annually (...) to Parliament.	<i>Completed</i>
b) “(...) analyse their individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and discuss these with key	<i>Completed</i>

stakeholders.”	
c) Establish policies and procedures regarding its communication with the Legislature, including defining who in the SAI is responsible for this communication.	<i>In Process</i>
d) Raise awareness of the Legislature on the SAI’s role and mandate.	<i>Completed</i>
e) “(...) develop professional relationships with relevant legislative oversight committees (...) to help them better understand the audit reports and conclusions, and take appropriate action	<i>Completed</i>
f) Where appropriate, provide the Legislature with timely access to information related to the work of the SAI.	<i>Completed</i>
g) Where appropriate, “(...) provide [the Legislature] (...) with [its] professional knowledge in the form of expert opinions, including comments on draft laws and other financial regulations.”	<i>Completed</i>
h) Where appropriate, seek feedback from the Legislature about the quality and relevance of its audit reports.	<i>Completed</i>
(iii) Good Practice Regarding Communication with the Executive/ Score 4	
a) Not be involved or be seen to be involved, in any manner, in the management of the organizations they audit.”	<i>Completed</i>
b) Provide generic information to auditees on what to expect during an audit (E.g. produce and disseminate guidance on the SAI’s objectives and the principles governing interactions between auditors and auditees).	<i>Completed</i>
c) Periodically invite senior members of the Executive to meetings to discuss issues of concern to both the SAI and the Executive, including common findings, trends and root causes the SAI has identified through analysis of its audit reports.	<i>Completed</i>
d) Seek feedback from the audited entities about the quality and relevance of audit reports and the audit process.	<i>Completed</i>
(iv) Good Practice Regarding Communication with the Judiciary, and/or Prosecuting and Investigating Agencies / Score 3	
a) Have policies and procedures in place for how to	<i>Completed</i>

communicate with the Judiciary and/or prosecuting and investigating agencies regarding audit findings that are relevant to those agencies	
b) Carry out awareness raising activities with the Judiciary and/or prosecuting and investigating agencies on the SAI's role, mandate and work	<i>Partially Completed</i>
c) Communicate with the Judiciary and/or prosecuting and investigating agencies about the role of the SAI in relation to investigations and legal proceedings that are initiated on the basis of the SAI's audit findings.	<i>Completed</i>
d) Have a system in place for follow-up on cases that the SAI has transferred to the Judiciary and/or prosecuting and investigating agencies.	<i>Completed</i>
e) Where relevant, the SAI should have policies and procedures for audit documentation that are designed to ensure compliance with applicable rules of evidence.	<i>Not applicable</i>

Communication with the Media, Citizens and Civil Society Organizations

An SAI must be perceived as a credible source of independent and objective insight and guidance to support beneficial change in the public sector (ISSAI 12:7). This indicator assesses the practices of an SAI in reaching out to society and informing the public about its role, work and results, as well as contributing to enhancing accountability in the public sector.

Dimensions to be assessed:

- (i) Good Practice Regarding Communication with the Media*
- (ii) Good Practice Regarding Communication with Citizens and Civil Society Organizations*

(i) Good Practice Regarding Communication with the Media/Score 4	
a) During the period under review, the SAI held press conferences to launch its annual report and, where relevant, other major reports, including performance audit reports.	<i>Completed</i>
b) During the period under review, the SAI issued press releases with major reports, including performance audit reports where relevant.	<i>Completed</i>

c) During the period under review, the SAI approached appropriate media to disseminate audit reports, including performance audit reports where relevant.	<i>Completed</i>
d) The SAI has a system in place to monitor the media’s coverage of the SAI, and topics addressed by the SAI’s audit.	<i>Completed</i>
e) The SAI has designated one or more individual(s) who are authorized to and tasked with speaking with the media on behalf of the SA	<i>Completed</i>
f) The SAI has procedures in place for handling requests from the media, and a media contact point.	<i>Completed</i>
(ii) Good Practices on Communicating with Citizens and NGOs/Score 4	
a) SAI has “[made] public their mandate.	<i>Completed</i>
b) SAI has published summaries of audit reports, written or otherwise communicated so as to make it easy for citizens to understand the main audit findings.	<i>Completed</i>
c) SAI has established contacts with relevant civil society organizations and encouraged them to read audit reports and share the findings with citizens.	<i>Completed</i>
d) SAI has Stimulated citizens to access information on public sector audit and the SAI, beyond audit reports.	<i>Completed</i>
e) SAI has provided opportunities for citizens to provide input to and/or participate in the SAI’s work, without compromising the SAI’s independence.	<i>Completed</i>
f) Made adequate use of online media (institutional website, email newsletters, social media), in accordance with the country’s culture	<i>Completed</i>
g) "SAIs should contribute to the debate on public sector improvement without compromising their independence".	<i>Completed</i>
h) Sought feedback from civil society organizations and/or members of the public on the accessibility of its reports, and used this feedback to improve these in the future.	<i>Completed</i>

III. RESULTS OF AUDIT ACTIVITIES

1. THE VALUE AND BENEFITS OF SUPREME AUDIT INSTITUTIONS – MAKING A DIFFERENCE TO THE LIVES OF CITIZENS

ALSAI is the leader institution that contributes to the strengthening of accountability, transparency and good governance in the public sector.

"The concept of accountability is at the core of the Democratic system".

In a democracy, the elected representatives are authorized to implement the will of the people and to act on their behalf through legislative and executive bodies. A risk to democracy is that power and resources can be mismanaged or misused, resulting in a loss of confidence that could undermine the democratic system. An independent, effective and trustworthy SAI that examines leadership and the use of public resources is an important component to make the government accountable. An unconsolidated democracy, with a slow growing economy and with great support in foreign loans, is a key feature of Albania. The main role of citizens in a democracy is participation. Citizens have an obligation to be informed about public affairs, to monitor the behaviour of their leaders and their representatives, and to express their opinions. Public state auditors play a key role in informing citizens about government work. Once the audit results are made public, citizens are able to keep responsible public resource caretakers. In this way, they promote the efficiency, accountability, effectiveness and transparency of public administration.

In this context, performance audit reports, although in a modest number for 2016, only 13 such are published on the web, where both the media and everyone interested in accessing the Internet are made aware and possess all Information regarding the findings and recommendations given in accordance with the conclusions reached.

While for other types of audit, due to some internal weaknesses, which are part of the old audit work culture, is only publicized by the decision of the Chairman of SAI

at the end of each audit. It should be noted that 98% of audit materials are published and accessible on the SAI web site.

Such a way of auditing approaches has been assessed not only as a tool of transparency of our work but also as an additional tool to keep the government and public sector entities more aware of continued accountability. However, due to limited internet access in rural areas, another channel of communication, especially in cases of flagrant violations in the way that the public funds are managed and managed, are the press releases in the visual media.

2. THE IMPACT OF AUDIT ACTIVITY OF ALSAI IN THE PUBLIC FINANCE MANAGEMENT AND ECONOMY

In the audits conducted during 2016, ALSAI has sought through its recommendations to improve the regulatory framework based on the best practices in public finance management. The recommendations addressed are legal improvements mainly related to budget implementation but also in the crucial economy sectors of the country.

2.1. The need for mid - term and annual budgets

Annual macro-fiscal stability and financial sector stability are seen¹ as one of the top priorities due to the substantial impact on the country's ability to move to a sustainable growth pattern. Initiative for the establishment of the Independent Fiscal Council should be a priority. We have noted that there is a lack of assessment in the decision-making process of public investment across the public sector,

There is a lack of concrete action to strengthen public administration capacities in relation to the economic assessment (not just technical and financial assessment) of capital investment projects, i.e. the extent to which social benefits from the respective project will exceed project costs. These capacities will also be used to assess, after realization, the socioeconomic return on the implemented investment projects.

¹ *World Bank Document. The Partnership Framework of the International Bank for Reconstruction and Development, International Finance Corporation and Multilateral Investment Guarantee Agency with Albania.*

2.2. An accurate reporting on fiscal indicators

a. The Regional Development Fund is included in the MTBP process, because the level of this fund has been increasing from one year to another (for 2016, it is planned to reach 14,979 million ALL, i.e. by 210% compared to 2014). We judge and recommend that the part of the Regional Development Fund as a fund managed by the Committee of Regional Development and spent on local government units should include the macroeconomic framework and medium-term budgetary requirements of the general government unit in order to make them It includes and reflects the state budget allocation and government program policies related to this fund for the 3-year period, the improvement it will bring and the restriction of its allocation at the beginning of the year in order to preserve the timely value of Money funds for project funding. What is important are the measures in terms of accurate and easily evidenced, in a special voice, of the planned and factual value of The Regional Development Fund distributed and used by the local and central government units, allowing a clear analysis and reflection of the planned and actual indicators of the state budget.

b. We have sought the creation of a database that is not easily modifiable for foreign-funded projects, with state-of-the-art control over their performance, in view of the accurate and complete indexation of capital expenditures with foreign financing. In order to avoid reporting deviations but also to increase control, projects should be oriented towards the full treasury scheme, minimizing grants and partial scheme projects for which the audit trail loses by setting up a reporting system based on the best practices of accounting and reporting.

c. We have required the drafting and improvement of the standard budget implementation guideline for the procedure on using the Contingency Fund to provide the argument for the impossibility of funding from the annual budget and to determine the necessary documentation to justify its application and its use. Also we have required to determine a procedure for calculating the cost for the required fund, as well as clear rules on time limits for submitting an opinion, before being considered in the Council of Ministers

d. For payment of the decisions of the European Court of Human Rights, an economic account should be opened in the Government Financial Information System (SIFQ), so that reporting on expenditures for these international court decisions can be made clear in the fiscal chart of each budget year, given the high value of the budget as a result of these decisions.

2.3. On Public Debt Management

For public debt, as an important indicator, but with a high impact on public finances and future economic projections, we have continually recommended setting the ceilings of this debt to the Constitution (proposal submitted to the Assembly in 2012) to 60 percent of the country's GDP and achieving this level gradually in time, in the long run. ALSAI has requested a careful monitoring of some of the activities envisaged in Public Finance Management Strategies 2014-2020, linked to public debt, setting the main debt indicators, which are sustainable, publicly accessible and understandable by the citizen. Same as in 2012, where in reporting the actual budget of 2011 we have been the first that we asked the Parliament to pay back the overdue obligations accumulated over the years to private entrepreneurship. For the past year we recommended (simultaneously with the concern raised by the IMF) to take swift measures to fully identify and settle the accumulated debt and Rapid growth of local government units.

Meanwhile, we reiterated the request that the Bank of Albania and the Ministry of Finance unify and meet debt reporting requirements on the same criteria so that the analyzes are comparable. In the context of keeping portfolio risks under control, exchange rate risk management, the priority should be to control the external debt by setting the annual ceiling for the total of external debt in the composition of the public debt in accordance with the mid-term public debt management strategy. To imitate the operational risk of action on a not completely and clearly defined regulatory basis, we have been urged to act swiftly to adopt normative acts that complement and explain the spirit of legal changes in terms of state borrowing, state debt and state-guaranteed loans in the country. The forecast of the effects of increasing or decreasing public debt should be linked to economic growth, poverty, or other economics. Keeping control of the level of state debt with important effects on public finances, as well as sustainable economic development, must be made with the coordination of Monetary and Fiscal Policy.

2.4. On Public Capital Investments

We have noted that there is a lack of a thorough assessment of the decision-making process in planning sustainable levels of investment across the public sector, allocating investments in the appropriate sectors and projects, timely implementation of projects and within the envisaged budget. Ascertained the lack

of a concrete action to strengthen public administration capacities for the economic evaluation (not just technical and financial assessment) of capital investment projects, therefore the social benefits and the citizen level from the respective project will exceed the project costs. These capacities will also be used to evaluate, after realization, the socio-economic return on the implemented investment projects.

The downward tendency of capital investments shows that public debt is generally not used to increase investment. The annual growth rate of debt is higher than the annual growth rate, reflecting the risk signals for macroeconomic stability and economic developments in the future.

2.5. On the preparation of the State Consolidated Financial Statements and Financial Reporting of the Public Sector

The lack of a unified accounting basis, the different addressing of responsibilities for the preparation of the consolidated financial statements of the Government, is noticed. The absence of consolidated state statements affects not only the level of transparency but is closely related with careful monitoring of public finances and analysis of macroeconomic indicators. We have asked for measures to be taken to create a directory, specifically for accounting and financial reporting, which deals with the design and implementation of the necessary methodologies for Public Accounting and Financial Reporting. IPSAS International Public Accounting Standards, we have judged it as the main basi Methodological approach on which the state's financial statements will be drafted, also to familiarize the public administration employees with the new requirements.

2.6. Strengthening the role of internal audit and financial management systems

We have stressed the need to increase the independence of the policy-making structure that deals with the organization and functioning of the internal audit structure as an important unit that ensures good governance of the public entities, placing this structure under the Prime Minister. As a central unit, we have requested to have in its subordination (Methodological and reporting) all audit structures created at the level of general governance, a model that brings the service of internal audit structures to the public sector's accountability needs. The central government auditing entities and independent institutions have the

obligation to report and be functionally dependent on this unit with focused functions. This functional dependence (rather than structure) creates favourable conditions for independence, professionalism but also guarantees a real-level reporting level by encouraging and enhancing the issues by making recommendations of these structures applicable.

2.7. Transparency of political parties' finances

In Law No. 8580, dated 17.02.2000 "On Political Parties", it is considered that the Central Election Commission is the body responsible for monitoring and overseeing party financing, according to the rules of this law, while in this law we find no reference for adjustments Specific for the administration and reporting of political parties' finances. The provisions in force do not allow for detailed adjustments regarding accounting records, financial disclosure and timelines for the filing of financial statements at the Central Election Commission. Political parties in Albania do not publish their own financial information either to the general public or to their members. Although the Central Election Commission is responsible for monitoring and overseeing party financing and election campaigns, hasn't played yet any active role in increasing the transparency of political parties' funds. For this reason ALSAI is undertaken a legal initiative for drafting a Law "On Financing and Auditing the Political Entities" with a view to create a Regulator framework of the criteria of financing, administration, supervision, transparency and reporting of the use of property and income of political entities according to the best practices.

2.8. Public procurement and the lack of efficiency

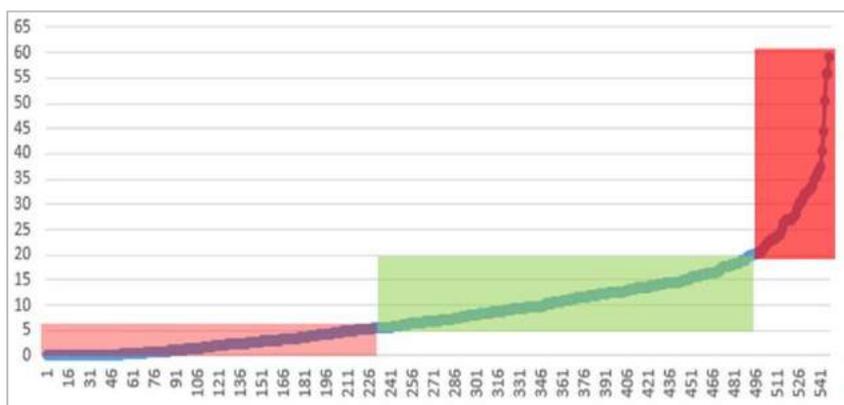
One of the public finances threats is the low level of effectiveness in procurement of goods, services and implementation of works mainly in road infrastructure. What is not being achieved through the electronic procurement system is the value from the spent funds; an important indicator for an efficient public procures system. Despite the increased attention of all actors and factors involved in public finance management in terms of improving and strengthening the public procurement system there are aspects that address the need for intervention. What is sought from a modern procurement system is the fulfilment of key principles of competition, free market and effectiveness in the procurement of goods, services and works that make up and the main fund of the procured funds. By elaborating the data provided by the e-procurement system, we have concluded that the

procurement of funds by type of procedure is carried out with procedures that do not guarantee open competition (contract negotiation is the most common type of procedures used, referred to the number of Procedures implemented during 2016, with 59% of them}

PROCEDURE	Value	%	Nr	%
Open local	74,363,904,466	85.1%	2062	40.7%
Request For Proposal	6,865,449,405	7.9%	2958	58.4%
Open international	6,142,594,121	7.0%	47	0.9%
TOTAL	87,371,947,992	100%	5670	100%

The most common type of procedure used, as is apparent from the figure, is that of the Request for Proposal with almost 59% of the total developed procedures. With this increased level of procedures in the absence of full competition, the system cannot produce the product with effectiveness and the economy required in spending the funds. While the largest concentration with about 85% of the total fund procured in value is an indicator that hides the lack of competition as in more in-depth analysis, we conclude that the high value is the reflection of a very small number of open procedures carried out with a competitor, therefore in the absence of competition aimed at this kind of procurement.

