ACTIVITY REPORT
TASK FORCE ON MUNICIPALITY AUDIT

to be submitted to the 49th EUROSAI Governing Board meeting in Gdańsk (Poland) on 15 March 2018 by Dr Arūnas Dulys, Auditor General of the Republic of Lithuania and Chairman of the EUROSAI Task Force on Municipality Audit (EUROSAI TFMA).

The Activity Report of the EUROSAI TFMA covers the period from May 2017 to March 2018 as well as future activities.

VISION of the EUROSAI TFMA is to become an active EUROSAI Task Force covering relevant questions in the sphere of auditing municipalities.

Our MISSION is to create an open platform for sharing the best practice and experience on the municipality audit.


EUROSAI TFMA activities designed to implement the three strategic goals of the TF are also in line with the Strategic Goals of the EUROSAI Strategic Plan 2017-2023, especially with the Goal 1 “Supporting effective, innovative and relevant audits by promoting and brokering professional cooperation”.

During the last period, a new member – Accounting Chamber of Ukraine – joined the EUROSAI TFMA. Therefore, at the moment EUROSAI TFMA unites supreme audit institutions of 27 EUROSAI countries and fosters international cooperation and exchange of experience in municipal audit field. The list of EUROSAI TFMA members can be found in the Annex 1.

IMPLEMENTATION OF STRATEGIC GOAL I

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

The 1st seminar of EUROSAI TFMA “The added value from supreme audit institution audits, conducted in local municipalities”

To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners

- 64 participants from 30 countries
- 5 presentations
- 2 Workshop Sessions
- panel of experts and stakeholders
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 and organized together with the National Audit Office of Lithuania.

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 Summary Report of the 1st EUROSAI TFMA Seminar can be found in the Annex 2. All materials of the Seminar, including videos of presentations, can be downloaded from EUROSAI TFMA webpage https://www.vkontrole.lt/tf/page.aspx?id=52.

The 1st annual meeting of the EUROSAI TFMA members

To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners

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.

Minutes of the 1st Annual meeting of the EUROSAI TFMA members can be found in the Annex 3.

The webpage

To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners

To better and more efficiently share knowledge and information among members as well as externally, the EUROSAI TFMA webpage was created (http://www.vkontrole.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, includes database containing information provided by members about audits on municipalities as well as relevant publications, such as studies, surveys, general information about municipalities. This enables interested parties to find materials on municipality audit as well as on international practices in one place.
Furthermore, EUROSAI TFMA webpage contains all material from seminars on municipality audit, including presentations, materials of workshops, some videos of presentations, etc.

The forum

To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners

To make a share of information more agile, the forum was launched for EUROSAI TFMA members and others who are interested in municipality audit (https://www.vkontrole.lt/tf/forum/).

This communication platform 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.

Next steps

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.
Municipality data use in audits of municipalities

To support the development of innovative audit approaches and methods making use of new technologies

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 TFMA 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.

Next steps
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 June, 2018. Also, it is planned to prepare and distribute the information for peer learning.

IMPLEMENTATION OF STRATEGIC GOAL II

Strategic goal II. Making the external municipal auditing system more efficient

Analysis of the external audit systems

To facilitate the sharing of knowledge and experience within EUROSAI and with external stakeholders and partners

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. In mid February, 2018, 26 of 27 TFMA members were provided overviews of the external audit systems existing in their countries.

**Next steps**

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.

**Methodologies used in municipality audits**

*To support the development of innovative audit approaches and methods making use of new technologies*

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. The questionnaire for the survey of EUROSAI TFMA members is being developed, and at the moment a draft version is prepared.

**Next steps**

It is planned to have members’ survey results by the end of June, 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.

