

The new public accounting law in Albania – the current situation and the introduction of IPSAS to systems of public accounting

Introduction

The government of Albania launched its National Strategy for Social and Economic Development in 2002, proposing several reforms towards achieving sustainable economic growth and development. Among other things, it calls for stronger public accountability and increased public participation and decision-making.

Therefore, the public accounting system in Albania is presently undergoing some substantial changes that might lead to the introduction of IPSAS – International Public Sector Accounting Standards – and the harmonisation of public accounting according to international standards. In this way, Albania would draw level with other countries and institutions such as Switzerland, France, the European Union and the UN.

In order to achieve an effective and efficient transition from the present system to the new and modernised way of public accounting, an analysis of the introduction of IPSAS in other countries is both helpful and necessary. The following analysis describes the present situation of public accounting in Albania and analyses the laws introducing IPSAS in Switzerland, the European Communities and the Russian Federation, with special regard to the techniques and scope of regulation and integration of IPSAS.

The current situation of public accounting in Albania

The Organic Budget Law (OBL) 8379,¹ enacted on 29 July 1998, currently regulates the Albanian budgetary process. According to this law, ministers are responsible for proper accounting and internal inspections of revenue, as well as for the expenditure transactions of budgetary institutions under their control.

Budgetary institutions

Budget accounting is established in the Organic Budget Law's article 41 *et seq.* Article 45 obliges all budgetary institutions² to prepare final financial reports and to send them to the Minister of Finance no later than 31 March. These financial reports are consolidated by the Ministry of Finance and provide a basis for the final annual statement of accounts of the State Budget (Art. 46 OBL).

The presentation of financial reports is also established in articles 19 and 48 of the OBL. However, the Law does not provide detailed accounting principles or methods. In particular, the accounting basis – cash or accrual – is not determined. The Minister

- 1 Organic Budget Law on the preparation and execution of the state budget of the Republic of Albania, No. 8379 from 29 July 1998.
- 2 Budgetary institutions are government institutions, public administration institutions, local governments and organs of the judiciary (Art. 24 para. 1 OBL).

of Finance is empowered to issue directions for accounting procedures and reporting requirements (Art. 41 OBL).

Accounting is realised by different government entities and transmitted every year to the Department of Accounting of the Ministry of Finance. The Accounting Department is responsible for the development of private and public sector accounting standards, as well as for the processing of accounting information and the production of accounting reports.³ Unlike the reports produced by the Treasury Department, which are prepared on a cash basis, those of the Accounting Department are not audited because, at this stage, the consolidation of accrual information on a whole-of-government basis is still not sufficiently reliable.⁴ The financial report comprises a balance sheet, performance accounts, a cash-flow statement and notes. A double-entry system is used; accounting is carried out manually and unified accounting software does not exist. Albania is, like a majority of countries, currently accounting on a cash basis. However, it takes accruals into consideration and is on its way towards a modified accrual system.

Public enterprises under state ownership

The General Law on Accounting and Financial Statements – implemented since 1 January 2006 – is mainly aimed at private companies but it also applies to non-profit entities, banks, insurance companies, large companies, public companies and state entities if they are not subject to specific laws and regulations. The General Law on Accounting is based on International Financial Reporting Standards (IFRS). Consequently, public companies have to provide financial reports according to IFRS. In addition to this, the financial statements of public entities are consolidated following the equity method.⁵ Other companies than those addressed in the General Law on Accounting have to apply the fourteen National Standards of Accounting that are issued by the Institute of Albanian Auditors (IEKA).

External and internal control

External control is carried out by the National Supreme Audit Court that controls the financial statements of budgetary institutions and their consolidated financial statements under article 162 *et seq.* of the Albanian Constitution.

Beyond this external control, the Organic Budget Law does not contain explicit regulations on internal control. There is no clear legislation that would force line ministries to maintain and to be held accountable for a sound internal control framework within their ministries.⁶ Inspections by the Minister of Finance are mentioned in article 42 para. 2 of the OBL, but auditing is not regulated by it.

