



# Monthly newsletter

November 2024



The Chairman of the ALSAI, during his report to the Committee on Economy and Finance

## The ALSAI submits to the Parliament the Report on the Implementation of the 2023 State Budget

In accordance with the Constitution of the Republic of Albania, Law No. 154/2014, dated 27.11.2014 "On the organization and functioning of the ALSAI", Law No. 9936, dated 26.6.2008, "On the Management of the Budget System in the Republic of Albania", Law No. 10296, dated 08.07.2010 "On financial management and control", as well as Law No. 84/2022, dated 24.11.2022, "On the 2023 Budget", as amended; the ALSAI has submitted to the Assembly of Albania on 22.10.2024 the report "On the implementation of the Actual Budget for the year 2023".

On 29.10.2024, the Chairman of the ALSAI, Mr. Arben Shehu, reported to the Committee on Economy and Finance on the Budget Implementation Report for 2023.

During his report to the Committee, Mr. Shehu emphasized that through the presentation of this Report to the Assembly, the ALSAI, in addition to implementing constitutional and legal obligations, aims to promote transparency, predictability, and unity in the management of the budget system and special funds, with the aim of the economic, efficient, and effective use of public resources, in the service of good governance and in the function of improving the lives of taxpayers, Albanian citizens.

### THE AUDITS RELATING TO THE ACTIVITY OF THE YEAR 2023 HAVE RESULTED IN:

- missing budget revenues in the amount of **16,935 thousand ALL**;
- in the area of expenditures, economic damage in the amount of **104,374 thousand ALL**;
- as well as the use of public funds without effectiveness, efficiency and economy in the total amount of **5,205,396 thousand ALL**.

**Albania Supreme Audit Institution continues to consider fiscal risks** with budgetary impact issues related to:

- performance of major state-owned enterprises;
- expenditures on concession and public-private partnership (PPP) contracts with budget support;
- general government arrears and other contingent liabilities for international litigation.

### Statistics



**106 finalized audits** in October 2024

**18 finished audits** in October 2024

**55 audits** that are in the process of being finalized

**89 audit reports** are published in the web

# Findings from audits in customs, taxes and SII

## Audit conducted at the Social Insurance Institute

1. Until 31.12.2023, **The Social Insurance Fund results in a number of debtors of 110,129 entities**, which corresponds to a value of arrears of 18,456,251 thousand ALL, which accounts for about 11% of the annual budget expenditures realized, which if collected, would have exceeded the income from contributions by 14%. The contribution obligations pursued by the Social Insurance Fund are in total 5,882,737,711 ALL, which compared to a year ago, have increased to the amount of 225,014,906 ALL. This category of debtors presents an increased problem, since the repayment of obligations can be interrupted due to age, which also makes their liquidation difficult.
2. The audit found a lack of regular inter-institutional interaction and communication between the SII and the GDT, a problem that has continued for years. **By the end of 2023, a total of 1,482,748 missing payment lists** (paper format) of paying entities belonging to the tax periods 2006–2012 resulted.
3. The audit results that there are **9,614 uninspected and uncertified files from the SII**, of which 8,775 uninspected pension files, belonging to the year 2020, as well as 839 files belonging to the years 2019-2021, for review. According to the provisions of Law No. 7703, dated 11.05.1993, Article 62, point 3, measures should have been taken in order to avoid financial effects for the SSSI and the state budget as a result of exceeding the 3-year legal deadline for claiming surpluses unjustly obtained from beneficiaries.



General Directorate of Customs

**From the audit of 200 customs declarations** in the tariff code 3304499 (beauty and skin care preparations) and the documentation attached to them in the Asycuda World system for the category of injectable skin care products, **51 customs declarations with injectable skin maintenance products, fillers/botox, of the type:** Ejal 40mg, Hyamino care 500mg/2mg, Chæum Hyaluronic Acid, Nythia Injectable, Aqualyx cosmetic, Sedyfill60cc, Mesoheal, Botulax, Boneta, Profhilo H-L, ASCEplus, Gouri, PCL Booster, Exotokine, Pidiroenne, Wanna Fill H, Elastic G/D/F, Rejunox and others, from 9 entities, **with a total declared value of 65,062 Euros and 75,743 USD, which do not result to be equipped with the certificate for the registration of the medical device.** relevant in the National Register of Medical Devices, maintained by the National Agency of Medicines and Medical Devices as defined by Law No. 89/2014 dated 17.07.2014 "On Medical Devices", as amended, Article 13, products that have been cleared and put into circulation without the relevant approvals for both the manufacturer and the trader, these products with a small weight and high value although as has been evidenced, the declared value results in deviations. The customs control structures have not carried out physical checks on these products in order to identify irregularities. Out of 51 recorded declarations, it has been found that 38 cases or about 75% of them were imported from South Korea.



