



### ANNEX 3. Progress Report for Albania – Yearly assessment by EC

Albania	Progress Report 2020 MARCH 2020 EU decides to open accession negotiations					
Albania	Progress Report 2021	Progress Report 2020	Progress Report 2019	Progress Report 2018	Progress Report 2016	Progress Report 2015
EC Assessment - Preparedness	Albania is moderately prepared in this area.	Albania is moderately prepared in this area.	Albania is moderately prepared in this area.	Albania is moderately prepared in this area.	Albania is moderately prepared in this area.	Albania is moderately prepared in this area.
Summary 2021 / Progress	Some progress was made during the reporting period, especially with the approval of a policy document for the strengthening of public internal financial control (PIFC), instructions on delegation of financial responsibilities, guidelines for the monitoring and reporting on follow-up of internal audit recommendations, and revision of external audit quality control and quality assurance procedures.	Some progress was made during the reporting period, especially with the ratification of the international convention for the suppression of counterfeiting currency and the adoption of a revised methodology for performance monitoring of internal control.	Some progress was made during the reporting period with the legal adoption of a mechanism for coordination, monitoring and reporting of key reforms on good governance, including on public internal financial control (PIFC), and with the adoption of a risk-based external audit approach	Some progress was made during the reporting period, especially with raising awareness on managerial accountability, piloting external audit manuals in line with international standards and establishing quality control measures.	Some progress was made in the past year, especially in amending the public internal financial control (PIFC) legislation in line with the international standards, refocusing the role of the Central Harmonisation Units (CHUs) on more strategic activities and updating external audit manuals in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI).	Some progress was made in the past year, especially in adopting a comprehensive public financial management reform strategy and an amended State Audit Institution (SAI) law.
Summary 2021 / Gap analysis	The proper and effective functioning of internal control is not yet ensured across budget entities. Since only partial progress was made with the Commission's 2020 recommendations, these remain valid. In the coming year, Albania should in particular:	Albania has not yet adopted a comprehensive public internal financial control (PIFC) policy paper, focusing on managerial accountability and it has not introduced the required amendments to the legislation. The proper and effective functioning of internal control is not yet ensured across budget entities. The timely implementation of internal and external audit recommendations should be further improved. Since only partial progress was made with the Commission's 2019 recommendations, these remain valid. In the coming year, Albania should in particular:	Albania has not yet adopted, a comprehensive PIFC policy paper, focusing on managerial accountability and all required legislative changes, remains to be adopted. The proper and effective functioning of internal control is not yet ensured across all budget entities and the timely implementation of internal and external audit recommendations should be improved. Since only partial progress was made with the Commission's 2018 recommendations, these remain valid. In the coming year, Albania should in particular:	Several institutions do not fully implement the public internal financial control (PIFC) legislation, and the rate of implementing internal and external audit recommendations remains low. The Commission's 2016 recommendations were partially implemented. In the coming year, Albania should in particular:	Many institutions do not implement managerial accountability and internal control in line with the PIFC legislation. This also affects proper development of external audit, as the SAI continues to focus primarily on compliance audits and detection of irregularities. In the coming year, Albania should in particular:	The managerial accountability principle is not yet fully embedded in the management culture and public internal financial control (PIFC) legislation is not systematically implemented by all institutions. In the coming year Albania should in particular:
Recommendations:	<ol style="list-style-type: none"> <li>1. Implement the instructions on financial delegation of responsibilities and issue instructions on delegation of management responsibilities with a view to improve managerial accountability;</li> <li>2. Monitor and follow-up the implementation of recommendations made in the annual PIFC report across budget institutions;</li> <li>3. Increase parliamentary scrutiny of audited bodies in the implementation of external audit recommendations, through more frequent parliamentary hearings and the establishment of a parliamentary monitoring framework to regularly assess government's follow-up action.</li> </ol>	<ol style="list-style-type: none"> <li>1. Adopt and start implementing a comprehensive PIFC policy paper with the specific focus on the definition and implementation of managerial accountability and monitoring framework coordinating PIFC with public administration and public financial management reforms;</li> <li>2. Improve the implementation of the annual PIFC report across budget entities;</li> <li>3. Increase parliamentary scrutiny of audited bodies in the implementation of external audit recommendations, through more frequent parliamentary hearings and the establishment of a parliamentary monitoring framework to regularly assess government's follow-up action.</li> </ol>	<ol style="list-style-type: none"> <li>1. Adopt and start implementing a comprehensive PIFC policy paper with the specific focus on the definition and implementation of managerial accountability and ensure coordinated monitoring and reporting of all related reforms;</li> <li>2. Ensure effective follow-up to the annual PIFC report by addressing systemic weaknesses;</li> <li>3. Ensure more systematic and timely implementation of external audit recommendations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Prepare a comprehensive PIFC policy paper with a specific focus on managerial accountability</li> <li>2. Ensure effective follow-up to the annual PIFC assessment by addressing systemic weaknesses, especially in the delegation of duties and performance reporting;</li> <li>3. Adopt a risk-based external audit approach that will outline how to gradually reduce the number of compliance audits and increase financial and performance audits.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide an assessment of those major spending institutions, which still do not have or fully apply internal regulations and procedures on financial management and control and internal audit, and ensure that the government issues instruction and recommendations to these institutions so that their operations comply with the legal requirements;</li> <li>2. Ensure effective follow-up to the annual PIFC assessment addressing the systemic weaknesses especially in the areas of delegation of tasks and performance reporting;</li> <li>3. Increase the number of the pilot financial and compliance/regulatory audits by the SAI in accordance with the updated audit manuals and the INTOSAI auditing standards.</li> </ol>	<ol style="list-style-type: none"> <li>1. Adopt amendments to the PIFC legislation;</li> <li>2. Strengthen follow-up to the annual PIFC assessment addressing systemic weaknesses;</li> <li>3. Ensure quality of external audit by further aligning SAI operations to the standards of the International Organisation of Supreme Audit Institutions (INTOSAI).</li> </ol>

Source: European Commission. Note: The scores in the table are based on the EC's assessment of a country's preparedness to adopt the obligations of EU membership according to the following

- (1) early stage, (2) some level of preparation, (3) moderately prepared, (4) good level of preparation (5) well advanced.