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Research Article

The role of the supreme audit institution in guaranteeing good fiscal governance in Albania: An assessment in the light of the Acquis Communautaire

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Abstract

This paper provides a brief analysis of the impact that the Supreme Audit Institution has on maintaining good fiscal governance and why its role is so important in the EU integration process. The European Union has made it clear that the fight against corruption and the strengthening of institutions are prerequisites for successful EU membership of Albania. The Albanian Supreme Audit Institution is a full member of international organizations such as EUROSAI (European Organization of Supreme Audit Institutions) and INTOSAI (International Organization of Supreme Audit Institutions). Main tasks of the SAI include auditing public finances, drafting reports on audit findings and submitting them to the Assembly of Albania and relevant institutions and also provide recommendations for improving financial and administrative management in institutions which make them a very important body in the process of Albania's integration into the European Union. Overall, the SAI is the main body ensuring transparency, accountability and efficient use of public resources in Albania. This is very important for economic stability and Albania's integration in the EU. The SAI has generally done a better job compared to other institutions according to the reports, but there is still room for improvement.

Keywords: Supreme Audit of State, Fiscal Governance, European Union, Acquis Communautaire, EU integration.

1. Introduction

The Supreme Audit Institution is an autonomous constitutional institution that through its professional evaluations and thorough audits, provides continuous, objective, and comprehensive oversight. It assists the Parliament and keeps citizens and stakeholders informed about how responsibly the government and public institutions manage public funds. Its ultimate aim is to contribute to the improvement of the quality and efficiency of public services.

As the highest economic and financial auditing organization, the SAI maintains institutional independence and objectivity by carrying out its constitutional and legal mandate and adhering to professional auditing standards, the code of ethics, and professional conduct norms. It also recommends high professionalism and accountability of the state administration and ensures greater accountability and transparency in the use of public funds by central and local government institutions. During 2023, the Supreme Audit Institution carried out audits in 195 entities (Supreme Audit Institution, 2023), covering a wide range of public structures. These included central government agencies, health and social insurance funds, local government entities, businesses that were mostly controlled by the state, and projects that were financed outside the country and guaranteed by the state. The audits concentrated on organizations that have important roles in national and local government and public service delivery. In the course of performing its regular expert evaluations, The Supreme Audit Institution identifies several fiscal risks that threaten the sustainability of public finances. These include risks arising from budget-supported concessions and public-private partnerships, vulnerabilities in state-owned enterprises within the energy and water supply sectors, as well as outstanding liabilities of both central and local governments. Additional contingent liabilities have also been noted, such as those stemming from rulings of the European Court of Human Rights and international arbitration decisions.

According to ISSAI-120[1] "Supreme audit institutions should maintain relations with Parliament and relevant parliamentary committees to help them better understand audit reports, so that they can take appropriate action to ensure transparency and accountability of the executive." Parliaments and supreme audit institutions are the two most crucial institutions for holding governments accountable for the good governance of public funds and property.

2. Objectives and importance

The importance of this paper lies in the analysis it makes of the SAI institution as a key institution for Albania's membership in the EU. Its tasks include the preservation of good fiscal governance and the balance of powers. Studying its role helps to understand how effectively the mechanisms for controlling public finances and the use of public funds function – an important criterion within the framework of Chapter 32 of the acquis Communautaire ("Financial control").

Objectives of this study include the analysis that SAI makes in preserving the rule of law, the balance of powers, the requirements that are necessary for Albania's membership in the EU and what is the current state of this institution compared to where it should be according to European criteria and what can be improved or taken into account in the near future. The European Commission progress reports often

[1] ISSAI stands for International Standards of Supreme Audit Institutions.

mention the need for more robust and efficient auditing. The SAI study allows also to assess whether and how these recommendations are being met.

3. Methodology and literature review

This paper uses a mixed methodology, mainly using qualitative methodology, since this paper requires a critical analysis of the legal situation and drawing conclusions after reading various reports and cases. The findings from the case studies have an important place, since we have conducted an analysis of them based on the facts presented on specific reports from 2022 to 2024. Secondary data analysis is also very important as one of the ways to reach new conclusions even though the materials have been published and studied by other people and institutions.

The literature review for this study draws upon a diverse set of authoritative sources to comprehensively analyze the functioning and effectiveness of the Albanian Supreme Audit Institution. Key empirical insights are derived from studies and monitoring reports produced by SIGMA and the OECD, which provide valuable evaluations of Albania's public administration and audit practices in comparison with European standards. Additionally, the analysis incorporates Albanian SAI's own self-assessment reports, offering an internal perspective on institutional challenges and progress. Complementing these evaluations and frameworks developed by INTOSAI contribute an international benchmark, particularly regarding adherence to auditing standards and principles. Finally, the review is grounded in the relevant legal framework, including the Constitution of the Republic of Albania and the Organic Law on SAI, which establish the formal mandate, independence, and responsibilities of the institution. Together, these sources provide a robust foundation for assessing SAI's role within Albania's public financial management system and its alignment with EU integration requirements.

