



SIGMA

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ALBANIA

**PUBLIC INTERNAL FINANCIAL
CONTROL (PIFC)**

ASSESSMENT MAY 2009

Summary

Main Developments since last year

In November 2008 the Central Harmonisation Unit for Financial Management and Control (CHU/FMC) was officially established and staffed with one director and three employees. The CHU/FMC already started in September 2008 a twinning project for developing Public Internal Financial Control (PIFC) with the National Audit Office of the United Kingdom and the Ministry of Finance of Poland. During the last quarter of 2008 and the first months of 2009 the CHU/FMC, in co-operation with the twinning partners, updated the PIFC Policy Paper of June 2005 and started with the drafting of an FMC law and an FMC manual. The Internal Audit (IA) Law of 2007 and the internal audit manual of 2005 were also subject to amendments by the General Directorate of Internal Audit (GDIA) and the twinning partners. The Ministry of Finance (MoF) of Albania is striving to have these documents approved by the current government before the parliamentary elections in June 2009. The drafting of a separate financial inspection law, although intended to be carried out in 2008, has not started yet.

Main Characteristics (strengths and weaknesses)

Until the new Organic Budget Law (OBL) and the foreseen FMC Law are implemented, public internal financial control in Albania is based on existing legislation, which does not reflect modern, recognised international PIFC standards. Accordingly, at the time of this assessment, Albania remains in a period of transition, with the outstanding need to finalise the FMC Law and procedures and, more importantly, to implement the proposed new arrangements.

At the end of 2008 the CHU/FMC became operational, and it has since been fully occupied with implementing the activities under the twinning project. The structure of the GDIA is diffuse and will be changed once the IA Law has been revised.

The development of FMC is in its early days. Among the top managers of line ministries, such as general secretaries and general directors, awareness of the importance of FMC for their functioning has been raised. However, these top managers, as well as ministers, still confuse IA with ex post control/financial inspection. The introduction of a financial inspection service might give IA the room it needs for further development. Generally, the development of IA is stagnating. Although IA staff have been intensively trained in the last three years, they now need more practical training.

The activities set out in the Action Plan of the draft revised PIFC Policy Paper concentrate on the development of a legal foundation for FMC and on the implementation of control procedures. Measures to encourage the management of expenditures in an efficient and effective way are lacking. Perhaps the biggest hurdle will be to move beyond the theory, as set out in policy and laws, to actual implementation, with a full understanding of PIFC and with procedures in place. This transition should not be underestimated, and as public internal financial control is developed there may well be a need to reappraise certain aspects of the PIFC Action Plan and time frame. Furthermore, consideration should be given to the underlying assumption for the introduction of a new FMC concept in the new Organic Budget Law (see Sigma's 2009 assessment report on Public Expenditure Management in Albania), which is the existence of quantitatively and qualitatively sufficient management capabilities. However, as the appointments of top managers are still political nominations, there is a risk that the introduction of the different responsibilities of politicians and civil servants in managing public resources might not work out as foreseen in the new OBL and consequently might not create a sustainable environment in which the quality of the FMC system can further develop and improve (see also Sigma's 2009 assessment report on the Public Service in Albania).

Taking all of these points into consideration, it is important for the Albanian authorities to recognise that the current transition period will last for several years and, while regular progress is essential, the full implementation of public internal financial control will be spread over several years.

Recommendations for Reform

- The Council of Ministers (CoM) should urgently consider the need for the creation of a specific central inspection service to deal with complaints and reported cases of violation of public internal financial control regulations and to begin the drafting of a separate financial inspection law.
- The structure of the GDIA has to be revised urgently in order to avoid any suspicion of conflict of interest, with special attention being given to the Audit Authority function.
- The CHU/FMC and the GDIA, together with the twinning partners, should reassess the timetable for the full implementation of financial management and control, which might include a phased programme; the time frame proposed for the Public Finance Sector Strategy (2007-2013) would not be unrealistic for the implementation of public internal financial control; this time frame should be regularly reviewed in the light of actual progress.
- The GDIA should reappraise at an early date the current internal audit methodology and operational functions, which still appear to place greater emphasis on financial checking than on a modern internal audit approach; revised implementation/training plans should be developed as necessary.
- The GDIA should consider organising awareness-raising events on (the differences between) internal audit and financial inspection.
- Consideration should be given to ensuring that the CHU/FMC, in developing detailed procedures for managerial accountability and financial management and control, provides appropriate guidance and training on the concepts of personal accountability and delegation of responsibilities as well as on the respective roles of key management.
- The CHU/FMC should develop a procedure for annual reporting on the status of financial management and control and on the material findings of internal audit.
- The CHU/FMC should develop policies for handling, reporting and remedying fraud and irregularities.
- The GDIA should draft an implementing regulation for the functioning of the Internal Audit Committee cases, both inside and outside the organisation.
- The MoF should consider transferring financial controls from the Treasury regional offices to budget spending-units in the medium or long term.

