

TFMA NEWS



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Chairman of the EUROSAI TFMA

I invite you all to bring together the best practice, to openly share your insights, look for consistent solutions, create a quality audit culture in the public sector as well as be a united and motivated audit community.

I congratulate everybody on their engaged participation in this vital effort.

I encourage you all to be the ones who look wider and further, those who create new possibilities.

MESSAGE FROM THE CHAIR

To continuously monitor the changes in the whole public sector, uniting the best practice of municipality audit we took the first steps of the EUROSAI TFMA.

We are partners aiming for the collective success and seeking to implement the vision of our Task Force – to become an active EUROSAI Task Force covering relevant questions in the sphere of auditing municipalities – as well as our Mission: to create an open platform for sharing the best practice and experience on the municipality audit.

Members of our Task Force – Supreme Audit Institutions of 27 European countries - agreed on the guiding principles and objectives that the Task Force will pursue while developing the platform for sharing of the best practice and experience in municipality audits.

Each member of TFMA contributed in different ways to its first activities: organisation of seminars and meetings, delivery of presentations, taking part in discussions, conducting surveys, analysing methods and methodology applied in municipality audits, involving in forums and, of course, sharing experience in this first newsletter. And even more importantly, all members are vital to the future achievements of the TF. Your support has been and remains invaluable for us.

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Task Force on Municipality Audit Kick off Meeting
11 - 12 April, 2017 Vilnius



TFMA ACTIVITIES

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THE KICK OF MEETING

11-12 April 2017 in Vilnius

The first official gathering of the established TFMA was the Kick-off Meeting held on 11-12 April 2017 in Vilnius, Lithuania. TFMA members shared responsibilities from the Working Programme 2017-2020 as well as presented the planned schedules of their activities under the strategic goals of TFMA:

- Exchanging the best practice and experience to reach audit results that have a substantial impact on improving public financial management.
- Making the external municipal auditing system more efficient.
- Encouraging cooperative audits.

Possible topics for cooperative audits were generated and identified for further consideration among TFMA members. Each member contributed to the identification of the working principles during the special session. It was agreed that only being resourceful and inventive, fully engaged and involved, showing respect for personal and team considerations, striving for novelty and innovation can substantially contribute to the smooth achievement of the strategic goals and make the process fluent and efficient.



How do we promise to work in the EUROSAI TFMA?

TFMA Principles

Showing Initiative and Taking Responsibility

Respect for Team Work

Enthusiasm and Seek for Innovation

I...

I am proactive – I give ideas; I ask and answer questions in a timely manner

I am more open-minded and less formal – I know the rules of communication

I work with energy and passion

WE...

We are building a common base of knowledge and improve its quality

Our communication is easier and more effective

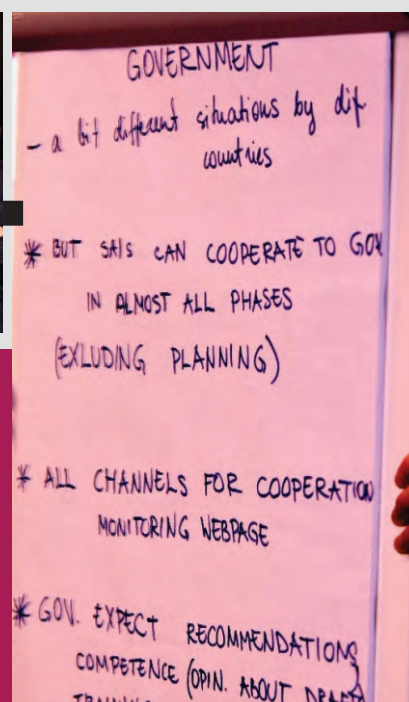
We are satisfied with the way we work and the results we reach

 <i>Auditorii e lăscătive eștate frumozimi un.</i>	 <i>Gemeindeprüfungen sind inspirierend.</i>	 <i>Brüksel'de audit semineri uyarlı oldu</i>	 <i>Rezonanța operei je moja inspiracija.</i>
 <i>Revizija općina je moja inspiracija.</i>	 <i>Kommune-revisen er min inspiration</i>	 <i>Kehälikke omavalituus audit on minun inspiratsiooni</i>	 <i>Komunikativnost on inovativnosti.</i>
 <i>Agairtáireacht agus Agairt náisiúnta</i>	 <i>Ο επαγγελματίας είναι η εμπνευσή του</i>	 <i>Önkormányzati Ellenőrzés TÉRSÉGI MINT FELTÁRT!</i>	 <i>אין ילדים - 1/2 הם ילדים</i>
 <i>Il controllo degli ego locali e la mia ispirazione</i>	 <i>Paikadeti on avarat u minun inspiraatio</i>	 <i>amplas audite sunt inspiratie</i>	 <i>Sohi ukeel ole eksponeeritud siis on suurem osa inspireeritud, mille tulemusel jäävad</i>
 <i>Безценна опора е се под инспирация</i>	 <i>Kontrola samosprawy jest moja inspiracja!</i>	 <i>Auditoria no sector local é a minha inspiração</i>	 <i>Auditorii Municipalitylor este inspiratia mea!</i>
 <i>Revizija općina je moja inspiracija</i>	 <i>Kontrola samosprawy je moja inspiracija!</i>	 <i>Revizija dom je moj navod!</i>	 <i>La fiscalización de entes locales es mi inspiración!</i>
 <i>Ревизијата е мој инспирација</i>	 <i>Belediye denetimi benim ilhamimdir</i>	Municipality Audit is my inspiration!	

THE 1ST SEMINAR OF EUROSAI TFMA

“The added value from supreme audit institution audits, conducted in local municipalities”

5-6 October, 2017 the Seminar on Municipality Audit “The Added value from Supreme Audit Institution audits, conducted in local municipalities” took place in Riga, Latvia. The Seminar was hosted by the State Audit Office of Latvia.



The purpose of the seminar was to exchange practices and elaborate ideas on the possible indirect added value of audit results – the ‘further-sharing’ and further use of audit results in the form of training, discussion papers, research activities, etc. Moreover, the seminar provided a platform for sharing experiences on development planning systems in municipalities and the possibility to use development planning documents for assessing compliance and performance issues.



The seminar was attended not only by TFMA member countries, but also by representatives of European Organization of Regional External Public Finance Audit Institutions (EURORAI) and the Swedish Association of Local Authorities and Regions (SALAR), who presented audit and accountability in local government.

All information about the seminar can be found on

www.vkontrolė.lt/tf/page.aspx?id=50



THE 1ST ANNUAL MEETING OF THE EUROSAI TFMA

6 October, 2017 also the 1st annual meeting of the EUROSAI TFMA members took place in Riga, Latvia. During the meeting, three main issues were discussed:

- The progress of all activities under each strategic goal.
- The most important actions that must be completed until the end of 2017.
- Activities for 2018.

The Annual Meeting aimed at discussing the progress of implementation of current activities. During the meeting, it was also agreed on short-term engagements and activities in 2018.



UPCOMING EVENTS

State Audit Institution of the Republic of Serbia has kindly suggested to host the next Seminar on Municipality Audit in Belgrade, Serbia.

The agreed date for the Seminar is 5-6 November 2018.

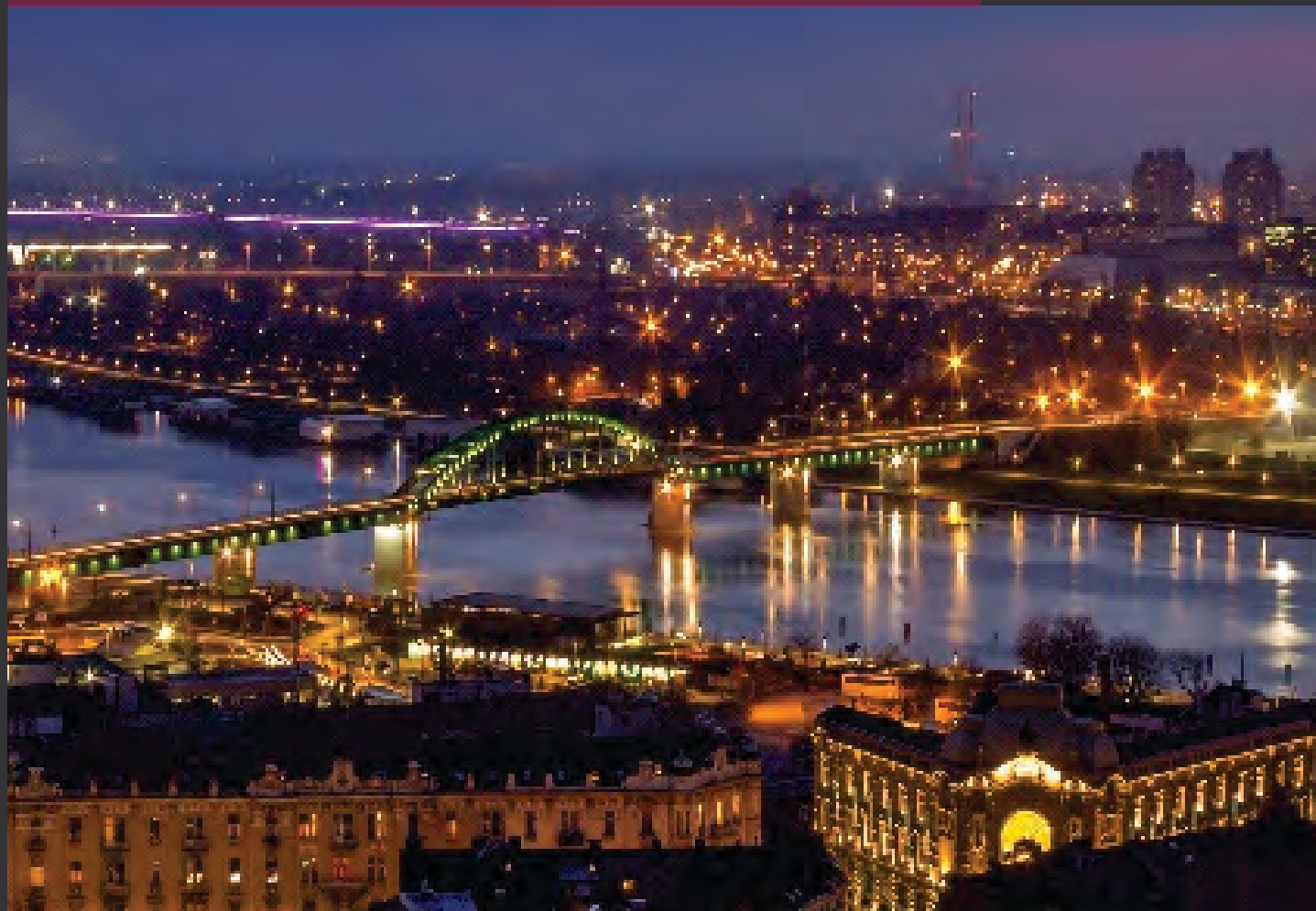
The main topic of the seminar will be

**“LOCAL GOVERNMENT FINANCE:
FUTURE CHALLENGES”**

As an immensely broad issue related with sustainable development of local and general government it is something that auditors come across in many audits. The aim of the 2nd seminar on Municipality Audit is to cover the topic from different perspectives.

