

# Activity Report

EUROSAI Task Force on Municipality Audit

April 2021 – September 2022

## INTRODUCTION

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The Activity Report of the EUROSAT Task Force on Municipality Audit (EUROSAT TFMA) covers the period from April 2021 to September 2022 as well as the nearest future activities.

This Activity Report is submitted to the 57<sup>th</sup> EUROSAT Governing Board meeting to be held on 21-22 September 2022 on behalf of Mindaugas Macijauskas, Auditor General of the Republic of Lithuania and Chair of the EUROSAT TFMA. The National Audit Office of Lithuania (NAOL) hosts the Secretariat of the EUROSAT TFMA, which coordinates the activities of the Task Force.

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

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

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

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

In February 2022, a new member – the National Audit Office of the Republic of Kosovo<sup>1</sup>, joined the EUROSAT TFMA. In May 2022, the Supreme Audit Institution (SAI) of Italy has decided to step down from the Task Force due to increasing commitments, with particular regard to the controls relating to the Recovery and Resilience Facility.

Currently, the EUROSAT TFMA unites SAIs 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*.

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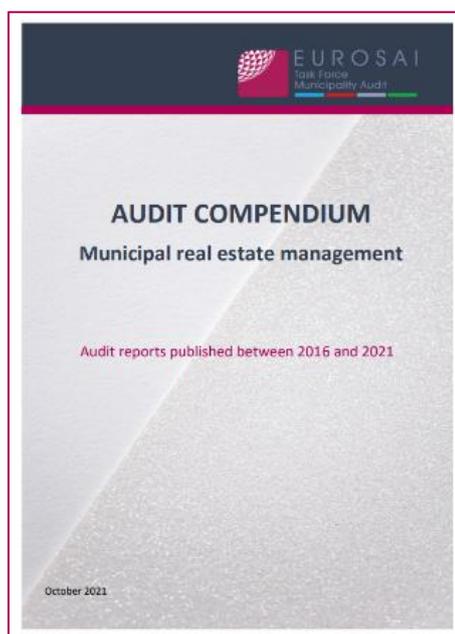
<sup>1</sup> This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

## IMPLEMENTATION OF STRATEGIC GOAL 1

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

### **The Audit Compendium and the 4<sup>th</sup> Seminar of EUROSAI TFMA on the Topic “Municipal Real Estate Management”**

