

LAW

No.9936 Date 26.06.2008

ON

MANAGEMENT OF BUDGETARY SYSTEM IN THE REPUBLIC OF ALBANIA”

Based on articles 78, 81 and 83, points 1, 111 and 157 of the Constitution, with the proposal of the Council of Ministers,

ASSEMBLY OF THE REPUBLIC OF ALBANIA

DECIDED:

CHAPTER I GENERAL PRINCIPLES

Article 1 Purpose of the law

This law regulates the budgetary system in the Republic of Albania, its structure, its principles and the foundations of the budgetary process, intergovernmental financial relations and responsibilities for the execution of the entire budgetary legislation.

Article 2 Scope of the law

This law should be implemented in all general government units in all stages of the budgetary process which include:

- a. Preparation, analysis and approval of the Budget.
- b. Implementation, monitoring and revision of the Budget.
- c. Rights and limitations on borrowing, guarantees and other borrowing issued by them.
- d. Control, accounting, reporting, inspection and auditing of the Budget.

Article 3 Definitions

For the purposes of this law, the definitions below mean:

“budget” is the set of revenues, expenditures and financing of central government, local government and special funds, which are approved by law from the Assembly or by decision of councils of local government units;

“annual budget law” is the law which approves revenues, expenditures and financing of the state budget, central special funds and transfers from the state budget to local government units for the budgetary year.

“special fund” is a fund established by a specific law, which is comprised of earmarked tax or non tax revenues to be spent for specific functions or activities of the central or local government;

“general government” constitutes of the central government units, local government units and special funds units.

“central government units” are the units of the executive, legislative and judicial power, established by Constitution, by Law or by Council of Ministers Decision, that fulfill the functions of central government as their primary activity;

“local government units”, are units at different local levels, established by Law, that fulfill the functions of local government within a specific territory as their primary activity;

“special funds unit” is a unit established by Law to exercise specific functions of the central and local government;

“spending unit” is the smallest organizational unit of the general government units, for which budgetary funds are broken down;

“approved fund/appropriation” is the maximum limit approved by the annual budget law or by decision of legislative local government units, within which the general government units have the right to undertake expenditures;

“allocated funds” are the approved funds according to the budgetary classification to be spent by general government units;

“breakdown of budgetary funds” is the breakdown of allocated funds according to the budgetary classification and broken down by spending units;

“reallocated funds” are balanced increases and reductions which result from the previous breakdown of budgetary funds;

“cash flow” is the forecast of inflows and outflows of the monetary assets of the general government units;

“authorized amount to be spent” is the periodic maximum expenditure limit at spending unit level;

“reserve fund” is a fund created to finance unusual expenditures which cannot be forecasted during the budget preparation stage;

“contingency fund” is an unallocated fund established to cover the possible risks relating to the revenues and expenditures during budget implementation;

“expenditure” is a decrease in net worth finalized in capital or current expenditures, non-returnable, with or without compensation obligation;

“revenue” is an increase in net worth finalized in capital or current receipts, with or without return obligation;

“grant” is a revenue acquired from a donation, with no condition of return and no interest, for a defined or undefined purpose to be used for financing economic activities;

“borrowing” is a receipt of the banking or financial market or third physical, juridical persons or individuals with a condition of return, with or without interest, for financing specified projects, because of temporary lack of liquidities and fiscal budget deficit.

“long-term local borrowing” is borrowing of a local government unit, in national or foreign currency, that must be repaid for a period of time equal to or longer than one year;

“contingent liability” is the obligation that the general government units may have towards third parties in the future, as a result of potential risks from direct or indirect events or commitments in previous years;

“economy” is the utilization of the appropriate quantity and quality of inputs at a given time and at the lowest cost;

“effectiveness” is the extent to which an output contributes towards the achievement of policy objectives or budgetary policy goals;

“efficiency” is the relationship between the outputs of a program, and financial and human resources used;

“medium-term budget program” is the representation of the budget expenditure plans for three years by directly linking programs with activities, outputs, objectives and policy goals;

“budgetary program” is a group of activities of the general government units that are managed effectively and together contribute in producing identifiable and measurable outputs which contribute directly or indirectly in achieving objectives and goals of its budgetary policy;

“program policy goal” is the desired, measurable result to be achieved from the general government units activities that should be achieved in the long term;

“program policy objectives” are specific results, precisely measured in terms of time, quantity and cost, that can be accomplished in the short-to-medium term and that are intermediate steps in achieving a budget policy goal;

“inputs” are the financial, human and physical resources used to undertake activities that are necessary to exercise the defined functions and are finalized with the delivery of certain outputs;

“budget program activities” is the set of activities undertaken at the program level for the delivery of an output;

“outputs” are goods and services delivered by activities of a budgetary program;

“medium-term budget program ceilings” are expenditure upper limits within which budgetary requests of general government units shall be prepared;

“financial management” is the set of management responsibilities which are exercised by general government units to establish and implement regulations and procedures in order to ensure an economic, efficient and effective use of available public resources;

“Public Internal Financial Control” is the whole managerial financial system and other controls, including the administrative structure, methods, procedures and internal audit, established to achieve management objectives with the principles of transparency, legitimacy, economy, efficiency, and effectiveness

“internal audit” is an independent activity within the general government units which gives reasonable assurance to authorizing officers for the effective use of funds and for better exercising of these units functions;

“treasury system” is a set of rules and procedures and is the organizational structure engaged for budget implementation, management of liquidities, keeping the accounts and financial reporting of the general government;

“budget commitment” is assuming written formal financial obligations through engaging in contractual relations;

“quasi-fiscal activity” is an activity of fiscal nature undertaken by non general government public sector units;

“tax expenditure” is the assessment of the financial effects resulting from the exclusion or fiscal incentives given to encourage specific activities.

“principle authorizing officer” is the highest rank employee by civil service law in the Ministry of Finance, responsible for preparation, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of the state Budget.

“authorizing officers” are highest rank employees of general government units, responsible for preparing, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of their budget and are accountable to the principle authorizing officer.

“second level authorizing officers” are public administration employees in each dependant units of general government units, responsible for preparing, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of their budget and are accountable to the authorizing officer.

“executive officers” are public administration employees of general government units, responsible for implementing financial management rules, keeping the accounts, and preparing financial statements and are accountable to the authorizing officer of the respective level.

Article 4

Principles of the operation of budgetary system

The principles of budgetary system function are:

- a. transparency, predictability, comprehensiveness, unity, and universality in the management of budgetary system and special funds;
- b. fiscal discipline consistent with the macroeconomic stability, and stable economic and social development;
- c. allocation of resources in compliance with strategic objectives of the Council of Ministers;
- d. economic, efficient and effective use of public resources;
- e. clear responsibilities for operational management;
- f. rigorous respect for the entire process.

Transparency is the provision of easily accessible, timely, understandable and internationally comparable information, integrity which can be verified independently, to the Assembly and the public about:

- a. functions, organization, activity, roles and responsibilities of the general government units;
- b. the outputs to achieve policy goals and objectives;
- c. the process of budget preparation;
- d. macroeconomic and fiscal forecast;
- e. financial statements.

CHAPTER II

BUDGETARY SYSTEM IN THE REPUBLIC OF ALBANIA

Article 5

State Budget

State Budget shall include all revenues, expenditures, and financing of the central government.

State Budget comprises a reserve and unallocated contingency fund that is approved by the National Assembly in the annual budget law, up to 3% of the total value of the approved funds.

The reserve fund is used only under the circumstances of financing unusual expenditures and which cannot be foreseen in the budget preparation stage. Its approval is made by a decision of the Council of Ministers.

Contingency fund is used according to the stipulations in the annual budget law to afford the effects in cases when revenues are not realized, if there is need for new financing, or if there is need to increase financing over the approved funds of existing programs.

State Budget cannot be carried over from one year to another, except those cases stipulated in this law.

State Budget shall be balanced in terms of receipts and payments.

All revenues and expenditures of the State Budget shall be stated in gross terms.

Article 6 Local Budget

Local budget includes all the revenues, expenditures and financing of the local government units.

The local budget comprises a reserve and unallocated contingency fund, which is approved by a decision for the annual budget of the council of local government unit, up to 3% of the total value of the approved funds, excluding conditional transfers.

The reserve fund is used only under the circumstances of financing unusual expenditures which cannot be foreseen in the budget preparation stage. Its approval is made by a decision of the council of local government unit.

Contingency fund is used according to the stipulations in the decision of the annual budget decision of the council of local government unit, to afford the effects in cases when the revenues are not realized or when there is a need for new financing, or when there is a need to increase financing over the approved funds of existing programs.

Local budget shall be balanced, except in cases when there is borrowing to finance investment projects.

Local budget shall be balanced in terms of receipts and payments.

All revenues and expenditures of the local budget shall be stated in gross terms.

Article 7 Special Funds

Special fund of central or local government units is established by a special law, proposed by the minister responsible for finance, hereinafter called minister of finance, in the Council of Ministers. The local government special funds are proposed to the minister of finance from council of the local government units.

The law for the establishment of a central or local government special fund shall define:

- a. the scope of establishing the special fund

- b. the administrative unit of the special fund that may be a central or local government unit, independent or controlled by another unit.
- c. means of financing and balancing of the special fund
- d. means of consolidating with central or local government accounts
- e. duration and way of closing of the special fund.

Special fund includes all the revenues and expenditures of a special fund unit.

The procedures for the proposal and approval of the special fund budget of central or local government shall be the same as the State Budget.

Special funds of the central government units shall be presented to the National Assembly together with the state budget.

Special funds of the local government units shall be presented to the local government council together with the local budget.

No extra budgetary fund shall be created that is not a special fund.

Article 8

Management of financial resources of general government

Receipts and payments of the general government shall be made through the single/unified treasury account kept in Lek and foreign currencies. The single treasury account is kept in the Bank of Albania.

The finance minister, if required, can maintain a limited number of accounts in the Bank of Albania for the special funds, for project financing or to manage efficiently the monetary resources.

The finance minister is authorized to enter into agreements with the Bank of Albania and second tier banks for the banking operations, and management of the monetary resources of the general government.

The surplus of the monetary resources temporarily unused of the general government accounts in the Bank of Albania may be invested according to the procedures defined by an instruction of the minister of finance.

The local government units have the rights to benefit from the interests of their temporary unused financial resources in the single treasury account. The conditions and benefits are defined by instruction of the finance minister.

Article 9

Receipts

Receipts include, but are not limited to:

- a. receipts from reciprocal transactions
 - revenues from the sale of goods and services
 - revenues from the sale of long term assets
- b. receipts from non-reciprocal transactions
 - revenues from taxes and tariffs
 - revenues from ownership
 - revenues from grants
 - revenues from obligatory transactions;
- c. receipts from financial transactions

- revenues from interests
 - receipts from borrowing
 - other revenues from the execution of administrative and penal sanctions;
- d. receipts from custody, guarantees, and other kinds of assets in custody.

Article 10 Payments

Payments include but are not limited to:

- a. payments from reciprocal transactions:
 - expenditures for the purchase of goods and services;
 - expenditures for purchasing or creating long-term assets;
 - payments for lending;
- b. payments from non-reciprocal transactions:
 - governmental transfers;
 - grants, contributions and donations;
 - expenditures for renting;
- c. financial payments:
 - interests expenditures;
 - expenditures for financial rents;
 - payments of debt principals;
 - custody payments

Article 11 Budgetary Classifications

Budgetary classifications shall be approved by a minister of finance order, with the proposal of the principal authorizing officer in compliance with international standards.

Budgetary classifications shall include minimally:

- a. an administrative classification which represents a classification of the general government units up to a spending unit level.
- b. an economic classification which represents the classification based on the nature of economic transaction.
- c. a functional classification which represents a detailed classification according to the functions or socio-economic objectives that the general government units aim to achieve.
- d. a program based classification which represents programs, subprograms and projects according to the objectives of the general government units.
- e. a classification by source of financing.

The classification of the local budget and special funds is the same as the State Budget classification.

The coding and denominations of the budgetary classification and accounts are unified for all general government units.

Article 12 Budgetary deficit and surplus

Budgetary deficit in a budget year is the difference between revenues and expenditures when the expenditures are greater than the revenues.

Budgetary surplus in a budget year is the difference between revenues and expenditures when the revenues are greater than the expenditures.

The budget state document shall state the use of the budget surplus or the ways of financing the budget deficit. The state budget deficit shall be financed by domestic or foreign borrowings, and in principle shall its amount shall not exceed the amount of capital expenditures foreseen in the annual budget law.

Local budget shall be balanced. As an exception, local budget may have a deficit only for the capital expenses financed by borrowing, according to the specific provisions of this law or in a specific law.

Special funds shall be always balanced and may not incur a deficit.

Article 13 Budget Year

The budget year for all general government units begins on 1st January and ends on the 31st December.

CHAPTER III ROLES AND RESPONSIBILITIES OF BODIES IN THE BUDGETARY PROCESS

Article 14 The competencies of the National Assembly

The National Assembly, by a specific law, approves budgetary revenues and appropriations for the central government units, unconditional transfers for local government units and their special funds, through which it gives the right to undertake expenditures in exercising their functions, as well as the financing sources of the budget deficit.

Article 15 The competencies of the council of local government units

The council of the local government unit approves, by special decision, annual budgetary revenues and appropriations for the local government units and their special funds, through which it gives the right to undertake expenditures in exercising their functions as well as borrowing for investment projects.

Article 16 The competencies of the Council of Ministers

The Council of Ministers approves the main directions of the government general policy and based on them proposes the annual budget law to the Assembly.

The finance minister is the responsible authority that establishes a system of rules, standards and procedures that shall ensure the economic, efficient and effective management of the public financial resources.

Article 17 **The competencies of the chairman of local government unit**

The chairman of the local government unit shall propose the main directions of policies of the local government unit and proposed budget to the respective council of the local government unit.

Article 18 **Principle Authorizing Officer**

The general secretary of the ministry of finance is the principle authorizing officer for the budget and central government units, special funds and transfers to the local government units.

