

## ***THE IMPLICATION OF TRANSPARENCY AND ACCOUNTABILITY MANAGED BY SAI-S IN MINIMIZING CORRUPTION IN THE KLITGAARD EQUATION***

Almida Kafia Hoxha  
Lecturer  
Albanian University, Tirana,  
Junior Auditor  
High State Control, Albania

### *Abstract:*

#### *What is corruption??*

*The term corruption in legal literature, referred to the Criminal Code of the Republic of Albania, approved by Law 7895, dated 27/01/1995<sup>1</sup>, amended, is specified as: "The promise, proposal or giving, directly or indirectly, of any benefit irregularly, to the person exercising the public function, for himself or for other persons to perform or not perform an action related to his duty or function". From the financial side, the term corruption can be defined as, The use of means in the form of a deliberate action or a misrepresentation of a material fact, with the aim of obtaining a benefit, avoiding an obligation or causing loss to another party . Above, we can say that corruption is the abuse of power for the purpose of personal gain.*

#### *Objectives:*

The purpose of the current research is to explore how risk minimization can be influenced through two essential factors, namely transparency and accountability. Another equally important goal in this paper is the exploration and analysis of the moral integrity of auditors aiming at contributing to good governance. The above seen from the perspective of an essential actor in the fight against corruption, such as the Supreme Audit Institutions (KLSH/High State Control in the case of Albania).

**Key words:** Corruption, transparency, accountability, Supreme Audit Institution/ High State Control in the case of Albania, Klitgaard equation

#### *Entry*

When the concept of informality was first introduced in the early 70's of the last century, it was thought to be a temporary phenomenon that would disappear in developed economies. Reality proves the opposite. In parallel with the growth of the economy, informal activities continued to grow (informal employment, untaxed activity, informal enterprises, etc.). The informal sector, referred to by the professional literature as the "shadow economy" or the "underground economy" (Shnaider and Ente, 2000) or "unofficial activity" (Friedman et al., 2000) continues and continues to remain as the "electron of free" in the country's developments. But concepts must be separated, in fact the informal sector is not an enemy of society and economy, the enemy is corruption.

The precise definitions of the terms in this field affect different legal, criminalistic and political problems according to the countries<sup>2</sup> being referred to. According to the United Nations, there

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<sup>1</sup> Kodi Penal i Republikës së Shqipërisë, Tiranë 1995 me ndryshime

<sup>2</sup> Udhëzues i Kombeve të Bashkuara mbi Masat Praktike Anti-Korrupsion për Prokurorë dhe Hetues, OKB, Vjenë, 2004, fq. 23; Z. Dobrowolski, Roli i Zyres së Auditimit Suprem në Luftën kundër Korrupsionit dhe Patologjive të Tjera Organizative" [ne:] K. Raczkowski

is no single, universally accepted definition of corruption. For example, the United Nations Convention against Corruption does not contain a single definition of corruption, but lists several specific types or acts of corruption<sup>3</sup>.

- ✓ Corruption is "abuse of entrusted power for private gain".
- ✓ Corruption is misuse of public funds and/or office for private or political gain.
- ✓ Corruption means entice or embezzle.
- ✓ Corruption is seeking, offering, giving or accepting, directly or indirectly, a bribe or any other undeserved benefit or advantage, which distorts the proper performance of any duty or behavior required of the recipient of the bribe or benefit or advantage.
- ✓ Corruption is misuse of public trust for personal gain. Public trust is essential for the efficiency of the public entity.

In a narrower sense, corruption can be defined as: *any violation of the duty of official persons or responsible persons of legal entities and any activity of the initiators or beneficiaries of this behavior, in exchange for a service that is directly or indirectly promised, offered, given, requested, accepted or expected to be received for oneself or another person*. This definition includes active and passive corruption, so how for official persons who have a public function or exercise a public service, persons responsible for the management and administration of commercial companies and for persons who are initiators of corrupt behavior. Corruption means the realization of any right or interest for which a certain person or group has no legal basis or the realization of rights and interests for which there is a legal basis, but in a way that creates a privileged position in relation to the rights and the interests of others that have the same legal basis for their realization.