3 Public expenditure management Albania, p. 2.

4 Public expenditure management Albania, p. 2.

5 An accounting method used to determine income derived from a company's investment in another company over which it exerts significant influence. Under the equity method, investment income equals a share of net income proportional to the size of the equity investment. See: http://www.investorwords.com/5549/equity_method.html [last accessed 1 July 2006].

6 Sigma Balkans Report *Republic of Albania: Internal audit and financial control* p. 1.

However, all line ministries have their own internal audit units; they develop their own audit programmes and prepare their own audit reports under the supervision of each audit unit.⁷ The internal audit units work as part of the operations department and do not report directly to the line minister. The Ministry of Local Affairs is responsible for monitoring and co-ordinating the audits of local government units, carried out under the authority of the prefects.

At present, the internal and external audit and control system is undergoing re-organisation following the principles of PIFC (Public Internal Financial Control). A clear legal requirement would encourage line managers to pay more attention to internal control issues.

New Organic Budget Law (NOBL)

Currently, a new Organic Budget Law is being drafted. It is of paramount importance to know in detail what changes the new Law will bring in order that the New Public Accounting Law may be built around the Budget Law. The *Review of the Legislative Framework for Public Sector Financial Management in Albania* reminds us that accounting requirements will be drawn up in the New Organic Budget Law. The NOBL is supposed to include as much regulation as possible and will be complemented by a budget manual.

Introduction of IPSAS to the public accounting system in Switzerland, the European Union and the Russian Federation

Switzerland and the European Union, or, rather, the institutions of the European Union, have successfully managed to introduce IPSAS to the public accounting system. In Switzerland, the modernised accounting system is not implemented consistently, being so in the first place at the federal level and in some of the bigger cantons, but the rest of the cantons and local governments will soon also introduce IPSAS in order to establish a uniform approach to public accounting. It is the same story at the European level – the introduction of IPSAS by the European Commission will put member states under pressure to modernise their accounting systems along the line of IPSAS.

Russia is currently in the process of transformation towards IPSAS, even though no law makes explicit reference to them. Nevertheless, according to the reform paper issued by the Russian government,⁸ the modernisation of the accounting system will take place in compliance with IPSAS.

In the following sections, methods of the introduction of IPSAS will be analysed in order to gain useful information as to how to conduct the migration towards IPSAS in Albania.

⁷ *ibid.*, p. 2.

⁸ Концепция развития бухгалтерского учета и отчетности в Российской Федерации на среднесрочную перспективу одобрена приказом Министра финансов Российской Федерации от 1 июля 2004 г. № 180 http://minfin1.metric.ru/buh/buhzak_koncept_2.pdf [last accessed 7 July 2006].

Switzerland

Present situation

At present, IPSAS are not implemented in Switzerland consistently.

The Law on Controlling and Accounting (*Gesetz über Controlling und Rechnungslegung CRG vom 14.01.2004*)⁹ was passed on 9 January 2006 and introduces the implementation of IPSAS to the canton of Zurich. The working plan for the introduction of IPSAS here consisted of the following steps:¹⁰

- formulation of a decree on accounting and controlling, including the respective manuals, by 2006
- 2006 first-time budgeting according to IPSAS
- 2007 first-time accounting according to IPSAS.

At the federal level, the introduction of IPSAS is almost complete. The New Accounting Model Federation (*Neues Rechnungsmodell Bund*)¹¹ modernises and fundamentally changes the accounting system of Switzerland at the federal level.¹² The legal basis for this modernisation is provided by the Federal Budget Law (*Finanzhaushaltsgesetz, FHG*)¹³ and the Decree on the Federal Budget (*Finanzhaushaltsverordnung, FHV*)¹⁴ that have been in force from 1 May 2006. The new standards will be implemented for the first time for the 2007 budget calculation.¹⁵