The principle authorizing officer is accountable to the finance minister for the management of the budgetary system and the public internal financial control according to this law, the annual budget law and other sub-laws.

The principle authorizing officer submits to the relevant parliamentary commission progress reports as well as financial statements and annual report on the execution of the budget in the Republic of Albania. Upon the request of the commission he/she reports during the year on other issues of budget execution and public internal financial control.

Article 19 **Authorizing officer**

Authorizing officers of central government units are public administration employees of the highest rank of the civil service. In the ministry responsible for finances, the principal authorizing officer appoints an employee of the upper or medium rank as the authorizing officer. In the general government units that are not part of the executive power, the authorizing officer is the employee of the highest managerial rank. The authorizing officers of the local government units are Mayors or their deputies in cases when the Mayor decides to delegate this responsibility. The head of the general government unit shall inform the principle authorizing officer for the authorizing officer of the unit.

The authorizing officer of the spending unit shall be the head of the spending units.

The authorizing officers are responsible for the financial management of the general government unit where they have been designated, in compliance with the principles defined in article 3 of this law.

The responsibilities of financial management include, but are not limited to:

- a. the preparation, execution, internal financial control, monitoring, accounting, reporting and internal auditing of the budget of the general government unit.
- b. ensuring efficiency, effectiveness, and economy use of public resources.

The authorizing officer acts in accordance with the provisions of this law and the sub-laws issued in accordance with this law.

The authorizing officers of the general government units guide and inform the executing officers of the spending units in their jurisdiction and guarantee implementation of their instructions from executing officers of the spending units under their jurisdiction.

The authorizing officers of central government units and special funds units of central government are accountable and report to the principle authorizing officer for the preparation, implementation, internal financial control, monitoring, reporting, accounting and the internal auditing of their budget.

The authorizing officer of the central government unit shall designate an officer of public administration in each subordinate spending unit of each central government unit as a second level authorizing officer, upon the approval of the head of the general government unit.

The authorizing officer of the local government unit is accountable and reports to the principle authorizing officer for the preparation, execution, public internal financial control, monitoring, reporting and accounting of the local government budget for exercising functions shared and delegated by the central government units.

The authorizing officers of the local government units and special funds of local government are accountable and report to the council and finance committee of local government units for preparing, execution, public internal financial control, monitoring, reporting and accounting of budget and special funds for all the functions of the local government units and special funds.

The authorizing officer of the local government unit may designate an officer of the public administration as a second-level authorizing officer in the local government units.

Article 20

Executing Officer

The executing officer is a public administration employee of high rank of civil service of the general government unit. The executing officer shall be designated by the authorizing officer for the implementation of the financial management rules, keeping the accounts and for preparation of financial statements.

Article 21

Documenting and reporting of orders not in compliance with the dispositions

An instruction or order for the operational management to authorizing or executing officers, written or verbal, by the head or persons delegated by him of a general government unit, which is in conflict with dispositions on financial management, shall be subject of a written report by the authorizing or executing officers to the one issuing the order or head of unit as it is the case.

The written report includes:

- a. explanations on the legal base for opposing the order and
- b. request for its annulment or confirmation.

The authorizing officer executes the order upon written confirmation of the order, and sends a copy of the report to the principle authorizing officer, who informs the minister of finance. Upon written confirmation of the order, in case of communications between the minister of finance and principle authorizing officer, a copy of the report is sent to the High State Control.

Rules stipulated in the first and second paragraph of article 21 shall be applied also for communications amongst different levels of authorizing and executing officers.

CHAPTER IV PREPARATION, ANALYSIS AND APPROVAL OF THE STATE BUDGET

Article 22 Preparation of Public Expenditure Management Calendar

The finance minister prepares and proposes to the Council of Ministers the public expenditure management calendar including the detailed deadlines for the public expenditure management process.

The public expenditure management calendar is approved as an element of the strategic planning calendar by the Council of Ministers and comes into effect on the first day of each year.

Article 23 Macroeconomic and Budgetary Assessment and Forecast

Within January, the minister of finance shall prepare for revision and approval of the Council of Ministers a report on macroeconomic assessment and forecast for:

- a. the last 2 years
- b. the budgetary year
- c. forecasts for the following three budget years

This report shall include:

- a. assumptions and methods used in making the macroeconomic and fiscal forecasts/assessments, including a statement and assessment of risks for the sustainability of macroeconomic stability of the country;
- b. recent assessments of economic situation based on official data and comparison with previous forecasts.
- c. estimates of general government revenues under existing policies and proposals for new or amended policies;
- d. estimates of general government expenditures under existing policies and proposals for new or amended policies;
- e. estimates of the general government deficit and its financing which can be sustained without compromising fiscal discipline and fiscal stability;
- f. proposals for Preparatory Expenditure Ceilings for the following three years explaining the changes from the limits set in the previous medium term budget programme;
- g. detailed information on domestic and foreign debt stock for each sector of the general government;

Macroeconomic assessment and forecast is approved by a decision of the Council of Ministers and is sent for information to the National Assembly by March 10th. The finance minister shall answer questions about assessments and forecasts made by the government upon request of the Assembly Commission responsible for public finances.

Article 24
Budget Preparation Instruction

The minister of finance, upon approval by the Council of Ministers within the month of February shall approve and shall issue to all authorizing officers a budget preparation instruction.

The instructions include:

- a. preparatory expenditure ceilings of medium term budget programme;
- b. unconditional transfers for local government units;
- c. procedures and deadlines for the preparation of the medium term budget programme and annual budget;
- d. regulations for sharing or delegating functions between central government units and local government units, and
- e. methods of calculating unconditional and conditional transfers for local government units.

The authorizing officers of general government units shall prepare and submit medium term budget program requests and additional requests, in compliance with requirements and within the deadlines set in the relevant instruction of the minister of finance.

Article 25
Draft medium-term budget programme

The unit responsible for budget in the ministry of finance, under the guidance of the principal authorizing officer, shall review and assess medium term budget requests and additional requests and shall prepare a report with conclusions and recommendations for each central government unit. This report shall be presented in hearings held in the ministry of finance with each government unit according to a pre-established calendar. The conclusions of hearings are consolidated into a Draft document of Medium Term Budget Programme, and the principal authorizing officer shall submit it to the minister of finance.

The finance minister shall review the draft document of Medium Term Budget Programme and after consultations with the principal authorizing officer shall approve the draft which shall be submitted for approval to the Council of Ministers.

Within June of each year, the minister of finance shall present the Draft document of Medium Term Budget Programme to the Council of Ministers for approval, including proposals for expenditure ceilings of medium term budget programme and comments on the acceptability of medium term budget programme requests and its additional requests.

The Council of Ministers shall revise and approve by decision the draft document of medium term budget programme and expenditure ceilings of medium term budget programme.

Within July of each year, the minister of finance shall provide a copy of the document of Medium Term Budget Programme approved by the Council of Ministers to the Assembly for information and shall answer questions about it upon request of the Assembly Commission responsible for public finances.