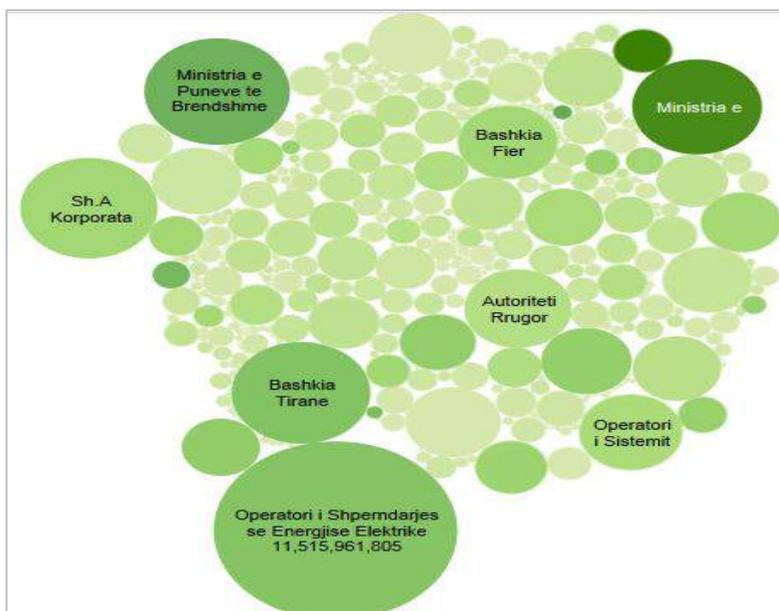
If referred to Effectiveness, it is considered linked to the limit fund difference with the fund procured according to the type of proceeding followed. This is an indication of whether or not the funds are being used, considering variables such as procurement planning or drafting of technical specifications.



Effectiveness of public procurement in 2016

Results of Audit Activities-----

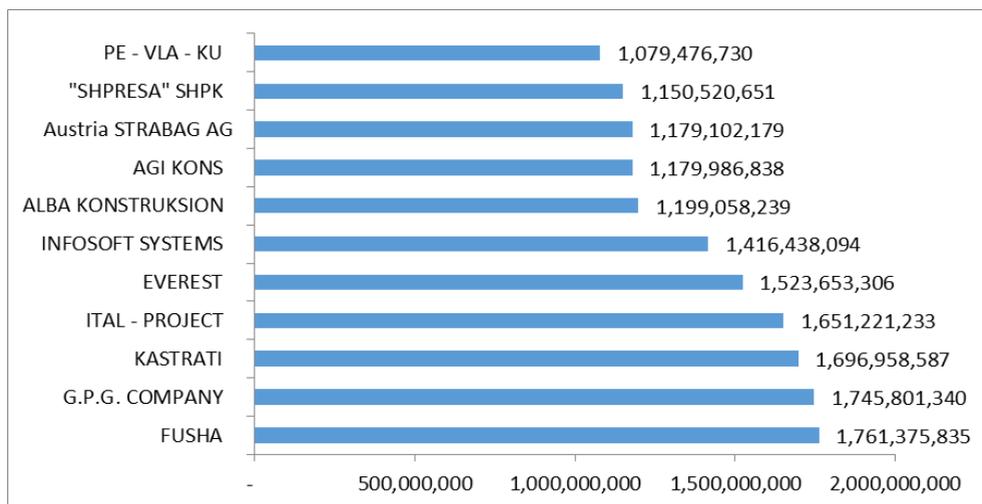
From the analysis of risk areas for the contracting authorities which are the biggest consumers of funds it turns out that the phenomenon of the abnormally low bidding phenomenon is dominated by 20% to 80%, which have the risk of ineffectiveness in fund planning (Risk of agreements) as well as the risk of non-performance in quality and time of works and service contracts. Visualization belongs to data for 559 contracting authorities, 1118 economic operators involved in 4527 e-procurement procedures. On the other hand, the data shows a concentration of public funds in some key operators that are given in the subsequent visualization. The authorities that have received a large amount of funds through the public procurement system are the Electricity Distribution Operator, the Ministry of Internal Affairs (Directorate of Public Procurement), the Ministry of Health, the Albanian Road Authority. While from the local government units the funds can be clearly evidenced by the Municipality of Tirana and the Municipality of Fier.



Equal treatment among participating economic operators is an indicator of free competition in procurement development, contributing to the effective spending and efficiency of public funds. The increase of the participating operators and on the other hand, the rate of concentration of funds on economic operators were used as a measure for Assessing the competition in obtaining contracts with public

funds. In all procurement procedures conducted, winners were declared 1,140 economic operators for 5,067 procurement procedures in total.

From the database analysis it is evidenced that during 2016, 50% of the total value procured was acquired by 57 economic operators. On the other hand we have calculated that 5% of the total operators have won 14.7% of procurements developed. The 20 economic operators, which in 2016 acquired 27.4% of the fund's value procured from the total fund procured in 5,067 procedures, are listed below.



Another issue with public finances when referring to procurements is the way of calculating the fund limit, based on three bids of which part of the bid and the winning bidder, although this procedure is in line with the legal requirements.

We conclude that it has distorted not least the funds procured, typically is the procurement procedure of the camera system at the General Directorate of State Police. For the second consecutive year, in the Report on Implementation of the Factual Budget 2015, SAI has disclosed the map of fiscal risks And most important financial resources of the country, some of which were mentioned above, which have required the Government to take measures for the preparation, substantial measures have been proposed contributing to the fulfilment of the requirements of Chapter 32 "Financial Control"; and Chapter 33 "Financial and Budgetary Provisions" of the Stabilization and Association Agreement with the European Union. This approach is in line with INTOSAI's XXII Congress recommending that: *"SAIs should realize a common understanding of financial management systems, their strengths and weaknesses, the key risk factors, and The implications for*

achieving sustainable development objectives. This understanding would be essential for carrying out the government budget audit in a comprehensive manner to identify the causes of budget failures, leading to better audit reports and increasing the feasibility of SAI recommendations and, Hence, to the effective soundness of a country's public finances

2.9. Promoting accountability and credibility by identifying the mismanagements of funds and resources

In audit reports of 2016 there have been detected violations and financial irregularities in the analysis of 2013-2016, which is the period that has been audited.

1. Violations and financial irregularities in revenues and expenditures, causing an economic damage in a total of 25,481 million ALL (188 million Euro), from which the total amount of 24,723 million ALL, or 97% is requested to be compensated.
2. Violations of financial discipline causing a negative effect in a total of 35,919 million ALL on revenues and 10,925 million ALL on expenditures, resulting in a total of 46,844 million ALL (345 million Euro).

In total, the economic damage has caused a negative effect for the state in a total of 72,325 million ALL, or approximately 533 million Euros.

Main detected damages are related to misadministration of natural resources, so as a main finding of our audits we mention the default of Hydrocarbon Agreement which aims to divide the production with the company that exploits 95% of production of existing oil locally and that is located in the oil-bearing refinery Patoz-Marinëz. This oil refinery has existed there before, so the company didn't need to increase its costs with further research expenditures, but it started the diesel production immediately. As a result, the expectations on the profit from the use of this national wealth for the benefit of the citizens have been high. National Agency of Natural Resources as the main responsible institution, but also Albpetrol and the Ministry of Energetic, have disobeyed the agreement and they haven't monitored the expenditures for hydrocarbon operations, but they have allowed the company to make expenditures over the market prices and over the existing legal references. For this reason, the state company Albpetrol, has not exploited the amount of hydrocarbon promised in the development plan, and as a result the State Budget

has not taken the profit tax. The lack of surveillance from the respective authorities has caused lots of loss in the State Budget.

Our purpose is not penalizing the foreign investors, in contrary: we support them; but the lack of an updated legal framework according to best models; non identifying the rights, obligations and penalizations of hydrocarbon agreements in a proper and correct way; weak performance of public institutions in this field accompanied with the lack of cooperation and coordination of their activities in monitoring, surveying and auditing the implementations of these agreements have affected negatively in achieving the financial and economical excitability of Albanian State, putting in danger the rational use of oil resources and threatening the environment.

We have to mention that since 2013 and continuing until now, the Supreme Audit Institution of Albania has pointed out the issue of mismanagement of oil refinery resources and has denounced considerate economic and financial losses of state budget in the audit reports of Ministry of Energetic, National Agency of Natural Resources (AKBN) and Albpetrol, by recommending the need of taking initiatives for the improvements of the hydrocarbon sector situation.

ALSAI has asked for a quick solution related to the issue of citizens of Zharrëz , sooner than the seismic swings in Marinë and their protests, with contributions from the State Budget and the company that has the hydrocarbon concession in the area, investments for indemnity of material damages and returning the place in the previous normal environmental parameters. In the Audit draft sent to AKBN and MEI with the of the document of the ALSAI Chairman no. 850/7 on 09.03.2013, we have pointed that *“another damage that cannot be recuperated with the consequence subsidence (sink) of the surface will happen in the future, because of breaking the equilibrium of inner forces in collector unit, that will cause the destroy of litho logical layers and as a result the underground will not be protected; which is one of the main criteria that the government should monitor in a frequent basis because if immediate actions are not taken, there will be caused subsidence (sink) of the surface in that area, accompanied with seismic swings. This is certain from the scientific facts, and cannot be questioned if it will happen, but when?”*

The same attitude in favour of the citizens of Zharrëz, was sent with the ALSAI Chairman Decision document no.850.11 reference nr. 34, on 30.04.2015 for the auditing in AKBN and MEI with the Decision document no.179, on 31.12.2016 for

the auditing in Albpetrol and the Decision on 29.02.2017 related to the latest audit results in AKBN.

2.10. The fight against the anti-culture of impunity

The INTOSAI XXII Congress underlined that *“SAI-s need to collect and promote to the public the results of their audits, emphasizing the possible risks in implementing the politics and programs of the government, risks that can hurt the healthy management of Public Finances”*.

While we are satisfied with the implementation level of the ALSAI organizational and administrative recommendations from the state administration, (which is in the same level as the implementation level of developed European SAI-s), our main concern is the low level of implementation of the ALSAI’s recommendations for job dismissals from civil service of the high level officials which have been detected causing abuses of public property and funds. Non implementation of the ALSAI’s recommendations by the government for the job dismissals or civil service creates the anti-culture of impunity which is very common in the country and prohibits the investigation from the Prosecutor of penal charges related to high level officials delivered by the ALSAI.

On the other hand, non-acceptance of the economic damages detected by ALSAI and the recommendations for compensation from the audited entities, not only hurts the ALSAI but most important of all, it hurts the public finances, Albanian economy and Albanian citizens which have been taken in advantage. In compliance with its strategic objective for improving governance through the war against corruption, in 2016, the institution has made 49 criminal charges for 191 state officials, mainly high and medium level officers for breaking the legal frameworks.

As a witness of the will for fighting the anti-culture of impunity, we have asked the government to publish a document ordering the implementation of recommendations left by ALSAI for the public sector institutions, which has not happened yet. This publication would not only contribute in the incised of the institutional recommendation implementation, but it will also increase the accountability and credibility of public administration. On the other hand, the Government would guarantee through ALSAI, in the same way that countries of EU members consider their SAI-s: “A transparent and professional mirror to see itself and identify the mistakes with responsibility and to be oriented in correcting them

by strengthening its public image and increasing the citizens credibility towards the government visions, political actions and programs”.

3. EVALUATION OF ALSAI’S AUDIT PERFORMANCE

Measuring the performance of a public constitutional institution is of a great importance for evaluating the institution’s contribution in its mission and its constitutional obligations. Increasing its credibility in public and identifying future challenges. We are in the second year of preparing an analysis with performance indicators in compliance with the international framework of measuring SAI-s performance.

The measurement of performance through the indicators that summarize the ISSAI standards and other best practices defined by INTOSAI, gives a mirror of best important aspects of a SAI’s activity and results. This includes the inner institutional processes (the way it is organized, the implementation of inner regulatory frameworks, development of human resources) and also the communication with the third parity (partners, citizens, public, etc.), not forgetting the audit results. This measurement gives us the opportunity to be a model organization, guided by the promotion of transparency and accountability.

The performance analysis through indicators makes ALSAI results appropriate and comparable with its performance in a dynamic way with homologue SAI-s, creating a unified system of values and standards. In evaluating the Audit Results Report, ALSAI has generally used the indicators of Performance Measurement Framework, approved in October 2016 in the Congress of XXII in Abu Dhabi.

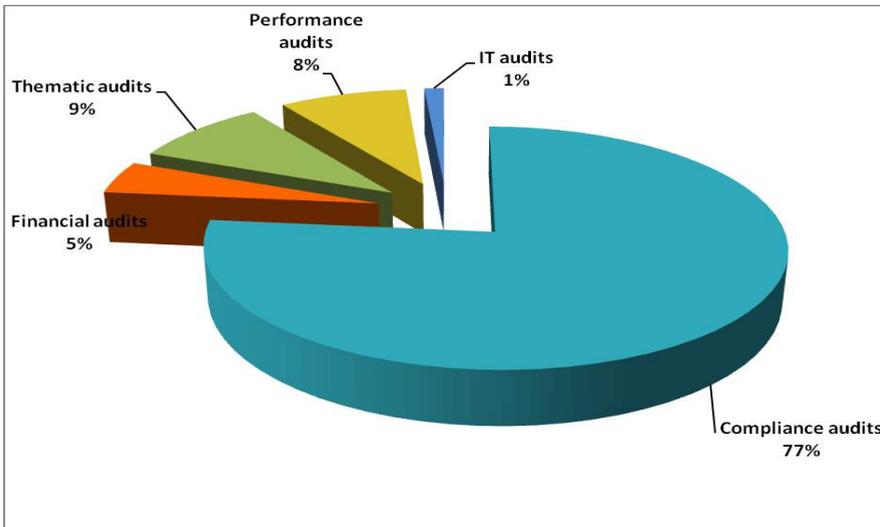
3.1. Reporting audit results

The Report on Audit Results is the indicator that reflects the audit activity and it’s strongly related to the audit reports according to their type, compliance, financial, performance. Generally, the indicator relates to the number of audits, audit activity and the reaction/reflection of subjects towards the ALSAI recommendations, giving another viewpoint for the audit work, as an added value for the subjects.

For the January-December 2016 period, the Albanian Supreme Audit Institution has finished and concluded 154 from 154 planned audits, and has started the preparation of materials for 170 audits.

According to their types, concluded audits are classified:

- 118 compliance audits, legality and financial regularity;
- 7 financial audits;
- 14 thematic audits;
- 13 performance audits'
- 2 IT audits (oriented as compliance audits).

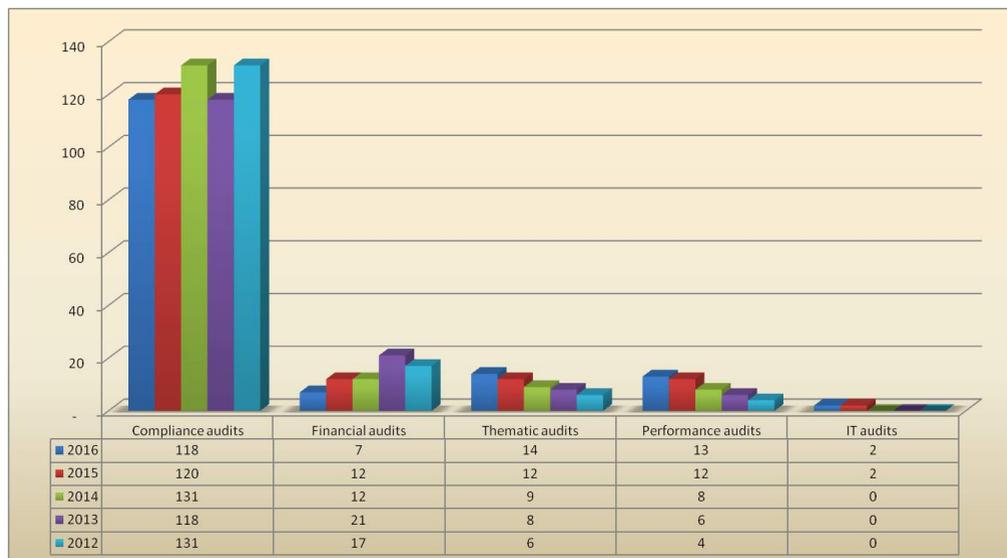


For 2016, ALSAI has focused its audit work in compliance and financial regularity audits, which occupy 77% of total audits. We have managed to keep a stable number of compliance audits, despite the fact that according to performance indicators auditors are overloaded in audits. Despite the great number of this type of audit, the coverage indicator level of is 2 (in a low level).