We recognize two types of corruption: *Active corruption*, which means criminal offenses that are committed by promising, proposing or directly or indirectly giving any type of benefit to a public or private official to perform or not an action contrary to the duty or function of his. *Passive corruption*, which means criminal acts that are carried out by seeking, receiving any kind of irregular benefit or accepting an offer or promise from a public or private official to perform or not, an action in opposition to his duty or function.

What we agree is, corruption means violation of legal rules for the purpose of personal gain.

In this paper, we will focus on the concept of the corruption phenomenon influence on the quality of state governance.

Since Albania has often been described as a country with a high potential for corruption, based on many reports and statistical analyses<sup>4</sup>, managing this phenomenon is a challenge very difficult. Since the first years of the economic and political transition in Albania until today, corruption and informality are present phenomena of our economy.

According to the well-known international researcher of corruption and its consequences in the public, Robert Klitgaard, corruption can be assessed as..., *Misuse of state office for unofficial purposes*.

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dhe F. Schneider (eds.), Siguria Ekonomike e Menaxhimit te Transaksioneve te Biznesit ne Biznes, Shtëpia Botuese Libri Chartridge, Oksford 2013, faqe 219-243

<sup>3</sup> Paketa Anti-korrupsion e Kombeve te Bashkuara, Edicioni i Trete, UNODC, 2004. Gjendet nw: [www.undoc.org/documents/corruption/publications\\_toolkit\\_sep04.pdf](http://www.undoc.org/documents/corruption/publications_toolkit_sep04.pdf), p. 10 [access; 16.02.2016].

<sup>4</sup> Transparency International - Global Corruption Barometer 2017-2023 <https://www.transparency.org/en>

In corrupt acts we can cite bribery, coercion, nepotism, fraud, embezzlement and much more than that. What is essentially the phenomenon of corruption, can be defined as a breach of public trust for personal gain<sup>5</sup>.

The promotion of good governance in all its aspects includes, among others, ensuring the rule of law, improving the efficiency and accountability of the public sector and the fight against corruption, as essential elements of a framework within which economies can progress<sup>6</sup>.

Nowadays, when the phenomenon of corruption seems to be sitting cross-legged among us and willingly has become a "participant" of operational activities, the question naturally arises: Is there an institution that identifies, restrains or fights this "enemy" ?

*The Fraud Triangle<sup>7</sup> related to corruption:*

In this paper, as mentioned above, we have focused on the phenomenon of corruption in the quality of state governance, analyzing its two types: active and passive.

*Active corruption: An offense committed intentionally, of promising, offering or giving by any person, directly or indirectly, any unfair advantage to any public official, for himself or for another, to induce him to act or not to act in the exercise of his/her functions" (Article 2 of the Convention).*

*Passive corruption: A criminal offense committed intentionally, which consists in the solicitation or acceptance by any public official, directly or indirectly, of any improper advantage for himself or another, or the acceptance of an offer or promise of an advantage such, to act or not to act in the exercise of his/her functions. (Article 3 of the Convention).*

It is generally known and accepted that, for a fraud to be committed, three conditions must be present:

- 1) The person must be motivated to commit the fraud.
- 2) The person must have the ability to commit the fraud.
- 3) The person must have the ability to justify the fraud.

On the other hand, it is precisely these three conditions that favor the development of corruption.

Let's address all three of these conditions:

### *1) Motivation*

Motivation is the reason an individual chooses to commit corruption as corrupt or corrupt. This mostly has to do with the integrity of the person. It is an individual matter which is seen as related to his character, but not only. It operates in relation to the conditions in which this individual is or are you facing in line with point 3) Justification (financial difficulty or need for money as a result of an emergency)

### *2) Opportunity*

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<sup>5</sup> Mbi bazwn e librit te Z. Dobrowolski, "Te luftosh korrupsionin dhe Patologjitë e Tjera Organizative", Shtëpia Botuese Peter Lang GmbH., Frankfurt Am Main.

<sup>6</sup> Komunikate e Komisionit të Përkohshëm të Bordit të Guvernatorëve të Fondit Monetar Ndërkombëtar, Njoftim per Shtyp Nr. 96/49, 29 Shtator 1996, Fondi Monetar Nderkombetar, Washington, D.C.

<sup>7</sup> 5Cressey D.R., Paraja e te Tjereve, Patterson Smith Montclair 1973, fq. 193.

Without opportunities, a person cannot commit corruption. Opportunity includes the characteristics or circumstances associated with an entity that allow corruption to be committed. Such situations can often result in deficiencies in internal control creating or increasing the possibility for the extension of this phenomenon. Some of the factors and conditions that create them are:

- Knowing the weaknesses of the internal control systems.
- Lack of division of duties.
- Access to accounting data or assets.
- Lack of proper supervision.
- Lack of ethical policies that support "Tone at the top".
- The belief that the person doing it will not be caught.

### *3) Justification.*

The final factor that must be present in order for fraud to be committed is the person's ability to rationalize the behavior. The ability to reason includes the behavior, character, or ethical values that allow individuals to justify their reasons for doing it. The generally lower levels of wages in the public sector compared to the private sector may lead employees to believe that they can justify the phenomenon. As in finding opportunity, this may violate the principles of public trust, expectations and accountability. The individual must be able to convince themselves that committing/accepting corruption is somehow "right" or acceptable to them. Without reasoning or justification, an individual is unlikely to commit corruption even if the motivation and opportunity are present. His reasoning or justification is being convinced that there is a perfectly acceptable reason for the person himself to commit the fraud. A sense of ethics, morality, and a clear understanding of right and wrong can prevent some individuals from justifying or justifying cheating.

Looking at it from a closer perspective, we can distinguish several categories that favor this phenomenon, such as<sup>8</sup>:

#### *Cultural problems*

- Lack of anti-fraud and anti-corruption policies and culture.
- Management's failure to implement a sound system of internal control and/or to demonstrate commitment to it at all times.

#### *Managerial problems*

- Lack of financial expertise and management professionalism (leaders)
- A history of legal or regulatory violations within the organization and/or complaints alleging such violations.
- Strained relations within the organization between managers and employees
- Lack of staff management and supervision.
- Lack of clear control by leaders of responsibilities, authorities, power delegations, etc.
- Reward schemes (bonuses) linked to ambitious objectives or directly to financial results.
- Lack of division of duties

#### *Employee problems*

- Inadequate recruitment processes and lack of screening of candidacies.
- Unusually close relationships - internal and external

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<sup>8</sup> <https://panel.klsh.org.al/storage/phpIEQ14y.pdf>

- Potential or current reduction of staff or redundant positions
- Disgruntled employees who have access to desirable assets
- Unusual patterns of staff behavior
- Personal financial pressures on key (main) staff
- Low salary levels of key staff
- Weak distribution of internal controls
- Lack of willingness and willingness to share tasks

#### Process problems

- Lack of division of labor and independent control of key transactions
- Lack of identification of an asset (asset)
- Weak management accountability and weak reporting systems.
- Weak physical security of assets.
- Weak access controls to physical assets and IT security systems.
- Absence and/or inadequacy of internal controls.
- Poor internal control documentation.

#### Transaction problems

- Poor documentation support for particular transactions.
- Large cash transactions (cash, for example, in public companies)
- Exposure of assets to misappropriation

#### *INTOSAI about SAIs role against corruption*

The INTOSAI Guidelines for Corruption Prevention Audit (2016) define that SAI's fight against this phenomenon should aim at preventing corruption by analyzing the phenomena, causes, areas and mechanisms of corrupt phenomena during each audit, as well as strengthening public institutions by identifying ways to reduce arbitrariness, simplify administrative procedures and eliminate unequal access to information<sup>9</sup>.

Some of the measures suggested in the World Development Report (1997, 2002 and 2004) to fight corruption are: minimizing opportunities, official discretion, strengthening monitoring, increasing punishment, more effective media, civil society awareness, greater access to the general public in information etc<sup>10</sup>.

The INTOSAI Anti-Corruption Audit Guide discusses the seven components<sup>11</sup> as: (1) Anti-corruption organizational culture (2) Objectives/Strategy (3) Organizational responsibility (4) Risk management (5) Anti-corruption program such as code of ethics, internal control, e-governance tools, signaling mechanism, audit of internal, etc. (6) Communication - Reporting (7) Monitoring and modification.

Despite significant developments in terms of approach and overall methodology for combating corruption by SAIs, the duties of each supreme audit institution vary greatly according to their legal or institutional frameworks.

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<sup>9</sup> INTOSAI Guidelines for the Audit of Corruption Prevention (ISSAI 5700), September 2016, p/ 14

<sup>12</sup> Cited in Evolution of The World Bank's thinking on Governance (2018): Background Paper for World Development Report (2017): K. Sarwar Lateef, P/20 (Source: <http://pubdocs.worldbank.org/en/433301485539630301/WDR17-BP-Evolution-of-WB-Thinking-onGovernance.pdf>).

<sup>13</sup> INTOSAI Guidelines for the Audit of Corruption Prevention (ISSAI 5700), September 2016, P/3-4

## Audit Frameworks

The Department for International Development (DFID) has broadly identified three audit models: the Westminster model, the Anglo-Saxon or Parliamentary Model, the judicial model or the Napoleonic Model and the board or Collegial Model<sup>12</sup>.

Under the Westminster or Anglo-Saxon or Parliamentary model, there is an Auditor General who has rights and responsibilities along with safeguards to ensure independence. SAI's ability to challenge corruption depends on its powers, authority and independence from other national institutions<sup>13</sup>. Under the judicial or Napoleonic model, the SAI known as the Court of Accounts is an integral part of the judicial system and normally also has a complementary system of high level parliamentary accountability regarding public expenditure. The vulnerability of such a system to political influence is quite low due to the indefinite mandate, but there are challenges in terms of transparency, lack of parliamentary involvement and implementation of recommendations. According to the collegial system model, the SAI has a number of members appointed by the parliament who form its college or governing board and take decisions jointly. The limitations of this model are, the decision-making process is slow and the system of appointment by parliament affects independence and impartiality.

### *Supreme Audit Institutions in the fight against corruption*

Supreme Audit Institutions are one of the main players in the fight against corruption. By overseeing public finances and their role in promoting transparency and accountability in the public sector, they play an important role in creating an environment conducive to good governance. Occurring in the conditions of the inevitable confrontation with the phenomenon of corruption, as early as the 16th congress of the International Organization of Supreme Auditing Institutions, held in Montevideo, Uruguay in 1998, these institutions placed emphasis on the special importance of fraud prevention and detection and corruption.

In the case of Albania, the High State Control, as the supreme institution of public auditing in the country, tries to be a strong pillar of prevention and management of this phenomenon at all times.

These Institutions oversee the management of public finances by promoting transparency and accountability. *Their role in the fight against corruption, to hinder and prevent it, is twofold.* First by identifying the risk areas (this in cooperation with other institutions) and secondly by publishing the recommendations of the audit reports.

Supreme Audit Institutions act as 'protectors' on financial integrity, compliance with existing laws and assessment of economy, efficiency and effectiveness of their operations covered under the topics of financial audit, compliance and performance. Specialized audits covering aspects such as environment, IT and other issues related to social transformation are also becoming increasingly important for SAI's across the globe.

The audit missions carried out by the High State Control are ex-post (after the fact) highlighting those responsible and requesting compensation for damages caused or prevention of repeated violations.

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<sup>12</sup> Characteristics of Different External Audit Systems, DFID, 2004

<sup>10</sup> <https://www.u4.no/publications/albania-overview-of-corruption-and-anti-corruption.pdf>



Meanwhile, referring to the practices of counterpart countries, there are countries that also perform ex-ante (pre-fact) audits in order to prevent damages before they occur. Trying to balance the limitation and restraint of executive power, which is best managed through ex-ante compliance audits and ex-post audits through prevention and remediation.

