



policy paper

AUDIT OF LOCAL BUDGETS

the experience
of the SAI in the EU

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SUMMARY



This analytical report is devoted to the study of local budget audits in EU countries conducted by Supreme Audit Institutions (hereinafter referred to as SAIs). This study is an attempt to systematise SAI practices in the EU, find adaptive tools and identify possible pitfalls of different local budget audit systems. The relevance of the study is driven by recent legislative changes regarding the Accounting Chamber of Ukraine, in particular the expansion of its powers to include the audit of local budgets.

The study focused on 12 unitary countries where SAIs have the relevant mandate. In six cases, we were also able to obtain additional information through in-depth interviews with SAI experts. The report contains a detailed description of the system and approaches to local budget auditing in each of the countries studied, as well as a section presenting a general overview.

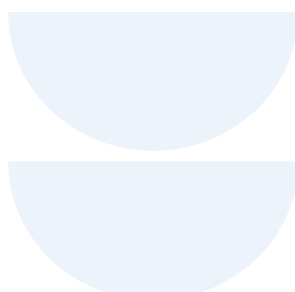
The results show that, despite a common methodological basis — INTOSAI standards — practices vary significantly between countries. Some SAIs operate centrally, others in a two-tier system or without a direct mandate at the local level. In most countries, audit planning is based on a risk-oriented approach, using both quantitative indicators and qualitative criteria. Institutional capacity, digital solutions, transparency of procedures and alignment with strategic government objectives also vary significantly.



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GLOSSARY



SAI Supreme Audit Institution

EU European Union

LB Local budget(s)

AE Audited Entity

LG Local government

GUID INTOSAI Guidance

IFPP The INTOSAI Framework of Professional Pronouncements

INTOSAI The International Organisation of Supreme Audit Institutions

ISSAI The International Standards of Supreme Audit Institutions

INTRODUCTION



→ Relevance of the Topic

In October 2024, the Verkhovna Rada of Ukraine supported amendments to the relevant law aimed at strengthening the independence and institutional capacity of the Accounting Chamber. Among other updates, the mandate of the institution has been expanded to include the authority to audit the use of funds provided to the state or local budgets by other states, the European Union, or donors in various forms, as well as to audit local budget revenues and expenditures¹.

In addition to this function being new for the Ukrainian Accounting Chamber, there is no unified approach among EU countries regarding not only the methods of auditing local budgets but also the mandate to carry out such audits. Only guidelines on performance, compliance, financial and IT audits are generally accepted. At the same time, INTOSAI has a working group that is developing a common approach to conducting audits in the field. While the solution is still being worked out, SAIs in different countries rely on their own experience to organise control over budget funds in the field.

In this context, Ukraine encounters a twofold challenge: on the one hand, aligning its system of financial control with European standards, and on the other, maintaining regular monitoring of revenues and expenditures amidst the realities of wartime.

In Ukraine's complex system of local self-government, the number of local budgets is higher than the average for most European countries. Therefore, when approaching the audit of revenues and expenditures of local budgets from a practical perspective, the foremost issue that arises is the impartial selection of the budgets to be audited. There is therefore a need for a system that allows for a uniform and consistent approach to cover everyone in the long term, while leaving room for emergency responses to risks.

→ Problem Statement

Despite the existence of generally accepted international standards (in particular, the IFPP system developed by INTOSAI), the organisation of the work of SAIs, their powers and audit planning practices — particularly regarding local budgets — vary significantly between countries. There are no unified models or institutional templates — on the contrary, there is a wide range of approaches, determined by the specifics of national legislation and administrative traditions. Therefore, it is impossible to directly transfer European practices to the audit of local budgets. What is needed first and foremost is

¹ Law of Ukraine "On the Accounting Chamber", ed. dated 30 October 2024
zakon.rada.gov.ua/laws/show/576-19%20#Text

a study of existing models and the development of a domestic approach based on the experience and lessons that can be learned from EU member states.

→ **Purpose of the Research**

To identify approaches to auditing local budgets by supreme audit institutions in EU countries and to establish optimal and adaptive practices for planning audits, selecting criteria for audited entities, determining topics and applying specific tools.

Subject of the Research: the system of auditing local budgets by SAIs in EU member states.

→ **Objectives of the Research**

1. To systematise the legislative and institutional foundations of SAIs' activities in the field of local budget auditing.
2. To examine the internal documents of SAIs that regulate the procedures for planning and conducting local budget audits.
3. To establish practices for the formation and use of a system of criteria, indicators or risks that form the basis for the selection of the subject of the audit and an audited entity.
4. To identify optimal audit planning tools (including digital ones), their functionality and effectiveness of their use.
5. Identify areas where the EU's experience in certain aspects of the local budget audit system could be adopted, and which are relevant and potentially viable in the Ukrainian context.

Research Methods: the research is based on desk analysis and study of the relevant national regulatory and legal frameworks of the countries. To gain a deeper understanding of the subject, semi-structured in-depth interviews with representatives of the SAIs of EU member states were also used. During the study, we were able to talk to representatives of six SAIs and obtain valuable advice and opinions on the organisation of a local budget audit system for Ukraine.

→ **Sample and Limitations of the Research**

The research mainly focuses on the approaches to conducting external independent audits of local budgets by Supreme Audit Institutions in EU member states.

For this purpose, we selected countries with a unitary system of government, where the SAIs have at least a partial mandate to audit local budgets. Therefore, countries with a federal system (Germany, Austria, Belgium) were not included in the sample. This restriction aims to ensure the comparability of the institutional context with the Ukrainian model.

Countries whose SAIs do not have a mandate to audit local budgets (in particular Denmark, Ireland, the Netherlands, Sweden, the Czech Republic, and Finland) were also excluded from the research.

Some countries were identified as potentially relevant during the preliminary study but were not included in the in-depth analysis due to time constraints (Spain, Italy, