



## **ANNEX 1. Summary of the progress done by Albania based on NPIE 2021 - 2023/ Chapter 32 Financial Control**

### **• Public Internal Financial Control (PIFC)**

Albania is moderately prepared in this area.<sup>1</sup> The Strategic Framework for Public Internal Financial Control (PIFC) is in place. PIFC measures are included in the Public Financial Management Strategy (PFM) 2019-2022 and further detailed in the Policy Document for the Development of Public Internal Financial Control 2021-2022, which was approved in December 2020.

In terms of managerial accountability, reporting focuses primarily on financial performance, but with an increasing number of institutions also reporting on performance against objectives. Internal control legislation is largely in line with international standards.

Quality statements are systematically signed by senior management, but in the absence of a delegation framework, this remains more of a formal exercise. In December 2020, the methodology on evaluation of the quality of the internal control system in general government units, based on performance and on annual reporting was approved.

The legislation on internal audit practice is in line with international standards. The internal audit function in public sector is established and contributes to a more operational efficiency, budgetary and fiscal discipline and legal and regulatory compliance in the public sector entities by requiring each such public sector entity to subject its operations, data and management and control systems to regular, systematic and comprehensive internal audits.

The Law on internal audit in public sector establishes an institutional system to ensure an adequate function of internal audits. Provisions of the IA Law aim to ensure that internal audits are conducted with the aim to increase the efficiency of the work of public sector subjects in a manner that increases the level of services provided to the users, beneficiaries and the Albanian taxpayers.

The training and professional development system, including the National Certification of Internal Auditors and The Continuous Professional Training (CPD) has been established to ensure that IA units have the necessary capacities and possessed skills enabling them to implement the internal auditing standards of the international Institute of Internal Auditors (IIA), and with the ultimate goal of providing users of IA reports with assurance on the quality and accuracy of the reported work. All internal auditors in position are trained attending the Annual COP Program, and the number of certified internal auditors is increased year by year, aiming that all active auditors should be certified.

The quality of internal audit activity of each IA Unit in Line Ministries and other public entities is monitored and supervised continuously (through the consolidation of Strategic Audit Plans and Annual Reports of IA Units) to maintain conformance with the Standards and Assessments of external audits

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<sup>1</sup> Ministry of Finance and Economy, European Integration Partnership Platform, <https://www.financa.gov.al/platforma-e-partneritetit-per-integrimin-europian/>



performed by CHU IA periodically (at least every five years) increase the value, as they enable the internal audit activity to assess compliance with the Standards; internal audit and audit committee charters; the organization's risk and control assessment; the effective use of resources; and the use of successful practices.

The Central Harmonization Unit (CHU) provides methodological guidance and monitors the performance of internal control and internal audit in the public sector based on the assessment of the quality of the internal control system and the self-assessment reports performed by the institutions.

In 2020, the CHU conducted 19 external evaluations of the quality of internal audit and completed 25 evaluations by December 2021. In 2021, the CHU began quality evaluations for internal control in 20 institutions. The PIFC annual report is submitted to the Council of Ministers and discussed in the Parliament.

The main achievements are presented as following:

- Instruction no. 4, dated 29.01.2020 "*On the delegation of duties and tasks in units of general government*", with the main focus on clearly defining the deadlines, rules, procedures to be followed in the process of delegation of duties within the units of general government. .
- Order of the Ministers of Finance no. 305, dated 18.12.2020 for the approval of *the Policy Document for the Further Development of Public Internal Financial Control 2021-2022*.
- The draft Methodology for the Quality Control System of Internal Control in Public Units has been prepared.
- The Internal Audit Manual has been amended, with the Order of the Ministry of Finance and Economy no. 4, dated 10.01.2020 "*On some changes in the Internal Audit Manual*".
- A general *situation overview for 2020 has been concluded* (PIFC Annual Report).
- The *self-assessment questions of the activities* of the internal audit units have been reviewed and improved.
- The Instruction "*On following the internal audit recommendations*" was approved by Order of the Ministry of Finance and Economy no. 42, dated 27.10.2020;
- Amendments to the Regulations "*On continuing training*" and "*Certification of internal auditors in the public sector*", were approved by Order of the Ministry of Finance and Economy;
- The methodological framework to provide auditors with specific guidance for the entire standard audit activity on all data received and good professional practices for the reserves' audit has improved.
- Implementation of several activities that were carried out in the framework of providing technical assistance to 5 general government units (Ministry of Justice, Ombudsman, Albanian School of



Public Administration, Municipality of Kruja and Municipality of Himara for drafting financial management and control instruments.

