

# EUROPEAN MOVEMENT ALBANIA

AUDIT FOLLOW-UP AND  
ENFORCEMENT EFFECTIVENESS  
UNDER CHAPTER 32: PUBLIC  
FINANCIAL CONTROL AND EU  
ACCESSION IN ALBANIA

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This policy research paper examines the functional effectiveness of Albania's Public Financial Control (PFC) system within the framework of EU accession, with specific focus on Chapter 32 – Financial Control of the EU acquis. While Chapter 32 encompasses a broader set of components, including external audit, protection of the EU's financial interests, and anti-fraud coordination mechanisms, this study focuses primarily on enforcement effectiveness within the Public Internal Financial Control (PIFC) framework, with particular emphasis on audit follow-up. While Albania has largely consolidated the legal and institutional architecture of Public Internal Financial Control (PIFC), the decisive question concerns implementation maturity rather than formal legislative alignment. To ensure comparability, it is important to clarify that the figures used in this study are based exclusively on audit follow-up data reported by the Supreme State Audit (ALSAI, 2024), where implementation is classified into three distinct categories: fully implemented, partially implemented/in progress, and not implemented. The reported 37% refers strictly to the share of fully implemented recommendations relative to accepted recommendations. By contrast, the European Commission (2024; 2025) reports a broader indicator of 47%, which combines both fully and partially implemented recommendations. As such, these figures are not directly comparable, as they rely on different coding methodologies and aggregation criteria. The present analysis therefore maintains a stricter definition of implementation, focusing exclusively on fully executed corrective actions in order to assess enforcement effectiveness more precisely. This stricter coding approach avoids overestimation of enforcement performance.

These results suggest that Albania's Public Financial Control system, although structurally established, remains operationally fragile in terms of enforcement consolidation and managerial accountability. In the context of performance-based EU conditionality, this study argues that Chapter 32 can be interpreted as evolving from a legislative alignment benchmark into a broader test of institutional credibility. Persistent implementation weaknesses may therefore affect negotiation dynamics and accession credibility.

By shifting the analytical focus from structural compliance to measurable enforcement maturity, the study provides a performance-oriented framework for evaluating institutional consolidation under Chapter 32 and offers targeted policy recommendations aimed at strengthening accountability mechanisms and enhancing Albania's accession readiness.

**Keywords:** Public Financial Control; EU Accession; Chapter 32; PIFC; Good Governance; Albania.

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## Introduction

The European Union accession process has entered a phase in which formal legislative alignment with the *acquis* is no longer considered sufficient to demonstrate credible progress. Under the revised enlargement methodology and the “fundamentals first” principle, candidate countries are increasingly assessed on the basis of institutional performance and implementation effectiveness rather than normative transposition alone. Within this framework, Chapter 32 – Financial Control constitutes a strategic benchmark, as it directly reflects a state’s capacity to manage public resources responsibly and safeguard the financial interests of the European Union. The chapter covers a broad set of components, including Public Internal Financial Control (PIFC) based on decentralized managerial accountability, functionally independent internal audit, independent external audit reporting to Parliament, protection of the EU’s financial interests, and protection of the euro against counterfeiting.

In Albania, the legal and institutional architecture of Public Internal Financial Control (PIFC) has been progressively established and formally consolidated. Internal audit structures operate within public institutions, central harmonization mechanisms exist, and the regulatory framework broadly reflects EU standards. However, the existence of institutional structures does not automatically guarantee functional effectiveness.

The critical issue is no longer whether the system is formally in place, but whether it produces measurable corrective outcomes and whether audit recommendations translate into substantive administrative change.

This study is grounded in a central analytical premise: structural compliance does not necessarily equate to institutional maturity. In this context, Albania’s primary challenge under Chapter 32 increasingly relates to the consolidation of enforcement culture and managerial accountability, although certain legislative and policy alignment gaps still remain. The transition from rule-based compliance to performance-based governance represents a critical stage of institutional transformation. Without effective implementation mechanisms, formal alignment risks becoming procedural rather than transformative.