Article 26
Medium-term budget programme

Medium Term Budget Programme shall be drafted based on medium term budget programme Requests of the general government units, in compliance with the requirements and deadlines as set out in the respective instruction of the Minister of Finance.

Medium-term budget programme shall be accompanied by an annex which includes:

- a. the means of calculating and the amount of unconditional transfers to local government units.
- b. the amount and purpose of conditional transfers which the state budget provides for local government units, and
- c. means of calculating shared national taxes in the next three budget years.

Medium Term Budget Programme may include provisions for a State Budget Reserve Fund to meet needs for unforeseen expenditures.

Article 27

Complementary budget preparation instruction

Upon approval by the Council of Ministers of the medium term budget programme final expenditure ceilings, the minister of finance shall issue a complementary budget preparation instruction within the 10th of July to authorizing officers of the general government units.

The complementary budget preparation instruction shall include:

- a. the medium term budget programme final expenditure ceilings approved by a decision of the Council of Ministers.
- b. instructions for the revision of medium term budget programme requests, based on final medium term budget programme expenditure ceilings.

The authorizing officer of a general government unit and central government special fund units shall submit revised medium term budget programme requests and additional requests with respective arguments to the principal authorizing officer by 1st of September.

Authorizing officers of local government units and their special funds units shall submit to the Chairman of the relevant council the draft budget for the following budget year within the deadlines set in the complimentary instruction.

The unit responsible for budget in the ministry of finance, under the guidance of the principal authorizing officer, shall analyze and evaluate the revised medium term budget requests and additional requests and shall prepare a report with conclusions and recommendations for each central government unit. This report shall be presented in hearings held in the ministry of finance with each central government unit according to a pre-established calendar. The conclusions of hearings shall be consolidated into the Revised Draft Medium Term Budget Programme by the principal authorizing officer who shall submit the revised document to the finance minister.

Article 28

Revised medium-term budget programme

Revised medium term budget programme is presented to the Council of Ministers by the minister of finance for approval, along with the annual state budget draft, only after completion of the revision of the medium term budget programme requests according to the complementary budget instruction.

Minister of finance shall submit for information to the National Assembly a copy of the revised medium term budget programme approved by the Council of Ministers.

Article 29

Draft annual budget

The principle authorizing officer shall prepare a draft annual budget, as part of the medium term budget programme, and shall present it to the minister of finance, who shall present it to the Council of Ministers together with the revised Medium Term Budget Programme as set in article 28 of this law.

For each central government unit, the draft annual budget shall include:

- a. the mission or goals of the central government units;
- b. a description of programs and activities of this unit;
- c. a presentation of programme policies, programme policy goals, programme policy objectives;
- d. policy standards that shall be achieved by each unit and each programme;
- e. an explanation of how each program's outputs contribute towards the achievement of the relevant policy objectives and goals;
- f. the actual indicators for the two previous budget years, budgetary funds planned for the current budget year, adjustments made by reallocations, approved requests for additional funds, and the distribution of the total amount of medium term budget programme expenditure ceilings by program for each of the next three budget years.
- g. capital expenditures, a list of capital projects for every programme should be submitted with:
 1. the full value of the contract,
 2. the value of the project financed up to the end of budgetary previous year,
 3. the value forecasted to be financed in the budget year
 4. the value of the project remaining to be financed in the following budget years, and sources of financing.
- h. an explanation on the goal and costs of quasi fiscal activities undertaken by the non general government units;
- i. a tax expenditures forecast.

Within 25th October, the Council of Ministers shall revise and approve by decision the Draft Annual Budget and the revised medium term budget programme.

Within 10 days after the decision of the Council of Ministers of the annual budget and revised medium term budget programme, the principal authorizing officer shall inform each local government and each local government special fund unit for the transfers of the central government and for the share and amount of the shared national tax in the draft budget.

Within 1st November, the Prime Minister, on behalf of the Council of Ministers, submits the proposed annual Budget to the Assembly.

The Minister of finance shall provide a statement in the National Assembly commenting on:

- a. list of spending units according to the general government units to which they depend
- b. respecting and implementing correctly the principles described in article 4 of this law by the annual budget and the medium term budget programme;
- c. harmonization of debt stock and forecasts with the objectives of fiscal stability;
- d. fiscal risks and measures of protection;
- e. contingent liabilities of the general government and the probability of becoming liabilities in the following budget year.

Article 30

Approval of the annual state budget

The annual state budget shall be approved within the 31st of December at budget program level for each general government unit. Council of Ministers may propose annual state budget approval at a level more detailed than at program level in compliance with the principles as stated in article 4 of this law.

Article 31

Publication of the annual budget and medium-term budget programme

The annual budget law and all its components shall be published in the Official Gazette.

In January, after approval of the annual budget law by the National Assembly, the principal authorizing officer shall consolidate any changes in the final medium term budget programme document.

Within February, the minister of finance shall publish the final medium term budget programme document.

Article 32

Preparation and approval of local budgets

Within the month of November of the budget year, the mayors, the chairmen of communes and regions, shall submit draft local budgets to their respective councils.

The council of local government, within December 31st, shall approve a local budget on the basis of the forecasts of their own revenues and unconditional transfers as set out in the State Budget.

Article 33

Publishing of the local budgets

Budgets of Local Government units shall be published in the public announcements bulletin 15 days after the approval by the respective councils.

Article 34

Making the Annual Budget Law Effective

If the annual budget is approved by the National Assembly within the budget year, but is not yet effective on January 1st or if the remaining time is not sufficient to conclude the procedures for initiating budget execution on January 1st, the minister of finance issues a special instruction which shall regulate the budget process up to when the annual budget law enters into force and the finalization of procedures for its implementation.

The special instruction ensures continuation of the delivery of goods and services, including the implementation of investment projects which have started in the previous budget year and which are forecasted to continue in the current budget year.

Article 35

Interim Budget

If the National Assembly does not approve the proposed budget by the day preceding the start of the budget year, the Council of Ministers shall authorize, by decision, before the first day of the beginning of the budget year, the implementation of an Interim Budget for the period from the first day of the budget year until the end of the third month of the budget year.

Interim budget expenditures for each month and for each programme of each general government unit shall not exceed one twelfth of the actual expenses of the programme financed by the Budget in the previous budget year.

If revenues collected by law are insufficient to cover the expenditures foreseen in the Interim Budget, the minister of finance may borrow each month up to one twelfth of the total amount borrowed to finance budgetary deficit in the previous budget year.

The proposed Interim Budget shall ensure:

- a. general government units to exercise their functions and responsibilities according to the law.
- b. continuation of the delivery of goods and services including the implementation of investment projects started in the previous budget year and which are foreseen to continue in the budget year.

Article 36

Budget after interim budget period

The Prime Minister, during the period of interim budget, shall present the proposed Budget to the Assembly under expedited procedure so that its approval takes place until the last day of the Interim Budget period.

In the event of non approval within the interim budget period, Council of Ministers, by a decision, shall authorize making the expenditures for each programme of each general government unit up to an amount that shall not exceed one twelfth of the actual expenses of the programme financed by the Budget in the previous budget year and for each month until the Assembly approves the proposed budget.