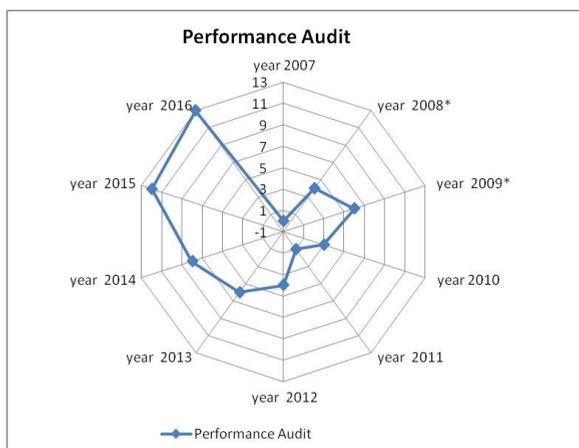
We have continued giving an opinion related to the financial statements prepared by public sector even this year, despite the fact that this auditing has not managed to achieve a satisfying coverage, but is only realized in some institutions, occupying only 5% of concluded audits. The coverage indicator is 0. The low level of financial audit coverage is due to a careful coverage policy of this audit, while we are currently working on the development of inner capacities for this new kind of audit. For this reason, we have not applied the indicators of the performance measurement framework of ALSAI for this type of audit.

The performance reports of 2016, made up 9% of the concluded audits, but most important of all is that they managed to meet to methodological criteria of this

audit, guaranteeing the implementation of best INTOSAI standards. The experience combined with a new methodological framework, offers to the auditors a real guidance in the auditing activity. The coverage indicator is on level 2. The audit trend according to the types of audits in years is explained in the following chart.



The performance audits in 2012-2016, have not only experienced a qualitative development, but also a quantitative one, increasing over 3,5 times more compared with the 2007-2011 period.



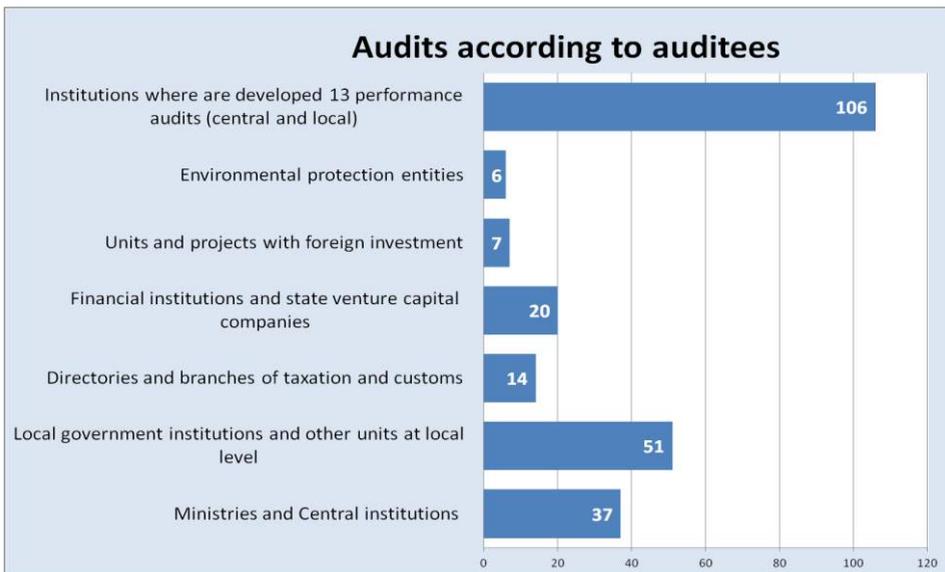
The development of auditing is in line and in total compliance with the predefined objectives in the strategic plan 2013-2017 and in the annual plan of year 2016, and also according to the orientations of the Congress XXII of INTOSAI held in Abu

Dhabi. This congress emphasized the need “for a comprehensive approach toward performance audits and encouraging for mutual audits and for a more intensive exchange of knowledge across SAI-s”.

Regarding the financial audit trend, illustrated in the picture, it looks like we have a decrease of their number. We must explain that before 2015, there hasn't been given an opinion related to financial statements, but because the NAO practices were applied in compliance and financial regularity audits, these kinds of audits were reported as financial audits. In 2015, the first financial audit was concluded according to this type of audit, resulting in an opinion about the financial statements, while in 2016 there have been concluded 7 financial audits where there has been given an opinion on the statements.

Audits according to institutions

This analysis requires the distribution of audits according to the institutions. If we refer to this analysis, classifying the institutions as institutions of central administration, local, fiscal administration and societies with state capital, for 2016 there have been concluded 37 subjects of central administration, 51 subjects of local government, 14 audits in taxation and custom system, 20 societies with state capital and 7 projects with foreign investment. There have been concluded 19 subjects related to property administration and 6 subjects of environment protection. The 13 audits of performance department through 2016 are related to 106 subjects.



Audit results²

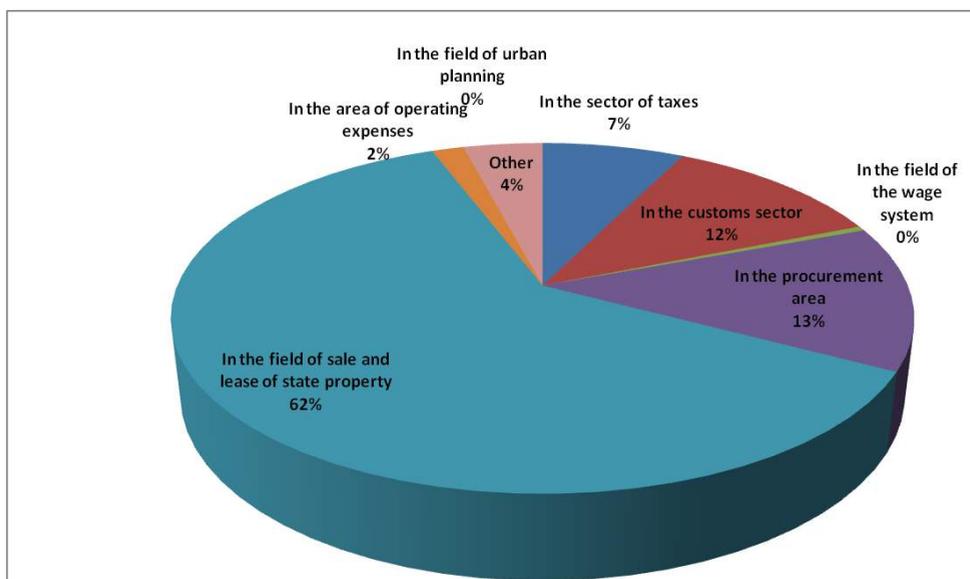
In the concluded audits of 2016 there have been detected violations and financial irregularities related to the audited period 2013-2016.

1. Violations and financial irregularities revenues and expenditures, causing an **economic damage in a total of 25,481 million ALL (188 million Euro), from which the total amount of 24,723 million ALL, or 97% is requested for compensation.**

2. Violations of financial discipline causing a negative effect in a total of **35,919 million ALL on revenues and 10,925 million ALL on expenditures, resulting in a total of 46,844 million ALL (345 million Euro).**

In total, the economic damage has caused a negative effect to the state in a total of 72,325 million ALL, or approximately 533 million Euros.

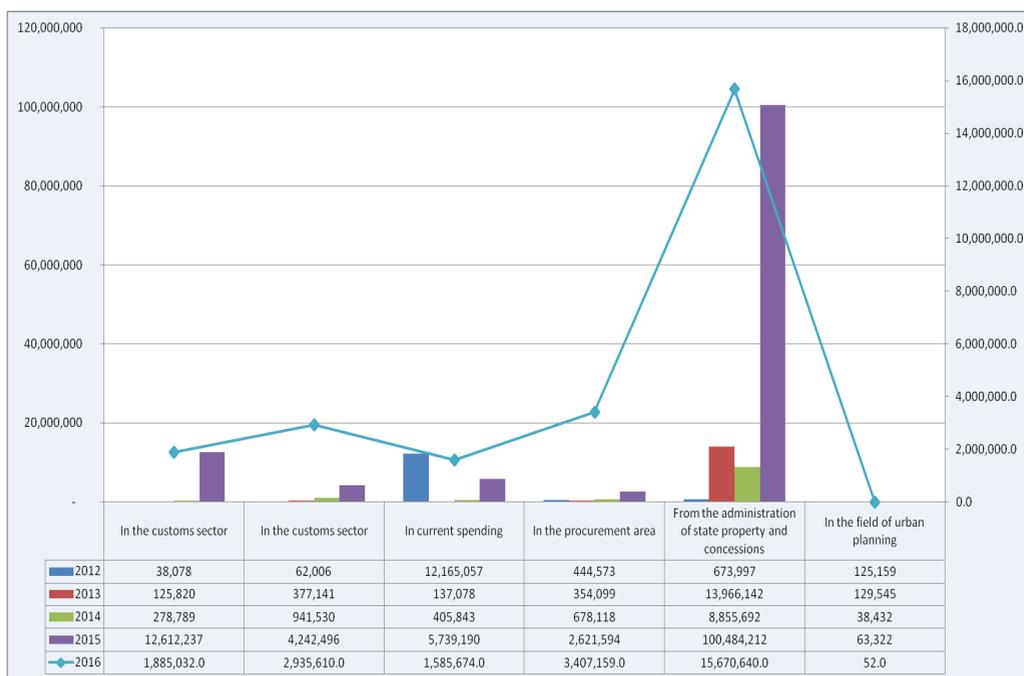
If we analyze the damage according to the sectors, we will notice that the highest level of damage even for this year is caused in the administration of state property and concessions (mainly in the field of hydrocarbon administration) in a total of 15,671 million ALL or 62% of total damage recommended for compensation.



² The records related to the acceptance of recommendations included in this report have been verified during the process of ALSAI recommendation follow up that has been implemented in the end of the year for the audits that have been concluded during the first nine months of 2016 and are updated until the moment of preparing this report with the answers from the audited institutions.

Results of Audit Activities-----

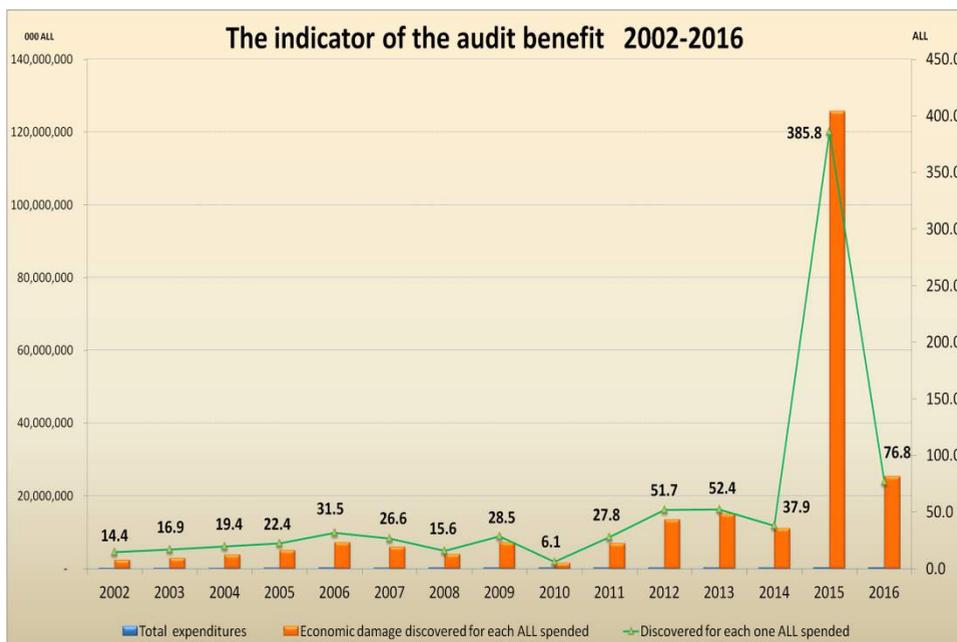
The remaining part of the damage amounting in 3,407 million ALL relates to procurement sector, a sector that remains risky as long as the violations are not only related to the detected damage but also to the lack of the effectiveness of the system in ensuring the procurement of goods/constructions/services. The damage in procurement represents 13% of total damage, followed by 12% inspected damage in realized revenues in customs 2.936 million ALL, 7% of damage in taxation system 1,885 million ALL and 6% in current expenses 1,586 million ALL. The structure of damage has remained the same in the latest 5 years. In the graphical representation, it is obvious that the administration of public property is the riskiest area and it shows that the mismanagement has continued, without reflecting any possible improvement or managerial responsibility in this sector.



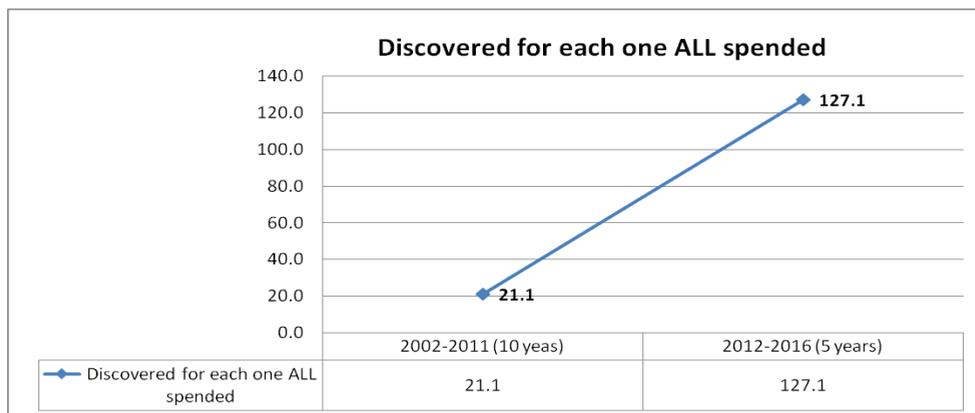
The findings have been communicated in real time and with a satisfactory access for around 98% of the decision documents in WEB.

The indicator of the audit benefit

Usefulness as an indicator of performance for SAI is calculated as the damage towards the expenditures of the budget each year. It results that for 2016, for each ALL spent for ALSAI, there have been asked for compensation of damage to the state budget 76, 8 ALL*. The indicator for the period 2002-2016 is as following:



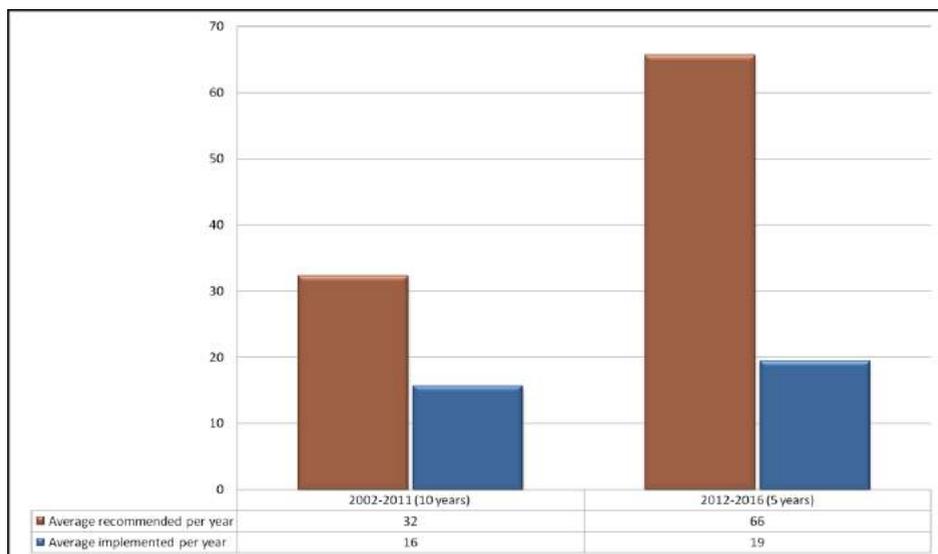
We must say that for 2015, the indicator reflects also the calculated damage for MEI for the solution of CEZ issue. The increased value of this indicator reflects the good results of auditing activity having in focus the fields with high risk of the public finance administration.



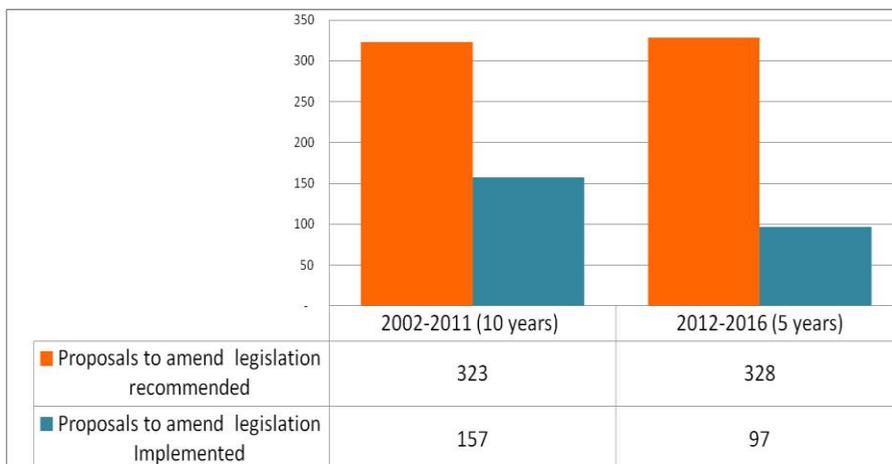
For 2012-2016 it results that for each ALL spent for ALSAI there have been asked for compensation, 6 times more ALL than in the period 2002-2011. This indicator reflects the good results of the auditing job and the will to affect in the institutional accountability through punishing each state officer that abuse with the public funds.