General Directorate of Taxes

The audit at the GDT found that **the state of unpaid tax liabilities at the beginning of 2023 is presented in the amount of about 146,767 million ALL**, which belongs to a number of 182,490 debtor entities, and at the end of 2023 these liabilities result in the amount of about 155,165 million ALL, which belongs to a number of about 181,023 debtor entities. The liabilities added during 2023 are 40 billion ALL or approximately 3 billion ALL more compared to 2022, where the added liabilities were 37 billion ALL. The General Directorate of Taxes has an unpaid tax liability outside the C@TS system in the amount of 2,351,817,199 ALL.

From the self-declarations of the Regional Tax Directorates, it was found that 109 controls out of 2,982 planned controls or about 4% of the total were not started, creating a stock of entities planned for control and not controlled. The Risk Management Directorate at the GDT in the last 5 years has not carried out any control proposal for entities registered as "NGOs", despite the high turnover that these entities realize, where from the activity database for the last 5 years, there are NGOs with turnover up to 728,808,724 ALL, but also for the other risks that these businesses carry.

During 2023, the field verification groups were not equipped with the electronic monitoring system "E-Inspector", which serves for the identification and registration of taxable entities, the automation of work processes and the achievement of objectives in the fight against informality.

## Audit at CHCIF

From the compliance audit conducted at the **Compulsory Health Care Insurance Fund**, for the period of year 2023, it resulted that:

**1. List of reimbursable medicines** was not drafted and approved on time, not respecting the history of the periodicity of its approval, with consequences on the level of reimbursement financing and/or with an impact on the health of the beneficiary population. Referring to the administered data, it results that the lack of drafting of the LRM in 2023 and the failure to include new alternatives with a lower price would have saved the budget about 3,759,890 EUR or 417.3 million ALL.

**2.** From the audit on the planning of expenditures for the reimbursement of medicines, it resulted that the CHCIF did not argue in a concrete and exhaustive manner the fact of the increase in the reimbursement of medicines in actual terms, followed by the increase in reimbursable prescriptions despite the decrease in the prices of medicines. From the comparison with the previous year with the year 2022, **an increase in reimbursement expenses of a total of 563.9 million ALL is noted.** This increase is due to the increase in the number of reimbursed prescriptions, the increase in the average prescription value, the increase in the reimbursement value per patient, as well as the increase in the number of drugs that belong to the reimbursed list of the open network.

**3. Regarding the financing of PPP contracts,** it has resulted that in three contracts, the value of annual financing, as well as their financing forecasts in the 2023-2025 MTBP, are beyond the budgetary support foreseen for their implementation, specifically:

a) PPP **"For the provision of integrated services for the supply of personalized sets of sterile surgical instruments, the supply of sterile disposable medical materials in surgical rooms, the treatment of biohazardous waste and the disinfection of surgical rooms."** In 2022, 1,700,000 thousand ALL were foreseen according to the annual budget and 1,750,000 thousand ALL in the 2023 annual budget, while the payments made for 2022 and 2023 are on an increasing trend of 1,699,975 thousand ALL and 1,749,982 thousand ALL.

b) PPP **"Haemodialysis service"**, in 2022 the invoices received are in the amount of 807,647 thousand ALL, for 2023 the amount is 851,974 thousand ALL, meanwhile the projection on the budget support by years results that for 2022 it was 786,451 thousand ALL and for 2023 it was 835,385 thousand ALL.

c) Regarding PPP **"Laboratory service"** it has resulted that in 2023 compared to 2022, **the number of examinations has increased by 182,816 cases**, while budget expenditures amounted to 111,836 thousand ALL.



### “Effectiveness and safety of medicines”

ALSAI, at the conclusion of the audit on the topic **“Effectiveness and safety of medicines circulating in Albania”** came out with the message:

The Ministry of Health and Social Protection and the National Agency for Medicines and Medical Devices should continue their work in **guaranteeing a sustainable system for ensuring the quality and safety of medicines, to protect the health of the population and improve public trust in the health system**, through:

- improving legislation and regulations in line with international standards for the quality and safety of medicines;
- increasing control and strengthening safety procedures;
- implementing advanced technologies for testing the quality of medicines;
- training and qualification of personnel;
- strengthening cooperation between institutions;
- undertaking awareness campaigns among citizens and health professionals on the importance of using safe and controlled medicines;
- and encouraging reporting by patients and doctors on possible side effects or defects of medicines.