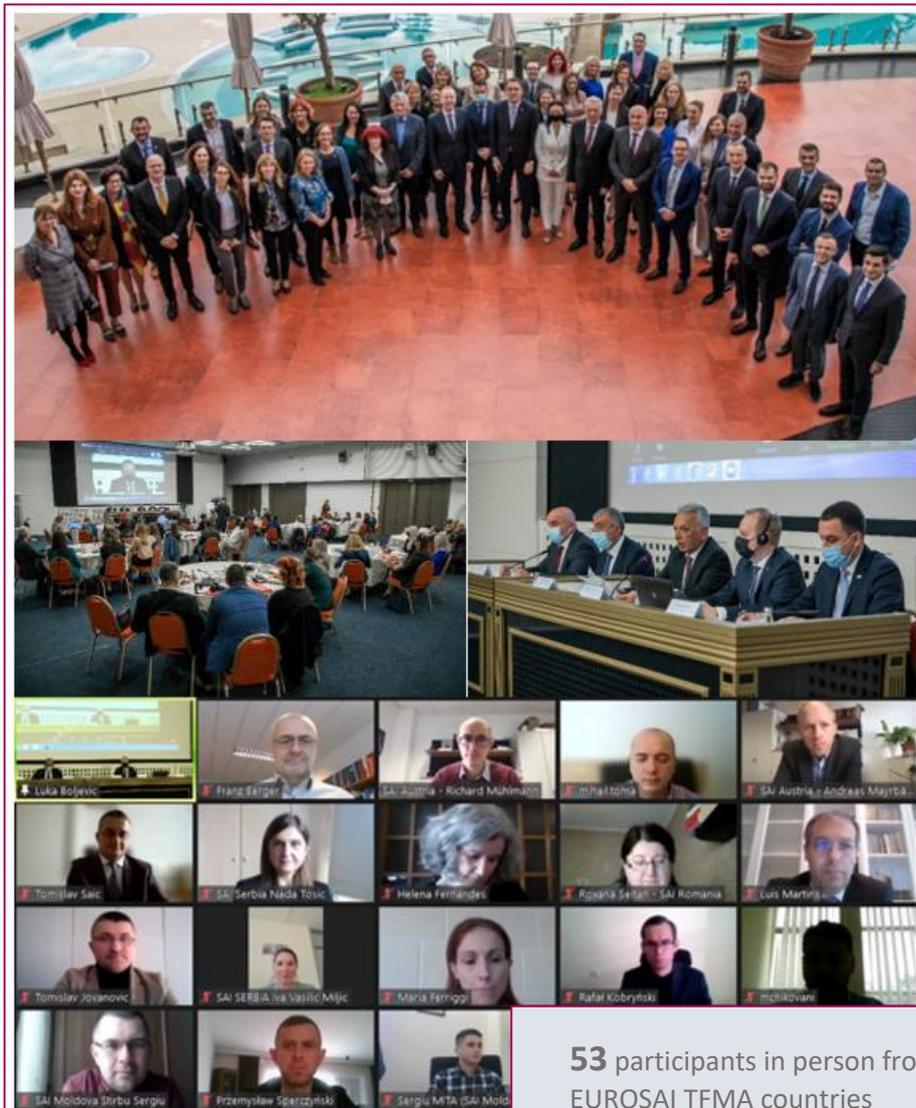
The Audit Compendium “Municipal Real Estate Management” was published in October 2021. This is the second edition of the TFMA Audit Compendium, focusing on recent financial, compliance and performance audits and overviews of municipal real estate management carried out by ten TFMA countries for period 2016-2021: Austria, Bulgaria, Estonia, Hungary, Israel, Latvia, Lithuania, Montenegro, Serbia and Spain. The Audit Compendium was prepared in coordination of the SAIs of Lithuania and Serbia. The results of audits and overviews presented in the Audit Compendium are grouped into three main areas: mistakes / shortcomings related to real estate accounting; irregularities / shortcomings related to compliance (of real estate) with the law and problems / shortcomings related to the efficiency of real estate management. The 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 recently is preparing and is planning to publish the 3<sup>rd</sup> edition of the Audit Compendium on the topic "Social support for vulnerable groups in municipalities to protect them from poverty and social exclusion" by the end of 2022.

On 3-4 November 2021 the 4<sup>th</sup> Seminar “Municipal Real Estate Management” and the 5<sup>th</sup> Annual Meeting of the EUROSAI TFMA members took place in Budva, Montenegro.

The event was chaired by the TFMA Secretariat and hosted by State audit institution of Montenegro with the attendance of members, observers, and guests. The participants attended the event in person and remotely.



- 53** participants in person from 14 EUROSAI TFMA countries
- 28** participants remotely from 13 EUROSAI TFMA countries
- 2** external stakeholders
- 3** expert speakers
- 2** workshop sessions

Municipal real estate plays an important role in economic and workforce development and ensuring true quality of life. Real estate landscape is changing and municipalities face challenges, they need to think creatively how to refocus infrastructure investment priorities, the use of real estate along with new ways to deliver public services. The Seminar was dedicated to sharing experiences and discussing on the key results and findings in municipal real estate audits and identifying common issues facing the municipalities in this area. The International Journal of Government Auditing (winter 2022) published the TFMA article “EUROSAI Task Force discusses Municipal Real Estate Management” which presented the results of the Seminar.