Public accounting in local authorities and other cantons is carried out on the basis of the Harmonised Accounting Model (*Harmonisiertes Rechnungsmodell, HRM*). Even though the HRM is based on accrual accounting, which is in compliance with IPSAS, several differences exist concerning the presentation of financial statements and consolidated statements for public entities.¹⁶

Several reform projects have been launched in order to achieve an area-wide implementation of IPSAS, not only at the federal level but also in all cantons and local authorities.¹⁷ The transition towards IPSAS in Switzerland will take place faster than in other countries since accrual accounting has been exercised in Switzerland without any difficulties since the late 70s. For the future, experts expect the smaller cantons to

9 Available at the Ministry of Justice and Internal Affairs: http://www.justizzh.ch/internet/ji/de/aktuelles/medienmitteilungen/mm_2004/014.print.html [last accessed 6 July 2006].

10 Financial Administration of the Canton of Zurich: <http://www.fv.zh.ch/internet/fd/fv/de/news/0.html> [last accessed 5 July 2006].

11 Ministry of Finance: http://www.efv.nrm.admin.ch/d/dok_links.htm [last accessed 1 July 2006].

12 Ministry of Finance: <http://www.efv.nrm.admin.ch/> [last accessed 1 July 2006].

13 Available at: <http://www.parlament.ch/se-schlussabstimmung-04-079.pdf> [last accessed 2 July 2006].

14 Available at: http://www.efv.nrm.admin.ch/d/pdf/E-FHV22_02_06-d_ESP_ID_201.pdf [last accessed 6 July 2006].

15 Ministry of Finance: http://www.efv.nrm.admin.ch/d/pdf/PressemitteilungNRM2006_04_05-d.pdf [last accessed 6 July 2006].

16 Glogger (2004) 'Neue Standards für Gemeinderechnungen' *Kommunalmagazin* pp. 40-41.

17 School of management: http://www.ivm.zhwin.ch/ipsas/index.php?location=ivm&choose_language=d [last accessed 5 July 2006].

follow the example of the federal government and Zurich, the biggest canton, such that IPSAS will become the official accounting standards in Switzerland.

Analysis of laws introducing IPSAS

a. Federal level - Federal Budget Law and the Decree on the Federal Budget

First of all, it is remarkable that public accounting is not laid down in a specific law, but is part of the Federal Budget Law and the Federal Budget Decree. The Federal Budget Law regulates in 67 articles the state budget, accounting and financial administration. The Decree on the Federal Budget Law makes these provisions specific in 79 articles. The Federal Budget Law (FBL) does not refer to IPSAS directly and also provides only basic regulations on accounting, leaving the detailed specifics to the Decree of the Federal Budget (Art. 48 para. 2 FBL).

Entities addressed in the Federal Budget Law

The Federal Budget Law applies to the Federal Assembly and its administrative units, the Swiss courts of justice, the Federal Council, the federal office and the departments and administrative units of the decentralised federal administration (Art. 2 FBL).

Basic provisions of accounting

Accounting itself and the principles are laid down in article 47 *et seq.* of the FBL. At first, the objectives of public accounting are explained followed, by the principles of accounting. Accounting principles such as the principle of materiality, comprehensibility, consistency and the principle of non-offsetting are ascertained but no explanation is provided to these principles. The description can be found in article 54 of the Decree of the Federal Budget (DFB).

Furthermore, principles of book-keeping are laid down in article 38 of the FBL. Article 29 *et seq.* of the DFB establishes when an entry has to be made, the charts of accounts that have to be used and how long receipts and records have to be kept.

Article 48 of the FBL regulates how accounting standards are set up, leaving it to the federal council of Switzerland to establish accounting standards in co-operation with the Ministry of Finance and on the basis of internationally-accepted standards. Here, there is an indirect reference to IPSAS. The Decree of the Federal Budget (DFB), on the other hand, refers directly to IPSAS as the basic principles of public accounting in Switzerland (Art. 53 DFB). Additionally, deviations from IPSAS principles are laid down in Annex 2 of the Decree and accounting rules that have to be applied where IPSAS do not provide a regulation. Here, an explicit migration towards IPSAS is being implemented.