1. Legal Framework

The Policy Paper on Public Internal Financial Control (PIFC) of 2005 has been the baseline document for legal and institutional developments during the last three years. This document outlined a development strategy for implementing the PIFC system in Albania, in accordance with European Union and international standards.

After the new government came into power in 2005, priorities were reassessed. These priorities included the introduction of the Organic Budget Law (OBL) and the Internal Audit (IA) Law, an expansion of the coverage of financial management and control in these laws, the setting up of two Central Harmonisation Units (CHUs) for internal audit and financial management and control, the introduction of a new Debt Management Law, new laws on public accounts with supporting software, and a new integrated treasury system.

The activities carried out in 2006 and 2007 had mainly related to the development of the internal audit function within the Albanian administration and to the drafting of a new IA Law (adopted by the National Assembly in June 2007), in which issues such as the independence of IA and the establishment of a CHU/IA were formalised. The planned activities related to financial management and control (FMC) were not carried out.

Key features of the Internal Audit Law of June 2007 include widening of the scope of internal audit functions to cover all public sector bodies; establishment of the functions of the General Directorate of Internal Audit (GDIA) in the Ministry of Finance, including its central harmonisation role for internal audit; the setting of responsibilities of public sector management with regard to internal audit; the functional independence of internal audit; appointment, dismissal and disciplinary measures; the setting-up and establishment of functions of the Internal Audit Committee; and relations between the GDIA and other independent institutions, e.g. the High State Control.

The pace of progress in developing the foreseen legal framework for the other part of PIFC – the FMC part – was slow, with most emphasis being placed on drafting framework articles for the new OBL. These framework provisions for FMC, but also for IA and financial inspection, were included in the new draft OBL, which was approved by parliament on 24 July 2008.

The Organic Budget Law introduces medium-term budget programming and the placement of managerial accountability in each budget unit at the level of the highest civil servant (secretary-general or equivalent), rather than at the level of minister or chairman of the council (local authority mayor). . As the framework paragraphs on financial management and control, internal audit and financial inspection were considered to be insufficient to provide clear direction for financial management and control, reference was made in the draft OBL to more detailed provisions to be made in new legislation. As a consequence of the new OBL, the 2005 PIFC Policy Paper and Action Plan were revised. In the area of FMC, the twinning project, which started in September 2008, paid much attention to the drafting of an FMC law and an FMC manual and guidelines. In 2009/2010 the FMC manual will be tested in practice, and support will be provided to the CHU/FMC and to the training of line managers and financial staff. In the first half of 2009 support to IA is limited to revising the IA law and IA manual. A few training seminars/workshops for managers and internal auditors will be organised in the second half of 2009.

Until the new OBL and the foreseen FMC Law are implemented, public internal financial control in Albania is based on existing legislation, which does not reflect modern, recognised international PIFC standards. Accordingly, at the time of this assessment, Albania remains in a period of transition, with the outstanding need to finalise the FMC Law and procedures and, more importantly, to implement the proposed new arrangements.

2. Institutional Framework

As with the legal framework, progress in moving the institutional framework towards recognised international standards has continued. Similarly, this progress has been at a varied pace between topics, and many areas have yet to be implemented.

The structure of budget spending-units in Albania follows the normal pattern of first, second and lower-level bodies. There are some 2000 spending-units in total, 14 of which are ministries, 60 government agencies and 367 local government bodies.

The area of public internal financial control (PIFC) consists primarily of the following two levels of *ex ante* checks:

- i) Within each budget spending-unit, specifically designated finance offices undertake checks reviewing actions from commitment to end of transactions, including checks on invoices, contracts and available funds. Policy and technical units provide little or no input to these checks.
- ii) Treasury regional offices (36) undertake checks on legality and regularity of each transaction and are also responsible for cash control. At present there are some 200 Treasury staff in these regional offices. Additionally, 16 Treasury staff at central level checks centrally generated payments. The Treasury Directorate headquarters does not systematically monitor and evaluate the quality of the work carried out by its regional offices.