The expert speakers emphasized the importance of keeping records, strategic planning in accordance with development needs and evaluating real estate for the purpose of public interest as well as a need of systematic approach, joint work of all actors at the state and local level in order to establish effective municipal asset management. It was pointed out that there are instruments that may support the increase of municipal revenues, reduce expenses on public properties and engage the private sector in delivery of public facilities. Deploying these instruments requires champions, political will and substantial technical expertise. The auditors can lead and spearhead such changes by performing the audits in municipal assessment management.

Workshop sessions focused on key results of the Audit Compendium and municipal real estate management issues during the pandemic time:

- After the presentation of the key results of the Audit Compendium “Municipal Real Estate Management”, participants in groups discussed the key findings of audits and overviews from the Audit Compendium, SAIs experience in auditing selected findings as well as their success stories in solving these issues.
- The Covid-19 pandemic dramatically has changed human lives and has required a new approach to manage municipalities assets. The participants shared experience of their countries on the key emerging municipal real estate management issues during pandemic time. One of the most common issues identified – difficulty in planning investment projects that will benefit society due to the rapidly changing environment and uncertain need for services in the future.

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

### **The 5<sup>th</sup> Annual Meeting of the EUROSAI TFMA Members**

During the 5<sup>th</sup> Annual Meeting of the EUROSAI TFMA members the following main issues were discussed:

- the implementation of the EUROSAI TFMA Strategic Goals;
- review of the progress and results of activities;
- proposals and initiatives for planned activities for the upcoming year;
- selection of the topic for the next TFMA Seminar.

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

## Cooperation between EUROSAT TFMA Members

Convenient, smooth and understandable communication is essential for sharing information, knowledge, and experience between EUROSAT TFMA members and other interested parties. 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.

- I quarter TFMA online meeting  
40 participants from 19  
EUROSAT TFMA countries
- II quarter TFMA online meeting  
45 participants from 22  
EUROSAT TFMA countries

To accelerate exchanging relevant municipal audit information, a new initiative was launched in 2022: one-hour online TFMA meetings each quarter are organized. In February and May 2022 such meetings were held online where TFMA member SAIs exchanged the latest audits results, innovations in municipal audits or innovations boosted by audits.

During TFMA online meetings:

- an innovative system for monitoring the effectiveness of social assistance in Lithuanian municipalities was presented;
- SAI of Austria shared their experience on analysing intergovernmental transfers involving municipalities;
- SAIs of Latvia and Israel presented recent results of audits.

Higher awareness and / or wider accessibility of the EUROSAT TFMA and its products through enhanced communication with its members and external target audiences might be achieved by using various forms and tools. Therefore, the communication takes place on the EUROSAT TFMA website and social networks, administered by the Secretariat of the Task Force.

**The EUROSAT 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.

Even closer communication and collaboration between EUROSAT TFMA members is possible with the **EUROSAT TFMA accounts on Facebook and LinkedIn**. Both accounts are liked and followed by over 140 users. In these platforms EUROSAT 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 the members. The newsletter is published each calendar year.

The 4<sup>th</sup> Newsletter was published in September 2021 and was dedicated to COVID-19 audit response. The TFMA members shared the results of audits and assessments of this topic in local government area, their experiences on how auditors have managed to adapt to the new environment caused by the pandemic, changes in audit practices and approaches.

The 4<sup>th</sup> EUROSAI TFMA newsletter can be found on the [EUROSAI TFMA webpage](#).

## Cooperation with External Stakeholders

The EUROSAI TFMA continues to collaborate with the European Organization of Regional Audit Institutions (EURORAI) and the Nordic Public Sector Internal Auditors Cooperation Group (NORPIA) by sharing the recent news, products and inviting to attend the seminars (EURORAI representative shared insights by participating in discussions at the TFMA seminar in 2021).

In 2022, the Task Force responded to the new initiatives and took first steps in communication with partners from Europe and other regions who operate in local government field and are interested in developing local government audit capacities as well as in improving public financial management at local level.



