

# Activity Report

EUROSAI Task Force on Municipality Audit

September 2022 – June 2023



## INTRODUCTION

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The Activity Report of the EUROSAI Task Force on Municipality Audit (EUROSAI TFMA) covers the period from September 2022 to June 2023 as well as the nearest future activities.

This Activity Report is submitted to the 58<sup>th</sup> EUROSAI Governing Board meeting to be held on 14-15 June 2023 on behalf of Mindaugas Macijauskas, Auditor General of the Republic of Lithuania and Chair of the EUROSAI TFMA. The National Audit Office of Lithuania (NAOL) hosts the Secretariat of the EUROSAI TFMA, which coordinates the activities of the Task Force.

**VISION** of the EUROSAI TFMA is to create relevant improvements to municipality audit systems in EUROSAI countries.

**MISSION** of the EUROSAI TFMA is to create an open platform for sharing the best practice and experience on the municipality audit.

EUROSAI TFMA activities, planned for the period of 2021-2024, designed to achieve the three strategic goals of the Task Force:

- |                           |   |
|---------------------------|---|
| <b>STRATEGIC GOAL I</b>   | <i>Exchanging the best practice and experience to reach audit results that have a substantial impact on improving public financial management</i> |
| <b>STRATEGIC GOAL II</b>  | <i>Making the external municipal auditing system more efficient</i>   |
| <b>STRATEGIC GOAL III</b> | <i>Encouraging cooperative audits</i>   |

The EUROSAI TFMA working programme for the period 2021-2024 can be found on the [EUROSAI TFMA webpage](#).

EUROSAI TFMA activities designed to implement the three strategic goals of the Task Force are also in line with the Strategic Goal of the EUROSAI Strategic Plan 2017-2024, “Supporting effective, innovative and relevant audits by promoting and brokering professional cooperation”.

Currently, the EUROSAT TFMA unites SAs of 27 EUROSAT countries and fosters international cooperation and exchange of experience in the field of municipal audit. The list of EUROSAT TFMA members can be found in *Annex 1*.

Changes are planned for the chairmanship of the EUROSAT TFMA for the period 2024-2027. The Supreme Audit Office of the Republic of Latvia has expressed willingness to take over the chairmanship of the Task Force in 2024.

## IMPLEMENTATION OF STRATEGIC GOAL 1

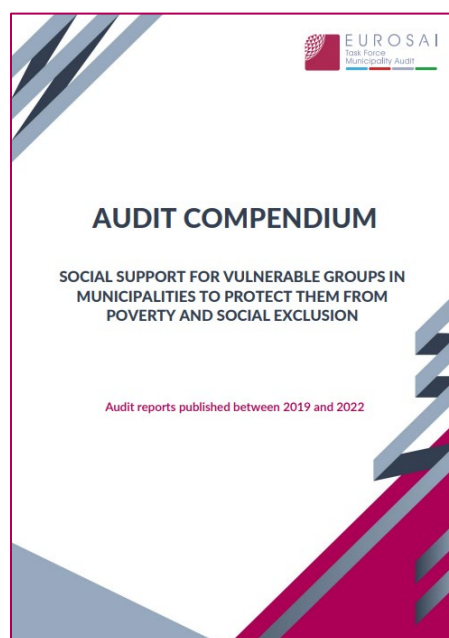
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*Exchanging the best practice and experience to reach audit results that have a substantial impact on improving public financial management*

### **The Audit Compendium “Social support for vulnerable groups in municipalities to protect them from poverty and social exclusion”**

The Audit Compendium was published in October 2022. This is the third edition of the TFMA Audit Compendium, focusing on recent audits and overviews carried out by fifteen SAIs, TFMA members, for period 2019-2022: Albania, Austria, Bulgaria, Croatia, Estonia, Greece, Hungary, Israel, Latvia, Lithuania, North Macedonia, Poland, Serbia, Spain and Ukraine. The Audit Compendium was prepared in coordination of the SAIs of Estonia and Lithuania.

National governments design social protection policies and municipalities make an important contribution to their development and implementation. Therefore, the SAIs, through their audits, also play an important role in promoting improvements in the effectiveness, accountability and efficiency of municipalities in the field of social assistance.



