



Global Call for Proposals – ALSAI Concept Note

1. Concept note proposal and ALSAI’s background

1.1 Applicant	Supreme Audit Institution of Albania (ALSAI) Application approved by: Dr. Bujar Leskaj, Chairman of ALSAI
1.2 Legal Applicant	ALSAI
1.3 Contact Details	Ms Luljeta Nano, General Secretary of ALSAI, Tel: +355 69 205 8012, E-mail: lnano@klsh.org.al ; Ms. Irena Islami, Director of ALSAI’s Communication, Publication and Foreign Relations Directorate, Tel: +355 66 601 8399, E-mail: iislami@klsh.org.al ;
1.4 Title and Duration	Joint audits (between ALSAI auditors and partner SAIs’ experts through IDI) on public tenders, on concessions and public-private partnerships, combined with IT audit, to strengthen public supervision, increase transparency, quality and curb corruption in public bids, concessions and PPPs. Duration: 2019-2020
1.5 Project Purpose	Increase ALSAI’s contribution to strengthen the accountability in the use of Government funds through more professional and inclusive audits of public procurements, concessions and public-private partnerships
1.6 Project Outcome	Improved accountability and transparency of government spending, through timely and high-quality audits delivered by ALSAI. This entails; 1) Increased audit capacities of ALSAI auditors in the field of public tenders , concessions and public-private partnerships supervision, introducing IT audits; 2) Increased participation of civil society in the conduct of ALSAI procurement, concessions and PPP audits over public bids and increased sensitization of public opinion on the results, findings and recommendations of these audits; 3) More convinced and motivated public administration institutions to implement ALSAI’s procurement, concessions and PPPs audits recommendations. Increased State Budget savings from implementation of audit recommendations; 4) Increased parliamentary follow-up of ALSAI’s most important procurement, concessions and PPP audits recommendations;



	<p>5) Improved audit reporting: more qualitative, deep and problems solving reports, as well as more timely submission and publication of the audit reports.</p>
<p>1.7 Problem analysis</p>	<p>ALSAI is mandated by the Constitution (Articles 161 to 165 of the Constitution) of Albania to carry out its mission. The institution has a 92 year history, established in 1925. The philosophy of its work is to be an agent of citizens and Parliament to ensure that the management of public funds is made with economy, effectiveness and efficiency. The SAI puts emphasis in conducting its audits based on INTOSAI's international standards, the ISSAI-s.</p> <p>The fundamental law of the institution is law no. 154/2014 "On organization and functioning of the SAI", adopted in November 2014 by Albanian Parliament. The adoption of this law is regarded as the most important reform in the history of ALSAI since 1991, after the collapse of communism in Albania. This law paves the way for a comprehensive reform and modernization of the institution, in accordance with the international standards of supreme audit, the ISSAI-s. It also widens the scope of audit. For the first time in ALSAI's legislation, the new law gives a full definition of performance audit and IT audit.</p> <p>Public procurement (tendering), concessions and PPPs are among most vulnerable aspects of State activity and high-risk areas of public administration and management, where legal and procedure like violations detected from ALSAI audits (some of them also denounced in Albanian media) are impressive and bring considerable damage to the State Budget. Only in one concession of Albania's Patos-Marinze oilfield, ALSAI has detected a loss of USD 280 million in State Budget revenues for the period 2011-2015.</p> <p>International Monetary Fund and World Bank surveys have warned Albanian Government on the high risk of debt accumulated through concessions and PPPs that are under performance now and which also jeopardize the success of country's PFM Strategy 2014-2020.</p> <p>When you talk or deal in Albania with public bids and public procurement, or with concessions and PPPs, the State contracting authority mindset in many cases goes immediately to illegal private profit and forgets public money good governance and saving. The US Department of State 2017 Investment Climate Statement on Albania brought cases of U.S. companies which complained that they were disqualified from public tenders despite offering the lowest qualified bid, only to see the Government award the contract to a local company.</p> <p>Public procurement procedures, contract stipulation and performance of concessions and PPPs are a battleground for those who fight corruption in the country. The bulk of "massive corruption" in public administration relies in public procurement, concessions and PPPs procedures.</p>



For example, from a SAI's pilot IT audit conducted at the Public Procurement Agency in 2016, but also from the audits pursuant to the execution of 2015 consolidated State Budget, the problems that relate to public bids does not only affect the principles of public procurement, based on market rules and free competition, but also affect the effectiveness of the on-line system established to perform the bids. ALSAI has found that during 2014, 4,605 procurement procedures have been developed for large purchases for a total amount of money in the region of 43.3 billion Lek (over USD 400 million) and have been awarding contracts to 1,081 private economic entities, with only 3% of procurement bids sizing 50% of the money, bringing less effectiveness for the half of the remaining difference of 97% of procurements with the same money limit.