- Assessment of the quality of the internal control system in 20 units of general government; The state of the internal control system in the general government units for 2020 (PIFC Annual Report) has been assessed.
- Awareness meetings with managers of 5 selected pilot units of general government, on the rigorous implementation of the requirements of the law on financial management and control have been organized.
- 2 sessions of 1-day training on capacity building of public administration employees in the field of financial management and control were held, with 26 participants.
- The self-assessment questionnaire of the activity of the internal audit units was reviewed and improved.
- Order of the Minister responsible for finance No. 4, dated 10.01.2020 "On some changes in the Internal Audit Manual" has been approved.
- Order of the Minister responsible for finance No. 42, dated 27.10.2020 "Instruction for monitoring the implementation of internal audit recommendations" has been approved.
- Order of the Minister responsible for finance for some changes in the regulations for the continuous training and certification of internal auditors in the public sector.
- The number of external quality assessments of internal audit units has significantly increased for 2020. The opinion was given on the quality of work of 19 IAUs (3-line ministries; 7 municipalities; 3 central institutions and two public companies). For 2021, the target of 25 IA Units to be assessed in one year has been met.
- 8 weeks of distance training sessions were organized in the framework of the Annual Continuous Mandatory Training Program, composed of 13 training topics in order to increase the internal audit capacity in the public sector (342 participants).
- 52 new audit staff followed the certification process 2020-2021 and in September 2021, 47 new auditors were certified as "Internal Auditors in the public sector".

- **External audit**

In order to approximate the audit methodology with the International Auditing Standards ISAI, SAI during 2020 reviewed the methodological basis of the audit, through the approval of the following documents:



- *Audit Procedures Regulation* revised, approved by the Decision of the Chairman of SAI No. 63, dated 22.06.2020.
- *Financial Audit Manual*, revised, approved by the Decision of the Chairman of SAI No. 66, dated 22.06.2020.
- *Compliance Audit Manual*, revised, approved by the Decision of the Chairman of SAI No. 66, dated 30.06.2020.
- *Performance Audit Manual* revised, approved by the Decision of the Chairman of SAI No. 78, dated 23.06.2020.
- *Manual for Following up the Implementation of Recommendations* and the Institutional Register for the implementation of recommendations, approved by the Decision of the Chairman of SAI No. 67, dated 23.06.2020.
- *Guide on the manner of referring criminal offenses* to the prosecution approved by the Decision of the Chairman of SAI no. 60, dated 31.05.2020.
- The audit manuals approved during 2020 were tested in several pilot audits and during 2021, the audit activity is focused on the practical implementation of these manuals.

- **Protection of the EU's financial interests**

Albania has ensured a certain level of approximation of the *Acquis* in the fight against fraud to protect the EU's financial interests, but it must be fully harmonized with the EU Directive on the fight against fraud to protect the EU's financial interests by penal law. The National Anti-Fraud Coordination Service (AFCOS) is a unit within the Financial Inspection Directorate in the Ministry of Finance and Economy. The AFCOS network, which includes other relevant authorities, has been set up and it organizes regular meetings. By Order of the Minister of Finance and Economy No. 12, dated 25.01.2021 "For an addition to the Order No. 84, dated 9.12.2015 "On the assignment of the AFCOS service reporting network" The Special Prosecution against Corruption and Organized Crime (SPAK) has been added to the AFCOS Service Reporting Network.

Albania cooperates with the European Commission during investigations and reports to the Commission on irregularities and suspected cases of fraud. During 2019, Albania reported three irregularities through the Online Irregularity Management System, which after being followed and treated according to the relevant procedures were successfully closed. During 2020 and 2021 two irregularities were reported in the system, which continue to remain opened. A total of 5 irregularities have been reported through the system since 2019.

The manual for managing irregularities with EU funds has been approved by the First Authorizing Officer (NAO) for EU funds. The European Commission has developed an electronic system on Irregularity Management, which is now operational. This system (IMS) enables IPA II beneficiaries to report irregularities detected, including fraud, and track them nationally. The Directorate of the National Fund, the General Directorate of Financing and Contracting (CFCU), the Agency for Agricultural and Rural Development (ARDA), the Supporting Authority of the National Authorizing Officer (NAOSD) and AFCOS / DIFP in the Ministry of Finance and Economy have access to IMS system.



