

Questionnaire on Audit of Municipalities
SAI of Lithuania
4 April 2013

According to the existing legal acts municipality accounts are audited by Municipality Control and Audit Services (municipality controllers) in Lithuania. The National Audit Office of Lithuania as supreme audit institution performs external audit of public sector except municipalities, we also carry out audit of budget funds allocated to municipalities. At present the Parliament of Lithuania consider possibility of delegating external audit functions of local authorities to the National Audit Office. In order to analyse the EU SAIs practices in the area of municipality audit the NAOL kindly requested SAIs to answer the following questions:

1. Who carries out external audit of municipalities in your country? SAI/other auditors (please indicate)
2. Does your SAI have the right to audit entire budget of municipalities? YES/NO
 If NO, please indicate which part of the budget (e.g., state budget allocations)
3. Is there relationship between SAI and other external auditors performing audit of municipality budget funds (e.g. common methodology, training, use of other auditors work, etc.)

Summary of replies

Question Country	1. Who carries out external audit of municipalities in your country? SAI/other auditors (please indicate)	2. Does your SAI have the right to audit <u>entire</u> budget of municipalities? YES/NO	If NO, please indicate <u>which part</u> of the budget (e.g., state budget allocations)	3. Is there relationship between SAI and other external auditors performing audit of municipality budget funds (e.g. common methodology, training, use of other auditors work, etc.)
Austria	<p>The Austrian Court of Audit carries out audits on a federal, laender and municipal level in line with the independence laid down in the federal constitution (Federal Constitutional Law (B-VG), concerning municipalities: Art 127a. [Audit of the Public Accounts of Municipalities]).</p> <p>At the moment, the ACA is only allowed to act independently in municipalities with at least 10,000 inhabitants, therefore only 73 of the 2,356</p>	<p>In municipalities with at least 10,000 inhabitants, the ACA is responsible for auditing</p> <ul style="list-style-type: none"> • independent financial matters falling under the control of these municipalities, • the finances of all 		<p>As part of the constitutional system, the ACA is an external, ex-post but fast-acting, financial and parliamentary audit institution. The parliament is the custodian of auditing and the ACA discharges its role from this parliamentary right. With our core functions of auditing and advisory services, we support</p>

	<p>municipalities.</p> <p>Municipalities with less than 10,000 inhabitants may be audited by the ACA if requested to do so by the laender government (with good reason) or by the laender parliament. Every year only two such requests can be made by a laender government and two by a laender parliament. Such requests are only admissible for those municipalities which, in comparison with other municipalities, have demonstrated significant change in terms of debts or liabilities.</p>	<p>foundations, funds and institutions, which are administered by institutions of the municipalities or persons which are appointed by institutions of the municipalities,</p> <ul style="list-style-type: none"> • finances of companies <ol style="list-style-type: none"> 1. which are run by the municipalities alone or together with other legal entities which lie under the remit of the ACA or 2. in which the municipalities alone or with other legal entities have at least a 50% share, or 3. in which legal entity under the remit of the ACA the municipalities alone or with other entities have de facto 	<p>in a transparent way both the general representative bodies on a federal, laender and municipal level as well as the governing bodies of these levels to carry out their roles. As a federal, laender and municipal body the ACA uses its special role to follow the basic principle of unity of auditing, and we carry out our auditing function using a complete and comparable approach, comparisons in all bodies we audit (best practice, benchmarks).</p> <p>Concerning your question on common methodology and training: In cooperation with the Executive Academy of the Vienna University of Economics and Business, the ACA has set up the a professional university level course of qualification, the "Master of Business Administration (MBA)" Programme Public Auditing for public auditors. The MBA course at the ACA is also open to participants of other audit institutions such as laender audit institutions, internal auditors in ministries etc.</p>
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		<p>control through financial or other organisational measures (de facto control),</p> <ul style="list-style-type: none"> finances of legal public bodies run with municipality funds. 		
Bulgaria	<p>The SAI - As provided for in the BNAO Act, BNAO carries out financial audits of annual financial statements of municipalities the budgets of which exceed 10 million levs and of the annual financial statements of municipalities with budgets not exceeding 10 million levs on the basis of risk assessment and with regularity decided upon by it.</p>	Yes		Yes – common methodology (ISA), use of the work of other auditors (internal auditors, private companies).
Cyprus	<p>According to the Municipal Corporations Law, the audit of the accounts of the Municipalities in Cyprus is carried out by the Auditor General of the Republic (SAI).</p>	Yes. Our SAI is responsible for the audit of the entire budget of the Municipalities.		No other external auditors perform audits of Municipality budget funds, except from our SAI.
Estonia	<p>Estonian NAO has conducted municipalities since 2006. The National Audit Office can examine whether the accounting of municipalities is in order, the internal control systems are functioning, the activities are legitimate, and the computer systems are reliable. According to the Riigikogu, the Estonian Parliament, the legitimacy of the activities of a municipality means adherence to the Constitution and the underlying principles thereof as</p>	NAO can audit entire budget of municipalities keeping in mind the stipulations explained in previous section.		<p>NAO has not cooperated with sworn auditors in the auditing process, but we have explained them our activities and audit observations, as well as organised trainings. Some further information is available at:</p> <p>http://www.riigikontroll.ee/Au</p>

