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Financial Management, Accounting & Controlling curricula development for capacity building of public administration

Trainings of public administration officials by external expert Mr Fatmir Berdica in the framework of FINAC Project, Work Package 5 on Performance Management & Auditing and IT Audit

15-18 January 2019

WP5

Approach to WP5 Trainings of Public Administration

Co-funded by the Erasmus+ Programme of the European Union

Four-day trainings organised by an external expert on IT auditing and Performance Management & Audit with the collaboration of the Department of Public Administration, Council of Ministers.

Place: Department of Public Administration, Council of Ministers, Tirana, Albania

Day I – 15ᵗʰ January 2019

Trainer: Fatmir Berdica, External Expert eganged by UET in the framework of FINAC Project

The context

Until now, public sector professionals have been more interested in the volume of financial resources allocated to a policy or project, rather than concrete results achieved thanks to these means. Now, budget discussions include not only the means but also the efficiency of spending and the outcomes in relation to the objectives and criteria for each programme. By entering in a logical assessment of the performance, seeking to improve the efficiency of public spending and directing management to predefined results, public institutions undertake to review their culture, their functioning ways and working methods (Reports of WP1 Findings for Albania, 2017).

Objectives of training

The training will cover advanced theoretical, methodological and applied aspects of Public Performance Auditing (PPA), in most cases directly applied through case studies. The programme will enable professionals to develop their PPA competences, mainly through the development of procedural and analytical skills and the acquisition of specific knowledge on PPA. The main teaching objectives are:

- Upgrade basic knowledge in accounting
- Acquire procedural and analytical knowledge in PPA ("5 E model": Economy, Efficiency, Effectiveness, Environment, Equity)
- Apply processes and knowledge via case studies

Training topics

Introduction: Presentation of Public Performance Audit
Audit as part of the public budgetary system
From 3 "Es" concept to 5 "Es": Economy, Efficiency, Effectiveness, Environment, Equity
The key principles and the stages of a performance audit
Audit recommendations, follow-up and impact assessment

FINAC
FINancial management,
Accounting & Controlling
in public administration

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Initially participants were requested to sign in the attendance sheet. The expert conducted a brief presentation of FINAC project, its achievements in Albania and Erasmus+ Programme. This presentation was prepared by project coordinator at UET and was delivered by the expert in order for participants to get acquainted with the project. All participants were requested to introduce themselves and briefly explain their position within the administration. The majority of them worked for the Department of Public Administration and their profiles included: IPA Projects / Human resources and recruitment / Finance and Management / Information Technology. A small group was preferred in order to have a better training experience.

State of auditing in public administration in Albania and EU Integration – General perspectives - This section started with an overview from the trainer regarding the state of auditing in public administration in Albania: legislation in place, rules and procedures, performance and its future in lieu of European Integration process. This was followed by discussions in the group based on their experience.

Audit principle and difference among internal audit, performance audit and external audit - This topic was the core of the first day. The presentation was in Albanian and a participatory approach was followed. The trainer focused on the principles of auditing and focusing on performance audit. Performance audits typically examine the effectiveness, economy or efficiency of a government program. Our auditors might analyse the services of an entire agency or division, compare actual agency practices against the practices called for in law or policy, seek possible cost savings, or identify the outcomes achieved by a program or service. As an addition resource the EU Performance Audit manual was presented and can be found **here.** Different types of audit reports were presented as an example taking cases from public administration.

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Day II – 16th January 2019

Trainer: Fatmir Berdica, External Expert eganged by UET in the framework of FINAC Project

Main topic: Internal control systems in Public Administration

Recent economic and technological developments have influenced the way the public sector is seen and the way it should act, and it is clear that these rapid changes and global uncertainties continue to affect the demands on public administration.

Internal Control provides assurance that sound financial management is being properly implemented both in terms of operations (economy, efficiency and effectiveness,) and compliance (public entities have an example role, so they have a particular responsibility in complying with legislation and regulations).

The first session was a wrap up and lessons learnt from the previous day. Development of internal control system in public administration - 8 PIC principles:

(1) Good public governance in the public interest is the context, the purpose and the driver of PIC;

(2) PIC is focused on performance;

(3) PIC is based on COSO and INTOSAI;

(4) The accountability triangle is a cornerstone of PIC;

(5) PIC is organised according to three lines of defence;

(6) PIC requires a functionally independent internal audit function;

(7) PIC is harmonised at an appropriate level;

(8) PIC adopts a continuous improvement perspective.

Resources can be found here and here and here from SIGMA OECD.