**IMPLEMENTATION OF STRATEGIC GOAL III**

**Strategic goal III. Encouraging cooperative audits**

*To promote audit-related cooperation by acting as a broker between members*

One of EUROSAI TFMA strategic goals is to encourage cooperative audits and conduct them if such a need would be identified by EUROSAI TFMA members. The first step in this area has already been taken in 2017, during the Kick-off meeting: audit areas (and particular topics) most relevant for conducting cooperative audits were identified (please see Annex 4) as well as arguments for and against conducting audits on such topics. Taking into account that not all
EUROSAI TFMA members are members of the EU, one of the most relevant topics identified by EUROSAI TFMA members - “Effectiveness of the use of EU funds” - was developed into "Responsibility of local governments’ capital investments " and presented during the 1st Annual Meeting. Representatives of SAIs had a possibility to consider and inform about preliminary decision on their interest to take part in such cooperative audit.

**Next steps**

At the moment, the audit concept of the topic "Responsibility of Local Governments’ Capital Investments" is being prepared. It is planned to have a final decision of EUROSAI TFMA whether to conduct this audit or not by the end of 2018.

In parallel, EUROSAI TFMA members are being encouraged to initiate other topics for possible cooperative audits.

**NEXT ACTIVITIES**

The newsletter

To spread information related to municipality audits and EUROSAI TFMA activities more widely, it was planned to prepare and publish an annual newsletter. All EUROSAI TFMA members have a possibility to participate in the preparation process. Some of them have already written articles to the newsletter in the area of municipality audit in their SAIs.

At the moment, the newsletter is under the preparation process and it is planned to publish it in the 1st half of 2018.

Upcoming 2nd seminar and 2nd Annual meeting of EUROSAI TFMA

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

Additional information and the materials of the seminars and meetings can be found at the website of the EUROSAI TFMA at www.vkontrole.lt/tf.

Other activities to be started in 2018

SAI of Slovakia initiated another activity related to the data of municipalities. They suggested to develop a database about the main municipal data and update it annually to facilitate the comparison and use of data. The implementation of this activity has only started at the beginning of 2018 and at the moment, the draft questionnaire for EUROSAI TFMA members is
being prepared. First of all, it is planned to find out the data availability in EUROSAI TFMA SAIs and finish the data of 2017 gathering by the end of 2018.

SAI of the former Yugoslav Republic of Macedonia initiated new activity related to revenues of municipalities. The aim of the activity is to gather and systemize information about municipalities own revenues in each country via conducting survey. This activity will be started in mid 2018 by preparing a questionnaire. It is planned to have a summary report of the activity in the 1st Q of 2019.

All addition information regarding EUROSAI TFMA can be found on the webpage http://www.vkontrole.lt/tf or can be provided by EUROSAI TFMA secretariat by e-mail eurosai.tfma@vkontrole.lt.
# Annex 1

List of EUROSAI TFMA members SAIs

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<tr>
<th>NO</th>
<th>COUNTRY</th>
<th>NAME OF SAI</th>
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<tr>
<td>1.</td>
<td>ALBANIA</td>
<td>State Supreme Audit</td>
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<td>2.</td>
<td>AUSTRIA</td>
<td>Rechnungshof</td>
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<td>3.</td>
<td>AZERBAIJAN</td>
<td>Chamber of Accounts</td>
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<tr>
<td>4.</td>
<td>BOSNIA AND HERZEGOVINA</td>
<td>Audit Office of the Institutions of Bosnia and Herzegovina</td>
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<td>5.</td>
<td>CROATIA</td>
<td>Drzavni Ured za Reviziju</td>
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<td>6.</td>
<td>DENMARK</td>
<td>Rigsrevisionen</td>
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<td>7.</td>
<td>ESTONIA</td>
<td>Riigikontroll</td>
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<td>8.</td>
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<td>9.</td>
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<td>10.</td>
<td>GREECE</td>
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<td>Corte dei Conti</td>
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<td>LATVIA</td>
<td>Latvijas Republikas Valsts kontrole</td>
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<td>LITHUANIA</td>
<td>National Audit Office of Lithuania</td>
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<td>Drzaven zavod za revizija, State Audit Office</td>
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<td>MOLDOVA</td>
<td>Curtea de Conturi a Republicii Moldova</td>
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<td>Najwyzsza Izba Kontroli</td>
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<td>Curtea de Conturi a României</td>
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<td>SERBIA</td>
<td>Drzavna revizorska institucija (DRI)</td>
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<td>Računsko sodišče</td>
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<td>Tribunal de Cuentas</td>
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<td>TURKEY</td>
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<td>27.</td>
<td>UKRAINE</td>
<td>Accounting Chamber of Ukraine</td>
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**Observer**