Paragraphs 3 and 4 of article 35 shall also be applied for the period after interim budget.

Article 37

Interim local budgets

If the council of local government units does not approve the proposed Local Budget by the first day of the budget year, the chairman of the respective local government council shall authorize expenditures each month up to one twelfth of the actual expenditures of the local government financed in the previous budget year to ensure delivery of goods and services, including the implementation of approved investment projects started in the previous budget year and that continue during the budget year.

CHAPTER V BUDGET IMPLEMENTATION

Article 38 Budget Implementation Instruction

The minister of finance shall issue budget implementation instructions in which rules, procedures and deadlines shall be established for authorizing and executive officers at all ranks during the budget implementation process. The instruction shall be in the format of a standard instruction or it shall be prepared and approved for each budget year. In those cases when the instructions are standard, a complementary instruction shall be approved each budget year in which rules, procedures and specific deadlines, or those deadlines that are not specified in the standard budget implementation instruction, shall be established. Instructions prepared for each budget year must be approved and shall enter into force before the beginning date of the budget year and not later than 10 days after entering into force of the annual budget law, when the annual budget law is approved late.

Article 39 Collection and maintenance of public money

The approved revenues of the annual budget law consist of the minimum limit to be collected during the budget year.

The general government units, responsible for revenue collection, are responsible for full collection of revenues within the deadline specified in the annual budget law.

All the monetary assets collected by general government units shall be deposited, immediately after collection, to the treasury account in accordance with the rules and procedures defined in article 8 of this law. The same rules and procedures are also obligatory for the collection of revenues during the budget year, even if they have not been planned and approved in the state budget law or the decision of approval of the budget of the council of the local government unit.

The Council of Ministers, with proposal of the minister of finance, regulates the relationships and procedures between the Ministry responsible for Finance and the general government units in regards to the approval, delivery and reporting of grants.

Revenues deposited in the Treasury Account shall be recorded as revenues of the budget year in which they have been deposited.

The local government revenues deposited in the treasury account as local taxes, national taxes and unconditional State Budget transfers unused during the budget year, shall be carried forward in the next budget year.

Article 40
The right to make expenditures

The approved funds, in the state budget law, for the central government consist of the upper limit of expenditures within which the Council of Ministers is authorized to undertake commitments and make expenditures. The Council of Ministers exercises this authority through the finance minister.

The funds approved by the budget decision of the local government unit consist of the upper limit of expenditures within which the Chairman of the local government unit is authorized to undertake commitments and to make expenditures.

As a rule, the authority to make expenditures within the limit of approved funds expires on the last day of the budget year, even if the one year or multi-year contract shall continue in the next budget year. For important multi-year contracts, the right to make expenditures shall continue beyond the end of the budget year, but not more than 3 years after the end of the budget year. Contracts and deadlines for the authority to make expenditures are set by specific dispositions on the annual state budget law for the following budget year.

Expenditures made in the budget year, on the account of funds approved in the previous budget year, are recorded and reported separately from those expenditures on the account of funds approved in the budget year.

Article 41
Information on the approved funds by the National Assembly

Within five days after the annual budget law is decreed by the President, the minister of finance informs in writing the principle authorizing officer on the budgets approved by the Assembly for each general government unit.

After being informed in writing by the minister of finance, the principal authorizing officer informs in writing the authorizing officers of each general government unit of the allocations approved by the Assembly in the state budget law and the revenues forecasted for each general government unit responsible for revenue collection.

Article 42
Allocation of budgetary funds

The principal authorizing officer shall propose to the minister of finance the allocation of budget funds for each general government unit by program and by expenditure article, which may be less than the total of funds approved by the Assembly for those units and for periods less than one year.

The allocation of budgetary funds shall be based on forecasts of inflows and commitments and shall ensure the efficient use of financial resources and fiscal macroeconomic stability.

After approval of the minister of finance, the principal authorizing officer shall inform in writing the authorizing officers of each general government unit of budget allocations according

to the budget classification, within 10 days of the decree of the annual budget law by the President.

At the same time, the principal authorizing officer shall inform local government units in writing regarding the budget allocations for the unconditional transfers within the deadlines set out in the budget implementation instruction of the minister of finance.

The authority of the minister of finance to allocate budgetary funds and the special funds approved by the Assembly expires at the end of the budget year.

Article 43 **Breakdown of the budgetary funds**

Authorizing officers shall provide a breakdown of budgetary funds for the spending units of the general government in accordance with budget allocations approved by the finance minister and priorities of the general government units.

Authorizing officers of each general government unit present to the principal authorizing officer a proposal on the budget breakdown by each spending unit, in accordance with the budget implementation instruction.

The principal authorizing officer shall approve the breakdown of funds for each spending unit and shall be responsible for ensuring that the breakdown of budgetary funds is reflected on time in the Treasury System.

The allocation of the approved funds for each spending unit authorizes the principal authorizing officer and the authorizing officers of general government units to undertake commitments and make payments within the time and quantity limits set.

Article 44 **Budget reallocations**

The rights and limits for reallocations of funds previously allocated and broken down, when the budget has been approved at the program level by the Assembly according to article 30 of this law, are as follows:

For central government units:

- a. reallocation of funds between programs, within central government unit, and for various general government units, shall be approved by the Council of Ministers and shall not exceed 10% of the total fund approved for the program;
- b. reallocations of funds of investment projects within program of the central government unit shall be approved by the minister of finance;
- c. reallocations between current expenditure items within program shall be approved by the principal authorizing officer;
- d. reallocations within programme and current expenditure item, between various spending units shall be approved by the authorizing officer of the central government unit from which the spending unit is a subordinate body.

For the local government units:

- a. reallocations between programs shall be approved by the Council of the local government unit;

- b. reallocations of capital projects shall be approved by the Chairman of the local government unit;
- c. reallocations between current expenditure items of the same program are approved by the chairman of the local government unit;
- d. reallocations within the same program and current expenditure item between various spending units, shall be approved by the authorizing officer of the local government unit from which the spending unit is a subordinate body.

The authorizing officers who request reallocations under the provisions of the first paragraph of this article, points a), b) dhe c) shall submit to the principal authorizing officer in writing:

- a. the reasons for reallocations
- b. amounts of reallocations and
- c. changes in the allocations of funds that are required from the reallocation of budgetary funds.

For re-allocations made under the provisions of the first paragraph of this article, points c) and d), authorizing officers of central government units shall inform the principal authorizing officer by the end of the month in which the reallocation decision was made.

The authorizing officers who request reallocations under the provisions of the second paragraph of this article, points a) and b) shall inform the council of the local government units in writing of:

- a. the reasons for reallocations;
- b. amount of reallocations and
- c. changes in the allocations of funds that is required from the reallocation of the budgetary funds.

The principal authorizing officer shall ensure that the approved reallocations under the provisions of the first paragraph of this article are reflected in the treasury system.

Once the council of the local government unit has approved the reallocation, the authorizing officers of the local government unit shall formally inform the treasury system, which must reflect the changes on time.

In cases when the budget is approved by the Assembly at a level more detailed than a program level, according to articed 30 of this law, the rights and limits for fund reallocations shall be determined in the annual budget year.