## Energy efficiency

From the audit at the entity **"Energy Efficiency Agency"** (EEA), irregularities were found regarding the compliance of this institution's activities with the legal framework in force, the most important of which, in summary, are:

1. **EEA has signed the contract** no. 306/12, dated 14.05.2021, with the object "Installation of the lighting system, parking, electrical supply of cars, 2 km smart city, clean energy road", completion deadline 6 months, but this contract has not yet been completed, causing this project to not achieve the purpose for which it was designed, as well as the value of the investment made of 78,113,691 ALL excluding VAT (according to the final situation), to be an ineffective expense.

Also, over the years, the installed equipment will be depreciated and additional funds will be required to put it into operation, increasing the value of the investment, as well as causing a loss of the value of the energy that the installed equipment should produce.

2. **EECERT data entry system**, which is the energy efficiency system, has not had maintenance of its modules and presents various problems, both in data entry and in their processing. This system does not enable the generation of various reports, which were necessary to conduct surveys regarding data entry by independent energy auditors.

3. **EEA has launched the procurement procedure** with the object "Pilot project for improving energy efficiency in wastewater treatment plants", in the Durrës Municipal Utility, at the request of the latter, but without the request and cooperation of the National Agency for Water Supply, Sewerage and Solid Waste, which is the responsible agency in relation to the facility procured by AEE. At the end of the investment, AEE did not monitor the actual energy efficiency achieved, thus not really determining whether the investment made has achieved its goal regarding increasing energy efficiency.

## Audit conducted at the Institute of Statistics



**The ALSAI, from the audit conducted at INSTAT**, for the audited period 01.01.2021 to 31.12.2023, **has identified several shortcomings, mainly regarding the Population and Housing Census Project.** INSTAT has not developed the Census Project according to the 2022 Annual Plan, failing to respect the approved deadlines and postponing the phases of data collection, processing and publication, as a result of the public procurement procedure for the purchase of tablets and other equipment, which failed due to inconsistencies in the technical specifications, as well as its cancellation by the Public Procurement Commission. These shortcomings highlight the weaknesses in the planning and implementation of the project, jeopardizing the fulfilment of legal obligations and established objectives.

During the audit of the preparatory phase of the Population and Housing Census Project conducted in 2023, the ALSAI has identified several shortcomings in the provision of facilities for the storage of electronic devices (tablets), jeopardizing the security and confidentiality of data.

# MEETINGS AT UNIVERSITIES FOR THE AUDIT PLAN IN 2025



## Workshop

During October-November 2024, the audit departments at the ALSAI held working meetings at several public universities regarding the process of preparing audit topics for 2025.

On 05.11.2024, the State Budget Audit Department and the Local Self-Government Units Audit Department held the workshop "Planning of audit activity for year 2025" at the "Luigj Gurakuqi" University in Shkodër.

The welcoming speech of this workshop was delivered by the Secretary General of the ALSAI, Ms. Valbona Gaxha, who, after thanking the university leaders for their hospitality, emphasized the importance of this meeting in the continuation of the activities of the ALSAI Strategic Plan.

In her speech, Ms. Gaxha focused on the audit activity of the ALSAI, the final audit reports which are reflected on the official website of the institution for the general public, the results of which should also be discussed in meetings with students and lecturers.

Afterwards, Ms. Gaxha stated that the doors of the Albanian Supreme Audit Institution are open to students who are interested in applying to become part of the ALSAI after completing their studies.

Rector Mr. Tonin Gjuraj, in his welcoming speech, thanked the Chairman of the ALSAI, Mr. Arben Shehu, for choosing the auditor of the "Luigj Gurakuqi" University to present the audit work of the ALSAI.

Mr. Gjuraj emphasized the importance of this meeting for both parties, as the provision of opinions and discussions is valuable to lecturers and students in the academic field, but also to the ALSAI auditors in their perspective on audit work.

During the meeting, discussions were held with lecturers and students regarding various aspects of the activity of the Albanian Supreme Audit Institution.

