

MONEY LAUNDERING, PUBLIC ACCOUNTING AND AUDITING IN ALBANIA

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Abstract:

The process of money laundering is used to legalize the assets or money received from illegal activities. The primary goal of this research is to analyze the money laundering process in Albania related to the public accounting and audit process. The research design of the paper is only applied as descriptive because it observes the direct influence of money laundering and audit process in the whole economy. Secondary data collection is mainly used to analyze and understand the area of the research to continue with further discussion and withdraw conclusions. The sources used for gathering all the secondary data used in this research study are various published information and related legal acts published by the public institutions in Albania.

At the conclusion session the authors intend to suggest solutions based on the results of the analysis performed of this study.

Keywords: *money laundering, public accounting, auditing, public institution, economy.*

JEL Classification: A1, G18, H1

Introduction

In Albania, the process of preventing money laundering was established as a necessity of the time for the first time in May 2000, when the Assembly of Albania adopted Law No. 8610 dated 17.05.2000 "On the prevention of money laundering," with the main purpose of preventing money laundering derived from criminal activity, as well as the fight against financial crime.

This law applied to natural or legal persons such as: banks and entities licensed by the Bank of Albania to carry out banking and financial activities; foreign exchange offices; scholarships; investment funds; insurance and/or reinsurance companies and other legal entities authorized by the Insurance Supervision Commission to carry out insurance and/or reinsurance activities.

The authors will describe the relationship between accounting, auditing, and money laundering as a critical component of the Albanian economy.

Description of the Problem

Over the last decades, the process of money laundering in Albania has been a process of critical importance for the country. In August 2001, the Ministry of Finance established the

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Coordination Directorate of the Fight Against Money Laundering (CDFAML), and in July 2003, CDFAML was admitted as a full member of the Egmont Group's Financial Intelligence Units.

The Coordination Directorate of the Fight Against Money Laundering was promoted to the General Directorate for the Prevention of Money Laundering (DPPPP) in the Ministry of Finance in August 2005.

In November 2006, laws no. 9641, dated 20.11.2006, "On the Ratification of the Convention of the Council of Europe "On the Prevention of Terrorism" and no. 9646, dated 27.11.2006, "On the Cleaning, Search, Seizure, and Confiscation of the Proceeds of Crime and the Financing of Terrorism" were passed.

With the signing of the Memorandum of Understanding between the General Prosecutor's Office, the Ministry of the Interior, the Ministry of Finance, and the Intelligence Service in the second half of 2007, the Joint Unit for the Investigation of Corruption and Economic Crime, led by the Prosecutor's Office, was established to coordinate the work of institutions for legal strengthening, conducting investigations for the criminal offense of corruption and economic crime.

In this context, the Anti-Financial Crime Directorate was established in the Department for the Investigation of Crimes in June 2007, consisting of three sectors, including the Anti-Money Laundering Sector, with the goal of strengthening the preventive system and reducing opportunities to use the financial system for the purpose of money laundering or terrorism financing.

In addition, as part of the reorganization of the tax administration in the Republic of Albania, based on law no. 9920, dated 19.5.2008 for tax procedures in the Republic of Albania, the General Directorate of Taxes (Directorate of Anticorruption) established the Directorate of Internal Investigation in order to detect and prevent corrupt behavior by tax employees.

These structures, created firstly to prevent and fight corruption, were later strengthened by new legal acts regarding their work effectiveness.

It is also worth noting that based on Law no. 9049, 10.04.2003 "On the declaration and control of assets and financial obligations of elected officials and some public servants", Law no. 9367, 07.04.2005 "On the prevention of conflict of interests in the exercise of public functions", Law no. 9917 19.05.2008 "On the prevention of money laundering and financing of terrorism", the Memorandum of Cooperation was signed between the General Directorate for the Prevention of Money Laundering (DPPPP) and the High Inspectorate of Assets Declaration and Control (ILDKP), with the common goal of strengthening the legal state, the fight against corruption, economic crime, the prevention of money laundering and conflicts of interest that affect the proper functioning of the public administration, as well as the protection of the interests of the state.