Empirical evidence derived from audit follow-up data reveals a significant discrepancy between formal responsiveness and actual enforcement. While the acceptance rate of audit recommendations remains exceptionally high, the proportion of fully implemented recommendations is considerably lower, and compliance with procedural deadlines appears inconsistent. This divergence suggests the presence of a structural enforcement gap that may undermine the preventive and corrective function of the financial control system. Although similar implementation challenges are observable across enlargement contexts,

the Albanian case illustrates the critical importance of shifting analytical focus from institutional architecture to operational outcomes. Regional benchmarking exercises provide useful contextual insights, yet they do not substitute for a micro-level performance assessment grounded in implementation data. For this reason, the present study develops an independent analytical framework designed to evaluate functional effectiveness rather than replicate existing monitoring narratives.

To operationalize this assessment, the paper constructs three governance performance indicators: the Implementation Effectiveness Ratio (IER), the Enforcement Gap Index (EGI), and the Follow-Up Compliance Rate (FCR). By employing these indicators, the analysis moves beyond descriptive institutional evaluation and introduces a measurable enforcement-based approach to assessing Chapter 32 compliance.

The central research question guiding this study is: To what extent does Albania's Public Financial Control system demonstrate functional effectiveness beyond formal legislative compliance under Chapter 32?

By addressing this question, the paper seeks to contribute to the broader policy debate on institutional consolidation in Albania's EU accession trajectory. More specifically, it aims to determine whether progress in financial control reflects deep administrative internalization of accountability practices or remains predominantly anchored in structural approximation. In doing so, the study challenges the implicit assumption that formal alignment necessarily signals institutional maturity and instead proposes a performance-based lens for evaluating compliance under Chapter 32.

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## Literature Review

The evolution of Chapter 32 – Financial Control should be interpreted within the broader framework of European Union enlargement policy, which has consistently emphasized not only legislative alignment with the *acquis* but also its effective implementation and enforcement. While earlier accession rounds placed greater operational focus on transposition and institutional establishment, the current enlargement methodology further reinforces the importance of measurable institutional performance, managerial accountability, and enforcement effectiveness as key indicators of progress. This performance-oriented approach is clearly reflected in primary accession sources, including the Cluster 1 screening report and the European Commission’s Albania Reports (2023; 2024; 2025), which place increasing emphasis on implementation capacity and audit follow-up as central elements of Chapter 32 compliance. In this context, enforcement effectiveness—particularly in audit follow-up—has become a central benchmark for assessing the credibility of public financial control systems.

Public Internal Financial Control (PIFC) is conceptualized by the European Commission (2015) as a governance framework designed to safeguard EU financial interests and ensure sound public financial management.

However, the existence of a regulatory framework does not automatically generate institutional effectiveness. Enlargement literature consistently highlights the distinction between formal compliance and functional consolidation (Schimmelfennig & Sedelmeier, 2005; Börzel & Risse, 2012). Formal compliance refers to the adoption of EU-compatible legislation and the creation of institutional structures, whereas functional effectiveness concerns the operational capacity of these structures to produce measurable corrective outcomes.

The theoretical foundations of financial control are closely linked to agency theory (Jensen & Meckling, 1976), which conceptualizes public administration as a principal–agent relationship characterized by informational asymmetries and incentive misalignment. Within this framework, audit and internal control mechanisms serve as institutional safeguards intended to reduce opportunistic behavior and strengthen accountability. However, monitoring alone does not eliminate agency problems unless accompanied by credible enforcement and incentive realignment.

Public management reform literature further emphasizes that modern governance systems require the integration of performance measurement and managerial responsibility into financial control frameworks (Pollitt & Bouckaert, 2017). Internal control should function not merely as a procedural compliance mechanism,

but as a managerial instrument embedded within decision-making processes and risk management structures. When audit recommendations are systematically acknowledged but only partially implemented, the corrective capacity of oversight institutions remains limited.

OECD and SIGMA assessments (2015; 2019; 2024) reinforce this perspective in the enlargement context, identifying a recurring pattern across candidate countries: institutional architectures for PIFC are generally established, yet enforcement consistency and follow-up discipline remain uneven. The effectiveness of financial control is therefore increasingly evaluated through implementation metrics, including recommendation follow-up rates, deadline compliance, and managerial accountability practices.

In the specific domain of supreme audit institutions and internal audit systems, the World Bank (2018; 2021) underscores that governance improvement is contingent upon the implementation of audit recommendations rather than the production of audit reports per se. A persistent gap between recommendation acceptance and full implementation signals structural weaknesses in ownership, accountability, and enforcement culture.

Recent developments in the 2024–2025 enlargement cycle further strengthen this performance-oriented paradigm.

The European Commission (2024) explicitly frames progress under Chapter 32 in terms of measurable implementation outcomes, while OECD and SIGMA (2024) emphasize the need to consolidate audit follow-up mechanisms and embed managerial accountability within administrative practice. In this context, institutional credibility is increasingly determined by enforcement maturity rather than legislative alignment alone.

In Albania, monitoring reports document significant progress in establishing the structural components of public financial control (European Commission, 2023; SIGMA, 2024). However, comparatively limited scholarly attention has been devoted to operationalizing enforcement performance through measurable indicators derived from audit follow-up data. The literature often evaluates reform progress at a structural level, whereas fewer studies focus on micro-level implementation dynamics.

This analytical gap is particularly relevant in the current accession phase, where performance-based conditionality has become central to negotiation credibility. By focusing on implementation ratios, enforcement discrepancies, and procedural compliance rates, the present study contributes to the literature by proposing an enforcement-based analytical framework. Rather than reproducing monitoring narratives, it develops a measurable approach to assess whether Albania's Public Financial Control system functions as an effective accountability mechanism or remains predominantly anchored in structural compliance.

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## Methodology

This study employs a policy-oriented analytical design based on secondary institutional data and performance-based evaluation. The methodological framework is built upon the distinction between formal compliance and functional effectiveness under Chapter 32.

The empirical analysis relies on European Commission progress documentation (2023–2025), including the most recent Albania Report (2025), OECD/SIGMA monitoring assessments (2024), and national audit follow-up data from the Supreme State Audit. In addition, the analysis is informed by the Chapter 32 screening findings under Cluster 1, which provide a detailed benchmark of alignment and implementation requirements. While EU and OECD sources provide contextual benchmarking, the core analytical focus of the study is placed on audit recommendation implementation as a measurable proxy of enforcement capacity.

To operationalize functional effectiveness, the study constructs three enforcement-based indicators:

- Implementation Effectiveness Ratio (IER): the proportion of fully implemented recommendations relative to accepted recommendations.
- Enforcement Gap Index (EGI): the difference between recommendation acceptance and full implementation rates.
- Follow-Up Compliance Rate (FCR): the rate of compliance with procedural deadlines for corrective action.

These indicators allow for ratio-based performance assessment of enforcement maturity without relying on econometric modeling, which would be less suitable given the institutional focus of the research question. The analytical procedure proceeds in two stages: first, structural alignment is assessed at a contextual level; second, enforcement indicators are applied to audit follow-up data to evaluate operational effectiveness. This approach enables a measurable interpretation of institutional maturity beyond formal legislative approximation.

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## Empirical Analysis

The empirical analysis aims to evaluate whether the structural alignment of Albania’s Public Financial Control system translates into functional implementation effectiveness. In this context, audit recommendation follow-up is used as a direct proxy for the system’s capacity to generate corrective outcomes. Audit implementation data reveal a differentiated performance profile based on the Supreme State Audit (ALSAI) follow-up reporting cycle for 2024, as reflected in the 2025 reporting documentation. The dataset includes a total of 4,348 audit recommendations addressed to public institutions and subsequently monitored during the official follow-up process. Within this dataset, “accepted recommendations” refer to those formally acknowledged by audited institutions as requiring corrective action.

“Fully implemented” recommendations are those for which corrective measures have been completed and verified within the follow-up cycle. “Partially implemented/in progress” refers to recommendations for which implementation has started but has not yet been completed, while “not implemented” includes recommendations for which no substantive corrective action has been undertaken.

Based on these definitions, the formal acceptance rate reaches 99%, indicating a very high level of procedural responsiveness. However, only 37% of the recommendations have been fully implemented, while approximately 30% remain unimplemented. The remaining share is either partially implemented or still in progress.

Based on these figures, the three enforcement indicators introduced in the methodology are applied.

## Empirical Data Overview

Category	Number	Percentage
Total audit recommendations	4,348	100%
Accepted recommendations	4,305	99%
Fully implemented	1,590	37%
Partially implemented / In progress	1,450	33%
Not implemented	1,308	30%

(Source: Supreme State Audit, 2024 follow-up reporting cycle.)

The data reveal a differentiated enforcement profile. While the acceptance rate of audit recommendations is exceptionally high, the proportion of fully implemented corrective measures remains significantly lower. This discrepancy forms the empirical basis for the enforcement-based indicators applied below.

## Implementation Effectiveness Ratio (IER)

This result indicates that fewer than four out of ten accepted recommendations are translated into fully implemented corrective measures. The finding suggests that institutional responsiveness is largely procedural rather than substantively transformative.

## Enforcement Gap Index (EGI)

An enforcement gap of 62% represents a substantial discrepancy between formal commitment and effective enforcement. This indicator signals structural weaknesses in follow-up mechanisms and managerial accountability.

## Follow-Up Compliance Rate (FCR)

Only 46% of institutions fully comply with the six-month deadline for implementation and reporting. This reflects limited procedural discipline and insufficient corrective enforcement capacity.

## Integrated Performance Profile

IER	37%	Moderate–low implementation effectiveness
EGI	62%	High enforcement gap
FCR	46%	Weak procedural discipline

Overall, the performance profile suggests a system that is structurally consolidated but operationally fragile. Formal compliance exists at a high level, yet the depth of implementation remains limited.

## Analytical Interpretation

Within the accession context, this performance profile may be interpreted as a transitional stage between normative alignment and institutional maturity. However, reducing the enforcement gap remains essential for strengthening the credibility of compliance under Chapter 32. A critical dimension of enforcement under Chapter 32 concerns the effectiveness of the parliamentary accountability chain.

The European Commission has increasingly emphasized the role of Parliament in scrutinizing audit follow-up, particularly through specialized structures such as the parliamentary subcommittee on audit.

Effective parliamentary oversight ensures that audit findings are not confined to institutional reporting but are subject to public scrutiny and political accountability. In this regard, the systematic review of implementation performance, including hearings, follow-up reporting, and engagement with audited institutions, strengthens the enforcement environment and reinforces managerial responsibility. Without active parliamentary involvement, the audit function risks remaining procedurally compliant but limited in its corrective impact.

This analytical insight directly informs the policy recommendation to further strengthen parliamentary oversight mechanisms, including the systematic monitoring of executive follow-up to ALSAI recommendations and the enhanced role of the parliamentary subcommittee on audit.

## Discussion

The empirical findings reveal a structural paradox within Albania's Public Financial Control system: high formal responsiveness coexists with moderate implementation effectiveness and weak enforcement discipline. The enforcement-based indicators developed in this study provide a measurable bridge between institutional design and operational accountability, allowing for a more precise evaluation of Chapter 32 readiness. This divergence provides important insights into the maturity of institutional accountability under Chapter 32.

The 99% acceptance rate of audit recommendations suggests that institutions demonstrate procedural compliance and formal acknowledgment of oversight findings. However, the Implementation Effectiveness Ratio (37%) indicates that less than half of these commitments are translated into fully realized corrective actions. The Enforcement Gap Index (62%) quantitatively captures this discrepancy and highlights the structural distance between formal alignment and operational consolidation.