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<td>1.</td>
<td>SWITZERLAND</td>
<td>Contrôle des finances de la Ville de Lausanne</td>
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Annex 2

Summary Report of the 1st EUROSAI TFMA Seminar

OBJECTIVES OF THE SEMINAR

The purpose of the seminar was to exchange practices and elaborate ideas on the possible indirect added value of audit results - the "bigger picture" 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.

Altogether 20 SAI s from the following countries were represented at the seminar: Albania, Austria, Azerbaijan, Bosnia and Herzegovina, Croatia, Denmark, Estonia, Finland, Georgia, Germany, Greece, Hungary, Israel, Italy, Latvia, Lithuania, Malta, Montenegro, Poland, Portugal, Republic of Serbia (BiH), Romania, Serbia, Slovakia, Slovenia, Spain, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, and others. Representatives from the European Organisation of Regional External Public Finance Audit Institutions (EUROSAI) and the Swedish Association of Local Authorities and regions also participated in the seminar.

CONTENT OF THE SEMINAR

PLENARY SESSION

The seminar started with a plenary session containing five presentations on the added value from SAI audits in municipalities.

Using the Results of the Audit to Develop Guidelines for Local Governments

Presentation by Ms. Inez Vah, the National Audit Office of Estonia

The presentation introduced results of three audits conducted by the SAI of Estonia and methods that the SAI had used for utilizing results of the audits.

In order to increase the impact of the audit "Prevention of corruption in the transactions of local governments", the SAI helped the Ministry of Justice of Estonia to create a website about corruption prevention, compiled "The Handbook of Conflicts of Interests" for municipal councils and held several seminars in municipalities to introduce the handbook. As a result of the audit "An overview of problems with the audit of annual reports of local authorities", the Board of Auditors developed new guidelines for private auditors; the SAI assisted in organizing a seminar for private auditors, and a more detailed form of the private auditor's report will be put in practice. Lastly, following the audit "Organisation of the activities of internal control system in local governments", the SAI suggested several changes in legislation and carried out a training session for all municipal revision committees.

Lithuanian SAI practice: searching for new innovative ways to boost the added value

Presentation by Ms. Aurelija Bruktaitė, the National Audit Office of Lithuania

The presentation focused on innovations used by the SAI of Lithuania for disseminating audit results.

The representative of the SAI demonstrated an open data platform, launched in 2016, which provides comprehensive information about implementation of audit recommendations. This initiative aims to improve implementation and increase impact through transparency and data accessibility. Information is available to the public in various formats: online information per each public sector area, PDF report for each audit as well as downloadable Excel file for analysis. Other SAI's measures and activities in the scope of awareness and engagement as well as reputation management were briefly touched upon during the presentation.

Discussion paper "One self-government, two systems: How to make the system more effective?"

Presentation by Mr. Valdiris Sībiņš, the State Audit Office of Latvia

Representative of the SAI of Latvia introduced a new practice that was started in 2016 - preparation of discussion documents. These documents include insights and reflections on challenges identified during audits on a particular matter and thus allow preventing re-occurrence of systemic problems and invite public officials to look for new and better solutions for highlighted problem areas.

The discussion papers aim to reach several goals: to intensify the issue's topicality on the political agenda; to provide a 'view from the outside' and to offer alternatives to policy makers. Currently the SAI has published two discussion papers: "Individual, information systems and the state" and "The state – the main capitalist of Latvia". During the seminar, a draft summary of the new discussion paper 'Rational Municipality' was presented and distributed to the audience.
Self-tests as efficient vehicle to spread audit experience
Presentation by Mr. Jozef Jambó, the State Audit Office of Hungary

The presentation provided an overview of one of the advisory methods that the SAI of Hungary has developed for reaching a broader range of entities than audits are able to cover and for strengthening good governance in the public sector. The focus of the presentation was the self-test system used for municipalities, which the SAI launched in late 2014.

