

CONCEPT NOTE
for the 1st EUROSAI Task Force Seminar on Municipality Audit
5-6 October 2017, Riga, Latvia

Introduction

It is in the interest of every citizen as an inhabitant of a municipality to understand – where does the paid tax money go? This question is topical on both the municipal and national level.

What are the benefits that citizens have received as a result of spent budget resources in a given financial year? It is one of the main topics of interest for Supreme Audit Institutions (henceforth - SAIs).

The mandate stipulated in the national regulations of each SAI on performing audits (financial, compliance, performance) within municipalities may differ. Nonetheless, a goal-oriented use of public financial resources is on the agenda of every supervising institution.

The global tendencies in the field of public expenditure management currently shift from investment control (related to fiscal discipline) to a more performance oriented outlook, focusing on the outcomes of the actions of municipalities (functions, services, etc.) and their evaluation.

Nonetheless, the capacity of SAIs is rather limited and due to the lack of resources it is not possible to perform audits in all areas, which are important for the society, as well as in every state and municipal institution. Therefore, it is even more important to stimulate the discussion in society and to achieve a greater positive effect with the help of tailored audit reports and conclusions. Publishing audit results and their proper communication to the different audiences are just some of the means for reaching these goals.

Themes

I The Added value from Supreme Audit Institution audits, conducted in local municipalities

The seminar aims at defining and showing to the society the true results of SAIs audit work in municipalities. And this time we plan to focus our attention not on the assessment of the direct results – improvements, which are introduced as a result of the implementation of audit recommendations – but exchange practices and elaborate ideas on their possible indirect added value: training, discussion papers, research activities, etc.

That is the ‘further-sharing’ and further use of audit results. We understand this as the composition of wide variety of activities, for instance, the follow-up seminars in municipalities (also in those municipalities which had not been examined during the audit stage) in order to increase the common understanding about the irregularities which other municipalities may also face and to find the best means to resolve them. Thereby, the positive impact of an audit may reach more than just the directly involved parties. Such activities may also include issuing of discussion documents/landscape reports, which may include summarized information on the common systematic problems, which are to be found in the work of municipalities or the specific field. It may promote a further discussion both within the society, as well as other state institutions, thus promoting the necessary impulse for change, forcing changes to public policies, laws and regulations.

It may include any other means dealing with the further use of the work results of SAIs in order to change the status quo, for instance, summarization of the best practice guidelines and their publication in a homepage, collaboration with organizations, experts representing municipalities, cooperation with the responsible public policy makers, legislator, and promoting initiatives for the improvements to the legal regulations. As a result these value adding activities benefit a large number of entities even not being directly involved in an audit.

Thereby, we are kindly asking you to share your views and experience on the following issues:

What sorts of methods and best practice is used to ensure the ‘further-sharing’ and the further use of audit results (information materials, training, discussions, etc.)?

Which communication and cooperation methods with different stakeholders have proved to be the most effective in practice (SAI seminars in municipalities, involvement of SAI auditors as experts in training organized by other institutions)?

What type of communication and what added value is awaited from SAI by the auditee, Parliament, mass-media, citizens and other stakeholders?

Is cooperation between SAIs and academia taking place? Do scientists and researchers refer to or use audit findings in their studies?

Do the ministries in charge of the municipal sector use work of SAIs in order to develop different methodologies, for example, on budget and development planning?

II The efficiency, economy and effectiveness criteria of the utilisation of local municipality budgets. The role of local municipality development planning documents in the evaluation of the efficiency of local municipality activities

Under this theme we intend to share information on the development planning system in municipalities. The development planning and its relation to the budget planning is one of the most topical questions when assessing the compliance and effectiveness of the use of public funds. The purpose of the development planning documents is to define goals and tasks for municipality. Thus, when assessing compliance and performance related questions, it is necessary to examine these documents in order to understand, what sort of tasks were to be carried out in the first place and what goals were to be achieved while using the finances of municipality.

We have experience of more than three years in assessing these sorts of questions and we would like to share it with the participants of the seminar in order to jointly look for new methods and possibilities for assessment of performance issues within municipalities.

Thereby, we are kindly asking you to consider the following issues for discussion:

What are the specifics of the development planning system for local municipalities in your respective country?

Whether and (if yes) in what level of detail do the legal acts stipulate the obligation for municipalities to prepare development planning documents? Does it include certain goals and tasks, deadlines and the institutions responsible for the implementation, as well as the corresponding outcome indicators?

Is the planning of the municipal budget closely related to the use of the development planning, in other words, whether the municipal budget is planned with the aim of reaching the pre-defined goals within the development planning documents?

Whether the tasks and the implementation status indicators laid out in the development planning documents of municipalities may be used as performance criteria for assessment of the overall functioning of a municipality? What other criteria are used for performance assessment of the work conduct and the use of financial resources?

Whether and how the performance criteria are agreed upon with the audited entity?

How to act in case if the municipality has not provided the goals and tasks of its corresponding actions and the use of financial resources, as well as if it has not set the outcome indicators?