However, this technique also has the disadvantage of creating an excessive volume of work and responsibility. There is also the legal basis that provides for the way of carrying out the missions, the Basic Law of the State, the Constitution of the Republic of Albania and the Organic Law of the High State Control, in our country only recognize the ex-post performance of audit missions.

In the Lima Declaration of 1977, ex-ante auditing is a task that should be performed by internal audit units, the Declaration acknowledges that SAIs can perform ex-ante audits which represent a type of review before the fact of administrative activities or financial. Pre-audit is necessary for the sound management of public finances and funds entrusted to the state by citizens. It can be performed by SAIs or other audit institutions.

### Audits mission

During the performance of the audit mission, the auditors must identify the appropriate criteria to provide the database for the evaluation of the available justifying evidence and their processing in order to draw findings and conclusions from the audit.

During this process, auditors face continuous challenges due to:

- Lack of documentation or audit trail,
- Partial access to the information system,
- Lack of will to cooperate,
- Intentional giving of different evidence.

In all these moments, the risk of the presence of fraud is taken into consideration, which can lead to corruption.

In order to obtain information from the audited entities, strategic behavior should be used, cooperating within the limits of moral integrity and keeping in consideration the obligations to the general public of each party.

The external auditor is not responsible for detecting the phenomenon of corruption, and this is related to the limitations of controls, which cannot provide absolute certainty. Like any other control policy, the preventive policy is always more effective than the detection policies after it has been committed.

At the end of the audit process, after the audit evidence was collected and processed, which was sufficient and appropriate to identify the appropriate criteria, the conclusion is reached:

Findings, conclusions and recommendations = Criteria + Evidence

Through the findings, conclusions and recommendations given, external auditors enable the increase of accountability of public institutions for the implementation of the law, the strengthening of the fight against corruption and the increase of transparency.

### 2. Purpose

The purpose of this article is to provide a rationale that corruption can follow Klitgaard's formula by rewriting Accountability as a variable of transparency and accountability.

### *KLITGAARD's equation*

Metaphorically, corruption can follow Klitgaard's formula:  $K = M + D - A$  where K is corruption, M is monopoly, D is discretion or the amount that can be profited from corruption and A is accountability which is seen directly related to accountability.

The interpretation of this formula can be treated as, corruption will be possible, when someone (eg a citizen) has monopoly power over a good or service, has the power to decide whether you will benefit from it and how much benefit as well as is not responsible.

Corruption in itself contains calculations, the greater the value of the bribe, the smaller the chances of being discovered and the lower the punishment received, the higher the temptation to be corrupt. And in order to avoid this logical implication, we must work with the base, the foundation where accountability can be increased by eradicating the culture of impunity.

#### *How can we affect the Klitgaard equation?*

As we mentioned above, in the composition of this equation in order to minimize K (corruption) we must increase P (responsibility) and for this purpose we will use two of the powers at our disposal, accountability and transparency.

Both of these phenomena are seen as "enemies" of corruption and two necessary pillars of good governance, which go hand in hand. Without strengthening one, the other cannot stand. And for this the whole equation can be rewritten as a consequence of T (transparency) and LL (calculation) in the form  $K = M + D - (A + LL)$

When it comes to Supreme Audit Institutions (SAIs), the application of the Klitgaard equation is crucial to understanding and addressing corruption in the management of public finances. SAIs play a key role in reducing corruption by promoting transparency, accountability and integrity in the use of public funds. By effectively monitoring the audit process and ensuring proper oversight of government finances, SAIs can help reduce opportunities for corrupt practices to occur. By identifying and 'investigating' cases of mismanagement, fraud or embezzlement, giving recommendations for improvements and reporting the findings to the relevant authorities, as well as identifying the persons responsible for such actions, it is possible to keep the "P" factor - Accountability under control.