Council of European Municipalities and Regions (CEMR) showed interest in EUROSAI TFMA activities. In February 2022, the TFMA Secretariat attended the online meeting of the experts on local finance from CEMR member associations and presented activities of the Task Force, shared experiences with the expert group. It was agreed to communicate in the future through the exchange of news, the latest products.



In June 2022, the World Bank organized the webinar "Global Practice in Self-Government Audit" which was attended by 26 Task Force members from 15 countries. Experts of the World Bank, representatives of the EUROSAI TFMA and MENA region discussed the importance of decentralization and the role of external audit in strengthening the local government accountability system, exchanging experiences on improving the local government audit process and coordinating the actions of various public institutions. The TFMA activities as an open platform for sharing good practice in municipal auditing was presented at the webinar. Speakers from SAI of Turkey shared the results of a survey conducted by the TFMA on the implementation of the Sustainable Development Goals at the municipal level.



The TFMA Secretariat presented Task Force's activities and shared information on recent products at the online bilateral Seminar "Audit of Local Government" organized by SAIs of Lithuania and the Kingdom of Thailand on June 30<sup>th</sup> – July 1<sup>st</sup> 2022.

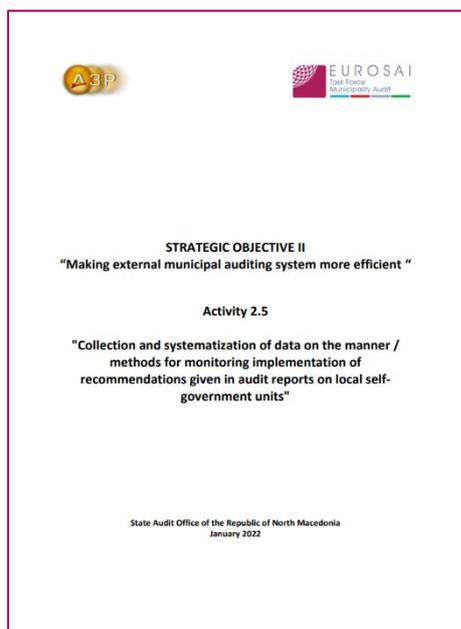


The SAI of Turkey has developed a fruitful cooperation with the United Nations (the Un Habitat). Two awareness raising sessions for the TFMA members were organized in 2021 as well as further engagement into the TFMA activity on the implementation of the Sustainable Development Goals at local level is foreseen (more information may be found in the part "Implementation of Strategic Goal 2" of this report).

## IMPLEMENTATION OF STRATEGIC GOAL 2

*Making the external municipal auditing system more efficient*

### Monitoring Implementation of Audit Recommendations



The analysis of monitoring implementation of recommendations given in audit reports on local self-government unit was prepared by the State Audit Office of North Macedonia and published in January 2022.

The document includes data provided by 23 TFMA members and presents information how the SAIs follow the implementation of audit recommendations given in the final audit reports on municipalities for different types of audit. Monitoring the implementation of recommendations is of particular importance for good governance. The analysis gives an opportunity to find out different practices and makes the systems in place more efficient.

The analysis can be found on the [EUROSAT TFMA webpage](#).

### Implementation of the Sustainable Development Goals in the Municipalities

The Sustainable Development Goals (SDGs) are increasingly becoming integral elements of municipal planning and municipal service delivery processes. The coordination team consisting of SAIs of Latvia, Lithuania, Serbia and led by the SAI of Turkey has been working with the activity that relates to this topic.

For a full-fledged SDG-oriented municipal audit, it is critical for the SAI municipal auditors to have an in depth understanding of the general concept of SDGs; their integration, localisation and mainstreaming within municipal and urban planning / budgeting procedures; and their alignment with and contribution to the national SDG priorities. In cooperation with the United Nations Resident Coordinator's Office in Turkey, two awareness raising sessions for the TFMA members were held online.