In articles 49-51 of the FBL, specific rules on accounting can be found concerning the activation and de-activation of assets, as well as accruals. These rules define when assets must be activated or de-activated and when accruals have to be set up.

Article 50 of the FBL establishes how assets and liabilities must be valued. Current market value provides the basis for the valuation of current assets,¹⁸ while fixed

18 Current assets are assets that can be realised without affecting the fulfilment of public duties: (http://www.gl.ch/documents/Begriffserklaerungen_Rating.doc [last accessed 6 July 2006]).

assets are valued against acquisition costs, taking depreciation into consideration. Article 51 of the FBL clarifies the depreciation and amortisation of fixed assets.

Articles 55-60 of the DFB provide the detailed specific rules of accounting, establishing activation and de-activation limits.

To sum up, articles 47-50 of the FBL are dedicated to the general principles of accounting; establishing what public accounting is for, how it must be carried out and what assets have to be considered and to which extent.

Specific methods of financing

Articles 52-54 of the FBL describe several specific methods of financing and how these methods have to be accounted for. This is regulated in a more detailed way in articles 61-64 of the DFB.

Consolidated financial statements

According to Article 55 of the FBL, a consolidated financial statement must be issued that aims to provide an overview of the financial situation of the different federal public entities, adjusting their single financial statements and taking internal relations into consideration. Article 55 establishes which of the financial statements of the administrative units must be consolidated.

Presentation of financial statements

Article 6 *et seq.* of the FBL defines in compliance with IPSAS 1 that the financial statement of the federal government must comprise a balance sheet, income statement, cash flow statement, changes in net asset/equity and notes on the financial statements. The administrative units must also provide financial reports containing these statements according to Article 48 of the FBL that refers to international accounting standards.

External and internal control

Under Article 39 of the FBL, the Federal Council is assigned with the responsibility of controlling book-keeping and accounting and taking measures against mistakes. According to Article 36 of the DFB, the Ministry of Finance issues directives to safeguard accurate accounting. Each administrative unit is responsible for the accuracy of accounting within its area of responsibility. Articles 37-39 of the DFB regulate that receipts and records have to be signed twice by the administrative officers in charge. The financial statements of each unit must be signed by the Director and the accounting officers responsible for the preparation of the financial statements. These statements must then be sent to the Ministry of Finance and subject to the financial controls that are carried out by the Swiss Federal Audit Office as the supreme supervisory organ of the Confederation. The SFAO supports parliament and the Federal Council, is independent and is bound only by the federal constitution and the law. The scope of its mandate is clearly laid down in the Federal Auditing Act. The SFAO scrutinises the financial conduct of the federal administration and that of numerous semi-government bodies and international organisations.

Responsibility of public accountants

The Federal Budget Law does not contain any specific regulation on the responsibilities of public accountants. However, a certain amount of reliability is guaranteed as the director of the administrative unit has to sign the financial statement together with the accounting officers.

b. Canton Zurich – The Law on Controlling and Accounting

Entities addressed in the Law on Controlling and Accounting

Article 1 of the Law on Controlling and Accounting (LCA) defines what entities have to draw up accounts according to this law. It applies to the Council, the Administration of the canton of Zurich and other organisations subject to Swiss public law.

Basic provisions of accounting

The Law on Controlling and Accounting establishes rules on public accounting in its articles 43 *et seq.* The primary objectives of accounting and basic principles are laid down, including accounting principles such as the principle of materiality, comprehensibility, consistency and the principle of non-offsetting. Furthermore, article 45 states that public accounting must be carried out according to generally accepted accounting standards. However, no explicit reference is made to IPSAS. The law does not encompass the standards of IPSAS in detail but lays down the cornerstones of public accounting that are in line with them. The detail of the standards and further regulations concerning IPSAS is set down in a decree.¹⁹ In this way, no rigid commitment to IPSAS is necessary as the government can not influence their development²⁰ and the flexibility and independence of the government is safeguarded.