The annual meeting of the EUROSAI TFMA members will also be organized along the Seminar on Municipality Audit in Belgrade to discuss the progress of implementation of activities of the EUROSAI TFMA Working Programme 2017-2020 activities, possibilities to start new activities as well as other TFMA affairs.

5-6
November
2018



Seminar on Municipality Audit

ANALYSIS OF THE EXTERNAL AUDIT SYSTEMS

To gather and systemize the information about the models of external audit systems of municipalities in TFMA countries, the related activity was initiated by the SAI of Lithuania. The Coordination Group was formed composed of members of EUROSAI TFMA who expressed their desire to participate in this activity.

It consists of SAIs of Lithuania (team leader), Estonia as well as Greece. Information gathered about external auditing systems of local government in different countries and further analysis will allow to identify strengths of various models, reveal

and share good practice examples and initiate positive changes for the whole municipality audit system.

During the last period the content for overview (comprehensive questionnaire) was prepared and discussed among EUROSAI TFMA members in EUROSAI TFMA Annual Meeting. After the meeting the content for the overview as well as example of prepared overview of Lithuania was spread among members.

At the moment the Coordination Group reviews information provided by TFMA members and it is planned that the overall overview of external municipal audit models in TFMA countries will be prepared by the end of September 2018. Later on, it is planned to continue the analysis of the external audit systems: the different models will be compared, strengths and weaknesses will be identified.

MUNICIPALITY DATA USE IN AUDITS OF MUNICIPALITIES

To ensure the municipalities' data are as accurate as possible as well as to encourage the secondary use of the data representatives of SAI of Austria initiated an activity aiming to provide a summary of the differences in the structure and aggregation level of data in EUROSAI countries as well as to identify best practice models in the field of quality assurance and data collection.

During the last period a questionnaire was prepared and discussed among EUROSAI TFMA members in EUROSAI TFMA Annual Meeting.

After the meeting the questionnaire was circulated and in mid February 2018 responses from almost all EUROSAI TFMA members were collected while the deadline was the end of February.

At the moment representatives of SAI of Austria are starting to analyze the information gathered, and it is expected that results of the survey will be published by the end of March 2019. Also it is planned to prepare and distribute the information for peer learning.

METHODOLOGIES USED IN MUNICIPALITY AUDITS

The Coordination Group have prepared the final questionnaire for the survey about methodologies used in different EUROSAI members SAIs and an online tool for conducting the survey is ready. At the moment EUROSAI TFMA members are filling out the questionnaire.

To identify areas where recommendations and guidelines on municipality audit could be useful the related activity has been launched. The Coordination Group was formed composed of members of EUROSAI TFMA who expressed their desire to participate in this activity. It consists of SAIs of Croatia, Latvia as well as Romania.

The Coordination Group has already reviewed if there are any existing materials related to the topic.

It is planned to have survey results by the end of the July 2018, and to publish results of the activity by the end of 2018: common practice existing in SAIs of EUROSAI TFMA, good practice examples as well as a list of areas where the recommendations and guidelines on municipality audit could be useful.

ANALYSIS OF MUNICIPALITIES OWN REVENUES

To gather and systemize the information about municipalities own revenues in countries the related activity was initiated by the Former Yugoslav Republic of Macedonia. Issues point of interest for implementation of the activity: jurisdiction on auditing the local governments, the financing of municipalities, types of revenues administered by municipalities (taxes, fees, etc.), the authority of determining the level of revenue (central/local government), participation of own revenue in total revenue.

SAI of the Former Yugoslav Republic of Macedonia at the moment are preparing a questionnaire. Next step will be conducting the survey among all EUROSAI member SAIs.

DATABASE ABOUT THE MAIN MUNICIPAL DATA/EXPENSES

To gather the information about the main municipal data/expenses and to develop database was initiated by the SAI of Slovakia. Issues point of the activity is to facilitate comparison and use data in summary reports from municipality audits.

SAI of Slovakia have prepared the draft questionnaire for EUROSAI TFMA members. Members send comments or suggestions to the draft questionnaire and survey about data availability. Next step will be data gathering from EUROSAI TFMA members.

PROMOTION OF COOPERATIVE AUDITS

One of EUROSAI TFMA strategic goals is to encourage cooperative audits and conduct them if such a need would be identified among EUROSAI TFMA members. The first step in this area has already been taken during the Kick-off meeting – audit areas (and particular topics) most relevant for conducting cooperative audits were identified as well as arguments for and against conducting audits in such topics. One of the most relevant topics among EUROSAI TFMA members "Effectiveness of the use of EU funds" was developed into "Responsibility of Local Governments' Capital Investments" taking into account that not all EUROSAI TFMA members are members of EU and presented during the 1st Annual Meeting. Representatives of SAIs had possibility to consider and inform about preliminary decision, if they are interested in participating in such cooperative audit. It is planned to have final decision of EUROSAI TFMA whether to conduct this audit or not up to the end of 2018. In parallel, EUROSAI TFMA members are being encourage to initiate other topics for possible cooperative audits.

EUROSAI TFMA COMMUNICATION CHANNELS

To better and more efficiently share knowledge and information among members as well as externally the EUROSAI TFMA webpage was created (<http://www.vkontrolle.lt/tf/>) and is now administrated by EUROSAI TFMA Secretariat.

EUROSAI TFMA members gathered a lot of relevant information and now the webpage among other things, etc. includes publications, surveys, general information about municipalities.

This enables interested parties to find materials on municipality audit as well as on international practices in one place. The database which includes audit summaries, audit reports or press releases on municipality audits is not actively updated since 2018. We highly encourage all European SAIs to upload their audits at the EUROSAI database of audits.

Furthermore, EUROSAI TFMA webpage contains all material from seminars on municipality audit, including presentations, materials of workshops, some videos of presentations, etc.

To make a share of information more agile the forum was launched for TFMA members and others who are interested in municipality audit (<https://www.vkontrolle.lt/tf/forum>). This platform of communication enables an ad hoc sharing of experience and good practice on a needs basis. The forum has been already tested – members discussed the development planning systems for local municipalities in their countries when preparing for the municipality audit seminar held in Riga. At the moment, EUROSAI TFMA members share their institution plans for 2018 – what audits will be conducted in the near future in the field of local government.

COMMUNICATION WITH EURORAI

EUROSAI TFMA initiated and started cooperation with the European Organization of Regional External Public Finance Audit Institutions (EURORAI) in 2017. Representatives from EURORAI were invited and attended the Seminar on Municipality Audit "The Added value from Supreme Audit Institution audits, conducted in local municipalities" on 5-6 October, 2017.

After the Seminar, the bilateral meeting was organized on 6 October, 2017, and it was agreed with EURORAI members to cooperate in EUROSAI TFMA activity related to external audit systems of municipalities.

It is planned to cooperate with EURORAI in implementing EUROSAI TFMA activity related to external audit systems of municipalities in 2018 – EURORAI will contribute in preparing the overviews.

Moreover, EUROSAI TFMA members were invited to the EURORAI seminar "Audit of companies owned by local governments", which will be organized together with SAI of Hungary and will be held on 18-19 October 2018, in Hungary.



Audit methodology in local government

The Albanian Supreme Audit Institution is continuing with the consolidation of the institutional reform on the path towards institutional progress and modernization in reflecting EU requirements and best practices – Acquis Communautaire, the implementation of an ambitious and contemporary institutional development platform referring to the dimensions of well-functioning and the performance of ALSAI's performance subject to good governance and public accountability.

ALSAI auditing aims the compliance with ISSAI Standards and best international practices embraced in ALSAI's Strategic Plan 2013-2017 and in the Annual Plan.

We have developed our audit also according to the orientations of the Congress XXII of INTOSAI held in Abu Dhabi. Referring to the requirements of Law No. 154/2014 "On the Organization and Functioning of the Albanian Supreme State Audit", drafted pursuant to articles 81, 83, item 1, and 162 up to 165 of the Constitution, the competences and scope of work are defined in Article 10 "Competences", related with:

- a) audit of budget implementation by the governmental units, including the annual budget accounts;
- b) audit of public revenue collection;
- c) auditing the use, administration and protection of public funds and public or state property by general governmental units;
- d) auditing the annual financial statements of governmental units and providing an audit opinion;
- e) auditing the public sector internal audit systems;
- f) auditing the users of public funds, provided by the European Union or other international organizations, unless otherwise stated in a special law;
- g) auditing the use, administration of funds and public or state property and protecting the economic and financial interests of the State in companies, in which the State has more than half of the shares or when the borrowings, loans and their obligations are guaranteed by the State;
- h) auditing, for the purpose of protecting public interests, activities or sectors regulated by concession contracts;
- l) auditing of political parties, public entities or associations for funds allocated to them by the State Budget;
- j) auditing other entities, as defined in specific laws.

There are four types of audits performed on ALSAI:

- ✓ compliance
- ✓ performance
- ✓ financial
- ✓ and IT

The Manuals have been drafted based on ISSAIs, determination of priorities and drafting of the International Standards Implementation Strategy ISSAI 2015-2016, in the requirements of IDI INTOSAI Guidelines, ISSAIs, and Best Practices in the Field (European Court of Auditors Manual).

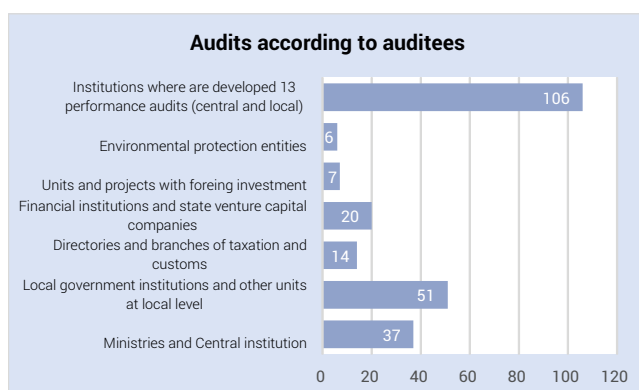
According to the type of audits we determine whether the reported results and financial situation of the auditee, as well as the use of the resources are presented accurately and in accordance with the rules of financial reporting.

In compliance audits, we determine whether the revenues and expenditures have been in accordance with the law of the State Budget, with the relevant legal and sub-legal acts and with the principles of the law on financial management and control, or whether the general principles of the public sector financial management system and the behavior of public sector officials are applied.

In performance audits, we assess whether the programs, organization of work and processes, activities and management systems of public sector entities operate in accordance with the principles of economy, efficiency and effectiveness.

In IT audits, we gather and evaluate the evidence so as to determine whether a computer system protects assets, maintains data integrity, allows audited entity targets to be effectively accessed and uses resources efficiently.

For 2016 the ALSAI audits according to institutions are represented below:



On the Municipalities and also for Central Government the main difficulty on financial audit is found the lack of a unified accounting basis, the different addressing of responsibilities for the preparation of the Government Consolidated Financial Statements. The absence of consolidated state statements affects not only the level of transparency, but is closely related with careful monitoring of public finances and analysis of

macroeconomic indicators. We have asked for measures to be taken to create a directory, specifically for accounting and financial reporting, which deals with the design and implementation of the necessary methodologies for Public Accounting and Financial Reporting. Only regulatory legal framework ordinance for Ministry of Finance exist. Based on this uncompleted regulatory ordinances we have continued giving an opinion related to the financial statements prepared by public sector even this year, despite the fact that this auditing has not managed to achieve a satisfying coverage, but is only realized in some institutions, occupying only 5% of concluded audits.