From an agency theory perspective, this enforcement gap reflects incomplete resolution of principal–agent asymmetries. While oversight institutions (as agents of public accountability) identify deficiencies and issue recommendations, audited entities do not consistently internalize these findings into substantive managerial reform. The persistence of unimplemented recommendations suggests that incentives for corrective action remain weak, and sanctioning mechanisms insufficiently credible. In such circumstances, audit processes risk becoming procedural routines rather than transformative governance instruments.

The findings also resonate with performance-based governance theory. Contemporary public administration reforms emphasize managerial responsibility and measurable outcomes. However, the relatively low IER suggests that accountability mechanisms are not yet fully embedded in managerial evaluation frameworks.

If implementation performance is not linked to institutional incentives, career progression, or sanction mechanisms, the corrective function of audit loses its strategic impact. In this regard, the Follow-Up Compliance Rate (46%) further illustrates weaknesses in enforcement discipline, as delayed or incomplete reporting undermines the preventive logic of financial control.

The distinction between formal compliance and functional effectiveness becomes particularly salient in the enlargement context. EU accession increasingly relies on performance-oriented conditionality, where compliance is evaluated through demonstrable outcomes rather than legislative transposition alone. In this light, Albania's structural alignment may satisfy normative criteria, yet the enforcement indicators reveal a transitional stage of institutional maturity. The system appears structurally established but not yet fully internalized in terms of accountability culture.

Importantly, the enforcement gap identified in this study should not be interpreted solely as institutional failure. Rather, it may reflect a broader administrative transformation process in which procedural compliance precedes behavioral consolidation. In many governance reform trajectories, the establishment of formal systems occurs before managerial norms and accountability practices become fully embedded. Nevertheless, the persistence of a high enforcement gap signals that the consolidation phase requires targeted structural interventions.

Another relevant dimension concerns the preventive function of financial control. A system characterized by limited follow-up effectiveness weakens its own deterrence capacity. If recommendations are systematically accepted but only partially implemented, the corrective impact of oversight diminishes over time. This dynamic may generate reputational compliance without substantive reform, thereby reducing the long-term effectiveness of the PIFC framework.

From a comparative regional perspective, the Albanian case illustrates a broader enlargement challenge: the transition from rule-based governance to enforcement-based institutional maturity. However, the construction of micro-level enforcement indicators in this study allows for a more precise diagnosis than macro-level benchmarking scores. By quantifying implementation gaps, the analysis moves beyond descriptive alignment narratives and identifies concrete dimensions of institutional consolidation.

Ultimately, the discussion suggests that, while Albania has made substantial progress in legislative approximation under Chapter 32, certain legislative and institutional alignment gaps still remain. At the same time, the findings indicate that implementation and enforcement now represent the dominant challenge. Strengthening enforcement culture, embedding managerial accountability into institutional practice, and linking audit follow-up to tangible administrative consequences are therefore critical for advancing institutional maturity. Without such consolidation, structural compliance may remain procedurally strong but operationally limited.

In this sense, the findings support a performance-oriented interpretation of Chapter 32 readiness: institutional maturity should be evaluated not only by the existence of control mechanisms, but by the measurable depth of their corrective impact.

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## Conclusion

This study set out to evaluate whether Albania's Public Financial Control system demonstrates functional effectiveness beyond formal legislative compliance under Chapter 32. By constructing and applying enforcement-based indicators—namely the Implementation Effectiveness Ratio (IER), the Enforcement Gap Index (EGI), and the Follow-Up Compliance Rate (FCR)—the analysis shifted the focus from institutional existence to measurable performance.

The findings clearly indicate that Albania has achieved a high level of formal compliance in establishing the legal and institutional architecture of Public Internal Financial Control. The regulatory framework is in place, internal audit structures operate across public institutions, and oversight mechanisms function procedurally. However, the empirical results reveal a substantial gap between formal responsiveness and effective corrective action. A very high recommendation acceptance rate coexists with a significantly lower rate of full implementation, while procedural compliance with reporting deadlines remains moderate. This discrepancy between commitment and execution reflects a structural enforcement gap.