Albania has already a solid record of data on reported irregularities, documented through the AFIS-IMS system, but not only. The progress and assurance of the achievement of this important process, specifically related to the identification, reporting and elimination of irregularities is done / managed by the National Authorizing Officer, through the Support Directorate of the NAO.

A register/evidence is documented for the investigations carried out, both for those in cooperation with OLAF, and for those carried out at the request of the NAO, which aimed at protecting the EU's financial interests. The register regarding the cases of investigations carried out by OLAF, as well as for those carried out by the responsible unit at DIFP, is administered at the Directorate of Public Financial Inspection / AFCOS in reference to the requests of the Deputy Minister in the Ministry of Finance and Economy (as National Authorizing Officer for EU funds), with the support of the NAO Office.

DIFP/AFCOS has regularly cooperated with the National Authorities of the AFCOS Network, depending on the object of the irregularity/issue, or the information requested by OLAF; AFCOS has enabled OLAF to contact the Representatives of the National Authorities involved in this network, in the function of operational cooperation for investigative cases conducted by OLAF, and has assisted in providing the information requested by OLAF. DIFP/AFCOS has assisted / accompanied OLAF investigators in investigative missions conducted in Albania, to investigate irregularities identified by OLAF.

- **Protection of the euro against counterfeiting**

Albania is aligned with the *Acquis* on the protection against counterfeiting of banknotes and coins, as well as the procedures for their collection, storage and withdrawal from circulation. The technical analysis is performed by the National Analysis Center of the Bank of Albania and the Scientific Police Institute. In 2020, Albania seized 307 Euro in coins and banknotes worth 6,000 euros, representing 18% of all counterfeit coins seized. Cooperation at national and international level is ongoing. In August 2018, the Bank of Albania joined the Europol expert platform. A cooperation agreement between the European Commission and the Bank of Albania on coins is in force, while an agreement on banknotes with the European Central Bank is pending. Albania participates in the activities within the Pericles 2020 program.

The Bank of Albania with its current regulatory framework guarantees mandatory procedures for authentication, immediate withdrawal of suspected counterfeit banknotes and coins detected in circulation. At the Analysis Center, the responsible structure in the Bank of Albania, the suspected counterfeit banknotes and coins are sent, to identify, technically analyze and classify counterfeit banknotes and coins.

The rules for protection of the euro from counterfeiting have been strengthened through the approval by the Bank of Albania of the Regulation No. 42 dated on 04.08.2021 "On medals and tokens like euro coins" and the Regulation No.43, dated 04.08.2021 "On reproduction criteria of banknotes and coins in the Republic of Albania". These regulations, which were a priority in fulfilling Albania's obligations in the context of protecting the euro from counterfeiting, aim to prohibit the production and trade, import and distribution of medals and tokens with the appearance and technical characteristics like those of the coin euro as well as the permissible criteria for cases of reproduction of images of euro banknotes.



ANNEX 1. CHART OF LEGAL MEASURES								
Chapter	Sub-Chapter	EU Acquis	Albanian legislation	Type of approximated act	Strategic document Yes / No	Proposing institution	Targeted level of approximation	Year of approximation
32	Protecting the euro from counterfeiting	Council Regulation (EC) No 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins. AMENDMENT: Council Regulation (EC) No 46/2009 of 18 December 2008 amending Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins	Approval of the regulation "On medallions and tokens similar to the euro coin"	Regulation approved by the Supervisory Council of the Bank of Albania	NO	BoA	Full	2021
		Decision of the European Central Bank of 19 April 2013 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes (recast) (ECB/2013/10) (2013/211/EU) AMENDMENT: Decision (EU) 2019/669 of the European Central Bank of 4 April 2019.	Approval of the regulation "On the criteria for the reproduction of banknotes and coins"		No	BoA	Full	2021
	Protecting the EU's financial interests	Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law.	"Approval of the Document: "National Anti-Fraud Strategy", aimed at protecting the EU's financial interest <b>Implementing measures:</b> Technical assistance and training for the structures that will design and implement this strategy, as well as capacity building and additional staff for the technical structure in the MFE. "	Order	Yes	MFE	N/A	2022

Comment: Both regulations have been approved by the BoA

The strategy has been postponed for 2024 by the MFE and has been updated in the text, in the document. Removed as an annex.