



AUDIT COMMITTEE – Case of Albania

June 2023



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Internal Audit Committee functions

Audit Committee is an independent monitoring and advisory body to the head of the public unit , which supports the Internal Audit Unit by:

- ▶ **ensuring the independence** of internal auditors
- ▶ **assessing and giving feedback on** the strategic and annual plans
- ▶ assessing the **adequacy** of audit sources;
- ▶ ensuring that the audit plans implementation and results are **monitored**
- ▶ monitoring the **implementation of recommendations** issued
- ▶ advising on **risk-related issues**, internal audit and control systems.



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- ▶ The Decree of Council of Ministers approves the way of functioning, competencies and composition of the Internal Audit Committee in Public Units, as well as relations with the Internal Audit Unit.
- ▶ The 3 independent members of the Committee are appointed by order of the head of the public unit, and their expertise should cover: One expert in the field of **internal audit in the public sector**; One expert in the **field of legislation**; One expert in the field of **financial management and control**. The expert in the field of internal audit must be certified as **“Public Sector Internal Auditor”**.
- ▶ *It is important to underline that all members of Audit Committee are not employed within the public entity.*





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Competencies of AC

- ▶ The Internal Audit Committee has the authority to monitor any issues related to the internal control and audit systems, within the scope of state responsibility of the public entity. It is authorized:
 - ▶ a. To give an opinion on the strategic and annual plan of the internal audit unit before approval by the head of the public unit;
 - ▶ b. Monitor the reports of the internal audit unit addressed to the head, in order to achieve the objectives of internal audit;
 - ▶ c. Advise and give an opinion on the head of the public entity, on disputes between the audited party and the internal audit unit;
 - ▶ d. Collaborate with the head of the public entity and the internal audit unit.





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Competencies of AC

Some of opinions of audit committees reports included:

- ▶ Limitations of audit work
- ▶ It is ascertained that some audit units still have shortcomings in the implementation of the audit plan, in the risk assessment.
- ▶ Insufficient audit capacity in number and qualifications
- ▶ The quality of audit recommendations needs to be improved, especially in clearly defining the cause and responsibility for each audit finding





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Competencies of AC

- ▶ Lack of The **Internal Quality Assurance Program**
- ▶ It is estimated that the pay and remuneration system for internal auditors **does not encourage their professional development**, and it may be a cause for violation of independence
- ▶ There are **shortcomings in the planning of information technology audits** and performance audits.
- ▶ The demand for the audit of IPA funds is increasing, which should be accompanied by the intensification of special trainings in this field,
- ▶ inside and outside the country.



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PLANS FOR FURTHER DEVELOPMENT

- However, as the environment evolves, we recognise that the establishment of audit committees should be a “MUST”.
- Good audit committees help ensure financial integrity, limit risk and protect ministries’ with regulators and the public.
- Improvements in both aspects: increase the number of established audit committees and having effective audit committees in place are needed.
- The effective audit committees could catalyse better governance in public entity.





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COOPERATION



Expertise/Support

Needs assessment

Capacity building

Technical assistance

System evaluation

Recommendations

System monitoring

Audit Committee



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Thank you for your attention!

QUESTIONS?

Topics for discussion

- I. Audit Committee – from requirement to necessity
- II. Audit Committee's contribution to Good Governance

Where the AC should be established



Audit Committee

How to increase the Effectiveness of AC



Who should be members of AC



What are the functions of AC



Collaboration