

# Consolidation of financial statement in Albania

12.11.2025, Vienna




Public Sector Accounting and Reporting Program

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PULSAR is co-funded by:

 **Federal Ministry  
Republic of Austria  
Finance**

 **Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra**

Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

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# **General information regarding consolidation**

# Composition of the Public Sector



3

The Public Sector in Albania includes:

1) Budget spending units of public administration which includes all those units classified in the General Government sector, according to sub-sectors:

- Central Government,
- Local Government,
- Social and Health Insurance Funds.

2) Units classified as Extra-budgetary, outside the annual budget process;

3) Spending units entities classified as Non-Financial Public Enterprises;

4) Spending units entities classified as Financial Public Enterprises.

# Composition of the Public Sector



4

Public Sector	Year 2024
<b>Central Government</b> <i>(from which):</i>	<b>877</b>
<i>Budgetary</i>	820
<i>Extra-budgetary</i>	57
<b>Local Government</b> <i>(from which):</i>	<b>278</b>
<i>Budgetary</i>	195
<i>Extra-budgetary</i>	83
<b>Social Security Funds</b>	<b>2</b>
<b>Public Non-financial Corporations</b>	<b>37</b>
<b>Public Financial Corporations</b>	<b>2</b>
<b>Central Bank</b>	<b>1</b>
<b>Total</b>	<b>1.197</b>

# Statutory framework



5

**The organic budget law** establishes the framework for the general government sector:

- a) the modified accrual basis of accounting;
- b) the obligation of government entities to maintain an accounting system and prepare annual financial statements based on MoF instructions/manuals/guidelines;
- c) the MoF as the institution responsible for preparation of the public sector accounting standards, sublegal acts and methodology;
- d) the obligation of the Treasury to maintain a system to account for and report on government operations, including the preparation of annual consolidated financial statements of the general government; and
- e) the composition of the consolidated annual budget report prepared by the MoF and submitted for approval to the Government and Parliament.

# Public Sector Budgeting



6

**All financial reports**, including the budget implementation reports, are prepared and presented for each calendar year ending 31 December according to the following timeline:

- entity-level financial statements are prepared by March 31 of the following year;
- consolidated group-level financial statements are prepared by April 30 of the following year;
- the MoF produces and submits consolidated budget reporting for the general government sector to the Council of Ministers for approval by the end of May of the following year;
- the Council of Ministers submits the consolidated budget reporting for the general government sector to the Parliament by the end of June of the following year; and
- after approval by the Parliament, the consolidated budget reporting for the general government sector is published in the Official Gazette by the end of October of the following year.

# Approval of the consolidated annual report on budget implementation



7

## ● Council of Ministers Responsibilities (by June):

- Approves and submits to Parliament the consolidated annual report on budget implementation.

## ● Report Includes:

- Consolidated Annual Statements of state financial transactions
- Annual Budget Implementation report (disbursed funds & achieved objectives)
- Public Debt Report and its composition
- Use of reserve and contingency funds
- Public Internal Financial Control report on general government units

## ● Publication

The **Ministry of Finance** publishes the approved report within **June each year**