The actual realization of Regional Development Fund, which is related to the fund used by the line ministries for the implementation of projects, is not easily identifiable in the financial system of the government, because these funds are included in "Investments", but are unrelated to a corresponding code and the Ministry of Finance does not have information about funds actually used by local governments for the implementation of projects financed by the RDF. The full value of this realization is in the Technical Secretariats of Ministries in the General Secretariat of the Regional Development Committee in the Prime Minister. As a result, in the budget report is absent a transparent reflection of the Regional Development Fund, constituting a high risk for public finances in the lack of transparency of its reporting. We have recommended that the Ministry of Finance, in its Instruction on the annual budget implementation, in a separate section, must define a clear criterion for the allocation of funds for the RDF and must clearly define the manner of their inheritance after the close of the budget year. Further on, it must establish written rules, like authentic acts in the year-end for the value of the fund that will run out of the normal budget cycle, in order to create a standardized process for the implementation of the RDF.

Performance audits are conducted over municipalities. Performance Audit approach is an independent review of the efficiency and effectiveness of its government ventures, programs and organizations, with a particular focus on economy and aiming to improve. Main municipalities' performance audit findings are the lack of efficient use of grants, misuse of public funds pursuance and Human Resources mismanagement.

The urban waste management in our country is decentralized. In most cities, the waste collection and transportation service is carried out by private waste management companies, which are contracted by the Municipalities.

Rural areas are not yet covered by waste management services. Much of the remains of these areas are deposited in rivers or roads, which are "cleaned" by the

waters and thus relocated to other parts of the land, in waterways and finally ends in coastal areas. Municipal waste has a high percentage of organic waste and there is no recycling method to reduce the amount of organic waste disposed of on landfills.

In this transitional phase, the key role in informing citizens about the way, ways, forms and times of quality services are played by municipal employees and ineffective and efficient staff management directly affects citizens in receiving services or investment in the community such as the result of inadequate human resources, the failure of the municipal system in terms of orientation, responsibilities and competences at different levels of decision making and nodes that provide services directly to the citizen.

Challenges of auditing activity

It is as important as human resources to provide as many quality and timely services to citizens as there is also the role that human resources play in managing taxation of citizens that should be turned into quality investments for the community.

From formal and informal media reports, it results that the citizens-municipality relationship varies through an unclear, formally apparent chaos regarding communication, information and transparency, which are directly related to professional capacities and the quality of human resources of the municipality. Also, there is a constant concern of the community in terms of managing their taxes in terms of infrastructure investments that the citizen faces in everyday life.

On this purpose the main performance message was

"lack of investment in NJMBNJ to increase the institutional and professional capacities of these structures as well as the poor performance of the human resource activity monitoring systems in the respective administrations and in relation to the community have negatively impacted the achievement of the goal of the territorial-administrative reform, through 2015-2020, for the consolidation of a bureaucratized, impartial, politically, professionally and transparently local administration"

ALSAI will continue to carry out audits in compliance with the constitutional and legal framework based on the principles of independence, integrity, objectivity, accountability, public interest, professionalism, cooperation and transparency. Our main objective is to contribute in good governance, through a preventive and uncompromising fight against corruption and abuse of public property, increasing thus the public confidence and promoting the use of public funds with economy, efficiency and effectiveness.



Local units in Croatia

The Republic of Croatia consists of 576 local and regional self-government units (hereinafter: local units), out of whom 20 with the status of regional self-government unit (county), 127 with the status of a city and 428 with the status of a municipality. The capital city of Zagreb has the authority and legal status of both a county and a city.

Total revenues and receipts of all 576 local units for the 2015 budget year amounted to 3.031.457.181,00 EUR while expenses and expenditures amounted to 3.011.001.398,00 EUR respectively.

Number of auditees (local units) is determined by Annual Plan and Program of the State Audit Office. Auditees are based on risk assessment considering following criteria: financial significance, expressed opinion in previous audit and other information on local units operations.

For this reporting period (2016), the State Audit Office has carried out financial audits of 64 local units: 20 counties, 32 cities and 12 municipalities. Revenues and receipts of local units audited amounted to 2.067.390.335,00 EUR and represented 68.2 % of total revenues and receipts of all local units. Expenses and expenditures of local units audited amounted to 2.064.127.687 EUR represented 68.6 % of total expenses and expenditures of all local units.

Table 1 below shows data on number of local units audited, as well as opinion expressed for above mentioned audit period.

Local Unit		Expressed opinion	
Type	Audited	Unqualified	Qualified
County	20	14	6
City	32	12	20
Municipality	12	1	11
Total	64	27	37

Table 1. Number of local units audited and opinion expressed for local units audited in 2016

During the course of a financial audit of local units, the State Audit Office has determined irregularities and omissions with reference to budget (planning and implementation), accounting and financial reporting, revenues and receivables, expenditures and liabilities, public procurement and asset management.

Irregularities and omissions determined, local units can obviate by setting up more efficient internal control system and by operating in compliance with the legislative.

At the end of the course of audit, local unites are obliged to set up the implementation plan for follow up of orders and/or recommendations given. This plan consists of determined deadlines, activities and persons responsible for implementation of given orders and recommendations. Local unites submit these plan to the State Audit Office. The State Audit Office take monitoring activities (follow up) on implementation of orders and/or recommendations given.

The number of implemented orders and recommendations increased in last years, e.g. the number of not implemented orders and recommendations decreased, although significant number of irregularities and omissions repeated during the period of many years.

The State Audit Office, beside financial audits, carried out performance audits of all 576 local units in last few years. Topics of these audits are related to asset management, waste management, maintenance of public roads owned by local units, revenues management and entrepreneurial zones in local units.

Full text of the Annual Report of the State Audit Office of the Republic of Croatia for 2016 is available at: http://www.revizija.hr/datastore/filestore/85/izvjesce_o_radu_za_2016.pdf.



Municipality audit in the Former Yugoslav Republic of Macedonia

The Former Yugoslav Republic of Macedonia has 80 municipalities and the City of Skopje as a separate local self-government unit (LSGU). All municipalities have equal competences regardless of the fiscal capacity, population number and territory i.e. whether they are urban or rural municipality. The City of Skopje as a separate LSGU consists of 10 municipalities and its operation is regulated by a separate Law on the City of Skopje.

The State Audit Office (SAO) performs external audit i.e. regularity and performance audit in the municipalities, as well as in the public enterprises established by the municipalities and the City of Skopje. Regularity audit covers audit of financial statements together with compliance audit and the independent auditor expresses two opinions - on the fairness and objectivity of financial and compliance with laws and regulations of financial transactions reflected in financial statements. In addition to the regularity audits, in 2017 SAO

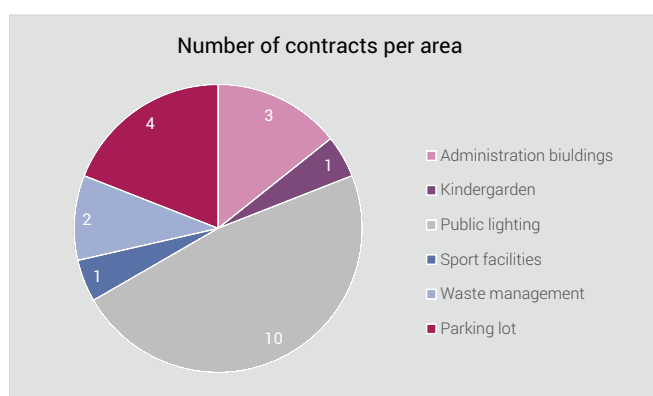
performed compliance audit on the topic "Taking on financial obligations and financial instability in municipalities", as well as performance audits on "Public private partnership at local level" and "LSGUs effectiveness in annual planning and realization of annual public procurement plans".

Local self-government units carry out their competences and everyday activities through realization of numerous projects. The projects arise from different spheres of action of LSGUs: urbanism, utilities, local economic development, education, social security, culture, sport, etc. For realization of these responsibilities, aside from municipality own revenue, loans, donations and IPA funds, LSGUs have the legal option to form public-private partnerships.

Public-private partnership (PPP) is a medium-term and often long-term cooperation between the public and private sector, whereby combining the experience and competences of both sectors contributes to more successful solving of problems at national, regional and local level.

The partnerships of these two sectors are guided by the fact that better results are achieved through joint cooperation, rather than individually. The cost-effectiveness of public-private partnership compared to the traditional provision of public goods and services results from quality-designed project solution, financial structure and joint project management.

With the audit we identified the number of PPP contracts signed at local level per different areas, as shown in the following pie chart.



For overcoming identified shortcomings in the audited area, we made recommendations to several competent entities in the Government of the Former Yugoslav Republic of Macedonia, the Ministry of Economy and the municipalities. The recommendations made to the Government read as follows:

- to analyze the existing Law on concessions and public-private partnership with experts in the field of public-private partnership, and to consider the possibility of setting up a competent institution/body

with rights, competencies and obligations for all phases of project implementation;

- to revise the above Law in terms of delimitation between concessions and public-private partnership and defining procedures conditional on the project value;
- to adopt Strategy on concessions and public-private partnership;
- PPP Council to start operating as foreseen by the above Law.

For the Ministry of Economy, as the competent authority for public-private partnership, audit recommendations referred to the following:

- to strengthen its own administrative capacity and hence to ensure effective implementation of the Law on concessions and public-private partnership;
- to update regularly the Register of awarded contracts for establishing public-private partnership;
- to organize regular and occasional trainings for developing public and private sectors' capacities for raising awareness and informing on the concepts, policies and procedures necessary for realization of PPP projects.

Audit recommendations for the municipalities referred to adherence to the provisions of contracts between the private and the public partner (the municipality).

Considering municipalities' many competences, as well as the large number of upcoming capital projects, LSGUs should use the possibility to realize as many as possible projects with public-private partnerships, and thus contribute to local economic development, increase of employment, better fiscal capacity of municipality budget, greater sustainability, efficiency and quality of public services.



Short essay about Montenegro

The Constitution of Montenegro guarantees the right to local self-government, the manner of decision-making, form, ownership powers, financing and autonomy of the local self-government.

Territorial organization of local self-government units is regulated by the Law on Territorial Organization and includes 25 local self-government units (LSGU): the Capital city of Podgorica, the Old Royal Capital Cetinje, 22 municipalities and the municipality within the Capital city (Golubovci municipality).

Local self-government is exercised in in the municipality, in the municipality within the Capital city, the Old Royal Capital in accordance with the Law on Local Self-Government, except for the specific issues regulated by the Law on the Capital and the Law on the Old Royal Capital.

Municipal authorities are the Municipal Assembly and the president (in the Capital and the Old Royal Capital - Mayor).

The Assembly consists of councilors elected by citizens for a period of four years. The Assembly is the representative body of citizens and its work is regulated by the Law on Local Self-Government and the Statute of the Municipality.

The President is the executive body of the Municipality, elected by the Assembly for a term of four years, by a majority of votes of the total number of councilors. The work of the President of the Municipality is regulated by the Law on Local Self-Government and the Statute.

In accordance with the **Law on Local Self-Government Financing**, the funds to finance municipal own affairs are provided in the Municipal budget. The sources of funds are: own revenues, revenues transferred by the law, funds from the Equalization Fund and funds from the state budget.