A simplified cooperation procedure based on the principle of reciprocity between parties was aimed through this instrument. This was made possible thanks to the concrete engagement in collecting and analyzing information that was exchanged for the concealment of private property interests, corruption, economic crime, money laundering or other related criminal activities.

The exchange of mutual information regarding the declaring subjects and Politically Exposed Persons (PEP) and the corruption cases identified by the parties were used in accordance with the provisions of the Albanian legislation on confidentiality, where the DPPPP notifies the ILDKP of the cases referred to the Prosecutor and the Police that have deal with the PEP and was committed to providing evidence within the specified time limits for the cases when such a thing was requested by the ILDKP.

Coordination was made possible through the contact persons responsible for the concrete implementation of the Cooperation Memorandum and DPPPP keeps detailed statistical data for all cases of information exchange with ILDKP.

As an independent institution and one of the main responsible institutions in the fight against corruption, the High Inspectorate for the Declaration and Control of Assets carried out its institutional activity in accordance with Law No. 9049, dated 10.4.2003, "On the Declaration and Control of Assets, Liabilities, and Finances of Elected Officials and Some Public Servants" (published in the Official Gazette no. 31 of 2003).

The High Inspectorate of Assets Declaration and Control based on Article 41, is the Central Authority Responsible for the implementation of the amended Laws by no. 9367, dt. 7.4.2005, by Law no. 9475, dt. 9.2.2006 and by Law no. 9529, dated 11.5.2006 (published in the Official Gazette no. 31 of 2005) and with Law no. 9367, dated 7.4.2005 "On the Prevention of Conflict of Interests in the Exercise of Public Functions", amended by Law no. 9475, dt.9.2.2006 and with the law no. 9529, dt. 11.5.2006 (published in the Official Gazette no. 31, dated May 11, 2005).

These two laws established the rules for declaring and controlling wealth, as well as the legitimacy of the sources of its creation and the financial obligations of elected officials, public servants, their families, and those related to them. These laws also ensure impartial, transparent decision-making in the best interests of the public and its trust in public institutions by preventing a conflict between public and private interests of an official in the performance of public functions.

The twinning project with the German Federal Criminal Office (BKA) altogether with the support of the EU Delegation in Tirana, began in September 2007, with the goal of strengthening the capacities of the DPPPP and a number of other institutions involved in preventing and combating the laundering of criminal proceeds and financing of terrorism.

The Albanian Parliament approved Law No. 9917, dated 19.05.2008, "On the Prevention of Money Laundering and Terrorist Financing," which went into effect in September of that year. The goal of this law was to align Albanian legislation with the FATF's international recommendations.

According to Law no. 9917, dated 19.5.2008, "On the prevention of money laundering and the financing of terrorism," and Law no. 9662, dated 18.12.2006, "On banks in the Republic of Albania," and Law no. 157/ 2013, dated 10.10.2013, "On measures against the financing of terrorism," amended, the Bank of Albania plays an important role in the fight against money laundering and financing of terrorism.

As the supervisory authority over the activities of the entities licensed by it, the Bank of Albania evaluates the applicability of legal acts and immediately reports to the responsible authority any suspicion, information, or data related to money laundering or terrorist financing for the activities under their jurisdiction.

According to the Bank of Albania regulation "On the prevention of money laundering and financing of terrorism," approved by decision No. 44, dated 10.06.2009, any natural or legal person who establishes business relations with clients, drafts internal policies, instructions, or procedures for acceptance, identification, registration, monitoring, risk management, and reporting of customer transactions.

The Bank of Albania assesses the sufficiency of the entity's internal control programs and system, in order to prevent money laundering and terrorist financing and for all violations identified, which can be classified as administrative offenses based on Article 27 of the law "On the prevention of money laundering", informs the responsible authority by making available the complete documentation related to the finding of the violation.