3.2. Recommendations for changes or legal improvement

During 2016 there have been recommended 65 proposals for legal changes, which include amendments for the legal framework as in the cases of changes or improvements in the fiscal consolidation, financial reports in public sector, changes in the state budget law and improvements in the law of leverage, social insurance scheme, etc., but also improvements in the internal regulatory framework of the institutions in order to strengthen the internal audit mechanisms and the increased effectiveness of using public funds. From the 65 proposed recommendations, 62 of them have been accepted and from this, only 10 have been implemented or 16%. This number shows that not all the proposals for changes in law have been considered with the proper attention from the audited institutions. What is observed from the work done on following these recommendations is that firstly the institutions create the work group to follow their implementation, but the process of the implementation continues through years. This makes us believe that the report of the subjects on ALSAI for the implementation of recommendations is only something formal. To understand better the continuity of recommendations in years, we have prepared the following graph.



For 2012-2016 it results that proposals related to changes in the law have increased 50% compared with the period 2002-2011.



3.3. Recommendations for organizational measures

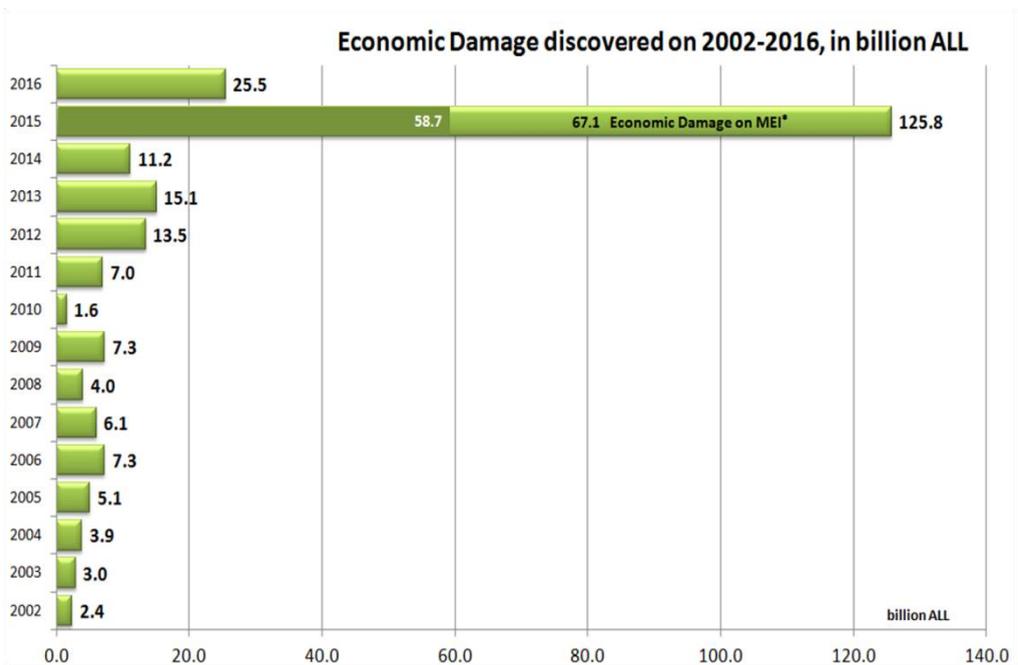
From the 2780 recommended organizational measures, all for the purpose of strengthening the financial management of control system, it results that 1970 measures have been accepted, or 70 from which 656 measures have been implemented, or 33%. The organizational measures in process of implementation are in the highest level and the implemented measures are in the lowest one with only 23% implemented recommendations for 2016 and 63.5% in 2015. The records from this graph show the low performance of the state administration in actions taken related to the recommendations for the improvements of the situation and the governmental accountability.



For 2012-2016 it results that the recommended organizational measures law have increased 25% compared to the period 2002-2011.

3.4. Recommendations for damage compensation

From the total sum of **72,325 million ALL of violations found during the auditing activity, 25.481 million ALL is the economic damage**, and 24,723 million ALL or 97% is the damage demanded for compensation through recommendations. The greatest part of damage relates to property administration (concessions), followed by public procurements. The main findings relate to the Albanian Road Authority, The Central Commission for Elections, AKSH, The Directory of Procurements, the General Directory of State Policy, followed by findings on Albpetrol, Durrës Port Authority, some important projects of road infrastructure funded by foreign investors, etc.



**For 2015, the economic damage discovered at the Ministry of Energy and Industry amounts to 67.1 billion ALL or 479 million Euros (caused by the Memorandum of Agreement between CEZ Company and Albania), while in all other institutions amounts to 58.7 billion ALL.*

The value relates to the proper accounting presentation of the economic damage, but does not mean that the recommended value is collected. There is also a time interval from the moment of implementing the recommendation for damage compensation (accepting and presenting it on papers), till the moment of collecting

the money, not considering the cases when these procedures continue in courts for sections that last years, for which ALSAI does not have the human nor time capacity. The method used by ALSAI to follow-up the implementation of the recommendations with an impact on public finances, makes it impossible to follow until the end of process the measures related to damage compensation, considering the time needed for the administrative and court proceedings.

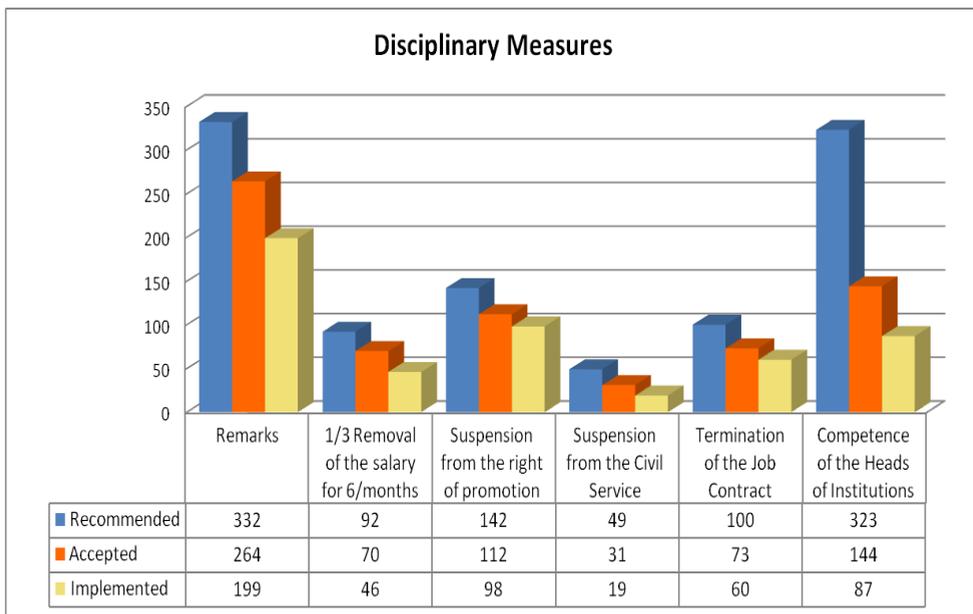
3.5. Recommendations for administrative and disciplinary measures

During 2016, there have been recorded 1490 disciplinary and administrative measures, from which 467 measures, or 31% result unaccepted. Regarding the *disciplinary measures*, based on the official written publications and the follow up the implementation of the recommendations in the audited subjects, there exist a high level of non-acceptance for around 40% of the recommended measures, while from the accepted measures 73% of them result implemented. This high level does not show the real level of punishment of irresponsible people, but it related to the fact that a part of the institutions have analyzed the violations and they have taken decisions for lower measures, or they have not given measures at all. This is a common practice in the field of taxation and customs or local administration where the Mayors have changed the level of the measurement with decisions from the Disciplinary Commissions.

No.	Disciplinary Measures	Recommended	Accepted	% Accepted	Implemented	% Implemented/ Accepted	% Implemented/ Recommended
1	Remarks	332	264	79	199	75	60
2	1/3 Removal of the salary for 6/months	92	70	76	46	65	50
3	Suspension from the right of promotion	142	112	78	98	88	69
4	Suspension from the Civil Service	49	31	63	19	61	39
5	Termination of the Job Contract	100	73	73	60	82	60
6	Competence of the Heads of Institutions	323	144	45	87	60	27

Results of Audit Activities-----

During 2016, analyzing the resistance towards the disciplinary measurements from the heads of institutions, we have decided that in a lot of cases to leave the measurements in the competence of the heads of institutions, in 31% cases, but even in such cases the acceptance rate is lowest, 45% and the implemented rate towards the recommended measures in 27%. We have observed that even in the cases when the measures have been accepted from the heads of institutions, the implementation level is low, 60%. The highest level of implementation relates to the measures of “suspension from the right of promotion” where 78% of measures have been accepted and 88% are implemented.

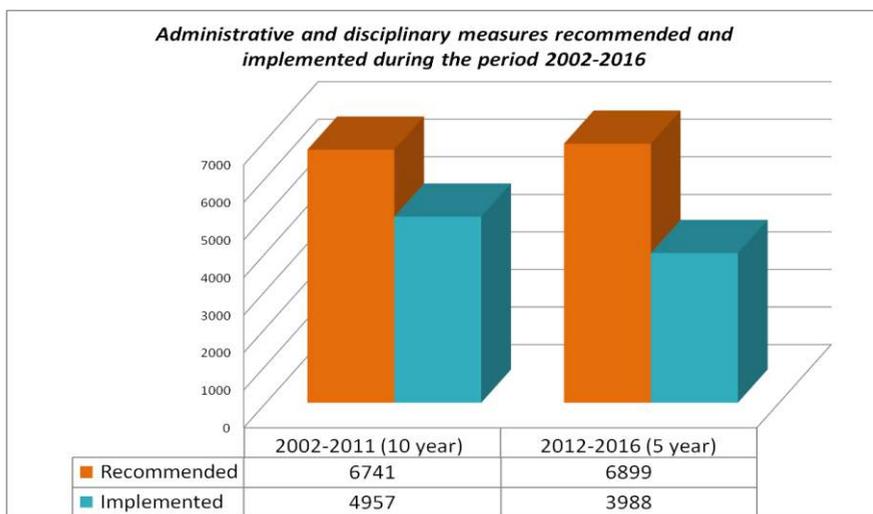


We cannot say that the increased rate of the implemented recommendation is an indicator of the real state reaction towards the violations and the suspected irresponsibility in public functions, because we have noticed in many cases that the institutions have sent the state officers to the Disciplinary Commissions, so the recommendation is implemented, but the commission has not given the recommended measure, or has not given any measure at all.

From our judgment, these records show that the culture of impunity is high and it increases with the level of officials in public sectors. In all the cases when it has been asked the suspension from job of a high state official, there hasn't been taken any actions, mentioning the case of the General Director of ARRS, Administrator of Albpetrol, The Juridical Director of the Municipality of Tirana (for violations

suspected when she was a general secretary of MMRS), Directors of Road Infrastructure Projects near ARSH, etc.

Regarding the administrative measures, based on official written documents from the public institutions and the auditing on the implemented recommendation in the audited subjects, we face a high level of non-implementation with 27% of recommended measures, and the accepted measures are declared as implemented with 47%. If we observe the disciplinary and administrative measures trend, we notice that their level of implementation has decreased in years, reflecting their lowest level of implementation in 2016 with 44% of recommended measures. The trend of disciplinary and administrative measures in years and their status of implementation is shown as following:



The records show that the level of disciplinary and administrative measures recommended are the same for 2002-2011 and 2012-2016, and their implementation too, due to the administrative measures given by APP, which has taken actions in more officials than the ones recommended by ALSAI for the suspected violations in the field of procurements.

3.6. Criminal charges

For 2016, ALSAI has delivered to the Prosecutor 49 criminal charges and 4 files for evaluation, for which the Prosecutor has concluded with 6 decisions to cancel or suspend the investigations, even though ALSAI has appealed in the corresponding Courts against these decisions. The criminal charges have been made during each month of the year, but

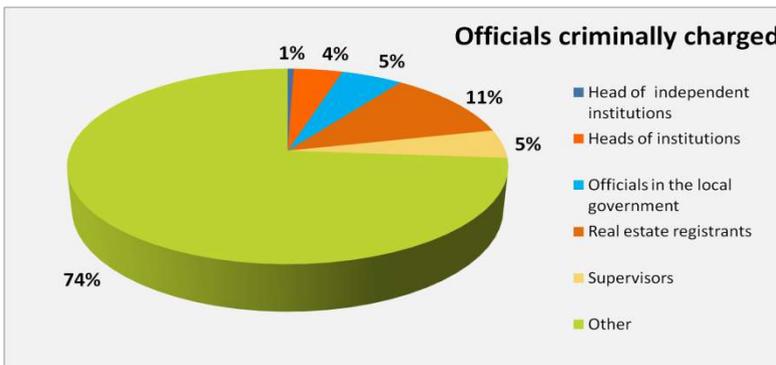
Results of Audit Activities-----

their density increases especially in June, September and December. These records show that there has been delivered one criminal charge per week.

The greatest number of criminal charges relates to the abuses suspected in the local government, followed by the officials in the institutions of asset's administration and control of the territory control with 38 criminal charges; in the central government there have been filed 6 criminal charges during the year and for the abuses in the foreign investor's projects 5 criminal charges.



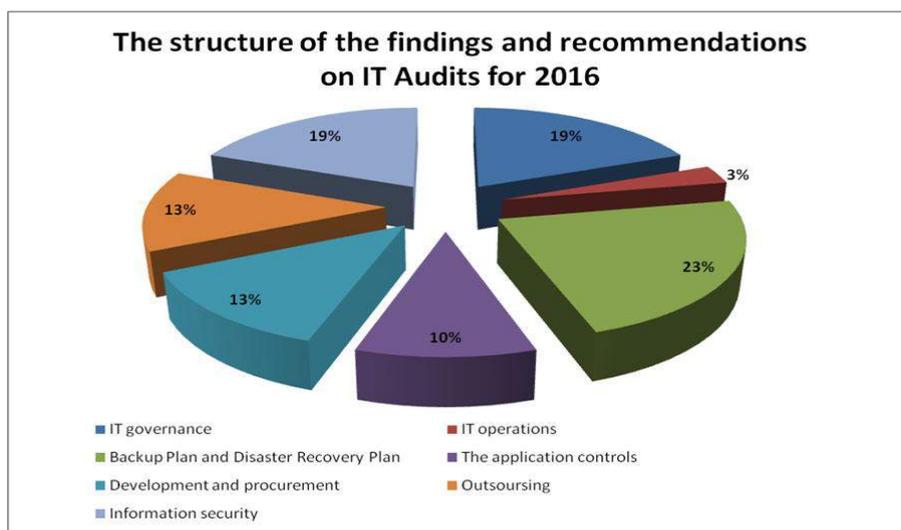
If we analyze the people behind the criminal charges we observe that 49 criminal charges refer to 191 people. The technical/executive level officials represent 72% of these records, while the high level/directive officials represent 23%. The remaining 5% refers to the private sector. If we observe the distribution of criminal charges according to subjects we will notice that local government are in first place with 53% of criminal charges, followed by institutions such as AVRPA/ALUIZNI with 23%. According to their functions, it results that there have been delivered criminal charges for 10 officials in the local government, 8 head of institutions, 22 real estate recorders, 9 supervisors, 1 independent institution head, and the remaining criminal charges refer to low level officials.



3.7. IT Audit Reports

The IT audits have started with the draft project delivered on December 14th 2011 to the Commission for Economy and Finance of the Albanian Parliament from the ALSAI Chairman, Mr. Bujar Leskaj: “...Information technology will be one of the main instruments for increasing the ALSAI’s performance work and will ease the cross audits and controls of financial transactions”. In its activity, the IT Audit Directory is based on the synthesized objectives of the developing strategic plan 2013-2017.

During 2016 there were planned 3 IT audit programs from which only 2 were concluded and one is in process to be delivered in 2017. The audits have concluded with 34 recommendations for improvements in the problems inspected.



The audit message for the Treasure Directory of the Ministry of Finance

Audit group concluded that the MF despite the efforts made, has not taken sufficient regulative and organization measures for ensuring the informatics systems. We judge that the management of critical elements in the informatics system in not sufficient and inappropriate. Investments made in the informatics system have not solved completely the Continuous Business assurance and has not guaranteed the Recover from the Disasters.

Audit message for CHIF

CHIF has not taken enough regulative and organization measures for guaranteeing confidentiality, integrity and commitment of the records in the informatics system.