# Consolidation Process

# Consolidation



9

**Consolidated financial statements** are the financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

# Purpose



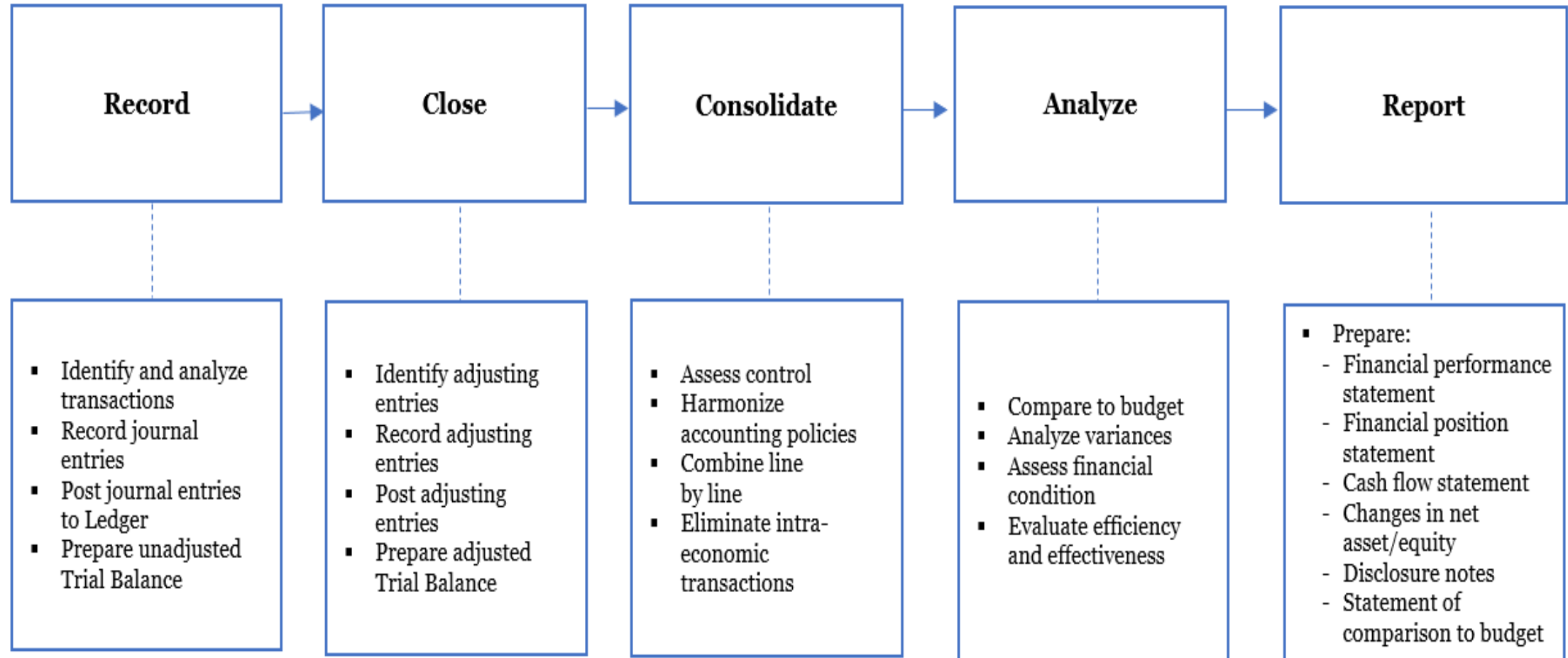
**The consolidated financial statements** have the general purpose of providing reliable information to the relevant decision-making bodies, through:

- Provision of information about financial resources and their allocation;
- Providing information on the way of financing the activities of the units and realization of requests on monetary means;
- Providing information related to the unit's ability to finance activities and to fulfill obligations and commitments; and
- Providing information for the performance evaluation of the reporting units.

# Financial Reporting Process



11



# Composition



12

- Consolidated financial statement of financial position (balance sheet);
- Consolidated financial statement of financial performance;
- Consolidated financial statement of changes in assets / net funds;
- Consolidated financial statement of cash flow changes;
- **Statistical statements** such as statistical statements for investments and sources of their financing, statistical statement for long-term assets (with historical cost), statistical statement for long-term assets (with net worth) and statistical statement of the number of employees and salary fund
- Providing **disclosure notes** for the preparation and reporting of the consolidated financial statements.

