

Project: Increasing Parliament's Responsiveness to Citizens

Findings and Recommendations

Policy Paper: Parliamentary Oversight of Public Finances and Supreme State Audit

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Disclaimer

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Through the presentation of Policy Documents, our aim is to present findings and recommendations on aspects related to strengthening the role of the Parliament, its cooperation with institutions or other civil actors in improving processes of drafting, consultation and monitoring of the Budget State and Public Finance.

The findings, conclusions and recommendations are solely those of the authors and do not necessarily reflect the views of the Donor and Partners.

Conclusions and Recommendations

Conclusions

This Policy Paper examines the relationship between the Parliament and the Albanian Supreme Audit Institution (ALSAI) as an independent institution, based on three main aspects: the independence of the ALSAI; review and use of the Institution's audit reports (institutional interaction), and the monitoring of the implementation of the recommendations issued towards the government and state institutions.

From the **legal regulation** standpoint, it can be observed that the ALSAI is an independent institution, exercising the function of auditing the public finances, supervising transparency and accountability in the use of public money by the government and state institutions. The legal basis has been assessed in accordance with international standards. The Legal Framework has enough guarantee for institutional independence, although some aspects can be revised based to the problems encountered in practice.

Inter-institutional cooperation. It emerges out that this cooperation is not consistent and is not applied on a systematic basis. The process of reviewing audit reports by the Parliament is characterized by a formal and minimal engagement. The reports submitted to the Assembly by the ALSAI are in a considerable number (over 100 reports per year), but only two reports are subject to specific analysis by the Parliamentary Committee for Economy and Finance. These reports are discussed during the Parliamentary debate session. The two reports are the ALSAI Annual Performance Report and the State Budget Implementation Report of the previous year. Even in these cases, it is evident that the respective Members of Parliament do not fully use the information gathered by the report, making the process of hearing and debate in Parliament simply a presentation of the main findings and recommendations.

The lack of Parliamentary debate on the findings and recommendations of the Budget Implementation Report, as well as the lack of space and attention to discuss with Representatives from the ALSAI has characterized all the reports of recent years.

The Parliament and Members of Parliament have utilized information from the auditing work of the ALSAI during investigative committees with specific topics, but it does not constitute a consistent and continuous process. Likewise, the discussions about State Budget Plans are not accompanied by analysis and accountability based on any of the findings of the ALSAI. The absence of debate is also apparent in Parliamentary sessions related to the annual state budget law, which typically undergoes the voting procedure with few questions raised.

This absence of participatory parliamentary debate undermines parliamentary democracy and is associated with a lack of oversight by the opposition and civil society representatives.

The third aspect for an effective relationship between the Parliament and the ALSAI is the follow-up of the recommendations issued by the latter, which happens to be the joint responsibility of the Parliament and the government. There have been supportive positions for the recommendations of the ALSAI by the Albanian Parliament, while an online inter-institutional platform has been set up to enable the evidence and follow-up of the implementation of the recommendations of these institutions. However, the platform has not been an effective instrument. Moreover, the platform lacks its most fundamental aspect, which is full transparency with the public.

The practices and guidelines of international institutions such as SIGMA or ECA emphasize the importance of a clear position that public institutions, subject to audit, are compelled to provide within a certain time frame, in the form of formal response to the findings and recommendations of the ALSAI's audits. The electronic monitoring system of the recommendations is not regularly updated with all the detailed information, as there is no publication on these follow-up documents.

Despite ALSAI submitting semi-annual reports on the implementation of its recommendations to the Albanian Parliament, these reports have never been analysed and no parliamentary discussions have been carried out to identify the cause. This may be one of the reasons why the implementation of the recommendations of the ALSAI stands at a level of 50-60%. A more systematic approach, even if limited to identifying the institutions with the lowest implementation rate of the recommendations, would help increase the attention of the government and the Parliament, ensuring real oversight of the Executive's accountability and responsibility.

Finally, there is also the aspect concerning the lack of understanding by certain Members of Parliament regarding the information presented in the reports of the external public auditor (ALSAI), due to their volume, the technical specifics, or the limited time the Members of the Parliament have to prepare for debating sessions.

Recommendations

Drawing on best practices identified and published by INTOSAI, and comparing the instruments recommended by SIGMA (Brétéché, B. & Swarbrick, A., 2017) with those used by the ALSAI and the Assembly, the following recommendations aim at increasing the impact and contribution of Parliamentary oversight:

1. Public Accounts Committee. It is recommended a Special and Permanent Committee, or sub-committee as part of the Parliamentary Committee for Economy and Finance be established and

operational. The proposed structure should be a permanent specialized Committee for the Budget and Public Audit, serving as one of the tools to increase and improve the oversight of the government's financial activity.