...actual information systems are not enough and capable for completing certain management of the medical reimbursement scheme...

Lack of regulative controls and application controls in the institution has resulted in the lack of standardizing the IT operations, mistreatment of the assets, lack of management in the main uncertainty elements and the risk for unauthorized access in the records.

Initiatives taken for the accuracy of BCP and DRC were ineffective.

The performance measurement is made based on the main indicators of the audit process phases:

- Audit coverage;
- Acceptance of audit results;
- Publication of results;
- Inspection of recommendation implementation.

Audit coverage is a low level indicator not only for ALSAI. The coverage rate is one of the lowest indicators even for the most developed SAI part of the INTOSAI for the IT audits specifics itself. The initiatives taken to minimize the risks that result from the low coverage, we mention the increasing number of audit programs with 25% for 2016, keeping the increasing trend even during 2017; auditing subjects that are considered with high risks; including in financial and compliance audits even IT audit issues, **level 0**³.

The acceptance of audit results in level 4 comes as a result of:

- a. The high degree of irregularities, which are evident in all fields of IT audit;
- b. Commenting the findings with the proper legal framework;
- c. Deliver the job based on the spirit of cooperation with the subject, explaining that we work for the same mission;
- d. Use the right methodology. **Level 4**⁴.

³ Level 4 covers 80% of subjects, level 3 covers 60%, level 2 covers 40%, level 1 covers 20%, level 0 covers less than 20%.

⁴ Level 4 acceptance 80% of recommendations, level 3 acceptance 60% of recommendations, level 2 acceptance 40%, level 1 acceptance 20%

The high degree of publishing the results is due to the implementation of the ALSAI policies towards the increased transparency for informing the citizens, which are the taxpayers, level 3.5⁵.

ALSAI stands in the level 3-4 for the follow-up of recommendations and 0-1 for their implementation, which is due to the low degree of investments and the lack of necessary IT governance tradition.

3.8. Indicators of Compliance Audit Report

SAI-16: Compliance audit process

This indicator reflects the way that compliance audits are prepared in practice. The examination process makes possible the specific observations during the planning phases, implementation phase and the report phase. The evidence should also declare the degree of assuring quality, auditing evidence. To conclude, the degree of this indicator referring the evaluation criteria is in level 3, which is a satisfactory level.

Indicator Evaluation	3	
Parameter	Finding	Evaluation
1. Compliance audit planning	All criteria (a), (b) (c), (d), (e), (f), (g), (h) and (k) are partly fulfilled, while (i) and (j) is unfulfilled.	3
2. Compliance Audit Accomplishment	All criteria (a), (b) (c), (d), (e) are partly fulfilled, there is no criteria partly fulfilled.	3
3. Audit Evidence Evaluation	All criteria (a), (b) (c), (d), (e), (f), (g) (h) and (i) are partly fulfilled and (j) is not applied as asked.	3
(i) Compliance Audit Planning Evaluation Status –Satisfactory Score 3		
Evaluation of compliance audit planning		<i>Completed</i>
a) “(...)The elements relevant to compliance auditing... should be identified by the auditor before conducting a compliance audit.		<i>Partially Completed</i>

⁵ Level 4 in 15 days, level 3 in 30 days, level 2 75% of results in 60 days, level 1 50% of results in 60 days level 0 less than 50% in 60 days

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b) Auditors should consider audit risk throughout the audit process.” (I.e. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk).	<i>Partially Completed</i>
c) “Auditors should consider materiality throughout the audit process”.	<i>Partially Completed</i>
d) Audits should keep an effective communication during the audit process and should inform the responsible parity for the audit criteria.	<i>Partially Completed</i>
e) Auditors should identify the subject matter and suitable criteria” based on applicable authorities, as a basis for evaluating audit evidence.	<i>Partially Completed</i>
f) Auditors should determine the audit scope (...) [as] a clear statement of the focus, extent and limits in terms of the subject matter’s compliance with the criteria”.	<i>Partially Completed</i>
g) Auditors should understand the audited entity in light of the relevant authorities [governing it]”.	<i>Partially Completed</i>
h) Auditors should understand the audit environment and the corresponding internal audits.	<i>Partially Completed</i>
i) Auditors should consider the risk of fraud” by including fraud risk factors in their risk assessments.	<i>Uncompleted</i>
j) “Auditors should [plan the audit by] developing an audit strategy and an audit plan (...) both the audit strategy and audit plan should be documented in writing.”	<i>Uncompleted</i>
k) The SAI has established a system to ensure that, at the audit engagement level, its auditors [and any contractors] comply with the following ethical requirements: integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency.	<i>Partially Completed</i>
(ii) Accomplishing compliance audits Evaluation Status – Satisfactory Score 3	
In evaluating the accomplishment of compliance audits	<i>Completed</i>
a) The auditor has “determine[d] the nature, timing and extent of audit procedures to be performed” in light of the criteria and scope of the audit, characteristics of the audited entity and results of the risk assessment.	<i>Partially^{Completed}</i>

<p>b) “If the auditor comes across instances of non-compliance which may be indicative of fraud, he or she should exercise due professional care and caution so as not to interfere with potential future legal proceedings or investigations”.</p> <p>c) Where external experts are used, “auditors should evaluate whether the expert have the necessary competence, capabilities and objectivity and determine whether the work of the expert is adequate for the purpose of the audit.</p> <p>d) “The auditor should gather sufficient appropriate audit evidence to provide the basis for the conclusion or opinion... [Including] a variety of evidence gathering procedures of both quantitative and qualitative nature [and] the auditor often needs to combine and compare evidence from different sources.</p> <p>e) All planned audit procedures were performed, or where some planned audit procedures which were not performed, there is an appropriate explanation retained on the audit file and this has been approved by those responsible for the audit.</p>	<p><i>Partially Completed</i></p> <p><i>Partially Completed</i></p> <p><i>Partially Completed</i></p> <p><i>Partially Completed</i></p>
<p>(iii) Accomplishing compliance audits Evaluation Status – Satisfactory SCORE 3</p>	
<p>In evaluating the accomplishment of compliance audits</p>	<p><i>Completed</i></p>
<p>a) “Documentation” should include the necessary details so that it can permit an experienced auditor that has not been part of that audit program to understand in the material: the relationship between the audit topic, the criteria, the purpose of auditing, risk evaluation, audit strategy and audit plan and also the way, time and extend and the procedures results, audit evidences in supporting the audit conclusions, opinion or report and also needs to record the reasoning in all the important topics that need a professional opinion and conclusion about them.</p> <p>b) SAI requirements for audit documentation have been followed in ensuring that the auditor should complete the necessary documentation of audit, before the audit report or when the audit report has finished, documentation should take him the necessary time.</p>	<p><i>Partially Completed</i></p> <p><i>Partially Completed</i></p>

<p>c) Auditors should evaluate if the collected evidence is sufficient and appropriate and needs to gather necessary conclusions so that it can reduce the audit risk in an appropriate level. Evaluation includes also the considerations for materiality... and the audit safety level.</p>	<p><i>Partially Completed</i></p>
<p>d) Auditors should keep an effective communication during the audit program process and audit itself, and in cases when inconsistency is detected they should be communicated in the appropriate managerial hierarchy.</p>	<p><i>Partially Completed</i></p>
<p>e) Audit findings are subject of the procedures for giving an opinion and recommendation or observations for discussions and answers form the audit institution.</p>	<p><i>Partially Completed</i></p>
<p>f) Auditors should prepare a report based on the principles of objectivity, completeness, time constraints and a confrontation process.</p>	<p><i>Partially Completed</i></p>
<p>g) The compliance audit report should include different elements based on its content.</p>	<p><i>Partially Completed</i></p>
<p>h) The report should be: easy to understand and it should avoid the double meaning (ambiguity), it should be complete, including information based on necessary and correct audit evidence and it should ensure that findings are set in perspective and right context and should be objective and honest.</p>	<p><i>Partially Completed</i></p>
<p>i) All observations and audit recommendations should be written correctly and concise and addressed to those people that are responsible for their implementation.</p>	<p><i>Partially Completed</i></p>
<p>j) In those cases when an opinion has been given, the auditor should express if he is giving an unmodified or modified opinion based on its materiality evaluation and its repetition.</p>	<p><i>Uncompleted</i></p>

SAI-17: Compliance Audit Results

This indicator evaluated the output and compliance audit of the SAI related to the time of completing and publishing the compliance audit reports and working on supervision of the recommendation statuses of the audited institutions. In the end

of the evaluation criteria for each dimension, the ALSAI performance in relation to compliance audit results is in level 2.8., Evaluation reduces if we refer to audit coverage criteria, which is a level that results from the limited capacity available.

Indicator Evaluation	2.8	
Parameter	Finding	Evaluation
1. Coverage, selection and objectivity of performance audits	Criteria (a) and (b) is applied. In 2016, 50% of planned compliance audits relate to central government budget.	2
2. Publication and distribution of compliance audit reports	In 2016, only 60% of compliance audits refer to the reported results 9 months after the year ends. Audit result publication is completed in one week and in general, 98% of audit results are published on WEB.	3
3. Supervision of recommendation implementations and conclusions of the ALSAI's compliance audit results	Criteria (a), (b), (c), (d) and (e) are partly fulfilled. Criteria (f) is unfulfilled.	3
(i) Coverage, selections and compliance audit objectivity Evaluation status – Level 2		
<ul style="list-style-type: none"> a) For at least 80% of compliance audits, the audit opinion and/or report are delivered in the proper legal or agreed time to the audited entity. b) For at least 60% of the compliance audit reports, the audit opinion and/or report are delivered in the proper legal or agreed time to the audited entity. c) For at least 40% of the compliance audit reports, , the audit opinion and/or report are delivered in the proper legal or agreed time to the audited entity. 	<i>Completed</i>	

c) Follow up procedure allow the audited entity to express related to the correction initiatives or why there haven't been taken any initiatives.	<i>Partially Completed</i>
d) SAIs deliver their follow up report in the Parliament, in one of its commissions or in the auditor's governance body depending on the cases of consideration or further actions even when SAI-s have the statutory power for follow-up and sanctions.	<i>Partially Completed</i>
e) SAIs publish their audit results in addition to follow up audit results regarding their recommendations	<i>Partially Completed</i>
f) SAI has implemented a strategy for materiality evaluation so that they can define when a follow-up requires auditing or further investigations.	Uncompleted

SAI-15: Compliance audit standards and quality management

This is a specific indicator related to the main principles of compliance audit. SAI-15 appreciates the practical application of compliance audit standards and guidelines during the process of auditing by also guaranteeing quality in this type of audit. Evaluation of quality is complex and relates to the way that quality control will be realized; staff recruitment and management of staff included in this type of auditing. This indicator remains in low levels, 1.6 due to the conditions that exist in strengthening the internal capacities.

Indicator evaluation	1.6	
Parameter	Finding	Evaluation
1. Compliance Audit standards and guidelines	Criteria (b) and (c) of the parameter, and other 6 criteria included with respective sub criteria are. Criteria (j), (k), (l), (p) and (q) are unfulfilled.	2
2. Working group skills and management in compliance audit	Criteria (a), (b), (c), (d), (e), (f), (g), (h), (i) and (q) are generally fulfilled. The remaining criteria are unfulfilled.	2
3. Quality control in compliance audit	Criteria (c) and (e) are correctly fulfilled. The remaining criteria are unfulfilled.	1

(i) Standards and guidelines of compliance audit Evaluation status –Level 2	
a) The important elements of compliance audit should be identified from the auditor before engaging in the auditing.	<i>Completed</i>
b) Auditors should consider the risk during the audit process	<i>Completed</i>
c) Auditors should consider materiality during the audit process	<i>Completed</i>
d) Auditors should prepare sufficient documentation from the audit.	<i>Completed</i>
e) Auditors should set an effective communication during the auditing process	<i>Completed</i>
f) Auditors should identify the auditing issues and the appropriate criteria.	<i>Completed</i>
g) Auditors should define the purpose of auditing	<i>Completed</i>
h) Auditors should understand the audited entity based on the regulating framework governing it	<i>Completed</i>
i) Auditors should understand the control environment and the internal audit system	<i>Completed</i>
j) Auditors should prepare risk evaluation	<i>Uncompleted</i>
k) Auditors should consider the fraud risk	<i>Uncompleted</i>
l) Auditors should plan auditing and to develop an auditing strategy and auditing plan	<i>Uncompleted</i>
m) Auditors should collect sufficient and proper audit evidence to cover the purpose of auditing.	<i>Completed</i>
n) Auditors should evaluate if the evidence collected is sufficient and correct to cover the purpose of auditing.	<i>Completed</i>
o) Auditors should prepare a written report based on the principles of completeness, objectivity, extend and a confronting process.	<i>Completed</i>
p) Determining materiality through the professional judgment in interpreting auditing for the needs of users in terms of its qualities, nature of context.	<i>Uncompleted</i>

<p>q) Requirements of auditing documentation to ensure that the auditor has prepared the correct audit evidence before preparing the audit report and documentation should be completed for the corresponding audited period.</p> <p>r) Determining the nature, time and extend of audit procedures that need to be completed in terms of audit criteria and purpose, audited entity characteristics and risk evaluation results:</p> <ul style="list-style-type: none"> - to get sufficient and correct audit evidence; - to evaluate if the evidence is sufficient and correct to reduce the audit risk in a certain level by considering the materiality and the uncertainty level needed for auditing 	<p><i>Uncompleted</i></p> <p><i>Completed</i></p>
<p>(ii) Working group capabilities and management in compliance audit Evaluation status –Level 2</p>	
<p>a) Practical experience and understanding of the type of auditing completed.</p> <p>b) An understanding of standards and laws applied.</p> <p>c) An understanding of operations that will be completed in the audited entity.</p> <p>d) Capability and experience to give a professional judgment.</p> <p>e) Knowledge, capability and experience that need to be exercised in compliance audit have been identified.</p> <p>f) The competence, objectivity and capacity of external experts is checked in the cases they are included in audits.</p> <p>g) The clear reporting lines exist and the responsibility of audit group is divided.</p> <p>h) Identification of the governing regulative framework based on the formal criteria such as the legislative, guidelines and other agreements by applying the budget law where the formal criteria are missing or the legislation permits, the general public sector principles.</p>	<p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p> <p><i>Completed</i></p>

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i) Identification of the suitable criteria as a base for audit evidence evaluation to support the audit findings and corresponding conclusions.	<i>Completed</i>
j) Determining the important element for the required uncertainty level.	<i>Uncompleted</i>
k) Considering three audit risks, inherent risk, control risk and detection risk.	<i>Uncompleted</i>
l) Recognition of the control environment and corresponding.	<i>Uncompleted</i>
m) Inclusion of fraud risk factors in risk evaluation and expressing the judgment and professional skepticism in the cases of inconsistency and fraud indications.	<i>Uncompleted</i>
n) Determination of nature, time and extend of audit procedures taken by considering the criteria, purpose and the audited entity.	<i>Uncompleted</i>
o) Development of an audit strategy and audit plan.	<i>Uncompleted</i>
p) Collection of the necessary and sufficient evidence to ensure the bases of conclusion and opinion that include the quantity of evidence, pertinence and accountability and also defining if this accountability is influenced by its nature and source or depended by the individual circumstances. The necessity for combining a variety of procedures for qualitative and quantitative evidences.	<i>Uncompleted</i>
q) Preparation of a report in the correct way so that the report can be complete, correct, objective, convincing and as clear and concise as the audited issue permits.	<i>Completed</i>
(iii) Quality control in compliance audit Evaluation status – Satisfactory Level 3	
a) The work completed should be object of control in a way to contribute in quality and staff education development.	<i>Uncompleted</i>
b) Auditors should implement quality control procedures during the auditing to ensure that the audit complies with the standards.	<i>Uncompleted</i>
c) When the auditor faces difficult issues, SAls need to ensure that the proper sources (technical experts) are used to deal with these issues.	<i>Completed</i>

d) The differences in opinion of SAI is clearly documented and solved before the publication of report.	<i>Partially completed</i>
e) SAIs should meet the necessity of engaging in the quality control in their work and the issues detected should be solved before the report publication.	<i>Completed</i>
f) Procedures for authorizing the report publication are functioning.	<i>Completed</i>

3.9. Financial Audit Reporting

During 2016, the Albanian Supreme Audit Institution has planned and concluded 7 engagements in financial audits, based on a coherent model and applying the international audit standards. To formulate the opinion on the financial statements we are based on ISSAI 1700 “ Objectivity of auditing and giving an opinion of the financial statements based on the conclusion evaluation and audit evidence and clear expression of opinion in a written report where its content is explained; and ISSAI 1200 “ During the financial auditing, the main objective of the auditor is guaranteeing a reasonable assurance if the financial statements are prepared and do not include material mistakes, with lack of frauds or mistakes by representing the basis for opinion expression from the auditor and the report based on audit standards and findings”. Despite the work done to initiate the new capacities for financial auditing we can say that there has been completed a good job for the opinion fulfillment related to this type of auditing. During 2016, it has been delivered an opinion for the regularity of preparing the financial statements for the following institutions:

1. Ministry of Finance;
2. The High Inspectorate of Declaration and Audit of Assets and Conflict of Interests;
3. Albanology Study Center ;
4. State Informative Service;
5. General Prosecutor Office;
6. Prime Minister’s Office;
7. Science Academy.