The first part of the Compendium describes the role of municipalities in the social protection systems of the countries. The second part summarizes the results of selected audits and overviews. All results are presented according to the vulnerable groups covered: all persons in poverty without distinguishing a specific group, disabled people, children, elderly people and other. Observations and recommendations related to each vulnerable group are presented under the following issues: state level regulations, strategies, programs, action plans and activities, the efficiency and effectiveness of social system, the accessibility to services, the quality of services and other. The third part contains information provided by SAIs on specific audits and overviews. Audit Compendium can be found on the [EUROSAI TFMA webpage](#).

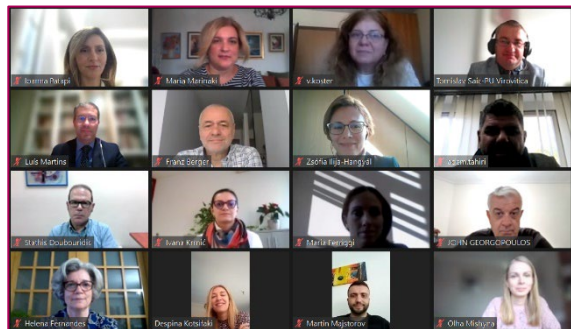
By developing the audit compendiums, the Task Force seeks to systematise and analyse the audit work performed by the TFMA members on relevant topics, to raise awareness of their recent developments and make the results of the TFMA SAIs related to municipality audit more widely available. The TFMA is planning to develop the 4<sup>th</sup> edition of the Audit Compendium on the topic “Public local transport”.

### **The TFMA Seminar “Digitalization of Public Service Delivery and Administration in Municipalities”**

The Seminar took place on 19<sup>th</sup> October 2022 in Vilnius. The event was chaired and hosted by the National Audit Office of Lithuania with the attendance of members, observers and guests. The participants attended the event in person and remotely.



Municipalities provide various public services to their citizens. Digitalizing services help local governments meet public expectations and become more efficient and resilient. This way, more citizens can gain access to services delivery. Especially it turned into critical importance during pandemic time. Digitalization of services grows and constantly changes landscape which brings benefits as well challenges to ensure speedy and efficient processes. The Seminar was dedicated to sharing knowledge and experiences on the progress of digitalization of municipal public services in the countries, on key issues affecting the acceleration of this process at local level and on the results of audits carried out in this field.



Knowing that it is important for auditors to see and hear the insights of experts and stakeholders and understand the big picture, the opening of the Seminar was followed by the plenary session with presentations of invited key note speakers who introduced European level initiatives in supporting digital transition, shared Finnish perspective and presented the development of service delivery of the Vilnius City Municipality based on the current and future needs of the City.

**51** participants in person from  
**17** EUROSAI TFMA countries  
**41** participants remotely from  
**12** EUROSAI TFMA countries  
**5** expert speakers  
**4** external stakeholders  
**3** discussion groups

Later followed panel discussion “Digitalization of public services in municipalities: is it more a challenge, or a possibility to grow?” invited everyone to listen about experiences, insights and ideas on the digitalization of services in local government from different angles: auditors, local government and innovators.

The second part of the Seminar was devoted to sharing audit results and exchanging auditors’ insights. There were presentations of case studies from the Task Force’s members – SAI of Albania, Israel, North Macedonia and Spain.

The workshop session invited participants to discuss in groups on three topics:

- Making cooperation between central and local government in digital transformation more efficient
- Building capacities of local authorities in the digitalization of public services
- Improving citizens’ ability to use e-services.

All materials of the Seminar can be downloaded from the [EUROSAI TFMA webpage](#).

### **The 6<sup>th</sup> Annual Meeting of the EUROSAI TFMA Members**

The TFMA Annual Meeting focused on:

- Implementation of activities in 2022
- Further activities: draft Activity Plan for 2023.

The results, progress, issues, timetable of the activities were presented by the TFMA Secretariat and by leaders of the coordination teams. New initiatives were introduced and the draft Activity Plan for 2023 was discussed.