The Albanian authorities recognise that more efforts are required to meet standards of managerial accountability and financial management and control, as laid down in the new OBL, which go beyond the above controls. An important step was taken in spring 2008 in the setting up a Central Harmonisation Unit for Financial Management and Control (CHU/FMC) as a Directorate for Co-ordination and Harmonisation of Financial Management in the General Directorate of the Treasury, with four staff members (including the director).

The CHU/FMC, together with assistance under the new twinning contract, started to develop an understanding of public internal financial control requirements for management in all budget spending-units and to provide supporting guidance. This is an extensive task, involving training and document preparation and takes all the time of the current CHU resources. It will be important to also develop a realistic time frame for the introduction of the broader concept of financial management and control throughout central and local spending-units and of the necessary reporting so as to ensure the efficiency and effectiveness of the financial management and control systems in place in these organisations. The current time frame in the revised PIFC Policy Paper is too limited.

By Government Decree of 22 September 2007, the structure for the Decentralised Implementing System (DIS) was defined. The Deputy Minister of Finance was appointed as the National Authorising Officer, supported by a Central Financing and Contracting Unit and a National Fund in the General Directorate of Treasury. The Audit Authority is located in the GDIA. In 2008 the development of DIS was delayed and by the end of 2008 a roadmap for accreditation by the EC had not yet been finalised. The concept of internal audit was introduced in the public sector in May 2000 in the central financial control department responsible for internal audit within the MoF, in customs and tax departments, and in authorities under the control of the MoF. Furthermore, in the period 2001-2006 internal audit units were established in all line ministries and central institutions, and a General Directorate of Internal Audit (GDIA) was set up in the MoF.

In 2007 the staff of GDIA numbered 22. The GDIA consists of two directorates: the Directorate of Methodology and Harmonisation (DMH – ten staff) and the Directorate of Audit, Surveillance and Investigation (DASI – nine staff). Each directorate consists of two sectors: DMH comprises the Methodology and Education Sector (three staff) and the Generalisation and Statistics Sector (five staff); DASI comprises the Audit Sector (four staff) and the Supervising and Monitoring Sector (four staff).

The Methodology Sector is in charge of developing and implementing standard procedures and methodologies for internal audit, and it has professional authority over all internal audit units.. The task of drafting standards and methodology is formally set out in the Internal Audit Law of 2007. Assigning this task to the GDIA is in line with international standards but is still in contradiction with article 21 of the Supreme Audit Institution Act, which declares that application of the audit standards of the Albanian SAI, the High State Control (HSC), is compulsory for the government's internal audit

bodies. The HSC declared that this article, together with other HSC Law amendments, would be revised in 2009.

The GDIA also carries out audits in areas where no internal audit institution has been established. These audits also have the character of inspections and could be undertaken at the request of the MoF. According to the EU concept of PIFC, a CHU/IA should not be involved in operational work and certainly not in inspection type of work. Although in the GDIA audit work is separate from the development of methodology, it is also recommended to reconsider the whole structure of the GDIA because the GDIA is, according to the Government Decree of 22 September 2007, the Audit Authority for auditing EU funds. The revised PIFC Policy Paper does not mention the many (conflicting) functions of the GDIA, but a new structure for the GDIA will be defined in the revised IA Law.

In ministries internal audit units have been established, most of which are fully staffed by auditors (on average with seven to nine staff) and are fully operational. However, at the secondary spending level there are still internal audit units staffed by inspectors instead of certified auditors.

In addition to the general procedures established in the Law “On the Status of the Civil Servant”, the Labour Code and other laws regulating work relations, article 19 of the Internal Audit Law indicates the following requirements for recruitment as an internal auditor:

- To have completed university studies in economics, finance, accounting, law or other disciplines determined by the General Director of Internal Audit;
- To have work experience of no less than three years in the areas of audit, finance, accounting, and other related subject matters;
- To have passed the qualification examinations before a state commission and subsequently to have been qualified as an “Internal Auditor in the Public Sector” (until the end of the two-year period following passage of the new Internal Audit Law of 2007, which came into effect in 2009).

The recruitment of internal auditors is not a real problem. The turnover of internal auditors is less than 10%, even though the salaries are not extremely high.

