

Strengthening public finance control

CARDS

Country

Albania

Implementation period

2001-2005

Funding

€2.3 million

Results

Improving internal audit procedures within the Albanian public sector; drafting new audit legislation; supplying IT equipment

Beneficiary

General Directorate of Public Internal Financial Control (Internal Audit), Ministry of Finance
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Partners

UK National Audit Office

Stemming public finance corruption

Having suffered institutionalised corruption for decades, the Albanian government today recognises that fraud and public sector mismanagement undermines the confidence of the people in the political and judicial system, rule of law, economic development, foreign investments and European integration. The fight against corruption is now one of its top priorities, and has begun within many departments of public sector administration, including the Ministry of Finance and its line ministries.

In May 2000, in keeping with the anti-corruption drive, a central financial control department was set up within the Ministry of Finance to manage internal audit in the Ministry, customs and tax departments, and authorities under the Ministry's control. At that time, line ministries have their own internal audit units and are able to develop their own programmes and prepare independent reports after completion of an audit. These units lack proper recruitment policies, structured training, professional development opportunities and direct accountability. This continues to leave the door open to corrupt practices.

First steps to changing attitudes and standards

Reducing the risk of such practices requires time, an improved legal framework and staff training in the application of internal audit procedures. As part of a long-term strategy to develop Public Internal Financial Control (PIFC), the European Commission through its Delegation in Tirana is coordinating activities with the General Directory of Internal Audit at the Ministry of Finance to lay the foundation for a more robust internal audit system.



In the first phase of the project, which will currently run until the end of 2005, the EC has been providing technical assistance in the drafting of a manual of audit procedures, and new ‘internal audit’ legislation. The manual will help to bring Albanian internal audit structures in line with the new legislation.

However, new legal standards need to be understood by public finance personnel in order for them to take effect. This need for further training will be covered during the project when it plans to run basic training for internal auditors.

Expanding the capacities of the internal audit system

Enforcing new procedures requires not only an improved human resources policy but also a physical infrastructure to match. Some of the funding so far received for the project has thus gone towards renovating and refurbishing offices of the Ministry of Finance’s General Directory of Public Internal Financial Control (i.e. Internal Audit). Essential IT equipment for carrying out effective financial control will be bought through the project and the project will train employees in using it for internal auditing purposes.

Once all the project stages have been carried out – from staff training to fine-tuning of internal audit legislation – the European Commission is looking to consolidate its work by establishing a fully comprehensive PIFC system within the public sector. This will set Albania on the way to establishing a public administration, which can be relied upon to carry out legal and systematic audits - and manage its own public finances efficiently.