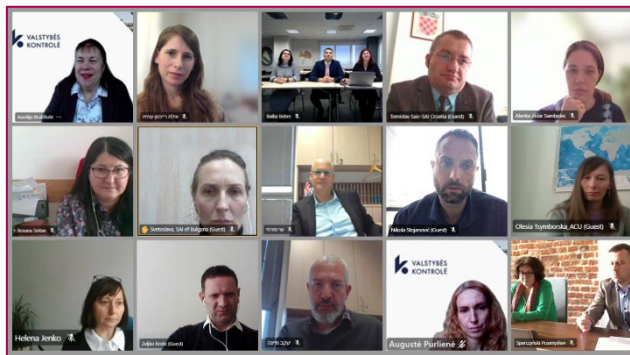
Participants in groups discussed the possible topics for the next TFMA Seminar and the Audit Compendium of next year. After compiling the list of topics proposed by the groups, the selection of topics was carried out by voting.

Representatives of the SAI Austria showed the initiative to share innovations in practice. An improved Municipality Monitoring Tool was presented and the operation of the tool was demonstrated during the meeting.

Minutes of the meeting can be found on the [EUROSAI TFMA webpage](#).

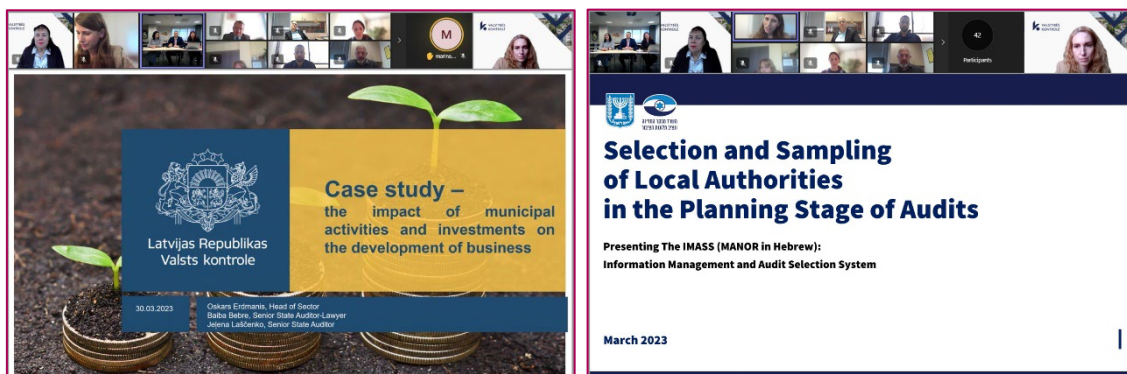
### A Master Class on Methodological Issues in Municipality Auditing

The Task Force has launched the new activity “A master class(es) on methodological issues in municipality auditing – a remote platform for exchanging and analysing real-life examples and approaches to topical methodological issues in compliance and performance audits” initiated and lead by the SAI of Latvia and coordinated by the SAIs of Bulgaria and North Macedonia.



First quarterly one-hour online TFMA members’ meeting of 2023 on the topic of “Selection and sampling of municipalities in the planning stage of compliance and ‘performance audits” was dedicated to this new activity. During the meeting the SAI of Latvia presented a case study of its ongoing performance audit “Have

municipal investments facilitated development of business in their administrative territories?” and invited everyone to discuss on the meeting's topic. The SAI of Israel introduced the innovative integrated computerised system IMASS which helps to identify, analyse, filter and select bodies as audit subjects. The meeting gathered 48 participating auditors from 18 SAIs.



This initiative will be continued by organizing one-hour online meetings on selected relevant topics for the application of the methodology in practice each quarter.

## Interactive communication between EUROSAI TFMA Members

Constructive and agile communication is essential for sharing information, knowledge, and experience between EUROSAI TFMA members. Various forms and tools are used to enhance effective communication. The regular sharing of information take place by e-mail when members are contacted by the TFMA Secretariat with a request to obtain the necessary information which is relevant for the conduct of SAIs' ongoing audits or other activities.

Even closer communication and collaboration between EUROSAI TFMA members is possible with the **EUROSAI TFMA accounts on Facebook and LinkedIn** administered by the Secretariat of the Task Force. Both accounts are liked and followed by over 150 users. In these platforms EUROSAI TFMA Secretariat and its members regularly share news related to the activities of the Task Force.