- In July 2021, UNICEF Turkey Country Office UN Resident Coordinator's Office in Turkey and the Regional DCO Istanbul provided the TFMA members (the coordination team) with an awareness raising session on the general concept of SDGs.

- In September 2021, the session was organized to all TFMA members. 44 participants from 22 SAIs took part in the second awareness raising session which covered following topics: global experiences, approaches and practices on (i) localisation, mainstreaming and financing of SDGs at the municipal level; (ii) evaluation of the SDG implementation at the municipal level, (iii) SDG related data management at the local level and (iv) reinforcement of sub-national authorities' coherence, complementarity and contribution to the SDG implementation at national level. Presentation were made by representatives of UN Habitat, UNICEF Regional Office for Europe and Central Asia, INTOSAI Development Initiative, UCLG -MEWA, Union of Municipalities of Turkey.

All materials of the sessions can be found on the [EUROSAI TFMA webpage](#).

The Implementation of the SDGs in the Municipalities Report was published in June 2022. The report is based on a survey of 25 TFMA members and consists of three parts. The first part contains the general information about experience of participating supreme audit institutions (SAIs) on the SDG-related topics. The second and third parts focus on the subject matter,



objectives, key questions of audits and assessments performed by SAIs on the preparedness for the implementation of the SDGs as well as on the implementation of the SDGs. In the report, also key issues identified at the sub-national (municipal) level are summarised and presented. The report can be found on the [EUROSAI TFMA webpage](#).

With the support of the information gathered through the awareness raising sessions and a survey conducted, the coordination team plans to prepare a guideline for the public auditors with recommendations and good practices on how to assess the SDG implementation at local / sub-national levels.

Also, under the EUROSAI TFMA Strategic Goal II, representatives of the SAI of Turkey proposed a new activity for 2022, which aims to gather and systemize information about SAIs' audits on municipal debt management. SAIs of Latvia and Lithuania joined the coordination team which has developed the questionnaire for the survey so far. Results are planned to be prepared and presented by the end of this year.

## 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 Turkey have joined. During the period, the kick-off meeting and the meeting on results of preliminary study were organized online.

The audit process is in progress - participating SAIs are working in the conducting phase. SAIs are included in the joint audit framework and will keep to the main questions with certain specifics.

The National Audit Reports are planned to be prepared by the end of 2022. The preparation of the Joint Audit Report will begin after the submission of the summaries, and will be completed and published in May / June 2023.

#### Main questions of the audit:

- Does the institutional and functional set-up of the CMS (crises management system) allow municipalities to take prompt and appropriate action during pandemic?
- Did municipalities undertake appropriate activities in order to ensure financial stability and sustainability during pandemic?
- Did the measures undertaken by the municipalities during the pandemic ensure timely and qualitative delivery of services to the citizens?
- Do measures undertaken by the local authorities for post-crisis recovery affect the improvement of their socio-economic development?

## COMING ACTIVITIES

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### Upcoming 5<sup>th</sup> Seminar and 6<sup>th</sup> Annual Meeting of EUROSAI TFMA

The 5<sup>th</sup> TFMA Seminar on the topic “Digitalization of public service delivery and administration in municipalities” will take place in Vilnius, Lithuania on 19-20 October 2022 hosted by the National Audit Office of Lithuania. It will be also a possibility to join the Seminar remotely.



The 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, proposals and initiatives for activities for the upcoming year as well as other TFMA affairs.

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 [eurosai.tfma@valstybeskontrole.lt](mailto:eurosai.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>2</sup>	National Audit Office of Kosovo
13.	LATVIA	Latvijas Republikas Valsts kontrole
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.	TURKEY	Sayistay Baskanligi (Turkish Court Of Accounts)
27.	UKRAINE	Accounting Chamber of Ukraine
<i>Observer</i>		
1.	REPUBLIC OF SRPSKA	Supreme Office for the Republic of Srpska Public Sector Auditing

<sup>2</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