Audit in public administration and legal basis governing it (with short break) - The focus was on Albania and its legal basis also looking at the Finance Management of the Government of Albania, which can be found here. Modern financial management requires modern and well-integrated systems support. Considerable resources will, therefore, be devoted to designing and implementing an integrated financial management system, an IFMIS supporting all major processes involved in the management of the government's finances and operations. A unified command for developing the conceptual design for the IFMIS, for coordinating, and for financing the different activities involved in implementing the IFMIS will be set up in MoF. The Government will solicit basket funding from its partners for the purpose. Performance monitoring and reporting in Albania is regulated by the Organic Budget Law, and the Instruction of the Minister of Finance no.2, dated 6.2.2012, "On the standard procedures of budget execution" as well as a yearly updated MoF Instruction "On the execution of the annual budget". In addition, in 2014, with the proposal of the Ministry of Economic Development, Trade and Entrepreneurship, the Council of Ministers has approved a new methodology

for monitoring public investment projects, by increasing the frequency and quality of reporting sent by the budget users. EURALIUS Report here.

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Day III – 17th January 2019

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Topic: Auditing of information systems

The challenge of Information System Auditing, as it is known nowadays, is a consequence of a most important current trend, namely the change from an Industrial to an Information Society. The planning, control, security and cost reduction involved in Information Systems is currently essential for organizational strategies.

The first session was a wrap up and lessons learnt from the previous day and how to link it to auditing information systems. Auditing information system, concepts and methodology – I - In a similar way to Financial Auditing, Information System Auditing requires an opinion about the Information Systems and data that they process. The data must be accurate, complete and authorized. Errors must be properly detected and corrected in time and there must be planned and accurate procedures to guarantee the continuation of operations. The general Information System Auditing Objectives are as follows:

• Validation of the organizational aspects and administration

of the Information Service function.

• Validation of the controls of the system development life cycle.

• Validation of access controls to installations, terminals, libraries, etc.

• Automation of Internal Auditing activities.

• Internal Training.

• Training members of the Information Service Function Department

• Collaboration with External Auditors.

Auditing information system, concepts and methodology – II (with short break) - To approach an Information System, a Plan has to be developed, similar to the ones used in Financial Auditing. Some of the tasks involved are as follows:

• Definition of Scope and Objectives.

• Analysis and understanding of standard procedures.

• Evaluation of system and internal controls.

• Audit Procedures and documentation of evidence.

• Analysis of facts encountered.

• Formation of opinion over the controls.

• Presentation of report and recommendations.

Audit Techniques are of various types but they may be grouped in two types of evidence:

• Compliance Tests: They verify the correct execution or registration of an operation or process through its repetition or observation. (Test data, logic reviews, and sample of a file).

• Substantive Tests: They make analytic review of real data, to test its quality, by using certain audit software or packages. (C.A.A.T.). Audit Manual Albania

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Day IV– 18th January 2019

Trainer: Fatmir Berdica, External Expert eganged by UET in the framework of FINAC Project

Topic: IT Risk Management and Information System Audit Tools and Accountability of Public Administration

T Risk Management – Guidelines Albanian Regulation - IT risk management is the application of the principles of risk management to an IT organization in order to manage the risks associated with the field. IT risk management aims to manage the risks that come with the ownership, involvement, operation, influence, adoption and use of IT as part of a larger enterprise.

- IT risks are managed according to the following steps:
- Assessment: Each risk is discovered and assessed for severity
- Mitigation: Countermeasures are put in place to reduce the impact of particular risks
- Evaluation and Assessment: At the end of a project, the effectiveness of any countermeasures (along with their cost-effectiveness) is evaluated. Based on the results, actions will be taken to improve, change or keep up with the current plans.

Information System Audit Tools and Accountability of Public Administration (with short break) - Public sector audit has experienced considerable expansion throughout the world. The reason for this is closely related to changes in the structure of government and concern for more accountable and transparent governance, which has resulted in a large increase in the number of accounts and sophistication of financial reporting. The expansion has brought with it an added demand for accountability (Dowdall, 2003). Public sector accounting is quite distinct from commercial accounting in terms of objectives, sources of revenue and bases of recording accounts, responsibility and accountability among others.

It is useful however, to distinguish between audit and other forms of regulation and inspection. Public audit applies to almost every public sector body and is relatively wide-ranging, from certifying the accounts to examinations of economy, efficiency and effectiveness. The audit function and the form in which audit results are reported tend to reinforce the traditional line of public sector accountability to elected representatives rather than establish new forms of accountability.

Accountancy Audit

Deals with the rules or the principles of accounts by examining whether the accounts have been prepared in accordance with accounting concepts and postulation and that all expenditure payment vouchers, receipts and the like are treated accordingly.

Appropriation Audit

Involves a thorough scrutinization of estimates or budget in comparison with the yearly accounts prepared by the accounting officers of each agency of government.

Administrative Audit

Involves close monitoring whether the agency of government is being run according to the rules and regulations. EU Court Auditors

References

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