## EUROSAI TFMA Newsletter



The EUROSAI TFMA publishes an annual newsletter which reports on its recent activities and events as well as relevant news from members and partners.

The 5<sup>th</sup> Newsletter was published in September 2022. Fourteen articles provide information on the latest practices as well as various municipal audits and their results. The topics range from finance to emergency management, from waste management to the construction work and repairs of local roads, from e-services to digital modernization.

The 5<sup>th</sup> EUROSAI TFMA newsletter can be found on the [EUROSAI TFMA webpage](#).

The **EUROSAI TFMA website** (available at [www.tfma.eu](http://www.tfma.eu)) contains information about the Task Force activities, studies, surveys and events, all material from the seminars, meetings including presentations, material of workshops etc. This enables to find material on municipality audit and international practices in one place while an opportunity to subscribe to the news fosters information accessibility. The website also provides a database on the main municipal budgetary data collected from the TFMA members. The SAI of Slovakia has developed this database and updates it annually to facilitate the comparison and use of data.



## Cooperation with External Stakeholders

The EUROSAI TFMA continues to collaborate with main partners by exchanging the recent news, products and inviting to attend the events:

- Council of European Municipalities and Regions (CEMR). The CEMR Employment and Public Service Officer, a keynote speaker, made presentation on the topic “The digital transition in European Local and Regional Governments” at the TFMA seminar in 2022.
- European Organization of Regional Audit Institutions (EURORAI). The EURORAI representative shared insights on the digitalization of municipal public service delivery in discussions at the TFMA seminar.
- Nordic Public Sector Internal Auditors Cooperation Group (NORPIA) contributed to the TFMA Newsletter by providing an article on the development Process of Lupapiste e-service in Finland.

*As the South African SAI we have a constitutional and professional mandate to make a difference to the lives of citizens. Benchmarking local government auditing would assist in efficiently and sustainably shifting public sector culture through insight, influence and enforcement.*

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Message from the South African SAI to the TFMA.

The Task Force has responded to the new initiative and has taken first steps in cooperation with the SAI of South Africa. At the bilateral online meeting in October 2022, the TFMA Secretariat presented Task Force's activities and shared information on its relevant reports, overviews and analysis. In May 2023, the information from the TFMA members was gathered and provided to the SAI of South Africa at its request in specific areas of interest:

- Financial audits (methodology on selection of municipalities)
- Auditing municipal budget execution
- Integrated audit areas
- Information management
- Recommendations/sanctions
- Beyond the audit (supporting the local government)

## IMPLEMENTATION OF STRATEGIC GOAL 2

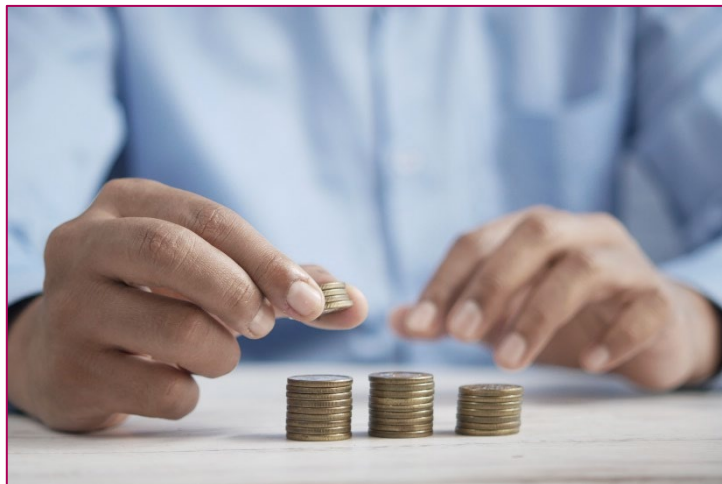
*Making the external municipal auditing system more efficient*

### Municipal Debt Management

The activity was initiated and lead by the SAI Türkiye. SAIs of Latvia and Lithuania contributed to the coordination of preparation of the questionnaire and the report. The survey among 17 SAIs (Austria, Azerbaijan, Bulgaria, Croatia, Estonia, Israel, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Spain, Türkiye, Ukraine) was conducted. Information was collected and analysed on:

- the municipal debt management systems and relevant regulatory framework in general in the member SAIs' countries
- the work done and audits carried out by the member SAIs on municipal debt management.