The Bank of Albania may request from the subject's access to and making available any type of information and documents related to the compliance of the subjects' obligations pursuant to the law on the prevention of money laundering.

- In September 2009, the twinning project with the Federal Criminal Office of Germany ended.
- In October 2009, with Decision no. 1077, dated 27.10.2009, of the Council of Ministers, the National Strategic Document "On the investigation of financial crime" was approved, in the drafting of which DPPPP had a leading role.
- In November 2010, the fourth round of the country evaluation process by the Moneyval Committee of the Council of Europe began, in which DPPPP has played a prominent coordinating role with all local institutions.
- In April 2011, the KiE MONEYVAL Committee approved the 4th round report for Albania, which reflects the growing assessment of FATF Recommendation 26 and is directly related to the activity of DPPPP as a Financial Intelligence Unit.
- In May 2011, the project of twinning with the Spanish authorities began in order to strengthen the institutional capacities of the institutions involved in the prevention and attack of the laundering of the proceeds of criminal offenses and the financing of terrorism, in which the DPPPP was a beneficiary institution. This project was made possible in the framework of the generous assistance of the EU Delegation in Tirana.
- The document "On the national risk assessment of money laundering and terrorist financing" was completed and presented to the Fight Against Money Laundering Coordination Committee in October 2012.
- In May 2013, the twinning project with the Spanish authorities was completed.
- In October 2013, the Albanian Parliament adopted Law No. 157/2013 "On measures against the financing of terrorism", which ensured a better alignment with the international recommendations of the FATF in order to implement the resolutions of the Security Council of Nations United.
- In May 2015, Albania completed the process of implementing FATF recommendations and was removed from the public list of countries with deficiencies in the field of money laundering and terrorist financing. DPPPP has played an active role in fulfilling the recommendations made in this process and coordinating the work with the institutions involved (Bank of Albania, Financial Supervision Authority, General Prosecutor's Office, Ministry of Justice);
- In June 2015, the review of the national risk assessment for money laundering and terrorist financing was completed, which included the contribution of state institutions and the private sector.
- In September 2015, the Moneyval Committee of KiE reviewed the progress made by our country in terms of the recommendations of the IV evaluation round and based on the measures taken by the authorities, decided to terminate the enhanced supervision procedure;
- In November 2016, by Decision of the Council of Ministers, the announcement of the list of persons as terrorists was approved by internal procedure.
- In April 2017, the Albanian Parliament, within the framework of the justice reform, approved law no. 44/2017 "On some changes and additions to the law no. 9917/2008, On the Prevention of Money Laundering and the Financing of Terrorism"
- In April 2017, based on the Prime Minister's order no. 46 "On the approval of the structure and organization of the General Directorate for the Prevention of Money Laundering" and in order to strengthen the capacities of the institution, an increase of 11 employees was realized in the staff of DPPPP ;

- In October 2017, within the framework of the process for the 5th round of evaluation of Albania, the evaluation experts of the Moneyval Committee of the Council of Europe visited the country;
- In July 2018, the Moneyval Committee approved the report of the 5th round of Albania's assessment of the implementation of FATF's international recommendations;
- In September 2018, the Committee for Coordinating the Fight Against Money Laundering (KBLKPP), under the direction of the Prime Minister, approved the action plan within the Moneyval report, setting deadlines and responsible institutions for each measure.
- In October 2018, work began on the drafting of changes in the legislation for the prevention of money laundering and terrorist financing.

Compliance with the subjects of Law No. 9917 of 19.05.2008 "On the Prevention of Money Laundering and the Financing of Terrorism," as amended, as well as the further consolidation of the preservation of information administration, are also one of the main directions of the DPPPP's work, the realization of which will continue to rely on the experience created for this purpose at the national and international levels.