The use of public funds implies the obligation to establish an adequate system of financial management and control and internal audit in accordance with the Law on the Internal Financial Control System in the public sector. Internal audit, as a separate organizational unit, is obliged to be established in 15 municipalities with over 10,000 inhabitants, while others can conclude an agreement on entrusting internal audit affairs with another internal audit unit, with the prior approval of the Ministry of Finance that coordinates the system.

Upon the expiry of the year the budget is adopted for, the Municipal Assembly adopts the final budget statement

with the external auditing report on financial reports of the municipality. Given that there are no regional or local audit institutions in Montenegro, the external audit of the local self-government units is performed by private audit firms that are selected through public procurement.

Supervision over the work of local self-governments is carried out by the Government through: the Ministry of Public Administration (Administrative Supervision) and the Ministry of Finance (financial supervision).

The State Audit Institution as an independent and supreme state audit body is obliged to include a certain number of local self-government units in the annual audit plan. For auditing local governments within the SAI, the sector V, which, in addition to 25 local self-government units, is also in charge of auditing 37 enterprises in which the state holds a majority share, 112 companies and 56 public institutions at the local level, as well as Government's Department of Transport and Maritime Affairs, or 235 audited entities (excluding the entities in which the state has a minority share in ownership). The Sector has 13 job posts of which 9 are filled. Within the Sector, there is a department for auditing local self-government units with 4 employees. So far, the SAI has performed financial audits and regularity audits of the local self-government units.



Auditing local governments by National Audit Office of Estonia over the last decade: nudging the system towards administrative reform

The National Audit Office of Estonia (NAOE) has been auditing local governments more thoroughly since 2006 when the amendment of the National Audit Office Act came into force, expanding the competence for control of the National Audit Office. Prior to this the use of state aid and EU subsidies and the state assets granted to the local authority could be audited in the local authorities. Assessing the use of the local authority's own assets were added to these as of 2006. However, competence with regard to this is limited, and only the legality of using municipal property can be audited, in other words performance audit is not permitted. The main arguments for expanding the competence were the need to, in the future, receive an independent outside assessment of the use of all the public money at the disposal of the local authority and the desire to reduce the risk of corruption in local authorities.

A separate team was established at the NAOE for auditing local authorities, and to date, it has carried out a total of 86 audits. These have, to some extent, concerned all the local authorities in Estonia.

To date, the NAOE has, in general, carried out two types of audits in local authorities: institutional audits (25%) and the so-called sector audits (75%). The difference is foremost in the number of the auditees and the substantive extent of the issue at hand. Institutional audits have inspected a specific local authority or some of its unit or association. The audits have mostly concerned the legitimacy of their economic activity, financial accounting and the internal control system. Sector audits, on the other hand, address some task of the local authority (e.g. education, social welfare, spatial planning, construction and road management) or more narrowly some issue (e.g. prevention of corruption) in parallel in several local authorities simultaneously (see drawing 1). The focus has mostly been on whether the local authority is capable of performing its tasks; the objective is identifying systematic problems and helping to resolve these (e.g. law, draw guidelines). Therefore, sector audits are more awaited, and the emphasis of our work has shifted to them over time.

Drawing 1. Most audited areas in auditing local authorities



Of the most important recommendations of the National Audit Office concerning the development of local authorities made in the audits, 2/3 have been implemented fully or partially. The most important issues and recommendations revealed in the course of the audit have been summarised in the annual overviews of the National Audit Office to the Parliament concerning the use and preservation of state assets. As of 2008, the National Audit Office has outlined the need for administrative reform in its audits and overviews to the Parliament.

Moving from one audit project to another it has become evident that there are too many too small local government units in Estonia that are not able to and will not be able in the future to cope properly with the tasks given to them. The state has decisively to undertake an administrative reform, which has been postponed for years due to indecision.

In October last year, the administrative reform was finally carried out; the Administrative Reform Act and criteria entered into force on 1 July 2016. Before the administrative-territorial reform, there were 213 local authorities in Estonia, which were divided into 183 rural municipalities and 30 cities. Following the administrative reform, there are 79 local authorities in Estonia, divided into 15 cities and 64 rural municipalities. In total, 185 local authorities merged. The mergers entered into force by confirming the election results of local authorities.

Table 1. Statistical indicators of local authorities before and after the administrative reform

	Before the administrative reform	After the administrative reform
With less than 5,000 residents	169 local authorities	15 local authorities
With 5,000–11,000 residents	28 local authorities	36 local authorities
With more than 11,000 residents	16 local authorities	28 local authorities
Average number of residents	6,349	17,118
Average area	204 km ²	550 km ²

The National Audit Office is satisfied that it has been able to contribute to planning the administrative reform carried out in 2017. The National Audit Office has hoped to help Parliament make decisions that enable the new local authorities to become stronger to be able to perform the tasks given to them and that the state and local authorities would be good co-operation partners.



Performance audit on the use of the local budget funds for lawn facilities and landscape maintenance in Bucharest in the period 2007-2014

The Constitution stipulates that "the State recognizes the right of everyone to a healthy and ecologically balanced environment", protection and sustainable management of green spaces in highly urbanized cities of Romania becoming public interest objectives, as stipulated in Law no. 24/2007 regarding the regulation and management of green spaces in urban areas.

Currently, the green spaces on the territory of Romanian localities are increasingly endangered due to their destruction following the negative impact of economic and social development. Therefore, the lack of appropriate environmental management and a lack of strategic planning can lead to health problems and reduced quality of life standards.

Increasing green areas, the main component of improving the environment and climate is one of the main objectives of the Europe 2020 Strategy, adopted by the European Council of 17 June 2010, amid a deep economic crisis and the intensification of long-term challenges, such as globalization, pressure on resources use and aging. The Europe 2020 strategy proposes a new economic vision that will help the EU emerge from the crisis and build a smart, sustainable and socially inclusive economy delivering high levels of employment, productivity and social cohesion.

The main objective of the audit is to assess the modality of substantiation, allocation and use of local budget funds for the improvement, maintenance of green spaces, the development and maintenance of playgrounds and recreation facilities for the acquisition, maintenance and management of street furniture and

fountains, in terms of economy, effectiveness and efficiency of use of budgetary resources, and their impact on the improvement of the environment, comfort and health of the local community in Bucharest, with the aim of making recommendations on reducing the cost of resources allocated and increasing the results of management of green spaces.

The specific objectives of the audit were:

- analysis of the existing legislative framework on environmental programs and policies, and of the one regarding the establishment, allocation and use of public funds for expenses and investments in the development and maintenance of green spaces, playgrounds and recreation, the ambient improvements and acquisition of street furniture;
- substantiation of the decision to outsource works and services for the development and maintenance of green areas and playgrounds, value, share and composition of expenditure made in own and those contracted
- assessing the modality in which accounting and technical and operational management of green spaces is organized and managed as well as of the progress of cadastre and registration thereof, according to *Law no. 213/1998 on public property and its legal status*
- planning, substantiation, engagement and use of public funds for investments and expenditure as those covered by the audit action
- analysis, in terms of the 3 "E", of investment and expenditure.

Internal legislation, being harmonized with European legislation is still uncorrelated and issued very late (2-4 years difference to the European standards), having as direct consequence non-implementation or late implementation of European standards on environmental quality and failure to attain the indicator "green space area /capita".

In Bucharest there is lack of strategy-based projects, with negative consequences in transposing indicator regarding the green space/ capita imposed by Directive by the EU, which was taken over mechanically, without establishing the concrete rules, policies, stages, deadlines and responsibilities for each entity involved in the process.

Although there is some concern for improving environmental conditions, several programs being developed and underway in this direction, *Bucharest is the most polluted capital in Europe, according to the Environmental Protection Agency.*

Moreover, there was even a decrease in areas with green spaces as a result of restitution to former owners of land for this purpose, and by the erroneous inclusion in this category of green spaces public property of those privately-owned, green space in the property of public domain registered considerable decreases during 2007-2014.

In fact, in Bucharest was found that there is no policy to increase the green areas, that found during the audit being purely conjunctural, and in the "National Programme for improvement of the environment quality by creating green spaces in cities" no project was submitted to obtain reimbursable financing, because the eligibility conditions set are not fulfilled as the land related to green spaces are not registered in the heritage of the entity nor in the Land Registry of the village, so documents attesting the legal status of land on which to realize the relevant projects cannot be presented.

Regarding the technical-operational and accounting records of land belonging to the public domain, representing parks, gardens and green spaces, it was found that they were not evaluated were not taken measures to prepare topographical and tabulation documents of these, conditions in which they can be considered as private domain of the municipality and retroceded by the courts or local administrations, and, on the other hand, cannot be drawn up projects to obtain grants for improvement of these areas, a task that should be a priority for each local authority.

Technical and operational records of green spaces was not organized using local Registry, according to provisions of the Law no. 24/2007, objectives cannot be achieved by organizing local registers, respectively:

- deficient areas identification and performing works for expanding areas covered with vegetation;
- expanding areas under green spaces, by including in the green spaces category of land with environmental and socio-cultural potential;
- development and implementation of multiple measures on bringing and maintaining green spaces in the proper condition according to their purpose;
- regeneration, expansion, improvement of composition and quality of green spaces;
- protection and preservation of green spaces to maintain their biodiversity.

The institutions that manage green spaces in Bucharest showed a certain concern for their maintenance, performing landscaping and provision of street furniture, as well as for setting up playgrounds in recent years being recorded a significant improvement in the appearance of parks and green areas.

From this point of view, it can be seen that Bucharest can

compare with the other capitals of the European Union countries on flowers, shrubs and trees planted, urban furniture and landscape design, but not reported to the principles of economy, efficiency and effectiveness in the use of budget funds for the landscaping and maintenance of green areas.

It was also showed that establishing the necessary funds for performance of activities of lawn and landscape maintenance, does not have as support principles rigorously established, creating the possibility of exercising effective control of funds for this purpose and to act in the spirit of growth performance for using these funds.

In this context, entities proceeded to extensive outsourcing of services for the development and maintenance of green areas by concluding framework agreements over several years, with very high values, without a comparative analysis of their cost, if they would have been made by direct labour. In general, the level of prices/rates for goods and works/services of development and maintenance of green areas were not substantiated on the basis of technological process costs, in which to be included expenses with materials, labour and transport and a share of indirect costs, assessed at the uniform unit prices, set according to information from market research, and quantities of works were often substantiated, based on unrealistic estimates or plans.

Security services expenses substantiation was not based on calculations of efficiency, based on the value of goods found to be vandalized and stolen from parks in previous years and has never been examined the possibility of conduct of activity by local Police (public institution) at no extra cost.

Moreover, at all entities was found that budgeting is not based on concrete projects and programs, approved by the main spending authority, in order to finance actions to improve environmental conditions, which to be associated with precise objectives and indicators of results and efficiency. At the same time, it has not been made any estimate of annual targets and performance of these programs, based on cost and environmental and social effects, their compliance was not analysed either, given the lack of documentation specialized in landscape planning. This approach generates risk of allocation and use of public funds in inefficient and ineffective manner.

Given the inadequate substantiation of the level of expenses, it was found that at the level of auditees is not established and is not intended for the production performed in direct labour, a system of indicators by which to quantify the cost of achieving dendrological and floriculture production, by which to follow the efficiency of that activity and there is no system of

performance indicators organized by which to mainly monitor: the duration of the technological process, the cost of technological process and the synchronization of the dendrological and floriculture production process, with the needs for landscaping, both in terms of quantity and structure of plants, so as to eliminate, to a large extent, purchases from third party suppliers.