The report based on the results of the survey has been prepared and it will be published in the second quarter of 2023. The report consists of three parts. In the first part, some general questions were designed to explore work done by the SAIs regarding the municipal debt. The second part gives the general outlook on the regulatory framework of municipalities borrowing and debt management. The third part contains summary and information on audits carried out by nine respondent SAIs.



Accordingly, data were collected on objectives, key questions and main findings of the audits on municipal debt management.

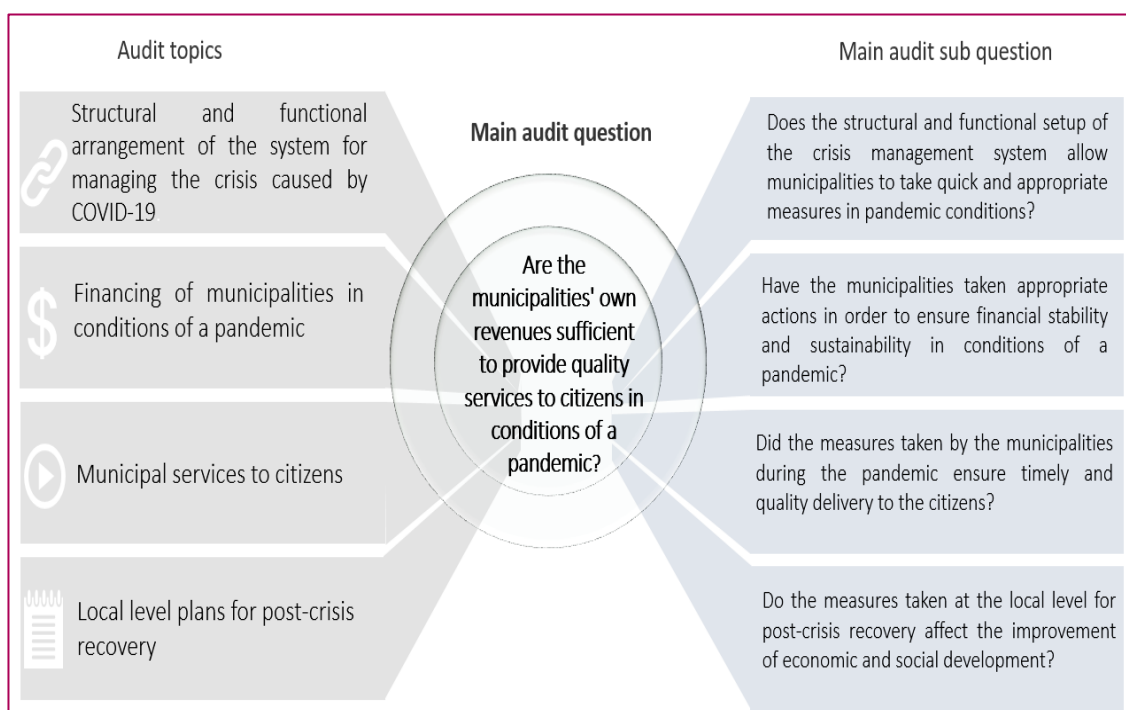
## IMPLEMENTATION OF STRATEGIC GOAL 3

### *Encouraging cooperative audits*

The cooperative audit “Municipalities’ own revenues for providing quality services to citizens during pandemic” has started in 2021. The Supreme Audit Office of North Macedonia coordinates this audit in which SAIs of Albania, Montenegro, Poland, Romania, Slovakia and Türkiye have joint.

In the countries participating in this cooperative audit, the municipalities' own revenues during the 2020 pandemic compared to the previous year 2019 recorded a decrease of 14,455,731 thousand euros. The trend of reduction of public revenues at the national level is reflected also at the municipal budgets.