This indicator shows that there is no effective use of competition and that in many cases the procurement results does not show the best value of public money and does not maintain standards of honesty, integrity, impartiality and objectivity.

This fact and the later analysis developed by the SAI for identifying high-risk areas, show that public procurement procedures and electronic procurement system as a means for their implementation have many shortcomings and are frequently developed under the pressure of abusive interests and benefits. Out of 481 audited tenders, the SAI found in 399 of them 1,254 violations of procurement procedures, causing considerable economic damage to the State Budget. ALSAI has detected cases of hidden agreements in public bids, where open tender procedures are carried out only by having only one private economic operator as bidder.

ALSAI has detected also that the concessionary and PPPs contracts are granted without the consultation of an expert and professional structure outside of Government (e.g. a research institute), possibly under the jurisdiction of Parliament. Without this professional and independent backup, present and upcoming concessions and PPPs risk to cause the State Budget and Albanian taxpayers considerable economic damage.

The solution(already recommended by ALSAI) of the above-mentioned problem lies in establishing independent (from Government) professional structures (scientific task groups, institutes, etc., e.g. the re-organization of the State Petroleum studies institute) able to discuss the performance of present concessions and PPPs and the pro's and con's of future ones and sensitize the Parliament and the public opinion on the risks of wrong decision making from Government. The positive pressure exercised until now from ALSAI has not been sufficient to impose the implementation of such a recommendation.



ALSAI needs more technical expertise among its auditors to be more convincing to MPs and respective parliamentary Committees on the paramount necessity to implement its main recommendations from public procurement, concessions and PPPs audits.

The main contrast stays with the fact that with less positive pressure from Parliament (due to lack of complete information and conviction among MPs) on Government structures to implement ALSAI's recommendations on public procurement, concessions and PPPs, the Government finds it easier to remain silent and reluctant to implementing ALSAI recommendations.

If SAI auditors will be well trained and the findings and recommendations on public procurement, concessions and PPPs will contain more argument and technical expertise, ALSAI would be able to convince the Parliament to exercise complete positive pressure on Government and better and more directly follow up the implementation of SAI recommendations.

With increased pressure from Parliament, the Government will start implementing some key SAI recommendations and will improve procurement, concession and PPP contracts and performance by causing less damage to State Budget and saving more taxpayer's money.

ALSAI operates in a challenging environment and the knowledge on present techniques of public bids, concessions and PPPs is scarce among its auditors. There is huge need for IT audit knowledge and knowledge on the use of IT in procurement, concessions and PPPs audits.

ALSAI PMF assessment for 2016 also shows, that the results are affected by deficiencies with internal capacity, such as:

- A poorly defined audit practice in IT audits and in procurements. ALSAI lacks an audit manual in procurement audits and the guidelines its auditors are using do not provide sufficient support
- Participation in the 3i programme has identified that rollout of ISSAI compliant practices within the SAI would require comprehensive training of staff
- Because of the lack of staff, planning processes in procurement, concessions and PPPs IT audits yet lack appropriate documentation.

Against this background, ALSAI is trying to develop its capacity and strengthen audit results. The medium-term Development Strategy of ALSAI 2013-2017 was revised in 2015, to further approximate institution's objectives with the strategic directions of