	<p>well as adherence to the legislation of the state and of the municipality itself. NAO is not entitled to conduct performance audit regarding the use of municipal assets (whether the results were achieved?). The National Audit Office cannot evaluate whether the activities of a municipality in disposal of municipal assets have been effective. The restriction is not applicable in areas that are target-financed by the state or if the state has granted a local authority use of its assets. The National Audit Office may audit the purposefulness, economy, efficiency and effectiveness of use of state assistance and money allocated for a specific purpose.</p> <p>NAO can audit also entities established by municipalities keeping in mind above mentioned limitations.</p> <p>The annual accounts of municipalities are audited by sworn auditors, which are selected by the municipal councils.</p>			diteeritavaile/tabid/104/language/en-US/Default.aspx
Greece	<p>Our SAI carries out the external audit of municipalities in our country.</p>	<p>Our SAI has the right to audit the entire budget of municipalities.</p>		<p>There is no other external auditor on municipality budget funds except our SAI.</p>
Hungary	<p>External auditing bodies of municipalities – beside the SAO – are the Municipal and County Government Offices providing the regulatory supervision of local governments with the aim of ensuring their legitimate operation.</p> <p>The County Government Offices audit the operation of municipalities from the aspect of legality. With regard to EU-funds, audit may be conducted by the bodies entitled to audit (European Court of Auditors, Managing Authorities via Intermediary Bodies,</p>	<p>Yes, our SAI has the right to audit the entire budget of municipalities since the SAO has the right to audit all state funds.</p>		<p>There is no mandatory relationship between the SAO and other external auditors, however we take into account the findings of the other party. In practice the parties contact each other officially in case a certain issue falls under the competence of the other party.</p>

	Audit Authority, the Hungarian State Treasury, etc.), and in case of national state support audit may be conducted by the Hungarian State Treasury, the donor organisation and the body entitled to audit. Moreover, the National Tax and Customs Administration of Hungary and other authorities (e.g. the National Public Health and Medical Officer Service) may conduct audits at the municipalities on certain areas of their operation. However, based on legal regulations, the complete financial management of municipalities is audited as an external auditor only by the SAO.			
Italy	The Corte dei conti is the only external audit office in Italy. We are competent on financial accounts, EU funds and on the respect of balancial budget in according to EU regulations	Yes under the financial profile		No , see answer 1
Latvia	<p><u>Sworn auditors</u> (Pursuant to the Clause 71 of the Law on Local Governments for the performance of financial audits, preparation of audit reports and submission of an opinion regarding the financial year report, city or county councils shall, not less than once a year, invite auditor companies or sworn auditors. <u>The State Audit Office</u>, which provides the opinion on financial year report (i.e. Annual Report of the Republic of Latvia on the Implementation of the State Budget and Budgets of Local Governments), <u>relies on the work of sworn auditors</u>).</p> <p>According to the annual audit plan the State Audit Office each year also performs several legality/performance audits within municipalities taking into account the risks detected during the audit planning period.</p>	<p><u>YES</u> (The State Audit Office Law stipulates that “the State Audit Office in performing audits shall control: - revenues and expenditure of the State or local government budget institutions and derived public persons as well as the actions with their property or a part thereof; - utilisation of the resources of the European Union and other international organisations or</p>		<p><u>YES</u> (The State Audit Office uses the work of sworn auditors. There is a good cooperation established between the State Audit Office and sworn auditors (the Latvian Association of Sworn Auditors), therefore information exchange during the audits is ensured as well as State Audit Office each year following the “Annual Report of the Republic of Latvia on the Implementation of the State Budget and Budgets of Local Governments” informs the sworn auditors on the prioritised risks and materiality which are taken into account in</p>