The purpose of this cooperative audit was to assess whether the policies and activities of the municipalities contributed to the provision of sufficient own revenues to provide quality services to citizens in the countries covered by the audit, as well as to generate joint conclusions and recommendations. In order to collect and assess comparable information, the 7 SAIs prepared a common audit framework (the following picture) with one main audit question. The framework contains 4 audit areas with one sub-question for each of the areas and more third-level questions.



As national audits could not answer all the questions covered by the audit framework, individual SAIs answered only those questions that were relevant to their national context.

The period covered by the cooperative audit was the pandemic year 2020 and data is provided for 2019 and 2021 for comparative analyses to determine the trend of the municipalities' operations (income, expenditures, their structure, capital investments, assistance from the central level, etc. parameters).

All participating SAIs have completed their national audits. The results of the national audits, findings and audit recommendations provided will be presented in the joint report.

The SAI North Macedonia prepared a draft framework and tables with the necessary data for the joint report. All participants filled in the required data and currently the SAI team of North Macedonia is working on the preparation of the joint report. The Joint Audit Report is scheduled to be published in June 2023.

The SAI North Macedonia plans to organize the hybrid meeting on the results of the cooperative audit in Scopje. It will cover the following presentation of national audit reports by each SAIs, presentation of Joint Audit report, experts' view for the cooperative audit and importance for strengthening municipality capacities.

## COMING ACTIVITIES

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### Upcoming Seminar and 7<sup>th</sup> Annual Meeting of EUROSAI TFMA

The 6<sup>th</sup> TFMA Seminar on the topic “Distribution of transfers and grants” will take place in Wrocław on 18-20 October 2023 hosted by the Supreme Audit Institution of Poland. It will be also a possibility to join the Seminar remotely.



The 7<sup>th</sup> Annual Meeting of the EUROSAI TFMA members will also be organized together with the Seminar on Municipality Audit to discuss the progress of implementation of the EUROSAI TFMA planned activities and to project directions and activities for the upcoming strategic period.

All additional information regarding the EUROSAI TFMA can be found on the webpage [www.tfma.eu](http://www.tfma.eu) or can be provided by the EUROSAI TFMA Secretariat by e-mail [euosai.tfma@valstybeskontrole.lt](mailto:euosai.tfma@valstybeskontrole.lt).

**Annex 1**  
List of EUROSAI TFMA member SAIs

NO	COUNTRY	NAME OF SAI
1.	ALBANIA	State Supreme Audit   Kontrolli i Larte i Shtetit
2.	AUSTRIA	Rechnungshof
3.	AZERBAIJAN	Chamber of Accounts
4.	BOSNIA AND HERZEGOVINA	Audit Office of the Institutions of Bosnia and Herzegovina
5.	BULGARIA	National Audit Office
6.	CROATIA	Drzavni Ured za Reviziju
7.	ESTONIA	Riigikontroll
8.	GEORGIA	State Audit Office of Georgia
9.	GREECE	Court of Audit
10.	HUNGARY	Supreme Audit Office
11.	ISRAEL	State Comptroller's Office
12.	KOSOVO <sup>1</sup>	National Audit Office of Kosovo
13.	LATVIA	Latvijas Republikas Valsts kontrole

<sup>1</sup> This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

14. LITHUANIA	National Audit Office of Lithuania
15. MALTA	National Audit Office of Malta
16. MOLDOVA	Curtea de Conturi a Republicii Moldova
17. MONTENEGRO	State Audit Institution of Montenegro
18. NORTH MACEDONIA (REPUBLIC OF)	Drzaven zavod za revizija, State Audit Office
19. POLAND	Najwyzsza Izba Kontroli
20. PORTUGAL	Tribunal de Contas
21. ROMANIA	Curtea de Conturi a României
22. SERBIA	Drzavna revizorska institucija (DRI)
23. SLOVAK REPUBLIC	Najvyssi kontrolny urad Slovenskej republiky
24. SLOVENIA	Računsko sodišče
25. SPAIN	Tribunal de Cuentas
26. TÜRKIYE	Sayistay Baskanligi (Turkish Court Of Accounts)
27. UKRAINE	Accounting Chamber of Ukraine

*Observer*

1. REPUBLIC OF SRPSKA	Supreme Office for the Republic of Srpska Public Sector Auditing
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