The basic premise for ensuring that the DPPPP fulfills its obligations in collecting, analyzing, and disseminating information on money laundering and terrorist financing issues in competent authorities will continue to be the harmonization of legislation with the Acquis Communautaire and the consolidation of cooperation with partner financial intelligence units.

The General Directorate of Prevention of Money Laundering (DPPPP) is now well organized in carrying out its mission of protecting the country's interests from financial crime and terrorist financing, thereby contributing to the system's stability, integrity, growth, and sustainability. Through regulatory and financial intelligence programs, the financial sector in Albania and the economy in general can be protected by detecting and suppressing criminal activity.

According to amended Prime Minister's Order No. 111 dated 30.08.2019, "On the approval of the structure and organization of the General Directorate for the Prevention of Money Laundering," DPPPP consists of the Legal and Foreign Relations Directorate, the Analysis Directorate Strategic and Suspicious Transactions, and the Compliance Analysis and Information Technology Directorate.

The structural changes, which are accompanied by an increase in staff to 45, aim to ensure the effective implementation of DPPPP's obligations in fulfilling the Albanian government's strategic objectives as well as international recommendations in the field of preventing money laundering, financing of terrorism, and financing of weapons of mass destruction.

Methodology and Data

According to Martin Navias (2019), money laundering can happen through 3 methods:

1. Infiltration- the true ownership of the money is hidden
2. Masking- money gets into the system through complicated procedures to hide their true ownership.
3. Integration- dirty money is presented as legal wealth.

UNODC in 2009 has calculated that 2.7% of the economy is made of dirty money. In other words, 280 million to 700 million euros are laundered every year in Albania. To prevent this from happening, the government has approved "On the prevention of money laundering and financing of terrorism" law.

Results

Table 1
Report of suspicious activities by category of reporting entities

Reporting entity	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bank	748	142	173	163	329	352	420	822	585	619	686	563	651	703	725
Transfer company	0	0	0	3	7	73	45	74	79	209	165	247	319	315	290
General Directorate of Customs	38	5	0	15	20	30	36	48	45	47	46	49	43	44	33
General Directorate of Taxation	2	2	1	1	0	33	10	50	7	3	5	10	43	44	33
Central Real Estate Registration Offices (ZQRPP)	1	0	0	22	8	29	20	64	210	134	83	164	33	0	16
Notary		0	1	6	17	19	15	122	303	205	254	469	335	321	482
Foreign exchange office						14	8	16	17	14	20	7	6	4	4
Auditing company						0	1	0	0	1	0	0	0	0	0
Accounting expert		0	0	0	1	0	1	4	1	0	0	0	0	0	0
Financial institutions not Bank				6		0	0	2	0	2	10	2	0	9	17
Lawyer						1	1	2	0	0	0	0	0	0	0
Leasing financial companies						1	0	4	7	15	5	2	0	0	1
Construction company						0	0	4	1	0	5	0	5	2	2
Tool trading company motorsports						0	0	9	36	35	101	6	10	0	0
Travel agency						0	0	0	1	0	0	0	0	0	0
Credit savings company						0	0	0	1	0	0	0	0	0	0
Forwarding company						0	0	0	2	0	0	0	0	0	0
Payment electronic company						0	0	0	19	6	2	6	0	0	3
Others		3	11	18	6	4	1	9	5	2	2	0	10	1	2
Total	789	152	186	234	388	556	558	1,230	1,319	1,292	1,384	1,525	1,455	1,443	1,608