Although institutions formally acknowledge audit findings, the transformation of recommendations into fully implemented corrective measures remains limited. The results therefore suggest that the system functions more effectively at the level of procedural compliance than at the level of transformative enforcement.

From the perspective of EU accession, these findings carry important implications. In the current phase of negotiations, compliance is increasingly evaluated through measurable implementation outcomes rather than legislative transposition alone. Structural alignment with EU standards, while necessary, is not sufficient to demonstrate institutional maturity.

The performance profile identified in this study suggests that Albania's Public Financial Control system remains in a transitional stage—structurally established but not yet fully consolidated in terms of enforcement culture and managerial accountability. This assessment is consistent with the European Commission's latest evaluation, which characterizes Albania as moderately prepared and partially aligned under Chapter 32, with only limited progress reported in the most recent cycle.

Theoretically, the results support the distinction between formal compliance and functional effectiveness emphasized in governance and enlargement literature. Institutional architecture represents a necessary condition for reform, but it does not automatically generate performance outcomes.

Institutional maturity requires the internalization of accountability norms, the integration of audit follow-up into managerial evaluation systems, and the existence of credible enforcement mechanisms.

A system characterized by a persistent enforcement gap risks reducing audit processes to procedural formalities rather than effective governance instruments. When recommendations are systematically accepted but only partially implemented, the preventive and corrective capacity of financial control weakens. Over time, such a dynamic may generate reputational compliance without substantive administrative transformation.

The primary contribution of this study lies in operationalizing enforcement maturity through measurable indicators. By quantifying the discrepancy between acceptance and implementation, the analysis provides a more precise diagnostic tool than general monitoring narratives. The enforcement-based framework developed in this paper offers a replicable model for assessing functional compliance under Chapter 32 and contributes to the broader literature on institutional consolidation in EU enlargement contexts.

In practical terms, reducing the enforcement gap requires strengthening follow-up mechanisms, integrating implementation performance into managerial accountability systems, and enhancing the credibility of sanctioning procedures for persistent non-compliance. Without such structural adjustments, formal compliance may remain procedurally robust but operationally limited.

The enforcement-based measurement model proposed in this paper may serve as a diagnostic governance tool for both national authorities and EU monitoring bodies.

In conclusion, Albania's Public Financial Control system has moved beyond the phase of institutional establishment and entered a critical stage of consolidation. The decisive challenge is no longer legislative approximation, but the depth of enforcement internalization. Chapter 32 readiness should therefore be evaluated not solely on the existence of control mechanisms, but on the measurable corrective impact they generate within public administration. Sustainable progress toward EU accession will depend on the system's capacity to transform procedural alignment into substantive institutional maturity.

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## Policy Recommendations

The empirical findings of this study indicate that, while Albania has made progress in legislative approximation under Chapter 32, the primary challenge increasingly lies in enforcement consolidation. The persistence of a high Enforcement Gap Index (EGI) and moderate Implementation Effectiveness Ratio (IER) suggests the need for targeted structural interventions aimed at strengthening accountability mechanisms and institutional follow-up discipline.

One of the central priorities is the institutionalization of performance-linked managerial accountability.

The implementation of audit recommendations should be formally integrated into managerial evaluation frameworks, making corrective action a measurable criterion in the assessment of senior public officials. Linking implementation outcomes to performance appraisal and career progression would significantly strengthen incentives for compliance and enhance enforcement culture.

In parallel, the establishment of a centralized digital audit follow-up platform would improve transparency, monitoring capacity, and procedural discipline. Such a system would enable real-time tracking of implementation status, deadlines, and corrective actions, while facilitating systematic oversight by both executive authorities and parliamentary bodies.