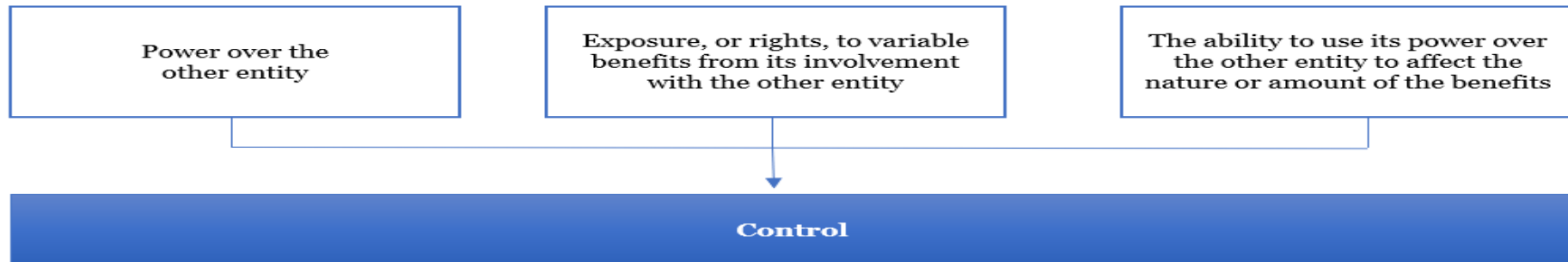
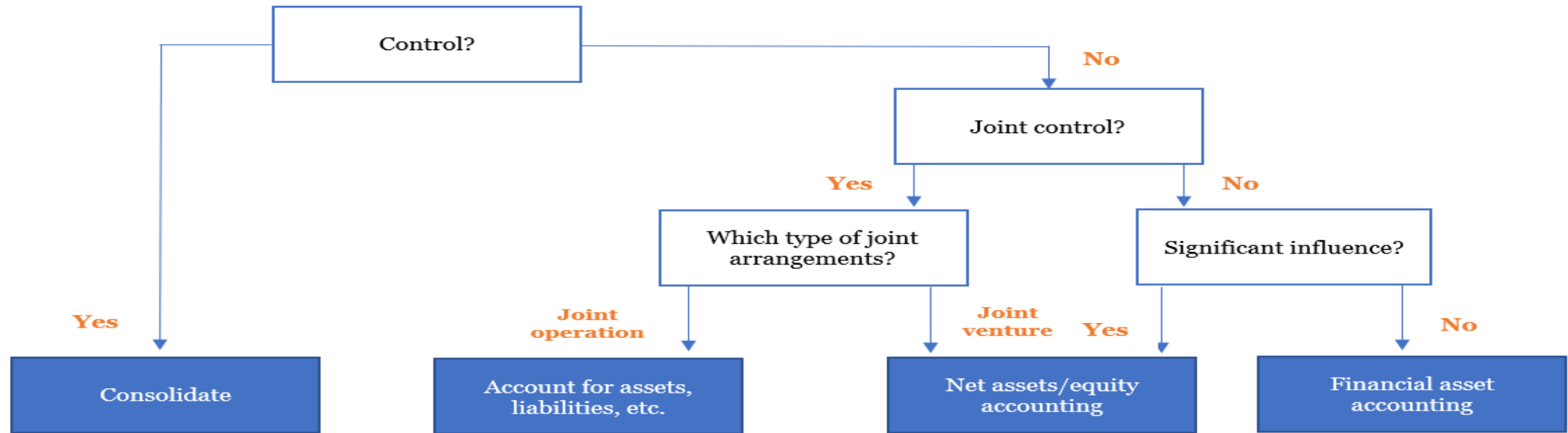
# Consolidation Disclosures



**Key disclosures** in respect of consolidation include:

- ✓ the composition of the economic entity (a listing of controlled entities);
- ✓ the interest that non-controlling entities have in the economic entity's activities and cash flows;
- ✓ the nature of and changes in the risks associated with an entity's interests in controlled entities unconsolidated controlled entities and structured entities that are not consolidated.

# Consolidation



# Consolidation Procedures



15

- ✓ Harmonize accounting policies throughout the economic entity;
- ✓ Align reporting dates of controlled entities to that of the controlling entity;
- ✓ Translate financial statements of foreign operations into the presentation currency of the entity;
- ✓ Combine line by line the statement of financial performance, the statement of financial position items and the cash flow statement items of the controlling and controlled entities;
- ✓ Eliminate in full the intra-economic entity balances and transactions between entities within the economic entity, including assets, liabilities, net assets, revenues, expenses, dividends or similar distributions and cash flows;
- ✓ Account for non-controlling interest (NCI) ;
- ✓ Eliminate the investment of the controlling entity in the controlled entity against the net assets (equity) of the economic entity.

# Consolidation Process in Albania (Financial Performance Statements- Fiscal Data)

16

## Levels of consolidation

### Entity-level consolidation

Ministries, central institutions, municipalities and special funds integrate the data of subordinate units (for financial performance statements – fiscal data and financial position statements)

### Central government consolidation

Ministry of Finance aggregates financial data of all central-level institutions and subordinate bodies (only for financial performance statements-fiscal data)