There were also recorded expenses inefficient and uneconomic by landscaping green areas damaged subsequently, before the expiry of the duration of use thereof, even in proportion of 100% by making rehabilitation works of the road system, due to lack of communication between district mayors and City Hall.

Analysing investments and expenditure in terms of the 3 "Es" by calculating the indicator "average cost per square meter of green space" in the audited period, there can be noticed large differences both between sectors and from one year to another, which indicates the lack of a coherent strategy and potential payments uneconomic and inefficient, the main causes identified referring to:

- improper substantiation of investments in this area by conducting pedestrian construction and facilities in areas already landscaped, inconsistent with the strategic objectives regarding expansion of green areas or by making purchases of street furniture that are not placed in service and do not serve to the stated purpose (District 3);
- establishment of companies majority owned by local budget for administration of the public domain, inefficient and uncompetitive and, which, every year, cause bigger losses, being funded by districts through capital increases (District 3, District 4, District 5);
- very big differences between the prices at which public institutions involved have acquired both facilities and dendrological and floriculture material, which is a clear indication of uneconomic expenditure in the absence of cost standards and regulations;
- settlement, of the prices overvalued and artificially inflated, from the local budget, due to a lack of genuine competition between the companies participating in the procurement and subcontracting of works and services, existence of intermediate links between beneficiaries (local public authorities, public institutions in the field) and producers, constituting a factor in the price growth;
- drastically reducing the production of dendrological and floriculture material, in direct labour, having as direct consequence increase in expenditure with planning and maintenance of green areas.

Recommendations

- valuation of land held under management, according to Government Ordinance no. 81/2003 on revaluation and depreciation of assets owned by the public institutions, as amended and supplemented, and inventories thereof under the Law no. 213/1998;
- public domain land inventory submission to Bucharest municipality for the elaboration of documentation necessary for validation and recording in the accounting thereof, in accordance with Government Decision no. 1031/1999;
- establishing criteria for awarding procurement contracts, which shall meet the specific requirements to the most favourable offer of the entity acquiring, through the performance indicators of using public funds and that stimulate participation of direct producers;
- review of the modality to establish rates by detailing and explaining the component items, according to consumption regulations in accordance with the requirements of Art. 11 of Order no. 109/2007 of the ANRSC regulation authority, regarding the determination of specific rates in sanitation;
- establishment of an organized system for exchange of information between local authorities and districts of Bucharest, to avoid undue and uneconomic expenses for improvement and maintenance of green spaces on which municipal infrastructure works to be carried out. In terms of occurrence of these circumstances to take all legal steps so that the land be restored to its original state;
- substantiation of Annual Plan for Plantings, on studies on the soil quality and climatic conditions, so as to be planted only species adapted to soil and climatic conditions;
- measures to organize the technical-operative records of green spaces managed in terms of vegetation (shrubs, perennials, trees, including protected trees), present on premises managed by audited entities, in order to plan and exercise control over changes quantitative and qualitative of green areas, namely on the identification, integrity and their preservation;
- developing a system of technical and economic indicators, which shall ensure: recording and tracking costs by achieving dendrological and flower production and optimization of dendrological and flower production process;

- assessing the performance of public funds use in order to make judgments about the performance of spending the local budget funds on this segment of activity, agreeing and monitoring a series of performance indicators, unimplemented until the audit date;
- implementation and monitoring of performance indicators recommended by EUROSTAT, namely: square meters of green space / capita, lifestyle horticulture (indicator adopted in recent years by the European Union, given the increasing profitability in the short and long term, registered by its founder Queensland - United States), number of playgrounds in the area / number of allocated children aged 2-7 years;
- inclusion in the action plan of the internal audit, of audit missions with objectives in the field of landscaping and lawn maintenance, landscaping and maintenance of playgrounds / recreation acquisition, maintenance and management of street furniture;
- elaboration of a short, medium and long term strategy, to establish the technical, economic and performance indicators specific to the activity of management, improvement and maintenance of green spaces;
- procurement of services on development and maintenance of green areas shall be based on a study of opportunity and necessity, given the ability to achieve them by direct labour and given the specific industry, as well as based on projects for each location in part, by establishing and defining clear objectives and works executed by direct labour, by those contracted with third parties;
- development and implementation of operational procedures on the modality of procurement landscaping works, by which, in the phase of substantiation, signing and performance of contracts, to be provided features and standard dimensions of plants, as well as terms and conditions specific to the field, regarding: guarantee for a reasonable period of time, allowing;
- observation of plant and dendrological material viability as well as specifying mandatory technologies to observe for planting and maintenance.

Performance audit of public funds for thermal rehabilitation of housing in the sectors of Bucharest, in the period 2010-2014

The need for thermal rehabilitation of blocks of flats, in order to ensure and maintain indoor environment climate in homes, was generated by to achievement of

the objectives of improving energy performance to end users, as well as of the achievement of the national targets for energy savings, assumed by Romania, by transposition of Directives of the European Parliament and the European Council adopted in this area. It was also envisaged that the "Increasing energy efficiency" objective is strategic and is part of the third objective of "20/20/20" in the field of climate and energy changes, included in the Europe 2020 strategy - An European Strategy for smart, sustainable and favourable to inclusion growth.

Imposition of measures for thermal rehabilitation of housing has been regulated since 2000, when the ordinance no. 69/2000 was issued regarding the thermal rehabilitation of recently built fund and subsequently, by GEO no. 174/2002 as amended and supplemented, the aim of these measures being to reduce consumption and energy losses and decrease fuel consumption during critical winter periods.

The specific objectives of the audit engagement pursued if:

- law governing the conduct of this program is sufficiently clear and covers all the cases, and the introduction of cost standards had the expected impact in reducing and streamlining expenditures for this purpose, made from the local budget;
- steps required to implement local programs were observed by representatives of the administrative-territorial units by, the identification and inventory of apartment buildings; notifying owners associations by local coordinators regarding the enrolment in the local program; existence of the decision of the general meeting of owners of enrolment in local program and signing of the mandate; design intervention works; execution of intervention works; acceptance on completion of works and release of the energy performance certificate, identifying specific annual energy consumption calculated for heating; final acceptance after expiry of the performance guarantee period of 3 years;
- technical and economic indicators of the endorsement documentation for the execution of intervention works in residential buildings is based on compliance with the standards costs in the construction field which is approved by law by Government decision;
- the three "E": efficiency, effectiveness and economy of local and government programs carried on regarding increasing the energy efficiency of residential buildings, were observed.

Analysing expenses with thermal rehabilitation of residential buildings - payments related to the districts of

Bucharest, for 2010-2014, amounting to RON 3,343,783 thousand, is found that they represent 26.27% of total spending made, respectively 68.49% of capital expenditures made by them.

Financing the thermal rehabilitation works of residential buildings was achieved in the audited period from three sources, namely state budget, local budget and a share paid by associations of owners/economic operators, noting that in Bucharest, amounts allocated from the state budget for this purpose have decreased year by year, from RON 56,434 thousand in 2010 to only 19,785 thousand in 2014, but increased the amounts allocated from the local budget from RON 314,500 thousand in 2010 to RON 55,359 thousand in 2014.

It is noteworthy that that the main source of funding of such type of spending at district town halls was represented by loans contracted by internal and external credits, the total amount of payments performed from loans, amounting to RON 1,773,865 thousand, with a share of 53% of the total payments performed for the thermal rehabilitation of residential buildings (amounting to RON 3,343,783 thousand)

Regarding the implementation of this program during the period audited was found:

- although thermal rehabilitation of residential buildings was considered a priority and urgent action, all regulations issued to implement the National Programme, adopted by the Government by ordinances or emergency ordinance, were ineffective for a great period of time, as a result of incoherence and inconsistencies thereof;
- territorial-administrative units have not taken measures to complete the action for verification and identification of apartment buildings, designed and built between 1950-1990, in order to be included in the rehabilitation program, data sheet for each apartment building, following the model established by norms; in context, there has not been an inventory and a group of apartment buildings on districts/blocks/heating units and types of blocks, with constructive solutions similar to the tire, depending on the design period and, consequently, a medium and long-term program for development of thermal rehabilitation works was developed;
- regarding the execution of intervention in 2010-2012:
- by dividing the total average cost per square meter of floor area, for all thermal rehabilitation works carried out, we can note the following:
- in districts 2, 3 and 4, average costs were lower than the standard cost, calculated according to Government Decision no. 353/2010;

- in districts 1, 5 and 6 the average costs exceeded the standard cost of 55 euro/ sqm, by 36 euro/sqm in District 1, by 2 euros/sqm in district 5 and by 34 euro/sqm in District 6;
- by reporting the costs of the basic works (intervention works provided under Art. 4 letter a) - d) of G.E.O. no. 18/2009) per square meter of floor area, we shall note the following
- in districts 2, 3, 4, 5 and 6 exceedances of the standard of cost have not been recorded, calculated according to G.D. no 353/2010;
- in District 1, the approved standard cost was exceeded by 8 euro / sqm.

In conclusion, during the period audited, the costs paid for works of thermal rehabilitation of the apartment buildings (building + assembly) recorded very big differences between districts and could not be justified only by the quality of different materials or the number of operations performed, which is an indication that there are significant doubts for lowering the costs:

- on compliance with the standards of cost, excepting the 1st District, was found the compliance with the standard calculated for the basic works, provided by legislation in force, but by comparing average total costs of thermal rehabilitation works (C + M without overheads, design, assistance, consultancy and site organization), exceeded the standard cost also for sectors 5 and 6, the significant differences may indicate important differences regarding the quality of materials used and the potential uneconomic costs, with the ability to identify large reserves to reduce budget expenditures incurred for this purpose;
- regarding the issuance of the energy performance certificate, identifying specific annual consumption of energy calculated for heating - effectiveness of the program, it can be appreciated that the Programme of thermal rehabilitation of residential buildings has reached its goal in the Bucharest districts, meaning that at present, the specific consumption for buildings with thermal rehabilitation ranges on average at the value of 69 kwh/sqm, well below the target of 100 kWh /sqm, set by legislation in force (conclusion is based on the sample of apartment buildings for which energy performance certificate was issued at the end of the work);
- in terms of local budgets, the program of thermal rehabilitation of apartment buildings was ineffective, given the fact that costs were paid almost in full from the local budget, given that under the relevant laws in force, local budget had to bear up to 30% of costs, the

full taking over of rehabilitation costs being provided as an exception;

- regarding the observance of principle of minimizing the cost of resources used without compromising the objectives, it can be concluded that Program development has not achieved this objective considering the overcoming, in many cases, the cost standards approved for these expenses and also the large amount of illegal payments, identified during the audit. Thus, deviations recorded in the minutes of finding, some of which are causing damage, are totalling RON 9,061 thousand, noting that the damage found were fully ascertained during the audit;
- regarding the impact of this program on population, according to the opinions expressed by respondents of the opinion poll resulted that:
- satisfaction of the residents regarding the rehabilitation work is generally very good and good;
- satisfaction of the residents work regarding the finishing, it is generally good;
- period since the date of the application submission by the owners' associations and the date they started rehabilitation work was appreciated by owners of buildings, as being very long;
- Rehabilitation works have achieved the goal, realizing savings of 25-30% on the heating invoice value.