To address persistent non-implementation, a graduated sanction framework should be introduced, ensuring that repeated or unjustified failure to implement audit recommendations is met with proportionate administrative consequences. The credibility of enforcement mechanisms depends not only on monitoring but also on the existence of effective and predictable corrective responses. Strengthening parliamentary oversight represents another critical dimension of enforcement consolidation.

In line with European Commission recommendations, the role of Parliament—particularly the parliamentary subcommittee on audit—should be reinforced through systematic monitoring of executive follow-up to ALSAI recommendations.

Regular hearings, structured reporting mechanisms, and increased transparency would enhance the accountability chain and ensure that audit findings translate into tangible administrative outcomes.

Furthermore, internal control systems should evolve toward risk-based management practices. Embedding risk assessment into financial and operational processes would enable institutions to move beyond formal compliance and adopt a preventive approach to governance. Capacity-building initiatives focused on risk management and managerial accountability would support this transition and strengthen the overall effectiveness of the Public Financial Control system.

In addition to audit follow-up and internal accountability mechanisms, particular attention should be given to the protection of the European Union's financial interests as a core pillar of Chapter 32. This requires full alignment with Directive (EU) 2017/1371 (the PIF Directive), alongside the effective implementation of a comprehensive national anti-fraud strategy. Institutional coordination mechanisms, particularly the role of the Anti-Fraud Coordination Service (AFCOS), should be further clarified and strengthened to ensure coherent interaction among national authorities. Enhanced operational cooperation with the European Anti-Fraud Office (OLAF) is essential to improve investigative effectiveness and information exchange, while strengthening the system of irregularity reporting would ensure timely and accurate communication of suspected fraud cases affecting EU funds.

Collectively, these measures aim to transform Albania's Public Financial Control system from a procedurally aligned framework into a performance-driven accountability mechanism. Reducing the enforcement gap is not only a technical objective but a strategic requirement for demonstrating institutional maturity and strengthening Albania's credibility in the EU accession process.

### **Institutionalizing Performance-Linked Managerial Accountability**

One of the central weaknesses identified in the analysis is the limited translation of audit recommendations into fully implemented corrective actions. To address this gap, implementation performance should be formally integrated into managerial evaluation frameworks. The execution of audit recommendations must become a measurable criterion within annual performance appraisals of senior public officials. By linking implementation outcomes to career progression and institutional evaluation, the incentive structure for compliance can be significantly strengthened.

### **Establishing a Centralized Digital Audit Follow-Up Platform**

The relatively low Follow-Up Compliance Rate (FCR) indicates weaknesses in procedural discipline and monitoring capacity. The creation of a centralized digital monitoring platform for audit recommendations would enhance transparency and real-time oversight.

Such a platform should allow public institutions to track implementation status, deadlines, and corrective actions, while also enabling oversight bodies and parliamentary committees to monitor compliance systematically.

Digitalization of follow-up processes would reduce informational asymmetries and strengthen accountability chains within the Public Financial Control system.

### **Introducing Graduated Sanction Mechanisms for Persistent Non-Implementation**

The existence of a substantial enforcement gap suggests that formal acceptance of recommendations is not consistently accompanied by credible consequences for non-implementation. A graduated sanction framework should therefore be introduced, establishing proportional administrative consequences for repeated or unjustified failure to implement audit findings. These sanctions need not be punitive in nature, but they must be sufficiently credible to alter incentive structures and reinforce enforcement culture.

Without credible corrective consequences, procedural compliance risks remaining symbolic rather than substantive.

### **Strengthening Parliamentary Oversight of Audit Follow-Up and Public Transparency**

Parliamentary oversight plays a critical role in reinforcing financial control systems, including through the parliamentary subcommittee on audit and the systematic monitoring of executive follow-up to ALSAI recommendations. Strengthening the role of parliamentary committees in reviewing audit follow-up performance can create additional accountability pressure. Periodic public reporting on implementation rates, enforcement gaps, and compliance indicators would further enhance transparency and foster public trust. Publishing aggregated enforcement indicators could also contribute to reputational incentives for institutions to improve implementation performance.