Presentation of financial statements

Articles 46-52 of the LCA define how financial statements must be presented. Here, the law is in compliance with IPSAS in establishing that financial statements must contain:

- statement of financial position
- statement of financial performance
- statement of changes in net assets/equity
- cash flow statement
- accounting policies and notes to the financial report.

Consolidated statements

Article 53 of the LCA defines the administrative units and other institutions that are part of the consolidated statement.

19 Decree on Financial Administration (Verordnung über die Finanzverwaltung vom 10 March 1982): <http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=612> [last accessed 5 July 2006].

20 Directive on Law on Controlling and Accounting: http://www.ivm.zhwin.ch/ipsas/index.php?location=ivm&choose_language=d [last accessed 6 July 2006].

Accounting and evaluation of assets and liabilities

Activation, de-activation and the evaluation of assets and liabilities are established in articles 54-56 of the LCA.

c. Concluding statement

Both the Federal Budget Law and the Law on Controlling and Accounting establish accounting principles and basic accounting methods, such as the activation and de-activation of assets and depreciation; the definition of detailed accounting methods and standards is left to decrees or directives.

Such an approach could be adopted for the New Public Accounting Law in Albania. This would mean that just the basic principles of accounting would be established, these being, according to IPSAS 1:

1. the fair presentation of financial statements
2. that accounting policies should be:
 - a. relevant to the decision-making needs of users
 - b. reliable in that they:
 - represent faithfully the financial performance and financial position of the entity
 - reflect the economic substance of events and transactions and merely the legal form (transactions must be accounted for and presented in accordance with the reality of their situation, even if this may not always be the same as how the transaction may appear)
 - are neutral; that is, free from bias
 - are prudent (the accounts should be drawn up to include all known liabilities and should not recognise assets or revenue before entitlement exists)
 - are complete in all material respects.
3. the going concern principle (an entity's accounts are prepared assuming that the entity will continue to exist for at least the next twelve months)
4. consistency of presentation
5. the principle of materiality and aggregation (accounts are prepared and presented in accordance with the rules in place but also taking into account the materiality of the item in question. Thus, less material amounts are not presented or explained in the same detail as material items)
6. the principle of the non-offsetting of assets and liabilities, or of items of revenue and expense (assets and liabilities must be accounted for and presented separately, and not deducted from each other)
7. the principle of accrual accounting (expenses and income are recorded in the period to which they relate rather than when the cash is paid or received).

Some of these principles can be drawn together, but the basics must be provided.

Furthermore, an explicit reference to IPSAS is desired, so this reference should also be included. An article empowering the Ministry of Finance to issue decrees and directives on accounting standards should also be added so that detailed accounting methods and standards can be set up.

Basic definitions on activation, de-activation and the setting up of accruals must be provided and activation and de-activation limits established. Moreover, evaluation of assets and liabilities can also be defined in the New Public Accounting Law.

The presentation of financial statements, establishment of regulations on consolidated statements and the question of reporting to the Treasury Department must also be taken into consideration.

European Commission²¹

The accounting systems within the EC developed considerably between 2003 and 2005. After three years of detailed preparation, a project to modernise (general) accounting systems was officially launched in late 2002. The goal of this modernisation project was to move from a predominantly cash-based system to accrual accounting. Previously, items would only be recognised when payments/receipts were made/received, but expenditure and revenue under the new accrual system is recognised in the period in which it is actually incurred. This is the same principle that commercial companies use in preparing their accounts and it puts the European Commission in the vanguard for similar developments elsewhere in the public sector.

This change in method has entailed significant changes to the rules and methods applied, as well as far-reaching changes to the accounting systems themselves so that they would comply with the new requirements.