## Meeting at the Korça University



On October 29-30, the Department of Audit of Central Institutions and the Department of Audit of Public Companies and Foreign Investments held the workshop "Planning of Audit Activity for 2025" at the "Fan S. Noli" University.

The Directors of the Audit Departments emphasized that there is now a tradition of drafting an audit plan, which becomes mandatory after approval by the Chairman of the ALSAI and, for the purpose of transparency, is published on the official website of the institution. The activity was welcomed by the Rector of the "Fan S. Noli" University, Prof. Dr. Lenci Ekonomi and the Dean of the Faculty of Economics, Prof. As. Dr. Ledina Aliulli. Also present at this meeting were students, who were encouraged to actively participate and give their opinions on their perception of the problems of reality. At the end of the activity, ideas were exchanged on the subjects that should be included in the annual audit plan for year 2025.

## Meeting at the Gjirokastra University



On 01.11.2024, the Performance Audit Department at the ALSAI finalized the process of preparing audit topics for 2025 at the "Eqrem Çabej" University in Gjirokastrë.

This meeting was attended by heads of the institution and audit departments at the ALSAI, as well as auditors of the Performance Audit Department.

Director of the Performance Audit Department, Mr. Alfred Zylfi, made a summary of the entire process of implementation, planning of audit topics, based on the Performance Audit Manual, presenting some of the areas that have been proposed to be included in the annual audit plan for 2025.

Participating in the activity were Prof. Dr. Jaho Cana, Rector of "Eqrem Çabej" University, lecturers and students.

## COMMISSION STAFF WORKING DOCUMENT

Albania 2024 Report

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF REGIONS

## The EU progress report assesses the role and work of the ALSAI in the integration process

The 2024 European Union Progress Report for Albania assesses the role and work of the Supreme State Audit Office in the integration process.

In the section on the analysis of Chapter 32 on **“Financial Control”**, the European Commission (EC) states that the quality of audit work has improved and is in line with the standards of the International Organization of Supreme Audit Institutions (INTOSAI).

“The legal framework of Albania guarantees the independence of the Albania Supreme Audit Institution. During the reporting period, the ALSAI adopted the Development Strategy 2023-2027. The ALSAI has continued to improve its institutional capacities. The number of staff has increased to 216 employees. The ALSAI continues to carry out professional development activities for the audit staff, based on the annual plan. The ALSAI’s objectives have shifted to performance and financial audits. The impact of the audit work has shown progress. In 2023, 160 audit reports were submitted to the Assembly. The ALSAI regularly reports on the implementation of its recommendations,” the 2024 Progress Report states.

In this document, the EC recommends that Albania improves the implementation of external audit recommendations. “Although 98% of the recommendations given in the 2022 audits were accepted, only 47% were fully or partially implemented by the end of 2023. The ALSAI reported four criminal reports to the Prosecutor’s Office in 2022, involving 16 officials. The ALSAI continues to cooperate and provide information to the prosecution body regarding the findings of its audits, which may have elements of a criminal offense. The SAI forwarded 67 materials to the Special Prosecutor’s Office in 2023,” the Progress Report states.

The EC highlights that increased use of the ALSAI’s audits in the parliamentary budget oversight process should be ensured through the operationalization of the recently established parliamentary subcommittee. The Progress Report states that further efforts are required to ensure the implementation of the ALSAI’s recommendations and that the institution’s reporting should be assessed and used meaningfully by Parliament.

## ACTIVITIES

### ALSAI-TCA intensify cooperation

The Chairman of the ALSAI, Mr. Arben Shehu, on 03.10.2024, received on a two-day official visit the President of the Turkish Court of Accounts, Mr. Metin Yener and the delegation accompanying him.

During this visit, a Memorandum of Understanding was signed for the continuation of cooperation between the two Supreme Audit Institutions.

The Chairman of the ALSAI thanked Mr. Metin Yener for the visit and expressed the highest appreciation for the cooperative relationship that has been established with the Turkish Court of Accounts.

Mr. Shehu and his Turkish counterpart, Mr. Yener, expressed their full commitment to strengthening cooperation on issues of common interest.



### ALSAI-NAO Kosovo working meeting in support of improving public auditing

At the invitation of the Auditor General of the Republic of Kosovo, Ms. Vlora Spanca, the Chairman of the ALSAI, Mr. Arben Shehu, together with a delegation, conducted a working visit on October 25 in Prizren.

The meeting aimed to comprehensively discuss topics of common interest, in the service of improving public auditing in both countries.



Thank you for reading!

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