4. Organization of SAI

The Supreme Audit Institution is the highest external public audit institution in Albania. It is an independent constitutional body regulated by Art.162 of Albanian Constitution, which is tasked with controlling the use and administration of public funds by state institutions and other entities that benefit from the state budget. Its function is mainly consultative and supervisory, and it contributes to improving transparency, efficiency and legality in public administration. The Head of the Supreme Audit Institution is elected and dismissed by the Albanian Assembly. According to the Constitution, the President of the Republic holds the authority to nominate candidates for the position of Head of the Supreme State Audit, exercised through the issuance of a presidential decree (Art.93 of the Albanian Constitution).

The SAI has constitutional guarantees from the Government to enable the fulfillment of its constitutional mission and is accountable solely to the Parliament and operates in accordance with the provisions set out by law (Art.93 of the Albanian Constitution).

The status of the SAI is defined on its organic law as the highest state institution of external audit in the Republic of Albania. The Supreme Audit Institution functions as a depoliticized and non-partisan entity, ensuring its independence and objectivity in fulfilling its mandate.[2]

The mandate of the Head of the Supreme State Audit is 7 years, longer than the mandate of the legislature that elected him/her and the President of Republic, who proposed him/her. The Head of the Supreme State Audit has the right to re-election (Art.162 of the Albanian Constitution). To ensure the effective exercise of its constitutional mandate, the legislator has provided that the Supreme Audit Institution is established and functions under an organic law, which must be adopted by a qualified three-fifths majority of all parliamentary members (Art. 82, part. 2, letter a of the Albanian Constitution). The main functions of the Supreme State Audit are provided for in the Constitution and detailed in its organic law. The SAI has the authority to control the economic activity of state institutions and other state legal entities, the use and protection of state funds by central government and local self-government bodies, the economic activity of legal entities in which the state holds more than half of the shares/quotas or shares, or when their loans, credits and obligations are guaranteed by the state (Art.163 of the Albanian Constitution).

According to the Constitution, the Supreme Audit Institution is required to report to the Assembly on the implementation of the state budget and to provide its opinion on the report submitted by the Council of Ministers concerning the previous year's expenditures, before the Assembly proceeds with its approval as well as gives information on the results of controls whenever requested by the Assembly, as well as the annual report of its activities (Art.164 of the Albanian Constitution).

The SAI has the legal authority to control the use and administration of public funds by state institutions and other entities financed from the state budget. The audit covers the areas of compliance, legality, regularity, financial management, accounting, as well as the economy, efficiency and effectiveness of the administration of public or state funds and property, as well as the highest level of respect for the international standards of INTOSAI and IFAC, as well as the resolutions of the INTOSAI and EUROSAI Congresses. The Supreme Audit Institution (SAI) has an essential role in promoting and guaranteeing good fiscal governance in Albania, through its independent function of auditing public finances, monitoring legality, efficiency and transparency in the use of state resources. Through public reports and recommendations addressed to the Assembly and audited institutions, the SAI helps increase fiscal transparency, by exposing budgetary mismanagement, strengthens democratic control of public finances through the Assembly, and promotes institutional accountability, by forcing audited entities to react and improve their practices. Through the INTOSAI-based Self-Assessment Performance, the State Audit Institution aims to strengthen key areas such as audit practices, internal management and integrity frameworks, institutional capacity, and constructive collaboration with stakeholders, thereby supporting its continuous improvement agenda.

[2] Law No. 154/2014 on the organization and functioning of the Supreme State Audit Institution.

The Supreme Audit Institution has sustained its work on refining the methodological framework in accordance with International Auditing Standards. Key activities include drafting and enforcing a reporting manual, establishing and applying an annual audit planning methodology, and revamping the statistical data processes.

The performance measurement tool comprises 25 indicators that assess the activities of the Supreme Audit Institution across six key areas: Independence and Legal Framework, Internal Governance and Ethics, Audit Quality and Reporting, Financial Management, Assets and Support Structures, Human Resources and Training, as well as Communication and Stakeholder Management (Supreme Audit Institution, 2023).

The SAI has made significant progress towards compliance with European and international public audit standards, but work remains to improve its effectiveness, the implementation of recommendations and the interface with the justice system. For a successful EU accession, strengthening the role of the SAI is a necessary condition for good governance and fiscal transparency. The Albanian SAI has already approved the institutional development strategy 2023-2027 and has continued to work to increase its institutional capacities.