Source: Authors' calculation

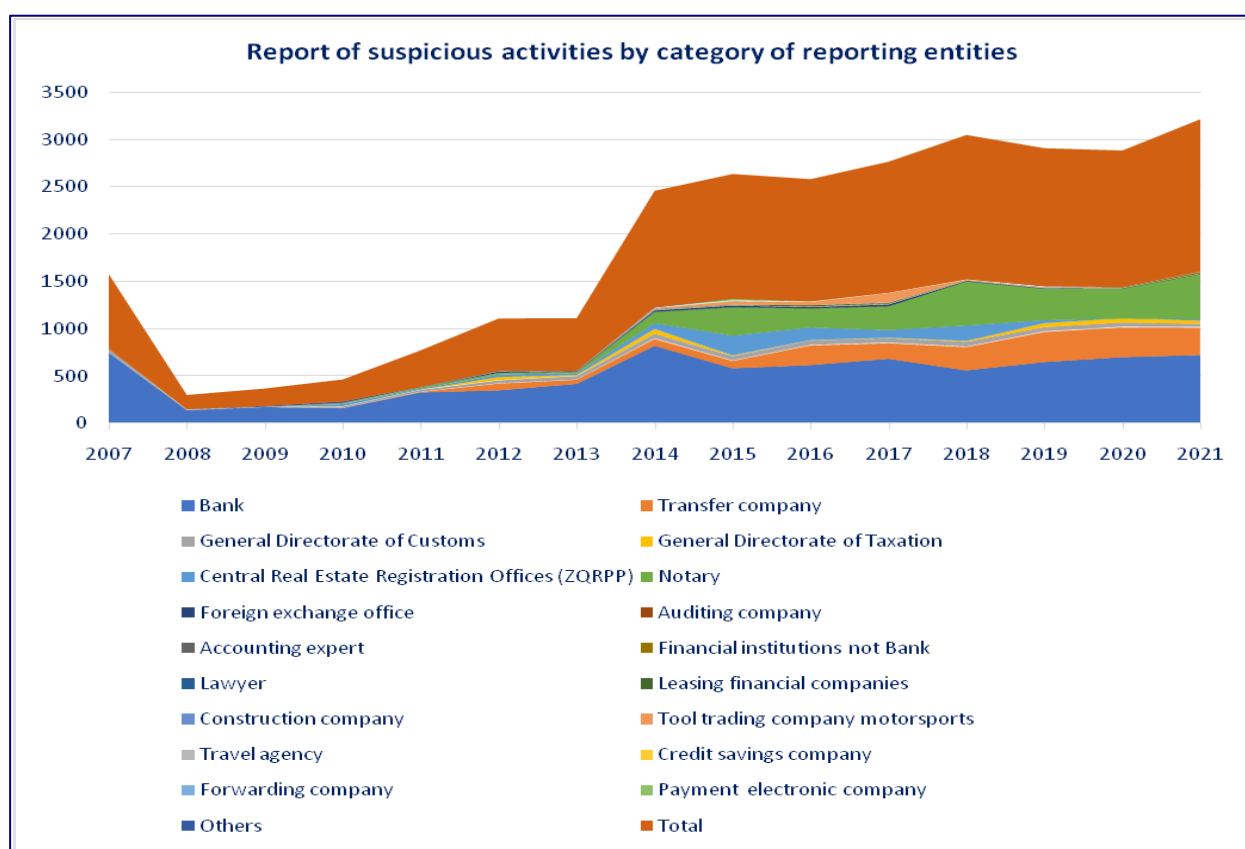


Figure 1: Report of suspicious activities by category of reporting entities

Source: Authors' calculation

Conclusion

Due to corruption, the presence of organized crime networks and gaps in legislation and supervision, Albania remains vulnerable to money laundering. Even after the updated of the list in March 2022, regarding the fight against money laundering, Albania is still on the gray list, or as it is called differently in the language of experts, it is among the countries with increased monitoring. It is also worth noting that these are key elements of economic governance in Albania.

This publication will serve the authors to expand the field of research regarding money laundering in Albania by comparing it with countries in the region and the EU. The audit process and money laundering have closely related each other and with the economic reforms undertaken by governments. In the future, it will be aimed by the authors to analyze the updated procedures in the field of public accounting, auditing, and money laundering.

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