Article 45

Supplementary funds requests

Authorizing officers of central government units shall submit to the principle authorizing officer a supplementary fund request for expenses that were unforeseen at the time the budget was prepared and that cannot be postponed to the following budget year.

The authorizing officers of the local government units shall submit such requests to the respective council unit.

The request for supplementary funds must provide the rationale for such requests by specifying:

- a. the reasons of why such expenditure could not be planned during the budget preparation process;

- b. the outputs to be achieved by financed activities in the supplementary requests;
- c. how these outputs contribute to policy goals and policy objectives;
- d. what other approved budgetary funds should be reduced in order to provide the necessary funds and the consequences of such reduction on the achievement of other policy objectives.

The principal authorizing officer shall analyze the supplementary funds requests of central government units and make recommendations to the minister of finance on whether to accept or refuse the requests.

In those cases when the supplementary fund request is in accordance with the rights and limits set in the first paragraph of article 44, their proposal and approval is done according to the specifications in this article.

If the supplementary budget request cannot be accepted in accordance with the rights and limits set in the first paragraph of article 44, then the minister of finance shall propose to the Council of Ministers its realization by using the State Budget the Reserve Fund.

The minister of finance shall inform in writing, periodically, the Assembly on supplementary Budget Requests approved by the Council of Ministers, by using the State Budget Reserve Fund, and give answers to related questions by the Parliamentary Commission responsible for public finances upon the request of the Head of this commission.

The authorizing officers of local government units shall analyze the supplementary requests of spending units and shall recommend to the chairman of council of the respective unit whether to accept it or refuse it.

If the supplementary funds request is accepted in accordance with the rights and limits set in the second paragraph of article 44, then their proposal and approval shall be done according to the specifications set in this article.

If the supplementary budget request cannot be accepted in accordance with the rights and limits set in article 45, the chairman of the local government unit shall propose to the respective Council to fulfill it through the local government unit Reserve Fund.

Article 46

Budget Implementation Review

In the month of June of each year, but no later than the submission of the Draft Medium Term Budget Programme to the Council of Ministers, the minister of finance shall submit to the Council of Ministers an analysis on the state budget implementation. This analysis shall include:

- a. an assessment of the macroeconomic situation and forecasts;
- b. comparison of approved and actual budget indicators, with explanations on differences;
- c. if necessary, proposals for decisions within the authority of the Council of Ministers determined by this law, and
- d. if necessary, a proposal for a change in the Annual Budget Law accompanied by the rationale of why the requested changes could not be forecasted in the proposed budget.

If the Council of Ministers decides to change the Annual Budget Law, the procedure for its amendment shall be the same as the procedures set in article 29 of this law for the approval of the proposed state budget.

If the approval of amendments does not occur within the month of July, then the proposal to change the Annual State Budget Law shall be voted with an expedited procedure.

Article 47
Local Budget Implementation Review

The chairman of the local government unit shall conduct a complete analysis of the budget implementation within the month of June of each year, and, if necessary, respective proposals for changing the decision of the council of the local government unit which has approved the annual budget. The procedures for the analysis, approval and implementation of changes in the decision of the council of the local government unit shall be the same as those of the decision for approving the annual budget.

Article 48
Deadline for Reallocation of Budgetary Funds

The right of general government units for reallocations of the approved annual budget funds is valid until November 15th of the budget year.

Article 49
Cash Flow Plan

Each General Government Unit shall prepare a cash flow plan based on the approved budget funds for the budget year.

The first draft of the cash flow plan shall be submitted to the Ministry of Finance with the draft annual budget and shall include:

- a. estimate of revenues to be collected and other inflows;
- b. plan of procurements and other forecasted commitments and,
- c. forecast of payments arising from commitments.

After approval of the budget by the Council of Ministers, the central government units shall revise the cash flow plan, broken down in months or other periods of time as set out in the budget implementation instruction. The revised plan shall be deposited for revision and approval to the principal authorizing officer within 10 days after the decision of the Council of Ministers for the approval of the draft budget.

The principal authorizing officer shall approve the cash flow plans of central government units as well as unconditional transfers to the local government units, instantly after the decree of the Annual Budget Law by the President. This approval shall be done based on the analysis of revised cash flow plans and must be in accordance with:

- a. annual limit of approved funds;
- b. government and Assembly policies as set out in the budget;
- c. the best financial practices, and
- d. the implications of cash management.

The principal authorizing officer shall be responsible for the approved cash flow plans of the general government units to be reflected on time in the Treasury System.

The treasury system checks commitments, expenditures and cash surpluses of the general government against the budget allocations and cash flow plans, and plans the short and long term

borrowings in order to ensure the necessary cash balances to pay-off general government financial obligations.

The principal authorizing officer shall revise the cash flow plan during the budget year with or without a proposal from the authorizing officers of other general government units, based on continuous monitoring of the execution of the cash flow plan and cash management policies.

The authorizing officer shall be responsible to comply with the approved cash flow plan and provide justification for any revision or non-compliance in line with the criteria as set out in the budget implementation instruction.

Article 50

Budgetary commitments

The minister of finance shall issue instructions for all authorizing officers on procedures of recording the commitments.

Authorizing officers of general government units shall maintain information on financial commitments, and shall not allow undertaking of any new commitment if that exceeds the limit of the budget appropriation.

For expenditures financed by borrowing, as set out in the state budget law and budget decision of the local government unit council, the principal authorizing officer, shall ensure, through the treasury system, that no commitments and payments shall be made before the lender has transferred the funds in the treasury account.

As an exception, principal authorizing officer have the right to make commitments or execute payments aligned with expected disbursements from signed loans only in the cases when their cancellation or postponement would result with severe consequences for achievement of government goals. Under these circumstances, commitments and payments are made in accordance with the cash balance of the treasury accounts and within the budget year and the approved annual deficit limit.

Article 51

Management of commitments

Monetary assets created from current year commitments and which are unpaid at the end of the budget year shall be carried forward in the next budget year according to the period established in the state budget law, with the exception of cases where the commitment is cancelled or made inactive, according to the criteria set out in the budget implementation instruction.

Monetary assets related to previous year commitments which are cancelled during the budget year, shall be returned to the Single Treasury Account so they can be included in upcoming budget years.

The cancelled commitments may be re-activated during the same budget year by the spending unit for the same purposes for which they have been budgeted, according to the first paragraph of article 43 of this law.

Commitments made by spending units, which exceed planned budget funds in the annual budget law or in the council budget decision of local government unit or in conflict with this law or other laws, will not constitute general Government's financial obligation.

If the authorizing officer of the general government unit undertakes commitments which exceed the budget funds or which are in conflict with this act or other legal bylaws, s/he shall be held responsible to pay off the obligation.

Article 52

Making Expenditures

The process and the responsibilities for authorizing and making public expenditures are established on law on public internal financial control.

Expenditures of general government units shall be recognized based on full documentation which proves the occurrence of the expenditure, according to the law on public internal financial control.

Expenditures shall be made only if they do not exceed the amount of funds committed for this reason.