The Internal Audit Law of 2003 set up a system of examinations for obtaining appropriate qualifications as an internal auditor. To comply with article 20 of the IA Law of 2007, the structure of the Qualification Commission would have to be revised. In December 2007 the Council of Ministers (CoM) agreed to the proposal of the GDIA with respect to this change (CoM Decision 886 of 19 December 2007). In 2008, of a total of 350 internal auditors spread across the state administration, 280 (80%) had been certified and 300 were in training for certification. In total 451 persons in Albania are certified internal auditors.

Important steps have been taken to achieve the functional and organisational independence of internal audit. The activity of internal audit units in line ministries is strictly separate from other operational work, and audit units report directly to senior management. All IA units have their own work plans, which are prepared annually by the public audit units and approved by the general secretary of public entities¹, although it is understood that managers in general are still developing an understanding of the value of internal audit.

In accordance with the Law on Internal Audit of 2003, an Internal Audit Committee² was created to advise the GDIA. The IA Committee is an advisory body, without a technical secretariat, in charge of developing strategies and improving internal audit performance throughout the public sector. In 2008 the Committee met six times on the invitation of the Director of the GDIA. To comply with article 14

¹ Articles 17 and 18 of the Internal Audit Law

² The Internal Audit Committee is composed of nine members, who are appointed by the Minister of Finance: three professionals in the IA area, one professional at the local government level, two professors from the Faculty of Economics, one lawyer or accounting expert from the private sector, one expert from another professional body, and the General Director of Internal Audit, who is a permanent member of this committee.

of the Internal Audit Law of 2007, the composition of the Internal Audit Committee was extended from seven to nine members by Government Decision 228 of 14 March 2008.

In terms of co-ordination, the Central Harmonisation Unit for Internal Audit (CHU/IA) within the GDIA holds meetings with directors of IA units from budget spending-units. This is a positive approach, which should help with the ongoing development of audit operations.

Co-operation of the CHU/IA with the High State Control (HSC), while still problematic, improved in 2008. Planning documents and reports are exchanged at a working level, although in practice communication seems to be rather one-way: from the CHU/IA to the HSC. Co-operation between the HSC and individual IA units is good.

At the end of 2008 the CHU/FMC became operational, and it has since been fully occupied with implementing the activities under the twinning project. The structure of the GDIA is diffuse and will be changed once the IA Law has been revised. However, possible scenarios for the future structure of the GDIA, taking also into account the future position of the financial inspection function in Albania, should be investigated before changing the IA Law.

3. Reform Agenda and Capacities

The Albanian authorities see the need to introduce at an early date public internal financial control that is in line with international standards, and this is reflected in the government's decision to set new priorities. Key elements of this reform include the adoption of the Organic Budget Law of 24 July 2008, drafting an FMC law, revision of the Internal Audit Law of 2007, establishment of a CHU/FMC within the Ministry of Finance, and the new twinning contract for the development of financial management and control and the implementation of activities in the internal audit area. The proportion of activity under the twinning contract devoted to financial management and control is 70%, with 30% to be focused on internal audit. The revised PIFC Policy Paper gives direction on the development of FMC but in a limited way and only for a short period. The greater emphasis on financial management and control in the twinning is comprehensible in view of the limited understanding of managerial accountability and financial management and control in theoretical terms and of how these functions work in daily routines. However, this assessment has made it clear that substantial efforts are still required to transform internal audit activities from the existing financial checking role to a modern internal audit approach.

Important challenges will be the practical implementation of the revised PIFC Policy Paper and the introduction of a new Law on FMC and a revised Internal Audit Law. The Central Harmonisation Units for Financial Management and Control and Internal Audit will need to provide significant inputs in this area. There will be a need for substantial training of general directors and directors and of internal auditors, and the time frame for introduction of PIFC reforms throughout all public sector spending-units will need to be clearly planned and regularly reviewed. It has often been found that, in the initial period of PIFC reform, strong political support to both CHUs is indispensable and a phased approach brings the best long-term results.

The most important challenge, however, is to create a sustainable environment for the development of PIFC. The underlying assumption for the introduction of a new FMC concept in the new Organic Budget Law (see Sigma's 2009 assessment report on Public Expenditure Management in Albania) is that quantitatively and qualitatively sufficient management capabilities are present. However, as the appointments of top managers are still political nominations, there is a risk that the introduction of the different responsibilities of politicians and top managers (although they are civil servants) in managing public resources might not work out as foreseen in the new OBL and consequently might not create a sustainable environment in which the quality of the FMC system can further develop and improve. (see also Sigma's 2009 assessment report on the Public Service in Albania).