### General government consolidation

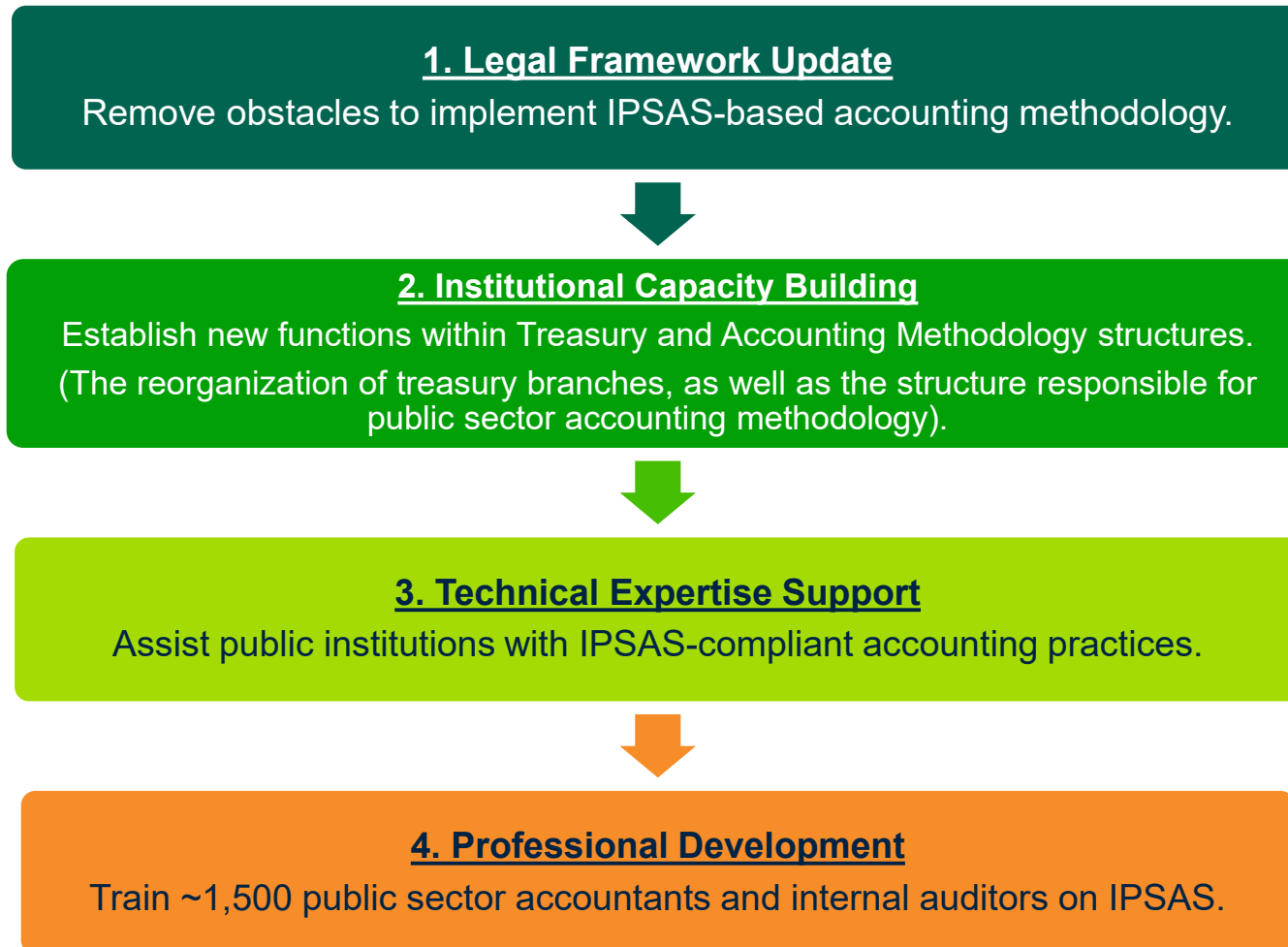
Ministry of Finance combines central and local government data for a unified national position (only for financial performance statements-fiscal data)

# Action Plan 2025 - 2030



17

IPSAS implementation  
in Albania



# Challenges in Public Sector Accounting



18

## ❖ **Incomplete Asset and Liability Registers**

- many entities lack full inventories;
- valuation and verification of public assets remain partial.

## ❖ **Human Resources and Skills Gap**

- Insufficient training and certification among public accountants;
- Low familiarity with accrual-based accounting.

## ❖ **Incomplete Regulatory and Methodological Framework**

- Lack of a law on the public sector accounting (in the final approval steps);
- Secondary legislation and manuals (draft methodology of financial reporting in public sector).

# Suggestions for Other Countries



19

## ❖ **Adopt phased implementation**

- Define clear milestones (inventorying, valuation, system integration) with realistic deadlines.

## ❖ **Establish a national transition plan**

- Central ministry to coordinate phases, issue guidance, and monitor progress across all government levels.

## ❖ **Develop standardized accounting manuals**

- Unify classification, chart of accounts, and elimination procedures through legally binding instructions.

## ❖ **Invest early in training**

- Build a continuous professional education system for public accountants and internal auditors.

## ❖ **Pilot testing before full rollout**

- Start with central entities, refine methodology, then expand to local governments and extra-budgetary funds



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**THANK YOU!**