Self-tests allow municipalities to voluntarily and anonymously assess their compliance with regularity requirements. Each question of the self-test is supported by detailed instructions and recommendations in case of non-compliance. Tests are revised and updated on a regular basis. Since the first publication, a number of self-tests with different focus have been developed, for example, to assess the regular operation of minority self-governments. Improvements in municipalities observed during audits and statistics showing increasing numbers of downloaded self-tests are a good indication of appreciation of this initiative from the auditees.

Audit and Accountability in Local Government in Sweden
Presentation by Mr. Lotta Ricklander and Ms. Anna Ehkä, the Swedish Association of Local Authorities and Regions

Representatives of the Association introduced the municipality audit system in Sweden and discussed the added value of audits in the system.

A distinguishing feature of the Swedish system is that the municipality audits are locally owned. MunicipalITY audits are carried out by locally elected auditors, who are assisted by professional auditors. Audits are conducted in accordance with the Code of Audit in Local Government, which is developed by the Association. The auditors in each municipality give recommendations in audit reports and sometimes arrange training in internal control and anti-corruption for municipalities. The Association, as a normative actor, spreads information about municipality audits, works with regional networks around different subjects, such as internal control and reporting, as well as organizes several projects around best practice models, for example, audit of co-owned municipal companies and risk assessment.

WORKSHOP SESSION

Defining menu for cooperation with different stakeholders (searching for optimal and effective cooperation methods, tools and channels)

Participants were divided into eight working groups and debated when cooperation with different stakeholders - municipalities, government, academia and business - can take place and what methods and channels of cooperation can be used. Participants also discussed what SAs can offer to stakeholders and what gains are expected from SAs.

Most of the participants agreed that cooperation can take place at all stages of the audit, be it during a risk analysis, during planning, during an audit or at the stage of implementation of recommendations. It was noted that there is a plethora of communication channels that can be used, for instance, cooperation with academia can be organized via panels of experts, agreements, seminars, student internships, and even a permanent platform (such as a council) could be established. When discussing the possible offer and gains, the participants reached a consensus that exchange of data, information, knowledge and competence can lead to a broader perspective and increased quality for both SAs and stakeholders.

PANEL OF EXPERTS AND STAKEHOLDERS

What kind of cooperation and added value different stakeholders expect from SAs?

Panelists: Ms. Ineta Mīlītā-Tābiene, Latgale Planning Region (Latvia); Mr. Raitis Brudulis, Ministry of Environmental Protection and Regional Development (Latvia); Dr. Ineta Bārnhole, University of Latvia (Latvia); Mr. Agiņš Rostovskis, Latvian Chamber of Commerce and Industry (Latvia).

The panel discussion began with a recap of the main ideas of the first workshop session. Panelists exchanged their insights and expectations for cooperation with SAs and discussed the most effective channels for disseminating audit results to stakeholders.

The panelists agreed that it is important for audit results to reach stakeholders and noted that effective dissemination of audit results helps SAs to “advise first” and act as “smart consultants” for governments. It was proposed that varied communication channels and styles could be used to reach this goal, for example, e-seminars (especially for smaller municipalities, located far from the capital), training (in small groups), meetings with stakeholders, case studies published in social media. Differences of expectations from experts and general public on how audits results are communicated were also mentioned by the panelists.

WORKSHOP SESSION

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

The workshop session began with an overview of the SAI of Latvia’s experience conducting performance audits in municipalities. Representative of the SAI of Latvia emphasized the significance of development planning documents for assessment of performance issues.

Participants, divided into eight working groups, discussed the development planning system in each participant’s country and compiled this information by filling in worksheets. The aim of this activity was to find out how and in what detail development planning systems are governed in EU member countries.