ALSAI has given a qualified opinion emphasizing the topic (Science Academy); 1 unqualified opinion (Albanology Study Center); and 5 unqualified opinions, but

accompanied with recommendations for management to improve internal control systems and financial management for institutions to improve the quality of financial transaction reporting and preparing the financial statements.

Albanalogy Study Center

Basis for a qualified opinion on the accountability of financial statements.

*From the results of auditing it is concluded that the audit group could not give reasonable assurance from the accounting of Actives of the cultural heritage for a total value of 217,622 thousands ALL, due to the inconsistencies resulting from the wrong calculations of the amortizations. We concluded that these actives were included by mistake in the Economic Inventory of Cultural Heritage and as a result the sum of this record in a total of 43,524 thousands ALL (20%) presented the value of the active and the financial report to assure information around the financial position, performance and financial position changes which is useful for the users in decision making. Irregularities were suspected in the amortization of the Actives for a total of **2,495 thousands ALL**. The wrong interpretation of the accounting standards in preparing the financial statements has resulted in the amount of 954 thousands ALL in the period results.*

To conclude, the financial statements of ASC result in a material mistake with an amount of 46,974 thousands ALL.

Qualified opinion.

ALSAI judgment based on the ISSAI 1700⁶, except the effect of the issues described under “Basis for a qualified opinion”, annual financial statements of ASC express in a correct way all material aspects, ASC financial position on 31.12.2014 and the net values of the accounts and cash flows based on the legal frameworks and standards. It is our duty, as independent auditors to express that the detected inconsistencies offer sufficient evidences for giving a qualified opinion.

⁶ **ISSAI 1700:** Auditor’s objective is to express a modified opinion on the financial statement, necessary if (...) the auditor has it imposible to ensure the neccessary evidences to conclude that the financial statements do not include material mistakes and that the transactions completed comply in all material aspects with the regulatory and legal framework.

⁶ **ISSAI 1500:** The objective of the auditor is to prepare auditing procedures with the purpose of ensuring enough, relevant and accountable eviencas.

Science Academy

Unqualified opinion by emphasizing the issue.

ALSAI judgment based on the ISSAI 1700, except the effect of the issues described under “Emphasis of matter”, annual financial statements of the Science Academy express in a correct way all material aspects, the institution’s financial position and the net values of the accounts and cash flows based on the legal frameworks and standards. It is our duty, as independent auditors to express that the financial transactions in the annual accounts for the audited period are in compliance with the financial regulations in all material aspects.

Emphasis of matter

We judge that the users of this report could not reach a full understanding if the account “Building and Constructions” wouldn’t be where the object is described on the attention of the administration of Science Academy for which the institution does not possess the property documents. Even though the institution has initiated the corresponding administrative procedures in Immovable Property Central Registration Office Tirana, the issue still needs to be emphasized.

The account is “Research and Development” with an amount of 532,559 (immaterial) representing the funds spent from the State Budget in 2005 for the article 230 “Projects”, according to the National Research and Development Programs, in not properly regulated and closed according to the accounting standards. In addition the value presented in the account “Short term debt” of the accounts payable does not appear to be calculated properly comparing to the beginning of the period for the amount 242,470 ALL (inmaterial mistake).

The High Inspectorate of Declaration and Audit of Assets and Conflict of Interests

ALSAI judgment based on the ISSAI 17005 and ISSAI 12006⁷, the annual financial statements of the High Inspectorate of Declaration and Audit of Assets and Conflict of Interests express in a correct way and all material aspects, the

⁷ ISSAI 1200: During the financial auditing, the main objective of the auditor is to give a reasoning accertanity of the financial statements that they do not include material mistakes; they lack material mistakes and frauds, by producing the content for giving an opinion from the auditor and raporting in compliance with the auditing standards and findings.

institution's financial position on 31.12.2015.

It is our duty, as independent auditors to express that the available audit evidences are sufficient to offer the necessary material to give an unqualified opinion.

The General Prosecutor's Office

Unqualified Opinion

According to the ALSAI's judgment, based on the ISSAI 1700 and ISSAI 1200 standards, the Annual Financial Statements of the General Prosecutor's Office (Apparatus) represent in all material respects, the financial position of the institution on 31.12.2015. The same opinion applies to the statement of budget implementation.

It is our responsibility as independent auditor, to say that the audit evidence provided is sufficient and provide a sufficient basis for giving unqualified opinion.

Emphasis of matter

We failed to establish the conviction for the accuracy of the consolidated reporting of this institution, due to the formalities found in the realization of this process. There was no controlling procedure or prior checking of the statements of the subordinated units and it was found a complete lack of explanatory notes related to these financial statements. From the internal audit there were no audit missions related to financial audit and certification of the figures reflected in these statements in the various subordination units. In our judgment, it id a high risk of fair and accurate disclosure of transactions or legality of transactions reflected within the accounting period.

Council of ministers

Unqualified Opinion

Based on the auditing of the financial statements of the Council of Ministers' Apparatus, based on ISSAI 1700 and ISSAI 1200 standards, for the year ended 31 December 2015, which include the statement of financial position, financial position (cash inflows and outflows, the amortization statement, the comparison of the budget funds and the actual results and their accompanying notes, concluded that: The financial statements present a true and fair view in all

material aspects regarding cash inflows and outflows, and of the budget implemented by the Council of Ministers' Apparatus for 2015, in accordance with the legal and sub-legal basis governing this activity referred to the Final Audit Report

The State Intelligence Service

Unqualified Opinion

In the SAI judgment based on ISSAI 1700 and ISSAI 1200 standards, the annual financial statements of the State Intelligence Service Institution represent in all material respects the financial position of the institution on 31.12.2015. The same opinion applies to the statement of budget implementation.

It is our responsibility, as an independent auditor, to state that the audit evidence provided is sufficient and provide a sufficient basis for issuing unmodified opinion.

Ministry of Finance

Unqualified Opinion

We have audited the financial statements of the Ministry of Finance (Apparatus) for the operating year, 31 December 2014 and 31 December 2015, which include the statement of financial position, financial position (cash inflows and outflows, amortization statement, statement of the comparison of the budgetary funds and the actual results, the explanatory notes accompanying these statements.

In our judgment the financial statements present a fair view in all material aspects regarding the cash inflows and outflows as well as the budget realized by the Ministry of Finance (Apparatus).

3.10. Quality Control: Cold file review

Quality assurance is considered a necessary process in the objective identification of shortcomings as well as giving concrete recommendations regarding measures to be taken to improve future work, thus ensuring a higher quality of audit work. In implementation of ISSAI 40, the Chairman of SAI with the Order no. 137, dated 05.11.2016 "On Quality Assurance Control" decided to establish a working group for reviewing the quality control of audit files, which selected 30 audit files or 30% of completed and evaded audit files for 9-months of year 2016.

The form and content of the Audit Report

Generally, the form and content of audit reports appears to be in line with Standard Audit Forms, however, in the selected cases of files there are some shortcomings in this regard, there is no record or document to prove the performance of this closure meeting.

The terminology used in the Report.

For the assessment of this criterion, the group has provided some comments that consist of various problems, however this fact relates to the professional preparation of auditors in particular and the group in general. This has made the assessment of this criterion not to be sufficiently assured of quality as it is seen in different angles.

Findings and conclusions presented in the report

There are generally no unjustified changes between the Audit Report and the Final Report in the selected files for evaluation. It is noted that there are deficiencies of different nature in relation to this criterion. The changes came as a consequence of the reformulation of the measures and legal arguments during the observation evaluation phase, which were not addressed at the **Project Report stage, as well as the reflection of the remarks made by the SAI Chairman.**

Evaluation of observations and explanations of the audited entity and their coverage in the Report.

Generally, all observations and explanations of the audited entity have been evaluated as well as they are covered in the Final Audit Report, pursuant to Law no. 154/2014 as well as the internal regulation. Concerning the confrontation meetings are given the assessments in the relevant criteria above.

In general, the form and content of audit reports appears to be in line with Standard Audit Forms, however, in the selected cases of files there are some shortcomings in this regard, there is no record or document to prove the performance of this Closing meeting.

The terminology used in the Report.

For the assessment of this criterion, the group has provided some comments that consist of various problems, however this fact relates to the professional preparation of auditors in particular and the group in general. This has made the

assessment of this criterion not to be sufficiently assured of quality as it is seen in different angles.

The level of impact of quality control and quality assurance systems has not been fully evaluated as long as the systems are in development and are not yet consolidated to move to an assessment process. Twinning project focuses also on capacity building and rules that guarantee on the basis of international standards the quality of audit work. However, below is the basis on which this aspect of audit reporting will be assessed in the future.

SAI-4

Dimension (iii) Quality control system Assessment status	
The SAI has a system of quality control in place for all its work (audit and non-audit activities, for example procurement processes) which has the following characteristics:	
a) “An SAI should establish policies and procedures designed to promote (...) quality as essential in performing all of its work.”	<i>Completed</i>
b) Quality control policies and procedures are clearly established and “(...) the Head of the SAI (...) retains overall responsibility for the system of quality control.”	<i>Completed</i>
c) The Head of the SAI may delegate authority for managing the SAI’s system of quality control to a person or persons [considered individually or collectively] with sufficient and appropriate experience to assume that role.	<i>Completed</i>
d) The SAI has “(..) establish[ed] systems to consider the risks to quality which arise from carrying out the work.”	<i>Uncompleted</i>
e) “SAIs should consider their work programme and whether they have resources to deliver the range of work to the desired level of quality. To achieve this, SAIs should have a system to prioritize their work in a way that takes into account the need to maintain quality. “	<i>Partially completed</i>
Dimension (iv) Quality control system Assessment status	
To evaluate planning of compliance audits	

Results of Audit Activities-----

a) "Include an ongoing consideration and evaluation of the SAI's system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI."	<i>Partially completed</i>
b) Have written procedures and/or plans for QA which specify the frequency with which QA reviews should be carried out, and QA is carried out according to the frequency specified in this plan.	<i>Partially completed</i>
c) "(...) Responsibility for the [QA] monitoring process [is] assigned to an individual or individuals [or a college] with sufficient and appropriate experience and authority in the SAI to assume that responsibility."	<i>Completed</i>
d) The QA reviews result in clear conclusions and, where relevant, recommendations for appropriate remedial actions for deficiencies noted	<i>Completed</i>
e) There is evidence that the Head of SAI has examined the recommendations resulting from the quality assurance review of the audits/controls and drawn the necessary conclusions.	<i>Completed</i>
f) "(...) those carrying out the review are independent (i.e. they have not taken part in the work or any quality control review of the work)."	<i>Completed</i>
g) "(...) the results of the monitoring of the system of quality control are reported to the Head of SAI in a timely manner.	<i>Completed</i>
h) "(...) SAIs could consider engaging another SAI, or other suitable body, to carry out an independent review of the overall system of quality control (such as a peer review).	<i>Uncompleted</i>

SAI-5:

Dimension (ii) Quality Control of Outsourced Audits Assessment status	
a) The SAI's system for quality control for outsourced audits covers all outsourced audit work, and ensures that the contracted firm implements quality control procedures during the audit aimed at ensuring quality and compliance with applicable standards.	<i>Not applicable</i>

<p>b) The quality control system for outsourced audits is based on an assessment of risk to quality of outsourcing audit work, and adequately responds to these risks.</p>	<p><i>Not applicable</i></p>
<p>c) SAIs should ensure that all documentation (such as audit work papers) is the property of the SAI, regardless of whether the work has been carried out by SAI personnel or contracted out.”</p>	<p><i>Not applicable</i></p>
<p>d) The “(...) Procedures are in place for authorizing reports to be issued.”</p>	<p><i>Not applicable</i></p>
<p>Dimension (iii) Quality Assurance of Outsourced Audits Assessment status</p>	
<p>a) There are written procedures or plans for quality assurance of outsourced audits.</p>	<p><i>Not applicable</i></p>
<p>b) The QA process “include[s] an ongoing consideration and evaluation of the SAI’s system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI.</p>	<p><i>Not applicable</i></p>
<p>c) “(...) responsibility for the [QA] monitoring process [is] assigned to an individual or individuals with sufficient and appropriate experience and authority in the SAI to assume that responsibility.</p>	<p><i>Not applicable</i></p>
<p>d) The QA reviewers are independent, i.e. have not been involved in quality control review of the work contracted out.</p>	<p><i>Not applicable</i></p>
<p>e) The QA reviews result in clear conclusions and, where relevant, recommendations for improvements.</p>	<p><i>Not applicable</i></p>
<p>f) “(...) the results of the monitoring of the system of quality control are reported to the Head of SAI in a timely manner (...)”</p>	<p><i>Not applicable</i></p>
<p>g) There is evidence that senior management at the contracted auditor has considered and concluded on the recommendations provided from the QA.</p>	<p><i>Not applicable</i></p>

SAI – 7

<p>Dimension (i) Overall Audit/Control Planning Process Assessment status</p>	
<p>a) The SAI documents the process followed for developing and approving the overall audit plan/control programme for the SAI.</p>	<p><i>Not applicable</i></p>

<p>b) The process for developing the SAI's overall audit plan/control programme identifies the SAI's audit/control responsibilities from its mandate.</p> <p>c) The audit/control planning process follows a risk-based methodology. (E.g. a systematic risk-assessment as part of the basis for selecting audit entities and approach)</p> <p>d) There are clearly defined responsibilities for planning, implementing and monitoring the audit plan/control programme for the SAI.</p> <p>e) There is evidence that the SAI monitors the implementation of its audit plan/control programme.</p> <p>f) The audit/control planning process for the SAI takes into account the SAI's expected budget and resources for the period to which the plan relates.</p> <p>g) The SAI "should ensure that stakeholders' expectations and emerging risks are factored into (...) audit plans [control programme], as appropriate. "</p>	<p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p>
<p>Dimension (ii) Contents of the overall audit plan/control plan Assessment status</p>	
<p>a) Defines the objective of the audit/control at a high level, as well as who has the responsibility for each audit/control to be carried out.</p> <p>b) Includes a schedule for the implementation of all audits/controls.</p> <p>c) Demonstrates that the SAI is discharging its audit/control mandate over a relevant timeframe as scheduled in its plan/program, or, if this is not the case, includes a summary and explanation of any differences between the SAI's mandate and the audit plan/control program for the SAI.</p> <p>d) Specifies the necessary human and financial resources to carry out audits and planned controls.</p> <p>e) Contains an assessment of risks and constraints to the delivery of the plan/programme.</p>	<p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p>

3.11. Performance Audit Report

Good governance is expressed through good performance and western developed countries have turned their focus on performance auditing. Recent decades have witnessed profound economic, social, political, climatic and demographic change. Population movements, changing its average age, increasing constraints on energy, economic and monetary resources, demands for continued welfare growth, etc., have all raised the public's awareness for the government's economic activity. Also, amplified by the crises of recent years performance has now become a matter of all private or public sector employees. For these reasons, in each of the mentioned countries, these kinds of audits account for around 30-40% of the audit work.

Always considering the increasing and growing the quality of audits, performance audits have become one of the pillars of's development and modernization. The institution is facing every day a strong challenge to concentrate its work on performance auditing because it serves to assess public accountability by linking strategic objectives to public funds. The biggest challenge for this type of audit is that it should not be applied just as a procedure, but conceived as a philosophy of thinking and acting by all the 's staff. A working philosophy that considers that auditing in itself is not an aim, but firstly it is a precautionary instrument, a correction instrument for the institution being audited.

The development of audits is in line and in full compliance with the objectives of 2013-2017 strategic plan. During 2016, we have conducted 13 performance audits on governmental reforms, socio-economic projects and services, infrastructure projects, environmental and energy projects, and socio-cultural projects and services. For this year, performance audits will continue to focus on concession agreements, consumer security, public procurement, public debt performance, and so on. As of 2016, such audits include:

1. Rehabilitation of formerly persecuted politicians in the transition period

Audit context: Following the democratic changes in 1992, the government undertook by special acts in 1993, to guarantee to this layer the creation of facilities and advantages of their individual or collective requirements in the areas of economic, financial and social activity.

The Constitution of the Republic of Albania in Article 44 states that: "Everyone has the right to be rehabilitated and/or indemnified in accordance with the law, if it has been damaged due to an action, act or omission of the unlawful state organs."