In addition, SAIs can help reduce the potential for corruption related to monopolies by promoting competition and transparency in public procurement processes, awarding contracts and other transactions involving public funds. This could help address the "M" factor in the Klitgaard equation.

The role of SAI in minimizing corruption by influencing these key factors

#### *Transparency and Accountability as Mechanisms to Combat Corruption*

*Transparency:* Transparency involves making the operations, decisions, and financial dealings of public institutions accessible to the public. When government processes and financial records are open to scrutiny, the opportunities for corruption decrease. Transparency limits the ability of public officials to act with impunity, particularly in sectors prone to corruption, such as public procurement and resource allocation.

*Accountability:* Accountability is the requirement for public officials and institutions to answer for their actions and decisions. This means that they must justify how they allocate resources, make decisions, and deliver public services. Strong accountability mechanisms involve effective oversight, legal accountability, and independent audits that ensure officials are responsible for their conduct.



SAIs work impacts the factors in the Klitgaard equation as follows:

### *1. Reducing Monopoly (M)*

Monopoly power is the ability of a person or group to control resources or decision-making without effective competition. In Albania, as in many other countries, the government controls substantial resources, such as public contracts, procurements, and the allocation of public funds. This creates opportunities for corrupt practices, as officials may use their monopoly power to divert resources for personal gain.

*SAI's Role:* By conducting regular audits, SAI ensures that public resources are allocated fairly and according to legal frameworks. Through audit reports, SAI provides transparency in public procurement and expenditure, thus reducing the ability of public officials to exercise unchecked monopoly over public funds. The institution's ability to monitor large-scale public contracts, such as infrastructure projects and procurement, diminishes the opportunities for monopolistic practices that fuel corruption.

### *2. Limiting is the amount that can be profited from corruption (S)*

The amount that can be profited from corruption that can be called also Discretion, refers to the freedom that officials have to make decisions without being subject to formal rules, procedures, or oversight. In Albania, public officials often have significant discretion over budgetary decisions, project approvals, and the awarding of government contracts. This discretion, if left unchecked, can easily lead to corrupt practices.

*SAI's Role:* SAI audits and oversight limit the discretion of public officials by making their actions subject to review. The institution evaluates whether decisions are made based on established rules, laws, and guidelines. For example, SAI scrutinizes the decision-making processes behind public investments, procurement procedures, and financial management. By identifying instances where discretion has been abused or where actions lack transparency, SAI effectively reduces the space in which corruption can occur. The more a public official's decisions are monitored, the less room there is for arbitrary or corrupt choices.

### *3. Strengthening Accountability (A)*

Accountability ensures that public officials and institutions are held responsible for their actions. A lack of accountability is a key driver of corruption, as it allows individuals to act with impunity, knowing that there will be no consequences for their actions.

*SAI's Role:* SAI strengthens accountability by conducting independent audits and publishing its findings. These audits provide evidence of how public funds are being used, whether public policies are being implemented effectively, and if public services are being delivered as promised. In cases where audits reveal mismanagement or corruption, SAI holds public institutions accountable by providing recommendations for corrective actions and urging the government to take steps to address the issues. Furthermore, its work is made public, which allows for external pressure from the media, civil society, and the general public to ensure that the government acts on these recommendations.

### *The Impact on Corruption in Albania: A Closer Look through the Klitgaard Equation*

In the Albanian context, the role of **KLSH** (Albanian SAI) in promoting *transparency* and *accountability* is crucial in minimizing corruption as per the Klitgaard equation. By reducing the monopoly power (M) and the level of discretion (D), while strengthening accountability (A), Albania will improve several key areas as:

- Public sector transparency, where opportunities for corrupt activities such as embezzlement, bribery, and nepotism are bigger;
- The accountability framework in the public sector, making it more difficult for public officials to act without facing consequences.
- Discretionary decision-making in public procurement and allocation of funds will be more regulated and subject of oversight, by reducing this way opportunities for corruption.