	<p>development of INTOSAI and EUROSAI. The strategy contains 6 main objectives: the development of the institutional capacity of the SAI, increasing audit capacity and audit quality, improving quality and increasing the number of performance audits, development and consolidation of IT audit and the use of IT programs in audits, increasing SAI contribution to good governance, through the fighting corruption and increasing the impact of SAI through communication and cooperation.</p> <p>Performance and IT audit will be considered for a future phase as the organization matures. The 2018-2022 Strategic Plan which is under preparation, will focus on three top priorities for ALSAI’s development needs in its future:</p> <ol style="list-style-type: none"> 1. Sensible increase of Performance and IT audits 2. Raising audits at the EU and international audits standards level 3. Strengthening relations with key stakeholders home, in particular with Parliament and engaging in more intensive cooperation with INTOSAI and EUROSAI <p>ALSAI recognises three categories of capacity development initiatives as a response to its top development priorities:</p> <ul style="list-style-type: none"> • COMPONENT 1: Institutional Capacity Development • COMPONENT 2: Professional Staff Capacity Development • COMPONENT 3: Organizational Systems Capacity Development
<p>1.8 Beneficiaries</p>	<p>The main beneficiary is ALSAI. Albania is a developing country.</p>
<p>1.9 Financing Sought</p>	<p>The financing sought is US \$ 248, 852 over two years, to cover all three components</p>
<p>1.10 Implementing Partner(s)</p>	<p>Developed SAIs from the EU countries are sought to be the implementing partners for the three Components of this initiative.</p> <p>Key requirements for the implementing partners will include: experience of providing support to SAIs, developing relevant audit procedures and rolling out through joint audits and on the job training, delivering regularity audit training, strengthening human resource policies and introducing performance management systems, introducing audit quality control systems, strengthening SAI governance and corporate support, working with Parliamentary Committees, experience of public administration and SAI capacity development in the region and ability to deploy experts with appropriate skills.</p>



<p>1.11 Delivery approach</p>	<p>The implementation of the proposal would require a combination of peer-support, regional support, participation in a regional programme and use of third-party implementers.</p> <p>ALSAI aims at participating in an INTOSAI-led programme for development of staff, or a global or regional INTOSAI programme for capacity in audit standards and practice, in order to train additional staff, and keep updated on developments related to standards.</p> <p>Component 3 is suggested to be implemented through peer support, by an EU member State SAI. It will assist in the implementation of all activities under component 3, and responsibilities will further be identified through a ToR.</p>
<p>1.12 Alignment with recent or ongoing support projects</p>	<p>The proposed project is a comprehensible continuation of the results achieved by the IPA 2013 Twinning Project that is under implementation for the period 2016-2017.</p> <p>ALSAI has participated in IDI's 3i programme meetings in 2015-2016, which provided a comprehensive analysis of the SAI's compliance to ISSAI audit standards and guidelines.</p> <p>These results are being used as input in the development of the strategic plan 2018-2022 of ALSAI.</p>
<p>1.13 Existence of SAI-Donor Coordination Mechanism</p>	<p>There is no SAI-Donor Coordination Mechanism in place. Coordination is provided by unstructured and sporadic information exchange meetings among different projects staff.</p>
<p>1.14 Risk assessment of project</p>	<p><u>Critical Risks to Initiative Outputs and Outcomes:</u></p> <ul style="list-style-type: none"> i. ALSAI may find difficulties to employ experienced experts in IT and procurement , concessions and PPPs field ii. Developed SAI from the EU Member States may not able to provide support <p><u>Critical Assumptions</u></p> <ul style="list-style-type: none"> i. Parliament approves the annual budget request of ALSAI and makes the budgeted funds available as required throughout the year ii. Parliamentary Committee on Economy and Finance holds timely meetings to discuss issues binding ALSAI recommendations to the executive <p>ALSAI will adopt a recognised risk management approach that focuses on risk identification and tracking and on mitigating measures for key risks.</p>
<p>1.15 Monitoring of the project</p>	<p>ALSAI will establish a Capacity Development Committee (CDC), chaired by the Auditor General, which will be responsible for ensuring effective project monitoring, reporting and evaluation.</p>



In the first three months of the project, the CDC (including implementing partners) will prepare a project work plan and budget identifying key activities and milestones for each component, including responsibilities for each task.

6 monthly progress reports will be prepared in advance of each CDC meeting, and shared with the funding donors. These will cover:

- Overall progress against expected outputs and key issues arising
- Progress against key milestones under each component
- Proposed changes to the project work plan
- A financial report, showing use of resources by component, against the project budget

Within three months of the end of each financial year, key outcome indicators (below) will be measured, and progress towards outcome milestones will be reviewed, and the need for changes to the project plan will be considered.

There will be an external (process) evaluation of the project during 2019, which will provide an opportunity to reflect on progress, learn lessons and make changes for the future implementation of the Strategic Plan. This will include a repeat assessment of ALSAI PMF to measure the progress of the SAI.

2. Project design

2.1 Indicate the tangible outputs to be produced by the proposed project.

Expected outputs:

Specific goal and objectives with expected results.