11 years from the Resolution of the Council of Europe and 10 years from the Resolution of the Assembly of Albania for the punishment of communism crimes, we still do not have a consistent attitude from both the state power and the society as a whole in terms of eliminating the consequences caused by the communist regime, which plays an important role in building the rule of law, emancipating society and educating younger generations.

The psychosis of a part of today's society considers as a burden the financial bill of being indemnified, losing sight of the fact that this layer has contributed greatly to the construction of a number of acts for which the regime itself "boasted" such as: Drying marshes, combines, refineries, mines, agricultural works, etc., which occupy the weight in the overall production and still today some of them are national value assets.

Main Message: "The adopted legal framework and the measures taken by the Executive in the transition period for Rehabilitation of former convicted and persecuted politicians in our country have partially achieved the objectives, have not fully assured and have failed to rehabilitate this stratum of society in an optimal time. The legal provisions have been fragmented and incomplete, insufficient financial resources and lack of proper cooperation and coordination of the work of state institutions to assist former convicted and persecuted politicians. The Albanian society has the potential for material reparation and reasonable rehabilitation of this social group at an optimal time, thus responding to the legal obligations and those set forth in the International Conventions, which it has undertaken with the establishment of the rule of law, for the closure of this social wound in our country."

2. Public transport service in the Municipality of Tirana

Audit context: The social problem that motivated this idea is the fact that a considerable part of the population (36%) with residence in Tirana, mainly use the public transport by bus. Currently, public urban transport is largely met by buses and partly by taxi or bicycle. Due to the heavy weight and the excessively curtailed problems in the media, the fact that other forms of public transport are more personalized, our focus in this audit focused on the public transport of urban lines that provide this service in Tirana. Specifically their number refers to the geographical extent of the city, the quality and standards of this service, as well as its problems. Public transport was created not only as a public and social service, but also as an important part of the structure of economic and social development

in general. As Tirana's population has grown significantly over the past 20 years and the city as the main economic center has expanded its geographic boundaries, it is necessary to draft and implement well-designed public transport plans that meet the quantitative and qualitative requirements of the citizens. In the city of Tirana, for years, there has been a growing dissatisfaction of citizens, expressing indignation about the quality of this type of transport and, in particular, old buses, low mobility speed, insufficient number of vehicles, hygiene and cleanliness are at disturbing levels. Offering a quality public transport that encourages citizens to use it directly affects both the improvement of air quality and the overall environment as well as the reduction of traffic, which is one of the problems that citizens of Tirana are facing every day.

Main Message: “The Municipality of Tirana does not guarantee at a satisfactory level an acceptable public transport service.”

The regulatory framework shows shortcomings. There are no acts that should be part of the regulatory framework to ensure a quality service of urban urban transport. The lack of some of them, which are very important in setting quality standards and monitoring the service provided by operators, gives a short-term relationship between private operators and the Municipality. Under such conditions, it is difficult to build strategies for providing the proper public transport service. There are differences between strategic objectives and strategies designed to realize them. Also, there are shortages in tactical and operational plans in meeting these strategic objectives adopted by the decision of the National Territorial Council and the actions undertaken by the leadership are short-term, incoherent and without vision. On the other hand, the unregulated relations between the structures within and under the Municipality greatly diminish the effectiveness of the communication and consequently do not guarantee an effective process in the management and monitoring of this service. The AMK does not have adopted modern methodologies and sufficient capacities to plan and carry out effective field controls. The procedure for the implementation of administrative measures by the DPTTV turns to be selective, ineffective and unfounded in the Law.”

3. Education and professional formation

Audit context: The challenge for education and professional formation lies in enhancing the overall cooperation of central and local institutions, entrepreneurs and businesses, other development partners, the public, etc., in order to seek and

adapt the link between education and qualification and the needs of the market economy in the country and adaptation with the needs of the countries of the region and beyond them.

Drafting policies and strategies for the evaluation of professions and professionals;

Motivating young people and individuals to evaluate jobs that the labour market needs, small businesses or small households;

Achieving measurement through a closed-circuit system “education-occupation-employment”, on satisfying the interests of stakeholders, government, youth, individuals and business ventures;

Achieving the ultimate goal of increasing employment rate and meeting the requirements of the labour market with well-qualified employees.

Main Message:

“Encouraging reforms in changing the mentality of non-assessment of vocational education and training, motivating young people and individuals to evaluate “tiring, unrequited unpopular” professions and meeting labour market demands with well-qualified employees”

4. Protecting consumers from trade abuses with weight and measurements

Audit context: A significant impact on public life (private and official) have the accuracy of measurements or indicators of measuring instruments, whose results, if not continuously monitored and controlled, will cause a number of economic and financial problems, but also health and social problems. In this way, it is very important for consumers to know what they are getting, and precisely to protect them from such abuses, the General Directorate of Metrology has been established and serves as metrology is the science of measurement, which includes both experimental and theoretical definitions at every level of uncertainty and in every field of science and technology. During everyday life activities, as an individual or a public and private organization, we are confronted with issues closely related to metrology, since the measurements are a very important part and occupy a broad place of human activity. Thus, daily meals are purchased on a weight basis, electricity and water consumption are billed on the basis of measurements, fuelled vehicles are made on a volume basis, time is used for mobile phone payments, vehicle speed monitoring for a safe trip, the level of exhaust emissions from vehicles, performing health checks to ensure health (from measurable devices) etc. Recently, we have seen a widespread trade in pre-packaged food products, along

with the rapid growth in the number of supermarkets, which requires a more in-depth and wider control. If we refer to world trade volumes, it is estimated that approximately 90% of it is measurable. So, through the measurements, we have not only guaranteed open and honest markets, precision is provided where required, but there are also saved life, time and money.

Main Message: “Protection of Albanian consumers from weight and measurement abuses is not at the required contemporary level, as DPM's performance has shown shortcomings due to regulatory frameworks, which are not fully incompatible with EU directives and not harmonized well with the other legal and sub-legal acts; From ineffective and inefficient human resource management; non-inclusion in the verification of measuring instruments of areas of vital importance to the population such as health, environment, telephone communication, public safety etc; By the lack of cooperation with other public institutions for the verification of all entities with measuring instruments in use; From issues of licensing, monitoring and inspection of authorized persons in the field of meters of electricity and water; From unsustainable inspection activity; As well as the shortcomings found in the field of investment performance and asset utilization.”

5. Emergency of medical service

Audit context: The right to quality health care requires that health care institutions and professionals provide satisfactory levels of service. This implies the specification and implementation of approved quality standards, which should be drafted and implemented by Health Institutions.

As part of the healthcare system, the Emergency Service is an important aspect of health policies, one of the first points of patient contact with the health system, where the patient creates perception on this service and health service in general. The Medical Emergency Service, seen as a system in the function of patient health, has an important and decisive role in the pre-treatment of people who risk their lives, leading to a decrease in life loss. **The product of this service is “Unique, It Is Human Life”**. It is the importance of this service that increases the public's sensitivity to it. The public's perception and response to the shortage and poor quality of service provided has lead to extreme cases such as physical confrontation of patients and their accompanying staff with the medical staff. This is because of the lack of proper organization of this service, but also of a significant lack of the cultural level in general and health education of the public.

Main Message:

“Health Care in the Medical Emergency System is still far from meeting the standards for quality and timely delivery of this vital service to the individual. MSH, QKUM and other structures charged by law are moving at low rates in meeting regulatory norms and reorganizing the system. Actually, health care institutions operate a SHUM with shortcomings in meeting standards in some components such as: - human resources (quantity and quality), infrastructure, working conditions and occupational safety; Means of transport and medical equipment; Medications, added to these and a low level of medical culture of the population. There is a lack of organization and co-operation of four emergency levels, with low effectiveness and efficiency, significantly affecting the quality of SHUM, is the primary health service, which has a potential role to improve the quality of health, with the effect of reducing cases of medical emergency as well as lower financial costs. ”

6. The profession of public auditor - his role in the accountability

Audit context: With this performance audit, we have placed the necessary support to internal auditing in the public sector, through the cooperation with external audit, with the aim of internal audit to strengthen its professional independence, in order to promote the implementation of AB international standards and to act as an added value not only for the head of the institution where it operates but also for the external audit.

This audit aims to foster cooperation between internal audit and external audit by identifying the audit work contact points and the possibilities of developing common methodologies.

Main message: “In the training programs for certification of internal public auditors nationally organized by the Directorate of Harmonization of Internal Audit at the Ministry of Finance are included basic knowledge of the function of external public audit function and their content addresses shallow aspects of the activity of external auditing in general, such as what is external audit and the need for external audit, by not specifically addressing the most important aspects of the external audit function in Albania, as well as not mentioning the concrete relationship between Internal and external auditing, relevant standards and where they meet each other, and everyone's role in accountability.”

7. Urban waste management in the Municipality of Tirana

Audit context: The Constitution of the Republic of Albania has sanctioned the objective “For a healthy environment and ecologically appropriate for the present and future generations” and “For rational use of natural resources ... based on the principle of sustainable development” (Article 59, 1/d, dh) and the rights of each individual “to be informed with and the protection of the environment” (Article 56). As in all Albania, in the territory of the Municipality of Tirana, waste management is at a very low level.

There is no safe waste management system, such as municipal and hazardous ones (those produced by industry and households).

The urban waste management in our country is decentralized. In most cities, the waste collection and transportation service is carried out by private waste management companies, which are contracted by the Municipalities.

Rural areas are not yet covered by waste management services. Much of the remains of these areas are deposited in rivers or roads, which are “cleaned” by the waters and thus relocated to other parts of the land, in waterways and finally end in coastal areas.

Municipal waste has a high percentage of organic waste and there is no recycling method to reduce the amount of organic waste disposed of on landfills.

Main message: “By contracting economic operators for the management of urban areas, the Municipality of Tirana has not achieved the objectives in terms of population service and environmental protection in its territory. The regulatory framework in the implementation of the national strategy and contemporary legal acts adopted is not updated and as a result the objectives are not clear and well defined. Public education in terms of community awareness and community participation in waste management by the municipal structures and economic operators has had significant deficiencies, has not been sufficient and has not given any significant social impact, for keeping clean the city and for the distribution of waste at source for recycling; In urban waste management of Tirana Municipality, as a local body and closer to the community, the “participatory governance” approach should always be at the center of attention of the responsible structures of the municipality. The landfill site in “Sharra area” does not meet the conditions and parameters of a modern landfill with high environmental parameters, but has exceeded the use deadline and processing capacities.”

8. Management of National Parks

Audit context: The challenge to environmental issues lies in the public's right to access environmental information, access to justice for environmental issues, and stakeholder participation in environmental decision-making;

Evaluating the results and objectives set in line with the policies undertaken because the management of national parks is not fully in line with the principles of effectiveness, despite the recent positive developments, efforts and initiatives for change, etc.

Main message: “The National Agency of Protected Areas in cooperation with the Ministry of Environment, interest groups, create a new approach in drafting environmental policies, managing effectively in order to maintain diversity and feasibility, sustainable provision of natural resources, To guarantee and evaluate the national natural parks as a gemstone for the development of the economy and the protection of nature inherited from the generations.”

9. Performance of Orphans Institutions - Orphanage “Zyber Hallulli”

Audit context: Social problems have always been present in performance audits. As an entirely innovative audit in its own nature, it tries to provide public institutions with assistance in fulfilling their responsibilities towards Albanian beneficiaries and taxpayers, with economics, efficiency and efficiency.

From the information received from the State Social Service, about 0.3% of Albanian children need the care of public and non-public social institutions, be they residential or daily, whether residential or day-to-day. Concretely, in 2015, 2826 children aged 0-18 years receive the support of public and non-public social institutions.

Main message: “The Orphanage Zyber Hallulli does not guarantee a fully effective service in the care and social integration of residential children.”

Despite the restructuring of children's apartments by age group, the design and implementation of effective deinstitutionalise strategies requires a clear definition of service typology. There are many problems in completing all care plans, in the accuracy and seriousness of the general information, in terms of health, educational, psychosocial plans and in the process of reviewing them.

Recruitment of staff is not done according to the criteria set out in the regulatory acts. And failure to meet the criteria results in a lack of staff and institution effectiveness, cost at the expense of children's lives.

10. Concessions on Hydrocarbon Sector

Audit context: Rational utilization of underground oil and gas assets is one of the pillars of development as long as the activity of public institutions is effective. Albania is considered to be a hydrocarbon bearer, crude oil production has been recognized by large oscillations, with a peak of 2,250,000 tonnes in 1974 and 316,000 tonnes lower in 2000.

Starting from 2003, it is noted that the specific weight of oil produced by the public sector (Albpetrol a.s.) falls steadily and the private sector's hydrocarbon oil production grows: from 90% to 10% to 3% to 97%.

It is estimated that the extractive industry sector in 2014 employs less than 1% of total registered employees.

Since 2004, 16 total land-based oil and gas exploration and production agreements have been signed, of which only five are in the production phase: Bankers, Transatlantic, Transoil, Serood and Phoenix. Crude oil production in 2015 by the hydrocarbons is 92% to Bankers Petroleum.

Generally, the development of the hydrocarbons sector through the supply of deposits through hydrocarbon deals is characteristic of economically poor countries, with weak institutions and a well underdeveloped legal basis, enabling the provision of foreign financial, human, technical, and experience in the field of oil production.

In conclusion, the development of exploration, exploration and production of petroleum through petroleum agreements is closely related to the form, content, obligation ratio and the deadline for their implementation set out in these agreements; as well as their continuous and comprehensive monitoring, in view of the country's sustainable economic and financial development.

Main message: "The lack of an updated regulatory framework based on the best contemporary models and the imprecise and clear definition of the rights, obligations and penalties in the hydrocarbon agreements, as well as the poor performance of the public institutions' activity in this area, coupled with a Lack of cooperation and coordination between them in relation to monitoring, inspection, control and audit of the implementation of these agreements has had a negative impact on achieving the economic and financial viability of the Albanian state, risking the rational use of underground oil resources; as well as threatening the environment."

11. Performance towards Financial Certification

Audit context: Certification of financial reporting is very important for the decision-making process by investors and other users of this information. Certification of financial statements is an obligation that comes from law, but also a necessity to have transparency and credibility. This process is regulated by laws, guidelines and regulations for legal audit, organization of the profession of statutory auditor and approved accountant. Public companies are obliged to perform the statutory audit of the annual financial statements, prior to their publication, by the statutory auditors or audit firm who also have the relevant cost for this service.

Pursuant to the law no. 9901, dated 14.04.2008, "For Traders and Companies", as amended, the appointment of authorized accounting experts for the certification of financial statements or revaluations is made by the members of the company's partners, a normal choice since the partners of the company represent capital and can make any decision about the company's expenses. This way is also applied to publicly owned share companies, where accounting experts are appointed by the legal representative of the sole partner of the company, which is the line ministry. In these companies, each service is subject to public procurement law. Exceptions are asset reassessments and certification of financial statements.

Main message: "The process of certification of financial statements is important for their use by investors and other users of this information. In order to improve the quality of the audit and increase the role of the audit report in the decision making of public companies, an improvement in transparency in audit procedures should be ensured. The process of assigning accounting experts is arbitrarily done in the absence of guidelines and rules without transparency and defined criteria. In the same way, the process of signing the contract with the authorized accounting experts continues, where the charging for the performed service is decided unilaterally by the experts without giving any significant disclosures about the contribution to the audit, how much and by whom the audit partner was the contribution offered, in order to use market motivating power to promote audit quality through engagement seriousness, increased transparency of procedures, royalties and effectiveness of this service in the cost / benefit perspective."

12. Performance of Mutual Obligations KESH-OST-OSHEE

Audit context: The energy system has long been in a financial crisis inherited from previous periods

Lack of efficiency and low performance of these companies has led to increased service costs, deteriorating macroeconomic indicators, thus affecting the welfare of citizens and increasing the level of debt between them.

Strengthening the energy sector would bring a reduction of the state budget burden on its financing, increasing the potential for investment in education, health, infrastructure, etc.

Main message: “Measures taken by the government can be considered appropriate for the emergency and financially weighty situation of public sector energy companies, but they are insufficient to consolidate the sustainability of long-term economic-financial indicators for the system. In the current situation of public sector companies in the power sector, government support is needed with a new legal framework, which should accurately reflect their demands to overcome the financial crisis and create the platform for optimum performance in the future.

On the other hand, the governing bodies of these societies have remained and continue to remain passively awaiting government decisions, and with their short-term managerial practices have not so far managed to increase the effectiveness of these societies. The decisions taken and their implementation are largely sporadic and not the result of proper studies of the situation in which the societies are located. The results of the economic and financial parameters of these companies would be improved if the decision-making of the energy sector interest groups were coordinated and planned, resulting in strategic rather than merely operational and fragmented decisions.”

13. Human resources management in local government

Audit context: In this transitional phase, the key role in informing citizens about the way, ways, forms and times of quality services are played by municipal employees and ineffective and efficient staff management directly affects citizens in receiving services or investment in the community such as the result of inadequate human resources, the failure of the municipal system in terms of orientation, responsibilities and competences at different levels of decision making and nodes that provide services directly to the citizen.