Potentially, the model of the United Kingdom regarding the relationship of the NAO (National Audit Office) with the Parliament and more specifically, the functioning of the PAC (Public Accounts Committee) can be used as a benchmark.

With the establishment of this structure, comprised of Members of Parliament with a specialized knowledge in the financial aspects of the budget and audit processes, an improvement in the efficiency of utilizing the information provided and understanding of the findings of the ALSAI reports can be expected. Similarly, the presence of a permanent structure with a program dedicated to the supervision of public finances will create space for broader participation for other stakeholders, including interest groups, civil society representatives, media representatives, etc.

This instrument has been publicly articulated multiple times publicly by Speakers of the Parliament, since 2018, but it has not yet materialized. Therefore, it is recommended that the Parliament set a **clear deadline** (preferably within the first 6 months of 2024) for the creation of the proposed committee/sub-committee, after reaching a consensus on its mandate. The main tasks of this structure are recommended to include the supervision of the management of public finances in public institutions, based on the audit reports of ALSAI, the demand for responsibility and accountability from public institutions for the implementation of the Budget based on the legal framework in force, following the recommendations issued by the ALSAI in its audit reports, the undertaking of specific audits in case of suspected misuse of public finances etc.

The suggested British model is also recommended as a solution that allows for periodic hearings with identified interest groups, civil society representatives and stakeholders interested in transparency and accountability regarding the State Budget, Fiscal Policies and Budgeting for Sectoral Developments.

2. It is recommended that **potential policy platforms for cooperation and communication between the ALSAI and the Parliament** be developed and discussed, through the establishment of standard operating procedures for effective cooperation, without compromising the independence of the ALSAI. Specifically, it is suggested that:

- I. a special agenda and the appropriate deadlines for the presentation of the reports of the ALSAI be determined.
- II. the respective contact persons be determined.
- III. discussions and relevant concerns of Members of Parliament who identify potential audits in the future, should be followed up.

3. It is recommended that a **Memorandum of Cooperation with the Parliament** (WB, 2020) be signed, outlining cooperation procedures and their finalization, aiming to facilitate: Meetings at technical level; Involvement of other parliamentary committees, especially those dealing with audit reports of compliance and performance; to guarantee that all ALSAI's reports can be readily accessed by all respective Members of Parliament. It is recommended that this cooperation be followed by trainings or informational sessions for new Members of Parliament and Committees' Advisers, to inform them regarding the activity of the ALSAI. Additionally, joint conferences, round tables, or workshops should be organized to provide a general understanding through summarizing the audit reports.

Despite the fact that ALSAI acts an agent of the Parliament in carrying out the mission of oversight and financial control in the use of public funds, it is also an instrument that can advocate for full commitment in the use of all the information provided by the Audit Reports, as well as request full implementation of its recommendations from public institutions.

4. It is recommended to enhance **monitoring of the implementation of recommendations**, through: reporting in a separate session regarding the implementation of the recommendations of the ALSAI by public institutions; the relevant Parliamentary Committees to organize hearings with audited state entities; the Parliamentary Committees to ask for a specific action plan from the government or special institutions for the implementation of the recommendations of the ALSAI. In serious cases of non-implementation of recommendations, the Parliament should consider the possibility of administrative actions (financial or disciplinary).

5. It is recommended that during the process of reviewing and approving the law on the implementation of the state budget, the Parliament considers and provides **clear indicators for the consolidation of the intended results** outlined in the Draft Budget Law, as well as review regular reports on the implementation of legislation. The Parliament, to a certain degree and in different ways, holds the prospect of blocking funds as a "threat", using it as an instrument of coercion in respect of its demands. Formal sanctions, such as motions of no confidence or rejection of the budget, are powerful tools available to the Parliament, even if they are used only in specific political circumstances.

6. **The Parliament should commit to regularly reviewing and reporting** on how it performs its oversight role, publicly stating its intention to monitor and report on its oversight activities, with a focus on the ALSAI's audit reports. This approach ensures that the Parliament remains accountable to the public for its performance. Effective parliamentary oversight is guaranteed through the cooperation and efforts of the Members of Parliament, civil society, as well as other watchdog institutions, with the support of the general public.