Following discussions, participants were divided into two thematic groups and discussed pros and cons for the two approaches in use of criteria for performance audits, that is, when the criteria are taken from municipal development planning documents and then the criteria are determined by auditors themselves in each audit.
Most of the participants noted that in their countries legal acts prescribe detailed requirements for the development planning system. Thus municipalities’ goals, tasks, planned results and outcome indicators should be taken into consideration when assessing performance.

However, participants admitted that the quality of development planning documents tends to differ and auditors have to retain professional scepticism. A typical problem is the lack of outcome indicators or inclusion of inadequate outcome indicators in development planning documents. The quality of development planning documents (especially in smaller municipalities) is directly linked to capacity, professionalism and the will to prepare qualitative development planning documents by the municipalities.

Therefore criteria for performance audits can be determined by auditors, using various sources of information and examples of good practice. Participants concluded that performance assessment would be easier if municipalities used programme budgeting.

Participants mentioned surveys of residents and benchmarking of municipalities as examples of good practice that has provided added value in performance audits.

1ST ANNUAL MEETING OF TFMA MEMBERS

The aims of the meeting were: to discuss the progress of all activities under each goal, to agree on the most important actions that must be completed until the end of 2017 as well as to foresee activities for 2018.

During the annual meeting, Ms. Aurelia Brustina, Head of TFMA Secretariat, informed participants about a new TFMA member - Accounting Chamber of Ukraine - and noted that representatives of EURORAI had expressed interest in joining the task force. Representatives of EURORAI provided a short overview of the organisation, its goals and activities.

Ms. Toma Bortale, TFMA Secretariat, informed TFMA members about implementation of the TFMA strategic goals I-III and activities preliminary planned for 2018.

Mr. Richard Mauder, Austrian Court of Audit, informed TFMA members about progress of the draft questionnaire on the use of municipalities' data.

Ms. Olga Vitkova, National Audit Office of Latvia, informed TFMA members about progress of the draft questionnaire on external audit systems of municipalities in Europe.

Representatives of the TFMA Secretariat invited participants to submit summaries of audit reports, articles and other information about their activities for the TFMA newsletter, which will be published by the end of 2017. TFMA members were also informed that the State Audit Institution of Serbia has volunteered to host and organise the 2nd annual meeting and seminar of TFMA members. The event is preliminary planned for November 2018.
Annex 3

Minutes of the 1st Annual meeting of the EUROSAI TFMA members

1st EUROSAI TFMA ANNUAL MEETING

6 October, 2017
Riga, Latvia

MINUTES

Head of the Secretariat Ms Aurelijus Brūštutė opened the meeting.

The aims of the meeting were presented:
1. To discuss the progress of all activities under each goal
2. To agree on the most important actions that should be completed until the end of this year
3. To foresee activities for 2018

Ms Aurelijus Brūštutė informed the participants that the TFMA working programme 2017-2020 was approved in the EUROSAI Congress in May. The document on distinguishing features of MA and the expected added value from our activities was also presented to the EUROSAI Governing Board that accepted this document being aware of the benefit our activities could bring. She also expressed expectation that the following key words: the TFMA members defined together - Complexity, Specificity, Openness, Accountability and Use of data - will load the team in its work and make TFMA bring the added value for auditors as well as for the whole local government system.

The new member of TFMA was introduced – the Accounting Chamber of Ukraine. The changes in the TFMA Secretariat were presented: the Secretariat member Ms Toma Bartashe will be responsible for the content issues of our group activities and organisational matters since Ms Orelia Frankeviciute, who was in charge of organisational matters, left the NAO of Lithuania last summer.

EUROSAI TFMA ACTIVITIES IN 2017

Strategic Goal I: “Exchanging the best practice and experience to reach audit results that have a substantial impact on improving public financial management”

Ms Aurelijus Brūštutė emphasized that in order to reach this goal everybody has to be active and creative, and show initiative. Also it is important to look for different communication tools, not only face to face meetings anymore. We can use such tools as video conference, Skype, forum on our website, emails etc. as successfully.