In accordance with its mission, the Supreme State Audit Office's Development Strategy 2023–2027 is the most significant strategic document of the organization. It directs the office's institutional activity by allowing it to promptly and responsibly respond to local and global dynamics and developments. The legislative framework on internal audit practice is in line with international standards. The law was amended in February 2023 to strengthen the independence of internal audit, update the requirements of the organizational set-up and clarify how to deal with suspected corruption and fraud (European Commission, 2023).

Based on the 2024 assessment progress report of the European Commission, the quality of audit work has significantly improved. Notably, the number of staff has increased to 216 employees. In 2023, a total of 160 audit reports were submitted to the Parliament, and 67 cases were referred to the Special Prosecution Office, reflecting a positive level of cooperation (European Comission, 2024). Additionally, 24 audit-related materials were forwarded to the Prosecutor's Offices attached to the First Instance Court of General Jurisdiction, within the framework of initiating or continuing investigative actions carried out by these bodies in the context of criminal proceedings (Supreme Audit Institution, 2023). The SAI audits central and local institutions, identifying deficiencies in administrative management and recommending measures to increase efficiency. The SAI's 2023 annual report mentions that within one year, the SAI addressed 5,759 audit recommendations, including 3,293 organizational measures and 42 proposals for legal improvements (Supreme Audit Institution, 2023).

In 2024, the Commission noted a significant improvement in the quality of audits, noting that "the quality of audit work has improved and is in line with INTOSAI standard" (European Commission, 2024). However, the assessments highlight the need for further improvement in audit quality and especially in the implementation of recommendations arising from audits (implementation of recommendations was around 47% at the end of 2023) (European Commission, 2024).

a. Institutional independence and constitutional status

The SAI is an independent constitutional institution, like most audit institutions in EU countries, and is accountable only to the Assembly of Albania (Article 162 of the Albanian Constitution). In accordance with the INTOSAI standard on the independence of SAIs, it has full authority to audit all public funds—central and local government, state-owned enterprises, social funds, and public-private partnerships, without prior approval or interference.

The most important developments have come during 2024, with the consolidation of relations with the Albanian Parliament, through the creation of the Parliamentary Sub-Committee on Public Sector Audit. The creation of a dedicated forum to discuss specific issues of external public audit in the Parliament comes as a way to promote transparency and accountability of the public sector but also of the SAI (Supreme Audit Institution, 2024).

In a broader understanding, the independence of Supreme Audit Institutions (SAIs) should not be viewed solely through the lens of legal and constitutional safeguards. True institutional independence also requires autonomy in financial resources and operational decision-making. Equally important is the principle that independence must coexist with mechanisms of accountability and openness to both the legislature and the public. In practice, many SAIs continue to struggle with limitations that affect their ability to function independently, especially when it comes to financial and managerial self-governance.

b. Implementation of performance audits

The implementation of audit recommendations issued by the Supreme State Audit Institution (KLSH) is a critical component in strengthening public sector governance, transparency, and accountability. While audit reports identify systemic weaknesses, irregularities, and inefficiencies within public institutions, it is only through the effective follow-up and implementation of the recommendations that corrective measures can be institutionalized. However, limited implementation as observed in several annual performance assessments undermines the audit institution’s impact and signals weak accountability mechanisms within audited entities. Therefore, stronger enforcement tools, regular monitoring of follow-up actions, and engagement of parliamentary oversight are essential to translating audit findings into real change.

During 2024, the Albanian Supreme Audit Institution carried out follow-up assessments on the implementation of recommendations issued in 97 audits conducted in 2023. Findings indicated that approximately 70% of the recommendations were either fully implemented, partially implemented, or in the process of being implemented by the responsible institutions (Supreme Audit Institution, 2024). This percentage indicates that, despite a high acceptance rate of 99%, the Supreme State Audit Institution (KLSH) has continued to actively encourage responsible institutions to improve implementation levels by systematically reiterating the need for full enforcement of its recommendations (Supreme Audit Institution, 2024).

c. *Participation in international networks*

The SAI is a full member of EUROSAI and INTOSAI, and cooperates with sister institutions in the EU and the European Court of Auditors (ECA). One of the Albanian Supreme Audit Institution's most enduring and strategic institutional partners is the European Court of Auditors (ECA). As an active member of both INTOSAI and EUROSAI, the Albanian SAI has consistently adhered to international standards and principles of inter-institutional cooperation. Since 2014, it has steadily strengthened its collaborative relationship with the ECA, a key institution among the five pillars of the European Union.