Recommendations:

- analysis performance at government level, on the current state of the running of the Program on increasing the energy efficiency of residential buildings in order to establish performance indicators, targets and timetables for achieving the goals on medium and long term as well and of concrete ways for implementation in the national legislation of Directive 2010/31/EU on energy performance of buildings and departments resulting from the European Commission report to the European Parliament on the energy perspective 2050;
- cost standards completion with the other categories of work provided by law and absolutely necessary to achieve the thermal rehabilitation of apartment buildings; the mandatory compliance with those standards, while organizing and running the public procurement process, and also the calculation and determination by the standard cost approved according to the law of the average cost / square meter of total usable area, indicator which was removed since 2013;

- establishing clear urbanism rules by which to be established constructive criteria and colours to be applied to buildings rehabilitated, based on a unified and coherent concept, capable of change for the better the towns' urban settlements, avoiding the frequent slippages generated from the use of solutions and colours chosen indiscriminately;
- developing a medium and long term strategy on the running of the Program for thermal rehabilitation of apartment buildings, based on real possibilities of financing from the local budget and in correlation with other investments and projects, scheduled in every phase;
- initiation and execution of media campaigns for notifying owners associations on enrolment in the thermal rehabilitation program of documents, forms and documents required and the criteria and legal deadlines for each process;
- establishment and approval of the criteria for inclusion in the Annual Programme of thermal rehabilitation of blocks of flats and monitoring of their compliance through checks and periodic reports, which are also covered;
- completion of the inventory of residential buildings constructed until 1990 and completion of data sheets for them, according to the model established by norms;
- preparation and approval in each sector, of certain intervention regulations on building facades of the blocks which shall include urban, aesthetic and architectural features with the purpose to ensure the identity and coherence of each area and the harmonious integration thereof throughout each sector and sending them to UATMB, for acknowledgment and inclusion in the General Urban Plan of Bucharest;
- developing and implementing of a procedure to verify if it complies with the cost of approved standard, overall and on each component on the occasion of elaboration and approval of the technical-economic indicators for the objectives included in the investment lists as well as monitoring of their compliance during the course of investment and work settlement;
- taking the necessary steps for acceleration of organization and acceptance phase of goals to which the works were completed and issuance of the energy performance certificates;
- identification and disposal of the measures required for the necessary paperwork and applying for

implementation of structural and cohesion funds of the European Union, according to Government Emergency Ordinance no. 63/2012 amending Government Emergency Ordinance no. 18/2009, which provides coverage from this source and the state budget, of 60% of the funds required for enveloping blocks;

- developing a set of rules and procedures for communication with owners associations on every phase of development of the design, commitment and investment running process, given their capacity of final beneficiaries and party directly affected by the whole process of intervention on buildings;
- expansion of verifying all payments performed in the audited period for the investment objectives regarding thermal rehabilitation of blocks of flats, in order to identify all quantities of works not performed but paid, quantification of the possible damages thus produced, recording in the accounting and their recovery, under the law.
- works for intervention at the heat distribution system for heating, relating to the common parts of apartment buildings, which have an important contribution to eliminating heat losses, shall also be included in the thermal rehabilitation works.



Audit „Do local governments provide services to their residents for reasonable costs?“

In 2016/2017, the State Audit Office (SAO) of Latvia carried out two audits on paid municipal services and the use of administrative resources in 20 out of Latvia’s 119 local governments. With these audits, we were looking for answers to several questions. Can residents be certain that local governments operate in an efficient manner? Are the best possible services provided for the resources used by local governments? Are local governments aware of effectiveness and productivity of their work? How effective and economic are processes when providing services? Do residents overpay for the provided paid services or vice versa – these services create additional unexpected expenses to the budget of local government, thus taking the financing away from other important tasks?

In Latvia, legal acts stipulate services which local governments must provide to their residents, for example, organisation of provision of utilities, issuance of street sale permits, catering for children at schools.

However, the audits showed that local governments also engage, sometimes unlawfully, in business activities, which go beyond the autonomous functions of local governments (transportation services, hotel and catering services etc.) and therefore hinder the development of private businesses within their territories.

During the audit, the SAO of Latvia assessed whether municipal services are client-oriented and whether municipal resources and organisational structure are adjusted to this task. The management and provision of services was evaluated according to the service implementation scheme provided below (Figure 1).

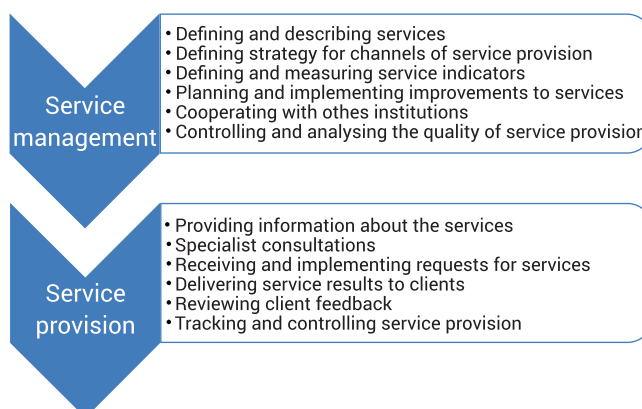


Figure 1. The process of managing and providing services

The SAO of Latvia used process analysis approach to assess municipal services – experts identified excess steps in service provision and calculated their costs. Re-evaluation of processes provides an opportunity to obtain comparable information about implementation of similar processes in different structural units and local governments which can later be effectively used for benchmarking.

For example, by comparing the organisation of accounting processes in local governments of similar size, the experts concluded that centralisation of accounting at a particular local government could save it at least 43 200 euro per year. The audits also highlighted several systematic problems in local governments:

- local governments insufficiently assess demand for their services and do not perform proper accounting and analysis regarding the costs of service provision;
- work organisation of local governments frequently promotes provision of services in person instead of fully using online opportunities;
- local governments do not collaborate enough in the provision of services for residents, thus not taking advantage of possibilities to reduce their service costs.

Based on audit findings, the SAO of Latvia provided 192 recommendations to 20 local governments, the implementation of which:

- would initiate the accounting of expenses for

processes and services to acquire precise and comparative information needed for taking of economically justified decisions;

- would raise awareness among residents about the process of service provision, explaining advantages of electronic services, thus reducing costs and time spent;
- would allow local governments to start using their analysis methods for fundamental and support processes in order to save resources and reduce administrative burden for residents.

For more detailed information about the audits and their findings please see the summary report, which is available in English here:

<http://www.lrvk.gov.lv/en/revizija/local-governments-provide-services-residents-reasonable-cost/>



Subsidies in municipalities – A cross-cutting audit in Austria

While federal subsidies are a hot topic for both the media and the general public – mainly due to their sheer amount – subsidies on a municipality level are a much less prominent issue. Therefore the Austrian Court of Audit (ACA) decided to take a closer look at this topic in three Austrian municipalities, focussing not only on efficiency and effectiveness of municipal subsidies and related administration procedures, but also on the underlying strategies.

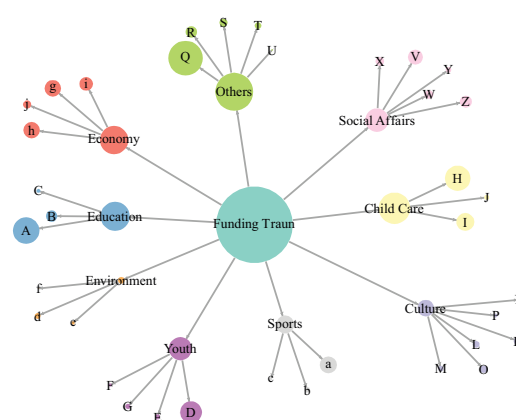
First, the audit team had to choose relevant municipalities. Therefore, the ACA’s municipality monitoring tool was used to analyse spending on subsidies by municipalities with more than 20.000 inhabitants. Considering recent or possible parallel audits, some possible auditees could not be included in the final choice.

Aiming for a representative selection, the ACA decided to audit one municipality from the western part of Austria (Feldkirch), one from the middle (Traun) and one from the east (Baden).

In addition to the selection process, finding a feasible definition of “subsidy” turned out to be a challenging task. Numerous possible definitions could be found, none of which covered all relevant aspects of the topic.

Finally, the audit team agreed to accept any case where municipalities were “granting an economic advantage” as a subsidy. This definition also included non-monetary funding activities like the free of cost provision of municipal infrastructure.

During the actual audit, the most demanding task was to gather and validate the funding data of the municipalities. Based on that, the vast number of single transactions had to be structured and aggregated in a comprehensive way. To achieve that, the ACA opted for graphic representation. The example shows the subsidy structure of Traun, the size of the bullets refers to the subsidy amounts. Traun funded several fields and institutions:



Based on the findings, the ACA developed some main recommendations. Firstly, the ACA criticised the lack of transparency in the financial statements. Subsidies could not be recognized without considerable effort, although the accounting rules offered an appropriate classification. Due to the lack of a standardized definition and the different monetary assessment of subsidies, direct comparison between municipalities had low validity. Therefore, the audit report did not focus on benchmarking. To improve transparency, the ACA recommended to report municipalities’ subsidies to the federal transparency database, which was designed to provide an overview of all public benefits in Austria.

The ACA also tried to assess the efficiency of the subsidies. Unfortunately, cost-benefit considerations were not a big issue in the audited municipalities. Consequently, the ACA found only some basic evaluation approaches, for instance in the field of sport subsidies.

Beyond that, information about the effectiveness of

subsidies is also an essential condition for a valid comparison between municipalities. Otherwise, a fair comparison cannot be achieved. Therefore, the ACA recommended to improve the outcome orientation and the use of cost-benefit analysis in the field of subsidies. Information about the costs and the real benefit for the citizen should be a crucial criterion in giving subsidies, also on a municipal level.

The German version of the audit report is available on the homepage of the ACA:

http://www.rechnungshof.gv.at/fileadmin/downloads/_jahre/2017/berichte/teilberichte/oberoesterreich/Oberoesterreich_2017_06/Oberoesterreich_2017_06_1.pdf



Steering of local government finances audited in Finland

Audit subject

The audit on steering of local government finances was launched in June 2017 on the grounds of preliminary study carried out during spring 2017. Subject of the audit consists of the macroeconomic steering system applied by ministry of finance as a part of general government fiscal plan, and the Local Government Act in which the finances of single municipalities are regulated.

The macroeconomic steering includes a balance target for local government finances and the measures required to achieve the target set by the Government. In addition, the Government sets a local government spending limit, namely a euro limit for the change in municipalities' expenditure due to central government measures during the parliamentary term. Furthermore, a local government finances programme is prepared in a central government and local government negotiation procedure as part of the preparation of a general government fiscal plan. In the programme, more in-depth analysis of the local government economy compared to the general government fiscal plan is carried out.

In the Local Government Act, certain borderline values for chosen key figures are set in order to steer the finances of single municipalities, joint municipalities and local authority corporations. In the audit, these

borderlines, reliability of their measurement and their incentive effects are examined. Also the system of central government transfers to local government and especially its incentive effects to municipalities are audited.

In addition to the above described macro and micro level steering systems, attention is paid to the organization and processes of local government steering within the ministry of finance, which is responsible for the local government steering as a whole.