### *Broader Impacts of Monitoring Based on the Klitgaard Formula*

When corruption is actively monitored using the Klitgaard formula, the following broader impacts are likely to occur:

#### *1. Increased Transparency*

- Regular monitoring of monopoly, discretion, and accountability leads to more transparent governance. When institutions and officials know that their actions are being scrutinized, they are less likely to engage in corrupt practices.
- Transparency increases public trust and participation, as citizens can see how decisions are made and resources are allocated. This reduces the opacity that often breeds corruption.

#### *2. Strengthening Rule of Law*

- Monitoring corruption based on the Klitgaard formula helps strengthen the rule of law. It ensures that laws and regulations are followed, and any deviations are detected and addressed.
- This reinforces legal and regulatory frameworks that protect against corruption, making it harder for individuals to exploit gaps or loopholes in the system.

#### *3. Empowering Civil Society*

- As corruption is monitored more systematically, civil society organizations, the media, and the public are empowered to act as watchdogs. They can demand accountability from government officials and institutions based on the findings from monitoring reports.
- This increases the pressure on public officials to behave ethically and discourages corrupt practices by making it more difficult to act without facing scrutiny or consequence.

#### *4. Institutional Strengthening*

- Continuous monitoring based on the Klitgaard formula helps identify institutional weaknesses. It can highlight gaps in governance, areas where accountability mechanisms are lacking, or sectors where discretion is too high.
- This drives reforms aimed at strengthening institutions, enhancing governance, and creating stronger checks and balances. It can lead to better-designed public policies and improved administrative structures, all of which reduce the opportunities for corruption.

## **Conclusion**

Corruption is a pernicious challenge affecting modern day governance and development. The increase in publicity and awareness of corruption cases has brought the issue of accountability and transparency into focus. It also challenges the notions of independence and professionalism

of public auditors who should perform their role more impartially and objectively. Regardless of the variety of frameworks, global commitments as well as the increase of cooperation at the end of the day we have to accept that this phenomenon is and will continue to be present, it remains the duty of each of us to have a part of our integrity in terms of promoting transparency and accountability.

The Klitgaard equation remains a valuable framework for understanding the dynamics of corruption, and Albania's experience shows how systematic efforts to enhance transparency and accountability can lead to tangible improvements in governance and the reduction of corruption.

The monitoring of corruption through the lens of the Klitgaard equation brings several significant benefits to the fight against corruption. By focusing on monopoly, discretion, and accountability, monitoring can identify critical areas where corruption is likely to occur and implement reforms that reduce opportunities for corrupt behavior.

- Reducing monopoly and discretion limits the opportunities for corrupt actions, while enhancing accountability ensures that those who engage in corrupt behavior are held responsible.
- Furthermore, monitoring increases transparency, strengthens the rule of law, empowers civil society, and helps strengthen institutions.

Ultimately, such monitoring creates a more transparent, accountable, and fair system of governance, reducing the incentives for corruption and improving overall public sector performance.

*What impact does the monitoring of this phenomenon bring:*

1. Increased transparency: By closely monitoring the audit process, Supreme Audit Institutions (SAIs) can be influenced by increasing transparency in the management of public finances. This can help identify and prevent corrupt practices such as embezzlement, mismanagement of funds and fraud.
2. Accountability: Monitoring the audit process can hold government officials and public servants accountable for their actions. SAIs can ensure that public funds are used for their intended purposes and that appropriate oversight is in place to prevent corruption.
3. Prevention of corruption: The fact that the audit process is closely monitored by SAIs can act as a deterrent to those who may be tempted to engage in corrupt activities. The fear of being "caught" and facing the consequences can discourage individuals from engaging in corrupt practices.
4. Identifying problem areas: SAIs can identify "red flags" and potential areas of concern through their monitoring process. This can help them focus their audits on areas that are at higher risk of corruption and ensure that appropriate measures are taken to address any issues that are uncovered.
5. Building public trust: SAI's role as a watchdog of public finances, actively monitoring the audit process and taking action to fight corruption, helps build public trust in government institutions. This can foster a culture of accountability and integrity within the public sector and help promote good governance practices.

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