5. Execution of Albanian SAI recommendations

In Albania, public institutions often do not implement the recommendations of the SAI, or implement them partially and late. In many EU countries (such as Germany, Denmark, the Netherlands) the level of implementation is much higher (85-90%) and often mandatory in comparison with Albania. The OECD Public Administration Monitoring (2024) shows that the SAI has strengthened its independence and legal capacity, but notes that the Albanian Parliament has not provided sufficient support in implementing the SAI's recommendations (OECD, 2024). SIGMA reports that levels of implementation of recommendations remain insufficient and that parliamentary mechanisms for the use of SAI audits need to be improved.

The Albanian SAI faces a lack of advanced professional and technological capacities compared to its European counterparts, affecting the quality of the audit. The SAI carries out the existing legislative framework for human resources management. To ensure that the SAI has the right personnel with the training, expertise, and experience to meet present and future demands, the hiring practices for 2024 have been developed in accordance with the institution's Development Strategy 2023-2027 and the authorized HR Management policies. A significant issue affecting both subordinate institutions and local government entities is the insufficient investment in modernizing technological infrastructure. Many organizations continue to rely on outdated hardware for communication and data storage, which falls short of meeting contemporary security standards. In general, audits of information technology systems have revealed that the public sector in Albania is grappling with serious difficulties in managing and securing digital environments. Key vulnerabilities include the lack of comprehensive policies and regulatory frameworks, insufficient expert personnel, and weak access control mechanisms. These shortcomings highlight the critical necessity for enhanced IT management practices and stronger cybersecurity safeguards. Information systems in certain organizations also run the danger of being filled with erroneous or incomplete data because they lack the required input control measures.

A shortage of personnel in IT departments has also resulted in a lack of cybersecurity and systems management training, which greatly raises the possibility of human error and improper handling of vital systems. Additionally, end users are frequently not given regular training at many institutions, and IT staff frequently lack the specific training, certifications, and preparation necessary for the technology they oversee.

Currently, the Albanian SAI only identifies irregularities and makes recommendations for improvement, but does not have the power to directly punish institutions or individuals responsible for violations. Sanctioning powers would ensure that institutions have a stronger incentive to implement recommendations and avoid repeating mistakes. In the absence of sanctions, the effectiveness of the SAI remains limited by the willingness of the audited institutions to follow up on recommendations. The power to impose punitive measures or fines would strengthen accountability and responsibility in the public sector.

6. Conclusions and recommendations

The Supreme Audit Institution of Albania (SAI) plays a crucial role in supporting the country's alignment with the acquis Communautaire, particularly in Chapter 32 (Financial Control) and Chapter 23 (Judiciary and Fundamental Rights), where anti-corruption efforts are central. As part of the broader public financial management (PFM) reforms, Albanian SAI has increasingly adopted international audit standards and practices that reflect EU expectations for external oversight bodies. It has contributed to the enhancement of financial control by conducting regular audits of public institutions, state-owned enterprises, and externally funded projects. Through performance and compliance audits, SAI identifies systemic irregularities and offers actionable recommendations, which are essential for strengthening internal control systems. This audit coverage supports the establishment of a transparent, accountable, and effective public administration in line with EU requirements under the acquis. In the field of anti-corruption, SAI plays a preventive and corrective role. Its audit reports frequently uncover mismanagement, irregular procurement practices, and misuse of public funds. Importantly, SAI systematically refers potential criminal cases to the Special Anti-Corruption and Organized Crime Prosecution Office (SPAK), contributing to institutional accountability. For example, in 2023, the institution referred 67 audit-related cases to SPAK and 24 others to local prosecution offices, signaling an active commitment to the fight against corruption.

Moreover, Albanian SAI's cooperation with other EU oversight bodies—such as the European Court of Auditors and SIGMA/OECD has improved its methodological alignment with EU standards, particularly the ISSAI framework. This harmonization supports Albania's progress toward meeting the Copenhagen criteria and enhancing its administrative capacity, as emphasized in the European Commission's annual reports.

It is advisable to further safeguard the institutional independence of SAI from political or executive interference. Although the Albanian Constitution and legal framework formally recognize the autonomy of the institution, operational and financial dependencies may still undermine its impartiality. Strengthening these safeguards—especially in relation to budgetary approval and appointment procedures—would align Albania more closely with the INTOSAI Lima and Mexico Declarations on SAI independence. It is recommended that SAI continue to invest in the professional development of its audit staff. In particular, there is a growing need for expertise in performance auditing, digital systems auditing, and the detection of corruption risks. Partnering with international institutions such as SIGMA, EUROSAI, and ECA for technical training and knowledge exchange would contribute to raising the institution's audit quality to EU standards

In conclusion, SAI has established itself as a critical pillar in Albania's European integration process, by strengthening financial oversight and contributing to anti-corruption mechanisms. Further institutional support, legal empowerment (e.g., sanctions mechanisms), and more structured follow-up on its recommendations could amplify its impact and bring Albania closer to EU standards.

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