Ms Toma Bartashe presented every activity performed under Goal I.

Activity 1.1. To organize annual meetings of the member SAs of the TFMA once a year.

The TFMA Kick-off meeting was organized in 11-12 April 2017, in Vilnius. The Annual meeting was held on 6 October in Riga.

Activity 1.2. To organize seminars on relevant topics.

The 1st Seminar on Municipality Audit and the 1st TFMA annual meeting is held 5-6 October in Riga, Latvia. The seminar covers two main topics:
- The Added value from Supreme Audit Institution audits, conducted in local municipalities;
- The usefulness and efficiency criteria of the utilization of local municipality budgets. The role of local municipality development planning documents in the evaluation of the efficiency of local municipality activities.

Activity 1.3. To organize expert meetings.

Expert meetings can be organized based on the needs and initiatives of TFMA members. This year there was no need to organize expert meetings, so it was decided to implement this activity for the following years, if such need will occur. It was highlighted that TFMA members can organize those meetings independently, also with help of TFMA secretariat.

Activity 1.4. To manage the EUROSAI TFMA website.

The TFMA webpage updates were made according to the material submitted by the members: photos, audits, publications regarding the municipality field. The webpage can be found at http://www.vkontrola.lv/

The forum on the TFMA webpage was launched last summer. In order to prepare well for the seminar, the topic on municipalities’ strategic planning documents and criteria for performance audits was already discussed in this forum. Some technical problems appeared but those problems have been solved and participants were encouraged to use the forum for raising different issues, exchanging their practice and insights.

Activity 1.5. To publish the EUROSAI TFMA newsletter annually.

TFMA newsletter is planned to be prepared and published in the beginning of next year. Information about TFMA activities, good practice and results of municipality audits in different countries will be included into the newsletter. TFMA members agreed to prepare articles (in the scope of 500-600 words) for the newsletter with news in the area of municipality audit – a message from their representative SAs. The deadline for sending the articles was defined - 30 November, 2017.

Activity 1.6. To facilitate communication between EUROSAI TFMA and EURORAI.

The floor was given to the EURORAI representatives. Mr Karl-Heinz Binus and Mr Edgar Thines introduced the EURORAI and their plans regarding the corporate activities. They expressed the willingness to cooperate with TFMA but the final decision will be taken in the meeting of EURORAI Management Committee meeting in Seville, 27 October, 2017.
Activity 1.7. To gather, systematize and present/publish information about the good practice of other EUROSAI member SAI’s methods and tools used for auditing municipalities.

The representative of the Austrian Court of Audit, Mr Richard Mühlimann had taken responsibility to identify the scope of data use in EUROSAI member states, find best practice models and create basic information for future peer learning from relevant best practice SAI’s in the field of audit methodology and data analysis. During the meeting, Richard Mühlimann presented the questionnaire of the survey on the use of municipalities’ data as basic information for different types of audits. The deadline for completion was planned to be – 15 December, 2017, but after discussion of members, it was decided to postpone the deadline by the end of February, 2018.

Activity 1.8. To create a possibility for EUROSAI member SAI’s to learn about existing tools that have proven to be successful for auditing municipalities via sharing experience and good practice among the EUROSAI TFMA’s members and also communicating the information gathered via different platforms (forums, seminars, meetings, newsletters etc.).

This activity was implemented by the TFMA Secretariat through the website, seminars, meetings and newsletters. The need of initiative of every representative was emphasized again. The Secretariat published and spread information, which was sent by the members, through all communication channels. TFMA members were encouraged to share more information not only information about auditing tools and methods but also about municipalities in general: interesting analysis, surveys, guidance etc.

Activity 1.9. To initiate/coordinate and conduct cooperative activities (other than cooperative audits) in order to review or assess the situation on particular topics related to municipal activities (e.g. analyses reports, surveys, landscapes etc.).

After discussions it was agreed to make decisions on these topics in the future according to the needs.

After presenting all the activities and discussing the issues, it was agreed on all of the activities performed under the Strategic Goal I and the work that has to be done according to the schedule.