### **Strengthening Risk-Based Internal Control and Risk Management Integration**

To enhance the preventive dimension of financial control, risk-based methodologies should be systematically embedded within institutional management processes. Internal control systems must move beyond formal checklist compliance and become integrated tools for identifying vulnerabilities, prioritizing corrective action, and preventing recurring deficiencies.

Capacity-building programs focused on managerial accountability, risk management, and enforcement culture would support this transition from rule-based compliance to performance-oriented governance.

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## Strategic Implication

Collectively, these recommendations aim to transform Albania's Public Financial Control system from a procedurally aligned framework into a performance-driven accountability mechanism. The reduction of the enforcement gap is not merely a technical objective; it represents a strategic prerequisite for demonstrating institutional maturity under Chapter 32.

Strengthening follow-up discipline, linking implementation to managerial incentives, and reinforcing enforcement credibility will be essential for converting structural alignment into sustainable governance consolidation. In the broader context of EU accession, such reforms would enhance both fiscal reliability and negotiation credibility.

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## Limitations and Future Research

While this study provides a structured and indicator-based assessment of functional compliance under Chapter 32, several limitations must be acknowledged. In particular, the analysis focuses primarily on enforcement effectiveness within the Public Internal Financial Control (PIFC) framework and does not examine in depth two core components of Chapter 32: the protection of the European Union's financial interests and the protection of the euro against counterfeiting.

These dimensions, although essential to the overall scope of the chapter, fall beyond the empirical focus of the present study and warrant further dedicated research.

First, the analysis relies primarily on secondary institutional data, particularly audit recommendation follow-up reports and official monitoring documentation. Although these sources are authoritative and publicly available, they do not allow for direct verification of the qualitative depth or substantive impact of implemented recommendations. The measurement of implementation is therefore based on formal reporting categories (fully implemented, partially implemented, not implemented), rather than on independent validation of outcome quality.

Second, the study focuses on enforcement performance within a single national context. While the enforcement-based indicator framework developed here offers analytical precision, it does not incorporate cross-country comparative testing. A broader regional dataset covering multiple Western Balkan countries would allow for comparative benchmarking of enforcement maturity and enhance the generalizability of findings.

Third, the constructed indicators—Implementation Effectiveness Ratio (IER), Enforcement Gap Index (EGI), and Follow-Up Compliance Rate (FCR)—capture measurable enforcement behavior but do not directly assess the long-term fiscal or macroeconomic impact of audit implementation. Future research could explore whether higher implementation effectiveness correlates with improvements in fiscal discipline, budget credibility, or public expenditure efficiency.

Fourth, the study adopts a quantitative ratio-based approach without incorporating qualitative institutional interviews. Semi-structured interviews with internal auditors, senior managers, and oversight authorities could provide deeper insight into behavioral and cultural factors influencing enforcement gaps, including incentive structures, administrative constraints, and political dynamics.

Future research may therefore proceed in several directions. First, a longitudinal analysis covering multiple years of audit follow-up data would allow for the identification of trends in enforcement maturity over time. Second, comparative regional research could examine whether enforcement gaps exhibit similar structural patterns across enlargement countries or whether national institutional designs produce divergent outcomes. Third, the development of a composite Public Financial Control Maturity Index could integrate enforcement ratios with risk management indicators and parliamentary oversight metrics to provide a more comprehensive governance assessment tool.

Finally, as EU accession increasingly emphasizes performance-based conditionality, further research should investigate how enforcement indicators influence negotiation dynamics and EU financial assistance absorption capacity. Understanding the interaction between institutional maturity and accession credibility represents a promising avenue for both academic inquiry and policy-oriented evaluation.

Despite these limitations, the enforcement-based framework developed in this study provides a measurable and replicable approach to assessing functional compliance under Chapter 32. By shifting the analytical focus from structural alignment to implementation depth, the study contributes to a more nuanced understanding of institutional consolidation in the EU enlargement process.

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