These developments mean that the EC will be better able to track monies paid out and due back, and that there will be improved follow-up of its interactions with third parties and better, more useful information for the public in its annual accounts. The balance sheet will provide a more transparent, complete and accurate picture of assets and liabilities. The new system was launched on time in January 2005, making the European Commission the first European institution ready to comply with IPSAS.²²

From 2005 onwards, the EC accounting rules in place are those prepared on the basis of IPSAS, as promulgated by the International Federation of Accountants (IFAC). The rules on accounting and accounting standards and the principles of the European Communities are laid down in a Financial Regulation (FR).²³

Entities addressed in the Financial Regulation

According to Article 1 of the FR, it applies to the general budget of the European Communities, while Article 185 extends it to bodies set up by the Communities and which receive grants charged to the budget.

Basic rules on accounting

IPSAS are not directly mentioned in the Financial Regulation that lays down the accounting rules in Article 121 *et seq.* However, the accounting principles and basic provisions concerning accounting are in line with IPSAS, introducing accrual accounting and further provisions such as the presentation of financial statements. The accounting principles include the principle of going concern, prudence, consistent accounting methods, comparability of information, materiality, no netting, reality over appearance and accrual accounting (Art. 123 FR).

21 Financial Programming and Budget: http://ec.europa.eu/budget/sound_fin_mgt/year_end_reporting_en.htm [last accessed 6 July 2006].

22 IPSAS: www.ipsas.de [last accessed 6 July 2006].

23 Council Regulation (EC, Euratom) No. 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities.

Accounting consists of general accounts and budgetary accounts (Art. 132 para. 2 FR) that must be comprehensive and also present a true and fair view (Art. 12 FR). The general accounts record in chronological order, using the double-entry method, all events and operations which affect the economic and financial situation and the assets and liabilities of the bodies and entities addressed by the Regulation. All account entries must be supported by documents to which they must refer (Art. 135 para. 2 FR). The budgetary accounts, on the other hand, provide a detailed record of budgetary implementation (Art. 137 FR).

All bodies referred to in the Regulation are obliged to keep an inventory showing the quantity and value of the Community's assets (Art. 138 FR).

The regulations on accounting are rather short, leaving the detailed questions to the rules adopting the implementation of accounting principles (Art. 183 FR). Commission Regulation No. 2342/2002 of 23 December 2002, laying down detailed rules for the implementation of the Financial Regulation, complements the Regulation clarifying the presentation of accounts and accounting principles for the European Commission. This is similar to Switzerland, where the Federal Budget Law contains general and basic provisions while the Decree on the Federal Budget makes the established provisions specific.

Presentation of financial statements (Art. 126 FR)

Financial statements must comprise the balance sheet and the economic out-turn account representing the assets and liabilities, the financial situation and the economic out-turn as at 31 December of the previous year. Additionally, a cash flow statement and a statement of changes in capital must be provided, as well as an annex that supplements and comments on the previously-presented financial statements.

Consolidated statements

The Commission's Accounting Officer is responsible for the consolidation of the provisional accounts of all institutions referred to in the Financial Regulation (Art. 128 FR). This consolidated statement is then sent to the Court of Auditors together with the financial statements of all institutions of the European Communities.

The final consolidated accounts are sent to the Commission, the Parliament, the Council and the Court of Auditors (Art. 129 FR).

Accounting methods and the evaluation of assets and liabilities

EC accounting rules and methods are adopted by the Accounting Officer of the Commission following consultation with the Accounting Standards Committee (a committee that includes external accounting experts and, in an observer role, the Commission's Internal Audit Service and the European Court of Auditors) and the accounting officers of the other institutions and agencies. The Accounting Officer must be guided by internationally-accepted accounting standards for the public sector but may depart from them where justified by the specific nature of the Community's activities (Art. 133 FR). Consequently, the regulations on the accounting methods themselves are not provided in the Financial Regulation.