Goals

The aim of the audit is to determine whether the local government steering system is effectively working – taking into consideration its goals and restrictions – so that trends in local government finances can be impacted timely and beforehand, in order to ensure the sustainability of public finances. In addition, the aim is to assess and improve the openness and transparency of the steering process and methods, and to examine the reliability of the information base of the steering and the development work done in the subject during recent years.

Audit questions

In the preliminary study, three main audit questions were specified: 1) Does local government macroeconomic steering offer timely and reliable information for the general government fiscal plan process and support the achievement of the fiscal plan goals?; 2) Do the regulations concerning municipal finances set up in the recently renewed Local Government Act promote economic sustainability of the municipal finances in long run?; 3) How do these two steering systems, macro and micro level, fit together from the point of view of achieving the general government target balance?

Preliminary results and schedule

Already at this stage of the audit it can be concluded that the recent reforms made to the macroeconomic steering system as well as to the Local Government Act have significantly improved the local government steering as a whole. However, several development targets can also be pointed out.



Public Participation in Israel

Over the last two years, for the first time in Israel, the Office of the State Comptroller and Ombudsman carried out a structured public participation process. It sought input from the general public about government homecare services provided to the elderly. A private not-for-profit organisation was chosen to plan and manage the public participation process.

The report, which was published on 1 October 2017, had found that home care sponsored by the state failed the elderly in a wide range of areas. It estimates that about 300,000 persons were exposed to the audit process through the use of social media. The report is based on in-depth survey of 687 persons who were selected as part of the public participation process.

One major issue was that of the quality of the services provided to the elderly. The report has found major failings in that respect and it is widely accepted that this specific finding would not have been possible without the participation process which provided important insights from the (so-called) clients' perspective.

In the next participation stage, which has only recently begun, the public will be involved in assisting the process of the selection of the topics that the State Comptroller will audit. Local government audit issues have been picked for the first pilot programme with special emphasis on marginalised populations and peripheral localities, in the spheres of social services and infrastructure. The participation procedures are expected to include seminars, roundtables and specific consultations with experts, NGOs, Academia and other interested entities.



Self-tests – an innovative method of the Hungarian SAI to spread audit experiences

The State Audit Office of Hungary (SAO) developed an innovative method to support the spreading of audit experiences in a wide range of entities. The system of self-tests was implemented to provide a tool to assess the regulated and regular operation of municipalities by themselves, extended also to cover other types of public entities. As an element of the SAO's advisory activity, self-tests are designed by using the relevant audit results, can be completed on a voluntary basis, and are suitable to identify irregularities as well as measures necessary for correction at the completing entity.

Regularity is the basis of accountability, transparency, proper and goal-oriented, responsible use of public funds, efficient and effective public services, as well as preserving and increasing the value of the national wealth entrusted to a public entity. In view of this, a major component of the mission of the State Audit Office of Hungary is to promote regulated and regular operation in the public sector by all suitable means, maximizing the benefit of its audit activity. Taking into consideration the fact that there are more than 3200 municipalities in Hungary, innovative solutions had to be developed in order to facilitate utilization of audit experiences in a significantly broader range of entities than audits are able to cover.

To assess compliance with regularity requirements by the entities themselves was considered as the most suitable method to reach practically any municipality (or other type of public entity), not depending on the capacity constraints of the SAO. As a tool for such self-assessment the system of self-tests was developed, starting with the self-test for municipalities issued in November 2014. This self-test consists of questions covering major areas of the internal control activities based on the audit questionnaire used for auditing internal control systems. The self-test can be used independently, without any detailed knowledge of the actual relevant legislation as background explanation and definition of measures necessary in case of non-compliance is provided for each question.

Self-tests are revised and updated regularly in order to reflect changes in the regulatory environment. They provide uniform and understandable information on fundamental regularity requirements and support wide range of entities to assess their compliance with requirements on a standardised basis. Completion of self-tests occurs on a strictly voluntary basis, the SAO does not receive any information on the result of self-assessment carried out in this way. This means that audit results are synthesised in a list of questions to be used by the relevant public entities upon their own discretion.

Since the issue of the first version of self-tests for municipalities, self-tests targeting regular operation of other types of entities using public funds such as budgetary and ecclesiastical institutions have been designed. As the latest development, in order to address an area of high relevance having a complicated regulatory framework, self-tests to assess the regular handling of EU support for budgetary institutions and also companies were issued in 2016.

To facilitate broad accessibility, self-tests are published on the official website of the SAO. As they are prepared in the form of a regular EXCEL sheet, no specific IT tool is needed for downloading and completing them. Publication of a new self-test or an updated version of an existing one is announced by a press conference or communique, explaining its benefits for the related parties.

In lack of information on completion, the SAO assesses the utilization of this unique tool by collecting download data. Quarterly and cumulative download statistics show a constantly growing interest, especially frequent downloads are experienced in the months following the publishing of a new self-test type or an updated, renewed version.



Information to the EUROSAI TFMA newsletter on the experience of the performance audit of the use of medical subventions aimed at providing hemodialysis treatment for patients with

In accordance with the budget law, the medical subvention is directed from the state budget to the local budgets to pay for current expenditures of communal health care institutions, except expenditures for utilities and energy.

In 2016, local authorities spent 85 percent on health care at the expense of medical subventions expenditures (for a general fund).

In the first quarter of 2017, the State Expenditures in Region Audit Department of the Accounting Chamber conducted performance audit on the use of medical subventions aimed at providing treatment for patients with renal insufficiency by the method of hemodialysis, the results of which approved by the decision of the Accounting Chamber dated March 28, 2017, No. 8-4 (the Report and the Decision are posted on the website of the Accounting Chamber on 24.05.17 and 11.04.2017 respectively).

The choice of audit subjects was determined by the availability of information on a significant number of patients with chronic renal disorder (hereinafter referred to as CRD) in Ukraine, the need for three hemodialysis procedures per week, the expensive treatment of patients with CRD by hemodialysis, high workload of existing centers of nephrology and dialysis, the round-the-clock mode of their work.

In Ukraine, in 2015 out of 7610 patients with CRD more than 63 percent received hemodialysis treatment.

The cost of only medicines and consumables for one hemodialysis procedure in 2016 amounted to an average of UAH 1,500 (EUR 55) and the minimum wage in Ukraine in the monthly amount as of December 1, 2016 amounted to UAH 1,600 or EUR 59. Given the need for three hemodialysis procedures per week, the cost of treatment for one patient is 234 thousand UAH (8.6 thousand euros) per year. Most people fail to incur such expenses, so they need state support.

From 2016, target expenditures for the hemodialysis treatment of patients with chronic renal disorder are provided within the medical subvention from the state budget to local budgets, in particular, by 2016, and by 2017, an amount of UAH 1 billion has been approved.

According to the Decision of the Cabinet of Ministers of Ukraine, starting from 2016, in the formula of distribution of medical subvention from the state budget to local budgets, separate target expenditures for the treatment of patients with chronic renal disorder by hemodialysis method has created conditions and made it possible to some extent to streamline and increase the level of provision of departments of nephrology and dialysis of communal medical facilities with appropriate medicines and consumables for free weekly treatment of patients.

In view of these circumstances, the purpose of the audit was determined the establishment of the actual state of affairs regarding the accuracy of the definition and distribution, timeliness and completeness of the transfer, the legality and effectiveness of the use of medical subventions aimed at providing hemodialysis treatment for patients with CRD.

The subject of the audit was the funds of the medical subvention from the state budget to local budgets, at the expense of which the target expenditures of local budgets were implemented in the blood donation method by hemodialysis, legislative, regulatory and other documents regulating the planning, distribution and use of funds for the treatment of patients with a blood donation method hemodialysis; financial, budget, statistical and other reporting, information on the status of the provision and use of these funds.

The objects of the audit were identified by the Ministry of Health of Ukraine, departments and health departments of the five regional state administrations, and a number of communal health facilities. According to the audit, five territorial departments of the Accounting Chamber were involved.

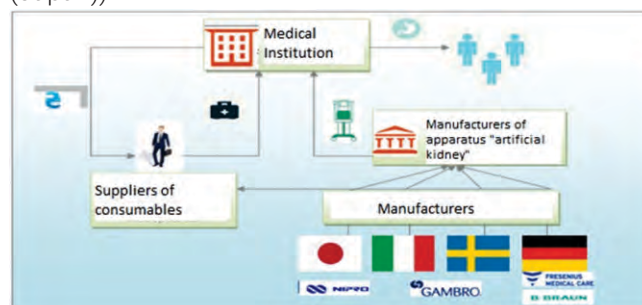
During the audit, the main focus was on the number of patients with CRD in Ukraine, the average cost of the treatment of one patient in the blood pressure by hemodialysis in communal and private medical institutions, and the actual number of procedures per year per patient, the need for the target funds necessary on the treatment by hemodialysis method, the level of provision of patients with a CPR at the expense of the subvention necessary amount of medicines and

consumables, apparatus "artificial kidney", dependence of communal medical institutions manufacturers of apparatus "artificial kidney" meet existing network of centers of nephrology and dialysis treatment to ensure their work around the clock access of patients to obtain their hemodialysis treatment.

The audit revealed that the main disadvantages of the system of treatment for patients with chronic renal disorder by hemodialysis is the complicated access of patients to this procedure due to the lack of a system for providing them with medical care; imperfection of tools for forming the need for targeted funds; the unsettled procedures for the purchase of hemodialysis medical services and the lack of proper control over the planning and use of funds.

Thus, the lack of a new model of the purchase of the product "medical service" with the provision of the possibility for patients to freely choose providers of hemodialysis services led to the dependence of medical institutions that receive hemodialysis equipment "artificial kidney" free of charge or for temporary use, from suppliers of consumables that are compatible exclusively with these apparatuses. In the five surveyed regions (Vinnytsya, Dnipropetrovsk, Poltava, Lviv, Cherkasy oblasts), 87 percent of equipment available in medical institutions, was received free of charge or for temporary use.

Under such conditions, hospitals were forced to purchase consumables that fit exactly this equipment. As a result, the component of competition and economical use of funds was virtually absent. As a result, the average cost of one procedure of hemodialysis only at the cost of consumables significantly varied by region: in 2015 - from 1176 UAH to 1951 UAH (from 43 to 72 EUR); in 2016 - from UAH 1130 to UAH 2539 (from EUR 42 to EUR 93), and also depended on the machinery of the facility (B / Braun, Fresenius (Germany), Gambro (Sweden, Italy), Nipro (Japan)).



Scheme of providing the medical institutions with consumables and equipment for treatment of patients with chronic renal disorder

The audit provided an opportunity to draw conclusions on the appropriateness of foreseeing the concept of "medical service" in the Fundamentals of the Ukrainian legislation on health care, to develop and approve the procedure for determining the cost of medical services and the procedure for reimbursement of such services from the state and / or local budgets in order to allow free the choice of patients with hemodialysis services.

The decision of the Accounting Chamber on the results of examination of the audit findings at its meeting with recommendations was forwarded to the Cabinet of Ministers of Ukraine, the Ministry of Health of Ukraine, the Ministry of Finance of Ukraine, as well as a number of regional state administrations. In particular, the Government proposed to submit for consideration by the Verkhovna Rada of Ukraine a draft amendment to the Fundamentals of the Ukrainian legislation on health care, which would include the concept of "medical service"; in order to allow the free choice of patients with hemodialysis services, to develop and approve a procedure for determining the cost of medical services and the procedure for reimbursement of such services from the state and / or local budgets.