Strategic Goal II: “Making the external municipal auditing system more efficient”

Ms Toma Bartală presented every activity performed under Goal II.

Activities 2.1.-2.3. related to the analysis of the existing external audit systems:

- To gather and systematize information about the models of external audit systems of municipalities in each country via conducting different surveys, questionnaires etc.
- To carry out an analysis of existing external audit systems by comparing, grouping different models, identifying strengths, weaknesses as well as opportunities to improve them.
- To present/publish summaries on research made via different platforms.

The coordination group for activities 2.1-2.3. consists of representatives of SAI’s of Lithuania, Estonia and Greece.

Representative of SAI of Lithuania, Ms Olga Vilkauskienė, made a presentation on the results of the activity. She emphasized, “as we agreed at the Kick-off meeting, the first task, which we have already started, is to gather information about the models of external municipal audit which exist in our countries and as a result to prepare a comprehensive document – the Overview, describing each country’s external audit system of local government. The Overview will be published on our website and publicly available. Later, when we will have information about every country, in 2018 we will start activity number 2, when different models will be compared, best practices will be identified and the Comparative study released. That’s why it is very important already at the first stage to have reliable and exhaustive information about every model”.

After the Kick-off meeting, in the beginning of May, the contents of the document was sent to all the members for comments and suggestions. The coordination group found them really useful and made amendments according to the comments received. The revised document was sent to the members before this meeting, with all changes being made. In the process of amending the contents, in order to see how it works in practice, a description of municipal external audit system of Lithuania was prepared. Then the amended version of the Contents was presented in great detail using the description of Lithuania’s practice.

Several issues were raised during the discussion:

Mr Shai Mizrahi (SAI of Israel) raised the question of the uncertainty arising from the Internal audit, what that is and what information regarding the internal audit has to be provided.

Ms Laura Atanace (SAI of Spain) expressed the opinion that it would be difficult for the SAI to provide detailed information on regional audit institutions. It is difficult and irrational to collect such information. It might be more appropriate to obtain this information from EURORAI.

Ms Ina Zyzian (SAI of Poland) provided an opinion that the SAI of Poland has sufficient information about regional audit institutions and it will not be difficult to provide this information in a document.

Mr Oskars Ermanis (SAI of Latvia) suggested extending the deadline for submission of information by February of the following year, taking into account that the information should be collected for this document and for the questionnaire on use of data at the same time.

Mr Giovanni Coppola (SAI of Italy) has explained that the unitary system of the Corte dei conti is extended to all regions and municipalities therefore the Corte dei conti has direct access to data through its IT collection system in which regions and municipalities are required to insert data concerning budgets and financial accounts together with the questionnaires filled in. Internal auditors are obliged to cooperate with the Corte dei conti.

During the discussion it was emphasized that it is beneficial to have a whole picture of external municipal audit systems in different countries. After discussions all the members agreed:

- The notion of internal audit should be clarified by providing a definition or by other means.
The detailed information on the functions of SAI should be provided in the document. Regarding other auditors and audit institutions that are involved into the external municipal audit system (regional audit institutions, private auditors, municipality external auditors) – only the general information that the SAI has or the SAI is able to gather in a rational way should be provided in accordance with the intended contents. If the SAI does not have the information needed for a particular question – it has to be mentioned in the document. The deadline for providing the information on this document remains 15 December, 2017. However, the deadline for completing the questionnaire on use of data (activity 1.7) is extended until the end of February 2018.

Activities 2.4. - 2.5. related to methodologies used in TFMA audit institutions:

- To conduct surveys on questions about methodologies used in different EUROSAI member SAI;
- To identify areas where the recommendations and/or guidelines could be useful.

The coordination group for activities 2.4.- 2.5. consists of representatives of SAI of Romania, Latvia and Croatia. The draft questionnaire for the survey was prepared. The coordination group will discuss and revise the questionnaire by the end of 2017.

