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# Public Accounting Reform in Albania

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# Overall aim of the Ministry of Finance

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*The Ministry of Finance is leading the public finance reforms and recognize that it is important for Albania to move closer to the best practices applied by other member states and closer to international standards, which will in turn help to improve both accountability and to enhance transparency of where the taxpayer's money is being spent on.*

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# Key achievements to date

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Over the last few years the Ministry of Finance together with the support from external donors have managed to achieve the following key outputs:

- ✓ New Law on the Management of Budgetary System in Albania 2008, which defines the public accounting method;
- ✓ New Law on Financial Management and Control 2010, which defines the roles and responsibilities of financial managers in term of accounting and financial reporting;
- ✓ New Internal Audit Law 2010, which defines the financial and performance auditing;
- ✓ Introduced a centralized computerized system AMoFTS for budget planning, execution and financial reporting.
- ✓ In light of moving to the new PIFC environment the Central Harmonization Department on FMC is created, which is leading the public accounting reform.

# Law on the Management of Budgetary System in Republic of Albania (art 61)

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- 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
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# Law on the Management of Budgetary System in Republic of Albania (cont)

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

- ❑ the recognition of the current and capital expenditures of the budgetary year at the moment when they occur, regardless of the payment date.
  - ❑ the recognition of the tax revenues, not-tax revenues, including also the revenues from the sale of assets, at the moment of their receipt.
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# Objective of the Treasury Computerized Accounting System (AMoFTS)

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- ❑ Full integration of budget and budget execution data, thereby allowing greater financial control.
  - ❑ Improved planning for cash as well as close and timely monitoring of the government's cash position.
  - ❑ Provision of adequate financial reporting at various levels of budget execution.
  - ❑ Improvement of data quality and transparency for the preparation and execution of the budget.
  - ❑ Increase the effectiveness and efficiency of state financial management and facilitate the adoption of modern public expenditure management practices in keeping with international standards.
  - ❑ Ability to decentralize functions and processes yet maintain overall control by Ministry of Finance
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# Moving towards the Internationally Accepted Public Accounting Standards, as approved by the Parliament.

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- As the first measure the IPSAS standards have been translated into Albanian Language and the trainers are trained with the aid of international consultants.
  - A Transition Plan of 6 years is approved by the Government as part of the reform on the Public Internal Financial Control (PIFC Policy Paper 2009).
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# The Transition Plan towards Accrual Accounting

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The first phase (duration 1 year) as foreseen in the Transition Plan to Accrual Accounting is:

- To identify all controlled entities (budgetary and non-budgetary) of the controlling entity (Republic of Albania) as required by IPSAS 6;
  - All budgetary units that make their budgets publicly available should prepare a Statement of Budget to Actual Comparisons as required by IPSAS 24.
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# The Transition Plan towards the Accrual Accounting

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The second phase is to introduce the Cash based IPSAS. This will be done in three steps over the period of 5 years:

- The first step will be to prepare a consolidated Cash Receipts/Payments Statement for the general government as required by Part 1 of the Cash IPSAS.
  - The second step will be to prepare a full set of consolidated financial statements (including the balance sheet) for a selected group of government institutions.
  - The third step will be to roll out the previous procedures to all controlled entities and produce a full set of consolidated financial statements for the whole of government.
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# The Transition Plan towards Accrual Accounting

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The major components within the second phase will be to collect the information and prepare schedules of their assets, liabilities, revenues, and expenses as if they were on the accrual basis of accounting (part 2 of Cash IPSAS).

Accrual accounting procedures for the recognition and measurement of expenses should be collected as prescribed by the pertinent IPSAS. These would then be included in a Schedule of Expenditures as encouraged in the Cash IPSAS for subsequent inclusion in consolidated statements for the whole of government

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# The Transition Plan towards Accrual Accounting

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- The implementation of cash based IPSAS is an enormous task and technical support will be required during this process, in particular on training of financial officers, the preparation of the financial statements, revaluation of assets and monitoring the whole process.
  - Accounting will interact closely with the auditors to assure that Statements are subject to audits and Schedules are subject to reviews in accordance with the International Standards on Auditing.
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# Expansion of the New Treasury Computerized System

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Delegation of responsibility from Treasury to budget entities and empowerment to act in implementing budgets making them users of the computerized treasury System (online linkage).

- *Pilot implementation of the required Treasury System modules on a limited number of Ministries and Municipalities and their spending units. (1 to 2 years)*
  - *Roll out the Treasury System in other Government institutions (10 years)*
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What gets measured, gets done...!

Thank you for your attention!

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