		institutions which are included in the State or local government budgets”).		their audits. The legal basis of the professional activity of sworn auditors is governed by the Law on Sworn Auditors by stating certified auditor independence requirements, confidentiality requirements, responsibility etc., it also stipulates, that “The Latvian Association of Sworn Auditors shall ensure auditing services quality control in order that the requirements of regulatory enactments and the international auditing standards recognised in Latvia, professional ethic norms and independence are observed” – cooperation with the State Audit Office is ensured when relevant.).
Poland	It is an obligatory task of 16 Regional Chambers of Accounts (which are state bodies separate from the Polish SAI – the NIK). For the NIK it is an optional possibility. Generally, the NIK doesn't carry out audits of the entire budget of municipalities.	YES, but for the NIK it is a possibility (not an obligation). Each year the NIK audits a sample of state budget allocations for the municipalities. Auditing budget of municipalities is an obligatory task for Regional Chambers of Accounts.		There is an agreement on cooperation between the NIK and Regional Chambers of Accounts. In some cases auditors from the Regional Chambers of Accounts participate in the NIK trainings (and vice versa). Sometimes the NIK uses the audit work done by the Regional Chambers of Accounts. There were also some parallel audits performed by the NIK and the Regional Chambers of Accounts on use of some state

				subsidies by the municipalities.
Portugal	<p>The Portuguese SAI – Court of Accounts and General Inspection of Finances (internal control, although external to the municipalities, reporting directly to Minister of Finances)</p> <p>The competency of our SAI is foreseen in Portuguese Constitution and in Procedural Law of the Court.</p>	Yes		Yes. The General Inspection of Finance must send to the Court all the audit reports of municipalities with financial liability. They also must know each other Plan of Activities in order to avoid overlap of control
Slovenia	The Court of Audit of the Republic of Slovenia carries out external audit of municipalities	Yes, our Court of Audit has the right to audit the entire budget of municipalities.		There is no mandatory relationship between the Court of Audit and other external auditors; but the Court of Audit can take into account the findings of the other external auditor.
Slovakia	SAI/other auditors (please indicate):private auditors audit Financial Statements; funds from the state budget provided to municipalities are audited by auditors of the Ministry of Finance and other ministries and Financial Control Administration	Yes		NO; only in the area of the audit activities coordination
Spain	<p>According to the Section 136.1 of the Spanish Constitution (1978), the Court of Audit of Spain is the supreme institution in charge of auditing the accounts and financial management of the State and of the entire public sector. This means the Court of Audit has full competence to audit municipalities. In fact, one of the seven Audit Departments is devoted to them (there are around 8.000 municipalities in Spain plus other local entities like provinces; in addition, local entities may have dependant autonomous organisms, public enterprises and public foundations).</p> <p>In the Autonomous Communities (Regions) that</p>	Section 9 of the Organic Act of the Court of Audit 2/1982, of 12 th May states that the auditing function “ <i>shall consist in verifying that the economic-financial activity of the public sector conforms to the principles of legality, efficiency and economy</i> ”.		<p>Yes. As mentioned into the response to question 1, the Court of Audit of Spain fosters to improve efficiency and to strengthen the external control avoiding duplicities with regional external control bodies. For that reasons, the Court coordinates, collaborates and cooperates with RAIs.</p> <p>Furthermore, in order to promote transparency and efficiency in this area a</p>

	<p>have constituted their own external control institutions (RAIs), they have also competence for overseeing local authorities within the autonomy territory. To avoid duplications, improve efficiency and enhance the control the Court of Auditors pursues in its activities the coordination, collaboration and cooperation with RAIs.</p>	<p>The Court of Audit has full competence to audit the entire budget as well as the economic- financial activity.</p>		<p>Platform for Accountability of Municipalities by telematic means and a website to host it has been developed in recent years, led by the Court of Audit and with participation of most of the existing RAIs (www.rendiciondecuentas.es).</p>
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