After presenting all the activities and discussing the issues, it was agreed on all of the activities performed under the Strategic Goal 2 and the work that has to be done according to the agreed schedule.

**Strategic Goal III: “Encouraging cooperative audits”**

Ms Toma Bartašić informed that the Secretariat has not received any suggestions from members on cooperative audits in municipality field. Thus the Secretariat presented a possible topic for auditing. The suggested topic for a cooperative audit “Responsibility of local governments capital investments” is based on discussions the members had during the Kick-off meeting in April, 2017 in Vilnius and considering the relevance of topic. The concept of the audit on this topic was presented in great detail.

After presenting the possible topic for a cooperative audit and discussing the issues, it was agreed that TFMA members will discuss this topic locally and will inform the Secretariat about the relevance and usefulness of this topic for their institution, preliminary intentions to participate in the audit by 20 October, 2017.

**EUROSAI TFMA ACTIVITIES FOR 2018**

Ms Toma Bartašić presented activities planned for 2018.

All activities will be continued according to the Working programme 2017-2020 that was approved in the Kick-off meeting.

TFMA has three new initiatives:

- The initiative, suggested and lead by SAI of The Former Yugoslav Republic of Macedonia is “To gather and systemize information about municipalities own revenues in each country via conducting survey.”
- The initiative, suggested and lead by SAI of Slovakia “Database about the main municipal data / expenses and its annual update.”
- The SAI of Finland suggested the topic “Steering of sustainable local government finances by the central government”. The purpose of this activity is to share experience on best practices how central government can control, steer and set incentives on municipal (or county) level activities contributing sustainable public finances on local government level.

The options for the implementation of those initiatives will be discussed when preparing a TFMA detailed action plan for 2018.

Mr Tomislav Jovanovic informed that the SAI of Serbia takes a responsibility for organizing next TFMA annual meeting and seminar on municipality audit in Serbia in November, 2018. The topic of the seminar is not decided yet.

Mr Jozef Janik informed that the SAI of Hungary organizes the seminar for EURORAI on the topic related to the audit of municipality-owned companies in October, 2018. The SAI of Hungary will consider the possibility to invite TFMA members to this seminar. The Secretariat will be informed when the decision is taken.

**RESULTS OF THE MEETING**

- TFMA activities performed in 2017 will be presented in the TFMA Activity report that will be prepared in the beginning of the year 2018. The information about activities performed also will be provided in the EUROSAI Magazine and in the TFMA Newsletter.
- The short-term tasks to be carried out in accordance with the agreed schedule (Appendix 1).
- Next TFMA seminar and meeting will be hosted by the SAI of Serbia in November, 2018.
- The further cooperation with EURORAI will be decided upon receipt of information on the decision taken by the EURORAI Management committee.

The TFMA detailed action plan for 2018 will be prepared in the beginning of next year and will be discussed by e-mail.
Annex 1
Short term tasks to be carried out by all TFMA members

Continuing activities:
TFMA forum, photos, audits, other information for website, activities for 2018

- Questionnaire filling (Act. 1.7.1)
- Information for the Overview (Act. 2.1-2.3)
- Information for newsletter
  - Intention on cooperative audit

- 20 Oct
- 30 Nov
- 15 Dec
- 28 Feb
1. Responsibility of local governments’ capital investments

2. IT areas:
   - Inefficient development and use of informational resources
   - Software licenses in local governments (incl. ownership of software copyright)
   - Reliability of data gathered in information systems
   - Availability of open data in local governments

3. Audit of revenue management in municipalities in terms of financial audit and compliance audit (including effectiveness in the administration of own revenues at local level)

4. Public private partnership at local level

5. Rural and regional development

6. Charges for municipal waste management paid to the budget

7. Regularity of subsidies from public funds given to NGOs

8. EU funds used in projects implemented within cross-border operational programmes

9. Use of subsidies given to local government entities for the implementation of assigned tasks

10. Regularity of the use of public funds for social issues like housing subsidies, family benefits, maintenance benefits

11. Regularity of current expenditures relating to remunerations, their derivatives, business trips