Expenditures resulting from previous years' commitments, in accordance with special dispositions of the state budget law, must be included in the budget of the coming year.

Expenditures from the state budget and local budget must be made up to the end of the budget year.

Beyond the deadline set in the previous paragraph, the commitments shall be paid with the funds approved in the budget of the coming year, with the exception of cases when the expenditures are made before the end of the previous budget year. In that case the payment shall be made up to the 31st of January of the coming budget year. This period shall be used to prepare the basic documentation and to make the payment.

Article 53

Expenditure Reimbursement

If during the budget year a general government unit accepts a reimbursement for an amount paid under the annual limit of allocated funds for the same budget year, the initial expenditure shall be reduced by the amount reimbursed.

If during the budget year the general government unit accepts a reimbursement for an amount paid under the annual limit of the allocation of funds for the previous budget year, the reimbursement will be considered as an incoming cash flow of that budget year.

Article 54

The execution of payments

All financial commitments and obligations of the general government units shall be paid only through the treasury accounts, through the treasury system, by persons authorized by the principal authorizing officer with a proposal of the authorizing officers of general government units.

Before the execution of payments, the treasury system checks:

- a. the existence of commitment
- b. basic documentation to prove that the service has occurred
- c. the existence of sufficient monetary funds to execute the payment.

All payments made during the budget year, regardless of the time the public expenditures are made, are registered as payments of the current budget year.

Article 55
Budget closure

The annual budget is executed up to 31st December of the budget year.

Article 56
Report for closing the accounts

The principal authorizing officer submits to the minister of finance a report on closing the budget accounts within the last day of February.

CHAPTER VI
BORROWING AND GUARANTEES IN THE PUBLIC SECTOR

Article 57
The authority to borrow

The Council of Ministers is the only authority at central level which has the right to borrow from international institutions, countries or juridical persons, in line with constitutional dispositions and laws in power, in order to finance capital investment projects. It is the only authority which gives state guarantees for borrowing. The National Assembly shall ratify international agreements that result in financial obligations.

The minister of finance represents the Council of Ministers in agreements of international state borrowings and guarantees.

The minister of finance is the only authority that has the right to borrow from physical and juridical persons within limits set out in the annual budget law.

The minister of finance is the authority that issues debt instruments and negotiates the state loan agreements and state debt guarantees.

The minister of finance reserves the rights to choose the types, characteristics and conditions of financial instruments. In cases of monetary implications, the Bank of Albania shall be asked an opinion beforehand.

The council of the local government unit is the authority that has the right to borrow and issue guarantees for local borrowing, domestically and abroad.

The local government's long-term borrowing is subject to preliminary approval by the minister of finance in regard to its procedures, limits and effects.

Article 58
The limits of public borrowing

Public borrowing is composed of the state and local borrowing.

The budget law shall set out the limits for:

- a. the new amount of state borrowing for the budget year
- b. total amount of state borrowing

- c. amount of new guarantees to be issued for the budget year
- d. total amount of guarantees.

Local government units borrow and issue guarantees when:

- a. The ratio of operational surplus, calculated as the difference of the overall operative revenues (from its own sources, shared taxes and unconditional transfers) with the unconditional operational expenditures of the local government unit, including debt service, and the debt service costs that is due to be paid annually for the long term loan, is not more than 1.4:1;
- b. The ratio of the debt stock to operational revenues from its own sources, shared taxes and unconditional transfers is not more than 1.3:1;
- c. the maximum annual limit of debt service to the local government unit's average fiscal revenues of the last three years does not exceed 20 percent.

The total public debt, including guarantees, should not exceed 60% of GDP.

Article 59 **Management of debt data**

The minister of finance is responsible for identifying, recording and managing all state borrowings and guarantees in the public debt register.

The minister of finance is responsible for identifying the registering of all local government's borrowing and guarantees in the public debt registry. The minister of finance approves the reporting format and deadline of the public debt data from the local government units.

Article 60 **Debt service**

For the purpose of debt service, each interest and principal amount concerning public debts and its guarantees shall be made through the unified treasury account.

For the debt service needs, the necessary liquidities shall be planned to pay off the obligations in accordance with the contracted conditions and deadlines for such obligations.

CHAPTER VII **ACCOUNTING OF THE BUDGET SYSTEM**

Article 61 **Accounting standards and procedures**

The minister of finance is responsible for the establishment of an obligatory accounting system for all general government units, in accordance with internationally accepted accounting standards.

The minister of finance shall determine the respective general government unit and spending units that shall be obliged to keep the accounting and to report according to specified standards.

The treasury system keeps the state accounting and it is part of public accounting. It is responsible for keeping the state accounts and for the preparation of periodic and annual budget implementation reports.

The accounting and reporting in the public sector is regulated by a special law and the minister of finance shall issue instructions on accounting standards and procedures for general government units.

The principal authorizing officer and authorizing officers of the general government units are responsible for the functioning of the accounting system in line with this law, its bylaws and instructions of the minister of finance.

For the purpose of this law, the method of expenditures and revenues consists in:

- a. the recognition of the current and capital expenditures of the budgetary year at the moment when they occur, regardless of the payment date.
- b. the recognition of the tax revenues, not-tax revenues, including also the revenues from the sale of assets, at the moment of their receipt.

Article 62

Preparation of the annual budget accounts

The minister of finance shall issue for all authorizing officers of central government units, local government units and special funds' units, instructions for closing the budget year and publication of financial statements.

The authorizing officers of general government units, at the end of the year, shall submit financial reports to the treasury system in accordance with the instructions of the principal authorizing officer, for the purposes of preparing the annual financial statements of the general government.

The authorizing officers of the general government units shall complete and confirm with the principal authorizing officer the annual budget statements within the 31st of March.

The minister of finance shall submit, within May, to the Council of Ministers for approval, the annual consolidated budget implementation report, with information on the achievement of objectives, status of internal financial management control and internal audit. A copy of the annual consolidated budget implementation report shall be sent to the High State Control, which audits the budget annual accounts.

Article 63

The approval of the annual consolidated budget implementation report

Within the month of June, the Council of Ministers shall submit to the National Assembly the consolidated annual budget implementation report, including:

- a. annual consolidated accounts for the state financial transactions;
- b. report on the annual budget implementation against approved funds;
- c. report on the public debt and its composition;
- d. report on the use of the reserve and contingency fund
- e. information on achievement of objectives, status of financial management and internal control, and internal audit.

The annual consolidated budget implementation report approved in the National Assembly is published in the Official Gazette before the end of October of each year.

Article 64
Archiving financial data

Authorizing officer of general government units is responsible for saving and archiving the financial documents in line with the dispositions of the laws in force.

The minister of finance issues instructions to ensure implementation of dispositions of laws in force in regard of saving and archiving the financial data.

CHAPTER VIII
MONITORING, AUDITING OF THE BUDGETARY SYSTEM AND INSPECTION

Article 65
Monitoring

Authorizing officers of general government units shall submit to the principal authorizing officer, whenever required but not less than four times per year, the Budget Execution and Monitoring Reports in regard to the financial performance, outputs and objectives achieved for each programme as specified in the first year of the final medium term budget programme document. For local government units these reports shall be submitted to its respective council.