It is as important as human resources to provide as many quality and timely services to citizens as there is also the role that human resources play in managing taxation of citizens that should be turned into quality investments for the community.

From formal and informal media reports, it results that the citizens-municipality relationship varies through an unclear, formally apparent chaos regarding communication, information and transparency, which are directly related to professional capacities and the quality of human resources of the municipality. Also, there is a constant concern of the community in terms of managing their taxes in terms of infrastructure investments that the citizen faces in everyday life.

Main message: "Lack of specific human resource management strategies after the 2015 local elections, for the decomposition and implementation of the SKNDQV 2015-2020 and the tactical and operational action plans, in defining the objectives set out in the respective NJQV budgets (Municipalities of Shkodra, Vlora, Selenica, Berat and Kuçovë) for human resources, lack of investment in NJMBNJ to increase the institutional and professional capacities of these structures as well as the poor performance of the human resource activity monitoring systems in the respective administrations and in relation to the community , Have negatively impacted the achievement of the goal of the territorial-administrative reform, through SKNDQV 2015-2020, for the consolidation of a bureaucratised, impartial, politically, professionally and transparently local administration."

SAI-3: Performance audit results

In addition to the traditional obligation of an SAI: "... the legality and regularity of accounting and financial management ... there is another type of audit, equally important, performance audit ..." (ISSAI 1, paragraph 4).

Index assessment	2, 3	
Parameter	Finding	Assessment
<p>1. Overage, selection and objective of performance audits</p>	<p>Criterion (a) of Parameter 1 has not been met, as only in 2013, 13 performance audits were reported, while full-time staff in these audits did not exceed 10% of audit staff at ALSAI level. Parameter criterion (b) is partially met, because performance audits do not explicitly report any identified deficiencies in one or each of the 3Es. Likewise, there are no clear guidelines for 3E.</p>	<p>2</p>

	<p>Criterion (c) is partially supplemented because auditors participate in planning and analyzing potential auditing areas but do not undergo a rigorous risk analysis or problem assessment. However, the department generates a strategic and operational plan on an annual basis.</p> <p>Criterion (d) is fully completed.</p> <p>Criterion (e) is partially completed, because in the selection process is given greater weight to the available capacities to realize them.</p> <p>Criterion (f) is completed.</p> <p>Criterion (g) is fully completed</p>	
<p>2. Publication and dissemination of performance audit reports</p>	<p>Criterion (a) is fully completed</p> <p>Criterion (b) is fully completed</p> <p>Criterion (c) is fully completed</p> <p>Criterion (d) is fully completed</p> <p>Criterion (e) is fully completed. External experts attached to performance audits come from the academic sphere.</p>	4
<p>3. Follow up the recommendations and conclusions of the performance audit by the SAI</p>	<p>Criterion (a) is fully completed</p> <p>Criterion (b) is fully completed</p> <p>Criterion (c) is not fulfilled at all.</p> <p>Criterion (d) is not fulfilled at all.</p>	2

SAI-15: Basis of performance audit

Performance Auditing is an independent review of the efficiency and effectiveness of its government ventures, programs and organizations, with a particular focus on economy and aiming to improve.

Performance audit relies on decisions made or objectives set by the executive and can be carried out across the public sector spectrum. It distinguishes itself from standard financial and legality audits because it is more flexible in selecting subjects, objects, methods, and giving opinions. From its very nature, this type of audit combines investigative methods with scientific research and information processing, operates on a variety of knowledge and experience, is more open to

Results of Audit Activities-----

judgments and interpretations, and is not conducted in accordance with a preliminary standard protocol. It is a vital condition for the quality of this type of audit to apply different perspectives and consequently auditors should come from different spheres of human activity.

Performance auditing is one of the modern ways through which taxpayers, financiers, decision-makers, executives, the media, and society generally “exercise control” and penetrate the way things are done and how the results are achieved. The criteria for this type of audit are numerous and include: value added, complex policy chains, risk exposure, structural interventions, international obligations, social emergencies, financial materiality, program visibility, audit opportunities, etc.

Performance audit does not aim to criticize government ventures. By identifying the causes, processes, functions, human and financial capital involved in carrying out a governmental “business”, this type of audit aims at appropriate corrections, the application of the latest scientific techniques, the improvement of 3 E-s and ultimately the increase of social welfare through public economic activity. Performance audit is in itself a form of modernization for who is audited and who make the audits.

Index assessment	2,5	
Parameter	Finding	Assessment
1. Standards and performance audit guides	All criteria (a), (b) and (c) of the parameter, including the respective sub-criteria are completed.	4
2. Ethics and Independence in Performance Auditing	Criteria (a), (b) and (c) are completed jointly with the respective sub-criteria. The criterion (d) regarding the ‘competence’ in the audit is not fully completed.	3
3. Quality Control in Performance Auditing	Criteria (a), (b), (c) and (e) are completed correctly. Criterion (d) is not fulfilled because the level of commitment to quality control by the relevant structures is not the right one.	3
4. Skills and the management of the work group in performance auditing	None of the specified criteria is met. Part partially fulfilled, but there is still much to improve.	0

SAI-16: Standards and performance audit guides

The performance audit department has adapted the Albanian language and published the international standard ISSAI 300 for performance auditing, as well as the 3000 and 3100 manuals in 2013. In 2015 the departmental manual was published which recognizes and uses as standards of this audit in ALSAI, the standards cited above. Likewise, dept. Has adapted in Albanian language and has promoted within the dept. New draft standards published by INTOSAI and respectively ISSAI 3000, 3100 and 3200, but have not yet published them, pending INTOSAI's official residence.

Index assessment	1	
Parameter	Finding	Assessment
1. Planning of performance audits	All criteria (a), (b) (c), (d), (e) and (f) are partially fulfilled and none is fully met.	1
2. Performing performance audits	All criteria (a), (b) (c), (d), (e) and (f) are partially fulfilled and none is fully met.	1
3. Reporting of performance audits	All criteria (a), (b) (c), (d), (e) and (f) are partially fulfilled and none is fully met.	1

The defective aspects of the above parameters include: poor identification work on the social issues prior to the start of the audit; Poor identification of stakeholders in the process being audited; Fictitious and unstructured risk analysis; Pyramid of unsolicited questions with criteria, deadlines, subjects, auditors, etc; Poor reporting from the point of view of arguments, addressing responsibility, level of analysis and language formulation.

SAI-17: The trial process

Not applicable for ALSAI.

Results of Audit Activities-----

IV. CHALLENGES AND OBJECTIVES FOR THE FUTURE

Year 2017, as the last year of the Development Strategy 2013-2017, will be a year of challenge for ALSAI staff in view of modernization and institutional reform, the year in which we will prepare the 2018-2023 Strategy, In the EUROSAI strategy.

The application of the Institute of Institutional Measurement Instruments (PMF-SAI) adopted at the Abu Dhabi Congress in December 2016 enabled us, in the function of effective institutional governance, to properly determine the aspects of institutional development and the progress of ALSAI in the future.

On the other hand, the application of this instrument for the purpose of self-assessment of institutional performance testified to ALSAI's efforts to increase credibility and credibility vis-à-vis third parties such as the Assembly, the media, citizens, etc.

Challenges of auditing activity

1. The primary objective and priorities of the audit activity referring to the types of audit will be:

- Consolidate and modernize access to compliance audits in line with ISSAI's International Standards of Auditing;
- Developing *financial audits*, giving the opinion on the financial statements as a step further towards meeting the objective of giving public opinion on the consolidated financial statements of the government;
- Consolidate and increase the number of *performance audits* through the gradual increase of the professional and numerical capacities of the department;
- Increasing the quality and number of *IT audits*.

2. *Increase the number of pilot audits* of Compliance Audits and Financial Audits in accordance with the procedures of the Financial Audit Manual and Compliance Audit.

Challenges and objectives for the future-----

Through 2017, SAI will progressively increase by about 40% pilot compliance audits and expressed in concrete terms the number of compliance audits will increase from 10 compliance audits to 14 audits.

The number of pilot financial audits will double by bringing their number to 10 through 2017.

These objectives are in line with the EU recommendation addressed to “SAI to *increase the number of financial audit / compliance / regularity audits, in accordance with updated manuals and INTOSAI audit standards*”. (Progress Report 2016 for Albania, page 85).

3. Referring to the Technology and Information Audits, priority will be on the development of IT audit capacities through:

- i) Consolidation of the IT Audit Department;
- ii) Recruit audit staff with professional skills in IT;
- iii) Developing and increasing *audit capacities with information technology knowledge in each audit department*;
- iv) Design of interactive IT audit manuals;
- v) Carry out an IT pilot audit in collaboration with IPA experts.

During 2017, SAI will continue to increase the number of IT audits in public sector entities by about 40% more than 2016.

4. *Development of IT infrastructure and tools* during the audit process is one of the objectives that will focus on institutional management throughout 2017.

For 2017 will be implemented the computerized audit project management project with a direct impact on increasing the effectiveness of audit activity and will be followed by the construction of computer infrastructure in the new premises of ALSAI.

5. SAI will 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 framework, the deepening of the fight against corruption will be the focus of our institutional activity, and in addition to its audit activity and its modernization,

it will continue to deepen the fight against corruption, denouncing corrupt acts in public, media, prosecution and beyond.

In function of the above, the SAI will continue to develop a methodology for audit orientation based on the risk of fraud and corruption, focusing on the audit of the sectors of the economy in which the risk of fraud and corruption is considerable.

Integrity, professionalism and ethics, the foundations of our activity

Our credibility as a supreme audit institution, such as , depends on the perception of citizens and Assembly - and from reality - whether our audits and reports are conducted with integrity and strongly respecting ethical principles. The Comptroller General U.S. GAO, Gene L. Dodaro, in his lecture at the 2013 Annual Conference of the American Public Administration Association “Elliot Richardson” stated: *“Integrity is so central to what GAO does that we have an award that honors individual employees and teams who have made an extraordinary commitment to GAO’s core value of integrity in carrying out an assignment of major impact”*. We as ALSAI have much to realize in this regard.

In this context, ALSAI will engage as follows:

- Ensuring the continuation of the implementation of an effective system of integrity and ethics through the implementation of the INTOSAINTE regulatory and guiding framework of the Code of Ethics.
- Analysis of the performance audit “On the assessment of integrity at the institution of ALSAI” in cooperation with external experts of the field.
- Monitoring of the risks and maturity of systems of integrity, ethics and institutional discipline through the use of the self-assessment instrument INTOSAINTE, an instrument encouraged for use by the SAI, referred to the INTOSAINTE Development Strategy 2017-2022, approved by Congress of Abu-Dhabi in December 2016.
- Mini Peer Review with NGOs and anti-corruption agencies.
- Publication of the National Supreme Audit Standards, “The Albanian Yellow Book”, based on the “Yellow Book”, GAO’s Government Auditing Standards.
- Implementation of legality and best practice in the field of recruitment, promotion, training and development of personnel, motivation, relations and working conditions, discipline.

SAI will continue with an effective human resource management policy, based on theme 2 of INTOSAINTE XXII Congress, “United in Ambition and Determination”.

Challenges and objectives for the future-----

In this regard, ALSAI will also consider the document of human resources policy document which is the product of the IPA Project.

In the field of methodology and professional development

ALSAI, by considering the professional development as an integral part of strategic development the focus of the future will be on these aspects:

- Consolidation of the component of “Continuous Professional Development”;
- Improvement of Financial Audit and Compliance Manuals in line with the requirements of ISSAI's professional auditing standards based on:
 - i) Recommendations addressed by SIGMA at the end of the review process of the Manuals conducted during 2016;
 - ii) The specific practices and requirements resulting from the conduct of pilot audits of 2016 and to be carried out during 2017;
 - iii) Suggestions and recommendations that will result from the process of reviewing and updating existing manuals or study visits during the implementation of the IPA project.
- Preparation of the Public Procurement Audit Manual in the framework of the implementation of the World Bank-funded project.
- Development of two pilot audits within the framework of the World Bank project:
 - i) Audit performance "On the functioning of the public procurement system in Albania" as well;
 - ii) Compliance Audit "On Procurements Funded with EU Funds in the framework of IPA Projects".

In order to consolidate the process of quality control and assurance in line with ISSAI 40 during 2017, the following documents will be finalized:

- Prepare a Quality Control and Quality Management Policy Document that defines: Policy Objectives, Management Responsibilities, Ethical Requirements, Human Resource Management, Stakeholder Relations, etc;
- Development of a process management methodology document consisting of: Quality Control, Quality Assurance and Institutional Management;
- Create checklists for all stages of the audit project (Audit Planning, Fieldwork

and Audit Reporting);

- These documents will then be tested in practice during the conduct of pilot audits in function of this process.

Towards the development of the training activity

- Selection of trainers in cooperation with IEKA and the National Accounting Council as well as conducting selected staff training for financial audits based on INTOSAI Standards.
- Consolidate and further develop the training methodology in line with the best practices of the INTOSAI community. Further develop the approach to evaluate the performance of trainings in order to create a system to evaluate the effectiveness of training, progress and continuous improvement.
- Maintain and further develop the pace of the training activity by developing a dynamic and progressive way of ensuring the number of training days over 25 days of training / auditing in order to meet the ongoing staffing needs.
- The development methodology during 2017 will be guided by the SAI's scientific research activities which become the primary source of training and staff development. During the year 2017 three scientific conferences are scheduled:
 - i) ALSAI Scientific Conference in cooperation with SIGMA, "Role of SAIs in the fight against corruption" and
 - ii) Scientific Conference in cooperation with the Faculty of Economics of the University of Tirana, "Audit, Sustainability and Development";
 - (iii) Workshop "SAI and Parliament" with representatives from the Parliamentary Committee on Economy and Finance, Polish NICs and heads of the Excellence Center of the US Audit Office (GAO).

The persistence of the ISSAI Standard Implementation Strategy.

Interpretation of the ISSAI package in the Albanian audit context, their integral study and capacity building towards the application of ISSAIs. In this regard, in 2017, the process of drafting the National Standards for Public External Audit based on the United States Accounting Standards (GAO) and the Yellow Book, which was also published in the Albanian version by ALSAI in 2015.

ALSAI as a public voice and a correct partner

U.S. Comptroller General Gene L. Dodaro, in his lecture notes, states: *GAO is also committed to keeping the public abreast of its work. We firmly believe in transparency, the idea that the American people should be as informed as possible about government performance and results. In my view, public understanding and support will be vital in addressing difficult policy issues that lie ahead. To that end, GAO publicly reports what it does. If you go on the Internet, you will find that almost every GAO report and testimony is on our web site the day it is made public.*

Oriented by this American practice, we have defined the following objectives:

- The realization of 16 editions foreseen for 2017, while maintaining and improving their quality will continue to be a priority for the institution because it directly affects the increase of audit capacities, in addition to increasing transparency with the public.
- For this year, 16 publications have been envisaged, with which the column of SSA publications will reach the figure 83 and 17 titles will be published next year to reach 100 publications at the end of 2018 for The 7 year period 2012-2018.
- Implementation of the IPA Project, for which 2017 is the most important year because it is the second year of project implementation and this year will be finalized a considerable part of project products.
- Realization of the ALSAI's Communication Strategy, as a product of the IPA Project but at the same time as the fruit of cooperation and with domestic partners. In order to intensify the communication and institutionalization of the cooperation between the Parliament and the SAI in March 2017, the activity "SAI and Parliament" will be organized in the framework of the implementation of the IPA project.
- Follow up with concrete projects of cooperation agreements with NPOs, Professional Associations of the field, counterparty SAI's, etc.;
- Maintaining the rhythm for realization of activities abroad, so that, as in the last two years 2015 and 2016, all SAI auditors have been at least once abroad and over 60% 2-3 times.
- Active participation in all activities and working groups of EUROSAL and INTOSAI; Intensifying cooperation with the European Court of Auditors (ECA) and the United States Audit Office's Excellence Center (GAO). Successful implementation of the WGEA (INTOSAI Working Group for environmental

audit) meeting in Albania in October 2017;

- Full implementation of the resolutions, reports and recommendations of congresses, conferences and workshops developed by INTOSAI and EUROSAI for the follow-up of the SAI auditors of the new ISSAI Standard trends and the best experience.

CIP Katalogimi në botim BK Tiranë

RSH. Kontrolli i Lartë i Shtetit

ALSAI performance report 2016 / prep. Irena Islami,

Armanda Begaj ; RSH. Kontrolli i Lartë i Shtetit. –

Tiranë : KLSH, 2017

174 f. : me il. ; 165x 235cm.

ISBN 978-9928-159-56-4

1.Kontrolli i Lartë i Shtetit 2. Raporte

ISBN: 978-9928-159-56-4



Kontrolli i Lartë i Shetit
Bulevardi "Dëshmorët e Kombit", nr.3
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