The Albanian authorities show determination to improve the PIFC system by implementing the activities of a new twinning project, which is nevertheless mainly concentrated on FMC. However, consideration should already be given to the programming of further development

projects to interlink FMC with the improvement of the quality of expenditures and the development of IA.**4. Assessment**

There is a clear political will to introduce public internal financial control in Albania and in the shortest time feasible, which is in part demonstrated by the setting of the PIFC framework in the new draft OBL and by the revision of the existing PIFC Policy Paper and Action Plan.

Internal audit legal arrangements have been introduced in recent years and the Internal Audit Law of 2007 has provided additional clarification on a range of issues, but the new OBL implies that more amendments to the IA Law will be needed. It will be necessary to redraft article 2 of the IA Law concerning independent institutions (see section 1 above). It will also need to be made clear that internal audit units' prime reporting function is to be directed to their respective heads of organisation and not to the General Directorate for Internal Audit within the Ministry of Finance. This means that the reporting clause in article 17.2 will have to be deleted. Furthermore, article 25 regarding the relation of the GDIA with the HSC should be clarified.

The assessment has made it clear that the internal audit function has been embedded in the first-level spending-units. Most units are fully staffed and 80% of the staff are certified public internal auditors. The IA units work according to three-year audit strategies, which are annually updated (rolling-forward principle) and based on a risk analysis. The annual planning does foresee a contingency of around 200 days, which are to be used for ad hoc requests of ministers (mostly concerning investigations on violations of laws). Except for the requirement to send copies of audit reports to the GDIA, the reporting procedure is in accordance with international standards. The recommendations of the IA units relate to administrative measures, recovery measures, disciplinary measures, and court procedures.

Follow-up of audit recommendations takes place in thematic audits. Although the IA units report more and more on structural deficiencies, most of their recommendations concern violations of laws and regulations. With regard to the fight against corruption, repressive measures are certainly needed and useful, but the preventive side of this fight, where an adequate FMC system and IA could play an important role, is still underdeveloped.

The IA units are disappointed about the guidance they receive from the GDIA. They have been waiting for updates of the IA Law and the IA manual for two years now. They consider that the audit manual is too comprehensive with regard to risk analysis and materiality and that there is a need for a set of rules and procedures. Furthermore, the manual is perceived as a manual for inspections and not internal audit. The IA units are satisfied about the theoretical training that the GDIA has provided in the last three years, but they are lacking any support in putting the theory into practice.

The GDIA reviews once every two years the work of the IA units in terms of its compliance with the IA manual and standards and in terms of the quality of the work. In general, the GDIA concluded in 2007 that the work of the IA units had improved but that the quality of supervision and reporting could be improved. Based on the reporting by the IA units in 2008, the GDIA concluded that the performance of the IA units had not improved and that they were still concerned with investigating violations of laws rather than testing financial control procedures.

The quality of the work carried out by the IA units in second-level spending-units also remains an inspection type of work.

On the basis of the IA audit reports, the GDIA reports quarterly to the Prime Minister, via the Audit Committee and the Ministry of Finance.

In any event, an increase in the number of staff of the Methodology Sector seems to be necessary. The current number of staff (three) is certainly not sufficient in view of the tasks to be performed.

The supervision of the functioning of the GDIA by the Internal Audit Committee in 2008 was limited; the Committee met only six times during the year. The tasks and duties of the Committee were regulated in the IA Law of 2007 but have not been regulated in detail in an implementing regulation.

Thus the rules for the frequency of meetings, voting, reporting, documentation, etc. have not been developed.

Sigma concludes that a fundamental reassessment of audit methodology is needed, as current audit activities are still not aligned with current international practice. For instance, internal audit units in ministries have still not drafted an internal audit charter and have not demonstrated an awareness of the importance of such a document for their relations with their minister and with auditees, despite the fact that the GDIA drafted and officially launched a template for an Internal Audit Charter in 2005.

In addition, although several training activities were carried out with the support of a twinning programme in 2005-2006 to increase internal auditors' skills and to raise awareness in preparation for their certification as functioning public auditors, it is clear that day-to-day audit operations are still very basic and still relate more to the previous role of financial inspection than to modern internal audit activities. Awareness of the internal audit function by managers is still limited. The current twinning project includes support for the revision of the IA Law and the IA manual, but does not foresee any practical support.

It is very disappointing that after a period of nine years the role of internal audit is still misunderstood and confused with *ex post* control.