The Accounting Chamber's information on the audit results and the state of consideration of its recommendations to the Ministry of Health of Ukraine was considered at a meeting of the Verkhovna Rada of Ukraine Committee on Health Care. As a result of the consideration of the issue, the Committee sent relevant proposals to the Cabinet of Ministers of Ukraine.



National Audit Office of Lithuania: necessary coordinated actions for improving the activities of the companies and institutions operating in the public sector

The Supreme Audit Institution for the first time simultaneously provides the systematic insights about the role of the state in governing companies and institutions that operate in the public sector.

Three systemic audits – "The return of state-owned companies to the State", "Management and activities of municipality-owned companies", "The establishment and management of public institution" – showed that part of the public sector companies and institutions currently do not create the added value to the state and in certain cases benefit only the companies themselves, public institutions or even private groups of persons.

The state policy in this area is fragmented, lacks coherence and systematic state approach towards their governance. Municipalities lack initiative to raise common goals for the enterprises they control, a clear and objective performance evaluation system for the companies is not created, formation of a strong Board is not ensured, also strategic indicators are unambitious and not associated with the objectives of state-owned companies and public institutions, and the progress is not projected, not all the solutions are measurable and ensure the benefits to the state or municipality.

The results of activities also shows inappropriate governance of companies and institutions. In 2015 return on equity capital of municipality-owned companies decreased compared to the previous periods, and 5 (out of 271) of municipality-owned companies earned 75 percent of dividends.

According to the Supreme Audit Institution, considering the priorities and financial results of the companies and institutions, it is appropriate to evaluate the activities of public institutions and companies systematically, and to make the following strategic decisions based on evaluation results: to optimize institutions and companies of all forms, to develop a clear and consistent goal making and rate evaluation system of companies and institutions activities. It is also important to ensure an effective institutional supervision and management, separating it from policy-making.



IMPORTANCE OF SAI COOPERATION

PARTNERSHIPS OF SAI AND OTHER GROUPS OF INTEREST IN REPUBLIC SRPSKA¹, BOSNIA AND HERZEGOVINA
Bojan Ćurić PhD

We had the opportunity at the seminar which was held in October 5-6. 2017, in Riga, in the framework of the first workshop, to discuss the way of definition of cooperation between the SAI and various groups of interest and the importance that this cooperation can have in achieving general efficiency work which will in the ultimate instance lead to positive results. That's why, it is our personal opinion that the SAI and other bodies or institutions need to cooperate and exchange experiences in order to increase the efficiency of work, because it has proved long ago in practice that the lack of traditional separation of the functions of various authorities. Public audit is just a part of the system and a strong link is needed, synergy between public audit and other bodies so that the final effects of the work are positive.

Generally listing, each SAI should establish a strong link with

1. The Assembly,
2. The Government,
3. The Prosecution,
4. Internal audit,
5. Civil society,
6. Media,
7. Academic community, and what is it in Republic Srpska, Bosnia and Herzegovina, we will see through some of the following conclusions.

¹The Audit Office of Republika Srpska is one of the two sub-national entity-level audit offices in Bosnia and Herzegovina with a mandate to perform audits over public sector institutions of Republika Srpska entity, including municipalities, while the Audit Office of Bosnia and Herzegovina is in charge of performing state (top) level institutions and INTOSAI and EUROSAI member.

1. A link between the SAI and the Assembly The current practice of the Assembly and the relevant Audit Committee point to the worrying tendencies of superficial relationship according to the findings SAI of Republic Srpska, Bosnia and Herzegovina and that they miss the opportunity to be based on the objective and solid evidence of the work of budget and extrabudgetary funds on the same to preform pressuree. The Parliamentary Audit Committee routinely adopts the recommendations from the SAI of RS reports and is often not included in the discussion on the key findings of the SAI of Republic Srpska, Bosnia and Herzegovina with the responsible representatives of audit entities that, together with the failure to submit additional recommendations, reflects the lack of capacity of this Committee. In this regard, it is necessary to strengthen the activities of the Audit Committee and the greater involvement of the members of the Audit Committee.

2. A link between the SAI and the Government A good relationship between the SAI and the government is the basis for a quality audit process, as the government helps the SAI in carrying out the audit process, providing the necessary explanations and providing requested documents. Likewise, the SAI can assist the government in its day-to-day work, referring to the current legislation regulation and its proper use. The fact is that both the SAI and the government will have more benefit if there is a spirit of positive cooperation, and especially when the SAI delivers a draft of its report to the management of the audited subject, or when it requests the government's consent to the facts presented.

3. A link between the SAI and the Prosecutors Office should be at an enviable level and according to the author's opinion is crucial for further action on the results of the audit work. However, this cooperation in Republic Srpska, Bosnia and Herzegovina is not an example of the urgently needed timely exchange of information and coordinated joint activities of these institutions. The reasons are primarily due to the absence of criminal responsibility came out from audit reports and complete and timely information on the actions taken by the prosecution on the basis of the negative findings of the SAI Republic Srpska, Bosnia and Herzegovina which are submitted to the prosecution. In addition, the public is not sufficiently familiar with the activities undertaken by the prosecution on the findings of the SAI Republic Srpska, Bosnia and Herzegovina, since these issues are not in the focus of prosecutors during public events. The methodology which is applied by the SAI Republic Srpska, Bosnia and Herzegovina with negative opinion mark significant material deviations in the financial audit, ie essential non-compliance with regulations in case of compliance audit. A negative opinion does not automatically mean that a criminal offense has been committed, while using this methodology it is possible that the criminal offense is hidden by the audited subject's, who received the opinion with a spare opinion. Unlike the countries in the region (the Republic of Serbia and the Republic of Montenegro), the SAI Republic Srpska, Bosnia and Herzegovina does not have a legal obligation to file criminal charges, but it submits negative audit reports to the Prosecution for further action. Unofficially, the prosecutors think that the audit reports are extensive and that their work would be easier if the SAI Republic Srpska, Bosnia and Herzegovina at the end of the report clearly identifies facts that indicate a serious violation of the law. In other words, for the prosecution, the SAI Republic Srpska, Bosnia and Herzegovina reports in the current form are not adequate for analytical processing and slow down their work, while for the SAI Republic Srpska, Bosnia and Herzegovina they are at a very high level of expert processing and represent good evidence. About that, it is necessary to seek solutions for effective and efficient joint activities, respectively to define a special agreement for cooperation, guided by the experiences of developed countries. For example, the countries of the European Union (the Czech Republic and the Republic of Bulgaria) have requested additional mechanisms

for networking activities of institutions in order to more effectively combat against corruption, and special agreements have been concluded to define binding treaties between the SAI and the prosecution. The experience of these countries shows that in accordance with these agreements, auditors engage as consultants in investigations and to organize consultative meetings on investigations (the auditor and the prosecutor) and annual meetings on which the results of the cooperation are analyzed. For example, the SAI of Bulgaria announces the prosecution in writing form about the criminal offenses during the audit activities, as well as the risk areas for corruption. On the other hand, the prosecution informs the SAI of the activities carried out in relation to information provided to them, which are the result of the investigation, evidence of illegal activities by organizations and individuals from the scope of work of the audit, risk areas and areas for corruption.

4. Link between the SAI and the Internal audit of the SAI Republic Srpska, Bosnia and Herzegovina in the audit process always review first the internal audit reports and if it determines that it has worked effectively and efficiently, it will use these materials as the basis for its control and audit, ie it will treat them as pre-audit documents and base them on their own further work. Generally observed, cooperation between the SAI and the internal audit can be viewed in avoiding duplication of audit jobs in the same place at the same time, in order to institutions inform each other about the observed weaknesses in control, in order to provide mutual reporting on audit findings, conduct joint training, and provided cooperation for any other questions. Regarding the mentioned questions, the SAI Republic Srpska, Bosnia and Herzegovina signed an agreement on professional cooperation with the Central Unit for Harmonization of Financial Management and Control and Internal Audit at the Ministry of Finance of Republic Srpska, Bosnia and Herzegovina, which is expressed willingness for promoting professional cooperation.

5. Link between the SAI and the civil society So far, there has been no significant contribution to the work of the SAI Republic Srpska, Bosnia and Herzegovina by non-governmental organizations in Republic Srpska, Bosnia and Herzegovina. However, they could be a good ally of the SAI Republic Srpska, Bosnia and Herzegovina to achieve the same task, as they can use

findings and recommendations to preform additional pressure on audit entities

6. Link between the SAI and the media In the media, by the minister, the representatives of the executive and international organizations, often they can hear compliments on the account SAI Republic Srpska, Bosnia and Herzegovina and the quality of its work. The SAI Republic Srpska, Bosnia and Herzegovina does not have its own executive/enforcement rights in relation to audit entities, so its position in the public finance control system to a large extent depends not only on the quality, the unquestionability and persuasiveness of its findings and recommendations, but also on the willingness of the executive to implement and to carry it into action. Therefore, the public is the strongest weapon of the SAI Republic Srpska, Bosnia and Herzegovina and, with parliamentary pressure, is the basic tool for achieving changes in the way the entities of the audit work. Each SAI must be aware that the perception of its work and the audit report for many begin and end in the media - through articles in print media, tv and radio coverage, and content on the internet portals. Audit reports are often written in a very specific style, with the use of professional terms, and it is necessary for the SAI to pay attention to the way in which the media report on its work, while respecting the principle of freedom of the press and media independence. It is necessary for the SAI to have access to the media in order to be able to communicate in relation to the most important allegations from the report, according to its own interpretation of the data. This can be implemented by publishing special press releases in which, by the accessible style and simple language of the SAI Republic Srpska, Bosnia and Herzegovina itself, point out the main findings and the most important recommendations.

7. Link between the SAI and the academic community In order to achieve the most efficient and effective implementation of positive legal regulations and relevant international professional standards and regulations, promoting and improving the auditing profession and practice, the SAI RS signed an agreement on professional cooperation with the Faculty of Economics and the Faculty of Law of the University in Banja Luka, which is a assumption for the professional training of auditor's as well as teaching staff and students at these two public higher

education institutions. Among the predicted forms of professional cooperation, among others, there is an individual or joint organization of scientific and professional meetings, seminars, expert panels, round tables, workshops, etc.

Finally, it can be concluded that it's absolutely necessary an improvement and institutional definition of cooperation between the SAI and the above-mentioned institutions and organizations, and especially with the state authorities and administrative bodies in whose jurisdiction and activities are related to controlling the regularity of the use of public funds, such as: State Prosecutor, Audit Committee, Ministry of Finance, Internal Audit, etc. Through the conclusion of the cooperation agreement, the exchange of information, data and information from the competencies of these institutions it would be more precise and thus overcome technical and formal obstacles to improving the efficiency of work in the prevention and suppression of all forms of abuse of the financial system. On the other hand, observing the good relationship between the SAI and other institutions is a good idea, but the fact is that there is always a problem in the relationship between the establishing and maintaining of independence and what the subjects of the audit expect, their confidence in the audit work and the audit report. Beside that, the environment in which these relationships are develop especially in Republic Srpska, Bosnia and Herzegovina but also in other countries in the region is dynamic, so the auditor must be prepared for the fact that he will always meet with new circumstances and challenges.