The format, content and deadlines for submitting the monitoring reports are specified in the state budget execution instruction of the minister of finance.

The minister of finance shall submit the budget implementation and monitoring reports for information to the Council of Ministers as well as to the Assembly, one month after the reporting date.

The Chairman of the local government units shall submit, for information, a copy of the budget implementation and monitoring reports to the respective Local Government Council.

The budget implementation and monitoring reports are published by the principal authorizing officer in the official web site of the Ministry of Finance according to the deadlines defined by the minister of finance.

Article 66
Public internal financial control

The minister of finance is responsible for introducing the system of public internal financial control for all general government units, including:

- a. a financial management and control system
- b. independent decentralized function of the internal audit
- c. the central harmonization units in the ministry of finance for harmonizing and coordinating the implementation and functioning of financial management and control systems, and internal audit.

All general government units are responsible for establishing a sound financial management and control system and an independent internal audit function.

The central harmonization unit for internal financial management and control, and the central harmonization unit for the internal audit shall be established in the Ministry of Finance. These units shall report to the Minister of Finance.

The minister of finance shall submit, each year, a report to the Council of Ministers and the High State Control on the implementation and functioning of the Financial and Management Control systems and Internal Audit function in the general government units, including important findings and recommendation of the Internal Audit.

Article 67

Financial management and control

Financial and management control determines the managerial accountability for budget planning, execution and control, accounting and reporting in order to achieve objectives and to avoid waste, misuse, and misappropriation of property.

The financial management and control in the public sector is regulated by a special law.

Article 68

Internal audit

The internal audit as a tool of the authorizing officers of general government units, ensures in a reasonable way that public resources available to the general government unit:

- a. are spent, documented and reported based on a quick and reliable information,
- b. have fully contributed to achieving the policy goals and objectives,
- c. have been used in an economic, efficient and effective way,
- d. have not been stolen, misused or wasted.

All general government units and commercial companies where the state owns more than 50 percent of the capital which receive public funds, regardless of the form of organization, are subject to the internal audit.

The decentralized internal auditing unit of each general government unit reports directly to the authorizing officer, and is functionally and organizationally independent in carrying out its auditing function. This unit is not part of the operational structures.

The internal audit in the public sector is regulated by a special law.

Article 69

Financial inspection

The principal authorizing officer has the right to inspect at any time all financial systems and documents of:

- a. any general government unit;
- b. any public corporation, not-for profit public organization, joint powers authority that is controlled, financed, provided with financial guarantees by a general government unit, or in which a general government unit directly or indirectly owns or controls an equity stake which gives the owner the right to control;
- c. any recipient of funds from the budget, or based on an international agreements in respect to those funds.

In order to initiate a financial inspection, the principal authorizing officer shall take into account:

- a. information, complaints and other evidence of violations of financial management procedures issued by the minister of finance;
- b. financial management and control reports
- c. internal auditing reports
- d. High State Control reports
- e. requests of the minister of finance
- f. requests of the authorizing officers
- g. requests of the general prosecutor

Financial inspections in the public sector are regulated by a special law.

Financial inspections are performed by one or more professionally qualified financial experts appointed on an ad hoc basis by the minister of finance, in compliance with the specified qualifications in the law for financial inspections.

The financial inspection cannot constrain, impede, or hinder the functions of the High State Control.

The principal authorizing officer provides a copy of all financial inspection reports to the minister of finance and High State Control. The principal authorizing officer may provide a copy of all financial inspection reports to other structures responsible for law enforcement.

Article 70 **External auditing**

General government units are subject, with no restriction, to external audit exercised by the High State Control.

CHAPTER IX **VIOLATIONS AND PENALTIES**

Article 71 **Administrative violations**

Any violation of the provisions foreseen in this law, if not a criminal act, is considered an administrative violation and is penalized by fine as follows:

- a. when the authorizing officer and/or executing officer of a spending unit of the general government unit uses public money for purposes which are not approved, is penalized by the principal authorizing officer with a fine varying from 5-7 monthly salaries;
- b. when the authorizing officer of a spending unit of the general government unit makes commitments in absence of available funds in violation of article 50, s/he is penalized by the principal authorizing officer with a fine of 7 monthly salaries;
- c. when the authorizing officer and/or executing officer for a spending unit of the general government unit or a treasury officer allows to exceed the budget

- allocation in violation of article 42, or when executes payments which exceed funds committed in violation of article 54, is penalized by the principal authorizing officer with a fine varying from 3-7 monthly salaries.
- d. when the authorizing officer of a local government unit borrows or issues guaranties in violation of article 58 paragraph 2, s/he is penalized by the principal authorizing officer with a fine varying from 5-7 monthly salaries
 - e. when the authorizing officer of the general government unit does not submit on time and according to the specification of articles 24 and 27, the medium term budget programme requests and additional requests, s/he is penalized by the principal authorizing officer with an administrative measure or a fine varying from 1-3 monthly salaries.
 - f. when the executing officer does not comply with the cash budget in violation of article 49, last paragraph, s/he is penalized by the principal authorizing officer with an administrative measure or with a fine varying from 1-3 monthly salaries.
 - g. when the authorizing officer and/or executing officer of general government units do not meet the obligations on closing the budget year and preparing the annual accounts in violation to article 62, they are penalized by the principal authorizing officer with administrative measure or fine varying from 1-3 monthly salaries.
 - h. when the executing officer of the general government unit enters a new record into the accounting system in absence of the justifying legal documentation for the economic transactions and events, s/he is penalized by the principal authorizing officer with administrative measure or fine varying from 1-3 monthly salaries.

Article 72

Appealing the decisions

Decisions of the Principal Authorizing Officer that impose penalties for a violation are appealed to the Minister of Finances within the deadlines established in the Administrative Procedures Code.

The Minister of Finance decision can be appealed to the court according to the Administrative Procedures Code.

CHAPTER X

FINAL AND TRANSITORY DISPOSITIONS

Article 73

The preparation of bylaws

The council of Ministers shall be responsible for issuing bylaws based on articles 25, 28, 29, 35, 36, 39 and 63 according to the deadlines set in this law.

The Minister of Finance shall be responsible for issuing bylaws based on articles 24, 27, 34, 38, 61, 62 and 64 according to the deadlines set in this law.

Article 74
Transitory provisions

The heads of general government units, if they find it appropriate, may carry out the function of the principal authorizing officer or authorizing officer for a period no longer than 3 years after this law comes into force.

Internal audit units report to the heads of general government units for a period no longer than 3 years after this law comes into force or up to the date when principle authorizing officer or authorizing officers of general government units exercise their functions in compliance with articles 18 and 19 of this law.

The bylaws affected by this law will be implemented to the extent they comply with this law until they will be amended, but no later than 1 year after this law comes into force.

Article 75
Abrogations

Law no.8379, date 29.07.1998 “For drafting and implementation of the State Budget of the Republic of Albania” is abrogated.

Article 76
Entering into force

This law comes into force 15 days after the publication in the Official Gazette.