Financial management and control in accordance with EU requirements does not yet exist, but an outline of the concept is set out in the new draft OBL. As indicated above, the revised PIFC Policy Paper describes the further development of FMC but concentrates on the introduction of the control part of FMC. It does not reflect on and propose measures for the way forward in tackling not only the control of expenditure but also measures to encourage the active management of expenditures to achieve policy and service objectives.

The CHU/FMC will need to provide a significant input in this area. Without such a solid foundation, there is a real risk of non-achievement. It is understood that the new twinning project has already paid special attention to raising awareness with regard to FMC and managerial accountability.

In the medium to long term, consideration could be given to decentralising financial controls from the Treasury to budget spending-units and to widening the responsibilities in these units beyond the finance offices to all management. However, how far this process is extended to the lowest budget spending-units is a matter for careful assessment.

To implement managerial accountability to the fullest, annual reporting on the status of public internal financial control and on the material findings of internal audit is required as well. Article 66 of the new draft OBL formalises this requirement. Such reporting is usually co-ordinated through the Ministry of Finance's Central Harmonisation Unit departments and results in summarised reports being presented to parliament and to the HSC via the Council of Ministers. This reporting will supplement the existing monitoring of budget expenditure and the monitoring to be carried out under the proposed medium-term budget programming. The development of such a system is a task of the CHU/FMC and should be one of the activities included in the Action Plan of the revised PIFC Policy Paper.

One further element that will need to be developed is managerial responsibility for developing policies for handling, reporting and remedying fraud and irregularity cases, both inside and outside the organisation.

With internal audit moving away from the traditional role of *ex post* control by a central financial inspection service, it is important to reconsider this financial inspection function. It is noted that article 70 of the new draft OBL refers to a financial inspection law for following up complaints and potential financial violations in the budget. Experience in Central and Eastern Europe has shown that during the transition from financial inspection to internal audit it is indeed important to have a strong inspection capability. It is recommended to draft the new financial inspection law in parallel with the drafting of the FMC Law and with the revision of the IA Law in order to ensure full coverage and consistency in terms of terminology, scope and methodology. Furthermore, a specific central

inspection service dealing with complaints might function more effectively than the ad hoc teams foreseen in article 70 of the new draft OBL, at least during the transition period.

The development of FMC is in its early days. Among top managers in line ministries, such as general secretaries and general directors, awareness of the importance of FMC for their functioning has been raised. However, these top managers, as well as ministers, still confuse IA with ex post control/financial inspection. The introduction of a financial inspection service might give IA the room it needs for further development. Generally, the development of IA is stagnating. Although IA staff have been intensively trained in the last three years, there is a need for more practical training.

The activities in the Action Plan of the draft revised PIFC Policy Paper concentrate on the development of a legal foundation for FMC and on the implementation of control procedures. Measures to encourage the management of expenditures in an efficient and effective way are lacking.

Perhaps the biggest hurdle will be moving beyond the theory, as set out in policy and laws, to actual implementation, with a full understanding of PIFC and with procedures in place. This transition should not be underestimated, and as public internal financial control is developed there may well be a need to reappraise certain aspects of the PIFC Action Plan and time frame.

Taking all of these points into consideration, it is important for the Albanian authorities to recognise that the current transition period will last for several years and, while regular progress is essential, the full implementation of public internal financial control will be spread over several years. The Public Finance Sector Strategy time frame of 2007-2013 would not be an unrealistic period.

5. Recommendations for Assistance

Up until October 2006 the UK NAO and the Ministry of Finance of the Netherlands carried out a twinning project on public internal financial control with the General Directorate of Internal Audit of the Ministry of Finance. This co-operation focused mainly on developing internal audit within the Albanian administration. A second twinning project for the further development of public internal financial control started in September 2008, as described above. The World Bank has in place a significant project to strengthen the Treasury. This project includes the supply of hardware, implementation of an interim Treasury software solution, and supply and configuration of a long-term solution. Support to more basic financial management procedures will be provided by an EU-financed IT project for strengthening financial management, which is foreseen to start in 2010.

Although the new twinning project substantially covers PIFC, there is still a need for further external assistance. Assistance would be needed to support the GDIA in further developing its CHU function; IA departments need support in carrying out audits in practice (for example, with pilot audits); awareness-raising among general directors and directors regarding the differences between IA and financial inspection seems to be urgently needed; the Audit Authority function has to be set up. Last but not least, the foreseen establishment of a financial inspection service might benefit from foreign expertise.