The aim of the project is to foster public supervision and increase the quality, transparency and curb corruption in public bids, concessions and public-private partnerships (PPPs)

The objectives are:

- 1) Increase audit capacities of ALSAI in the field of public tenders, concessions and PPPs supervision, introducing in large IT audits;
- 2) Increase participation of civil society in the conduct of SAI procurement, concession and PPP audits over public bids and sensitization of public opinion on the results and recommendations of these audits;



3) Stimulate public administration institutions to implement SAI's IT audits recommendations in the field of public tenders, concessions and PPPs, with stronger Parliamentary supervision and SAI recommendations' follow-up .

Through the realization of the above objectives, the Project aims at the following results:

- a) conduct joint pilot ALSAI-IDI experts audits in some of most important public tenders, concessions and PPPs;
- b) prepare and publish the manual "How to conduct an IT audit on public bids, concessions and PPPs";
- c) increase the quality and impact of SAI's IT audits recommendations while auditing public tenders, concessions and PPPs;
- d) increase the information and supervision power of the civil society, media and public opinion through publication of the results of joint pilot ALSAI-IDI experts audits on public tenders, concessions and PPPs.

2.2 Group of Activities proposed to deliver the tangible outputs

The project will be developed over a period of 24 calendar months (two years) and will contain the following key activities:

1. Training sessions of SAI auditors on modern techniques to conduct financial audits and IT audits on public tenders, concessions and PPPs. Joint training of SAI auditors and internal auditors on public procurement audit;
2. Conducting study visits in developed SAIs of EU to learn from their experience in conducting IT audits on public tenders, concessions and PPPs;
3. Conduct two or three pilot joint (SAI auditors and IDI experts) audits on most important public tenders, concessions and/or PPPs recently finished or presently running.
4. Present the results and recommendations of the first two or three pilot audits in a national seminar entitled "State external and internal auditors united to curb corruption and fraud in public tenders, concessions and PPPs", with the participation of MPs, Government senior representatives, civil society and media.

The training sessions will be conducted by experts (foreign consultants or local experts from the civil society) selected and provided by the IDI. In general, the training session will have high participation of ALSAI auditors, representing 10 percent of ALSAI auditors (i.e. a selected group of 9-13 auditors). A selection of internal auditors from main State agencies will comprise in 10-15 internal auditors.

The training sessions will be developed throughout the project period. The training facilities will be provided by ALSAI.



The auditors that will be distinguished during the training sessions and the IDI experts will form the Working Group for the preparation of the manual “How to conduct an IT audit on public bids, concessions and PPPs”. The Manual will have templates, checklists and examples of similar audit reports from developed European SAIs. The Manual, which will be published by ALSAI, will be made available to ALSAI auditors and internal auditors in the country, in the format of a printed book and in electronic copy.

Logic of intervention

1. The trained SAI auditors will form the teams of pilot joint audits, together with IDI experts and an expert per team from Albania’s civil society(if possible)
 2. The findings and recommendations from the pilot joint audits, in a summarized report, will be sent to different interested Parliamentary committees
 3. The resolution of the National Seminar “State external and internal auditors united to curb corruption and fraud in public tenders, concessions and PPPs” will ask for stronger Parliamentary oversight and follow-up of SAI recommendations in the field of public procurement, concessions and PPPs
- The ALSAI members of the Working Group, after completion of the Project, will serve as trainers for the new auditors in ALSAI, ensuring continuity and sustainability of project results.

2.3 Roles of the Applicant and Implementing Partners in the Proposed Project

Key requirements for the implementing partners will include: experience of providing support to SAIs, developing regularity audit procedures and rolling out through on the job training, delivering regularity audit training, strengthening human resource policies and introducing performance management systems, introducing audit quality control systems, experience in working with Parliamentary Accounts Committees, experience of public administration and SAI capacity development in the region and ability to deploy experts with appropriate skills.

2.4 Inputs

Inputs are further elaborated in the budget including;
Funding for daily rates for regional or peer experts to deliver support to above-mentioned activities.
Budget for Flights and accommodation for all experts to deliver activities.
INTOSAI standards for regularity audits, relevant Global Public Goods and guidance material, as well as training material.

2.5 Budget

The costs are budgeted to be USD 108 300 in 2019 and USD 140 552 in 2020, in total US \$ 248, 852. ALSAI would finance 10 percent of the costs, and the requested external funding would finance 90 percent.