External and internal control

The Court of Auditors is the independent body that control the entire budgeting and accounting system of the European Communities (Art. 139 *et seq.* FR). It has to be informed whenever internal rules in respect of financial matters are adopted or authorising officers, accounting officers and internal auditors appointed. The Court of Auditors is granted extended powers over the control and audit of the financial concerns of the Communities.

Another instrument of control is the responsibility of the accounting officers of the institutions and bodies of the Community to send the accounts of the institutions to the Accounting Officer of the Commission who must, in turn, forward these accounts, together with the consolidated statements, to the Commission (Art. 128, 129 FR). The Commission provides the Council, the Parliament and the Court of Auditors with the accounts. In this way, the financial statements pass different stations of 'accreditation' so as to safeguard the efficiency and effectiveness of the Community's spending policy.

Responsibilities of accounting officers

The duties of the authorising officers and accounting officers are separated (Art. 58 FR): the authorising officers are responsible for implementing revenue and expenditure events by authorising payments, making legal commitments and drawing up estimates of receivable amounts (Art. 60 FR); the accounting officers obtain information from authorising officers and produce accounts (Art. 61 FR). Each institution appoints an accounting officer whose duties are laid down in detail in Article 61 para. 1 of the FR. The accounting officer may delegate certain tasks to subordinates and is liable for misconduct and illegal activities (Art. 67 FR).

Concluding statement

Recapitulating, the European Community has adopted IPSAS without mentioning them directly and without referring to them in the Financial Regulation. Furthermore, the Accounting Officer is not bound rigidly to international accounting standards but may modify them if necessary for the purposes of the Community. In this way, flexibility and the independence of the European Community is safeguarded.

Moreover, the introduction of IPSAS by the European Commission will put the member states under pressure to modernise their accounting systems according to IPSAS. This is another reason for an efficient transition towards IPSAS in Albania with a view to possible EU membership.

Russian Federation

Russia is at present on its way to introducing IPSAS to the accounting system. A 2004 reform paper established that the modernisation of the accounting system must take place in compliance with IPSAS.²⁴ Currently, the old Federal Law on Accounting²⁵ is still applied.

24 Концепция развития бухгалтерского учета и отчетности в Российской Федерации на среднесрочную перспективу одобрена приказом Министра финансов Российской Федерации от 1 июля 2004 г. № 180, Фн. 8.

25 Ministry of Finance: http://www2.minfin.ru/buh/b_zak.htm [last accessed 6 July 2006].

However, a project has been launched in order to modernise this Law and to introduce the New Federal Law on Official Accounting (FLOA).²⁶ This also applies to public entities (Art. 2 para. 3 FLOA) and lays down the rules that have to be implemented in public accounting. No specific reference to IPSAS is made but the New Federal Law on Official Accounting establishes that international standards must be considered when developing national accounting standards (Art. 18 FLOA). Furthermore, especially for public accounting, a strong degree of co-operation with international accounting boards is recommended in order to be able to draft national accounting rules. The Federal Law on Official Accounting also lays down very detailed provisions on how national accounting standards have to be developed (Art. 22 *et seq.* FLOA). However, this law does not provide the accounting principles in detail.

Conclusion

Taking into consideration the laws that Switzerland, the European Union and the Russian Federation have established in order to introduce IPSAS, it is obvious that, for the purpose of drafting a new Public Accounting Law for Albania, the European and the Swiss regulations can be taken as an example. They provide the most detailed regulations and refer to IPSAS more clearly than does the Federal Law on Official Accounting in Russia. In addition, the implementation of IPSAS might be delayed in Russia as a result of the concentration on introducing ISA/IFRS to the accounting system.

The examples of Switzerland and the European Commission make clear that, in order to keep up with future economic and financial developments, as well as in order to increase budget control and the consistency and transparency of public accounting, a transition to IPSAS and, thus, a modernisation of public accounting in Albania is urgently required. This migration should be accompanied by other measures, such as the implementation of e-accounting in the public sector. In this way, stronger public accountability will lead to the desired goals of sustainable economic growth and development.

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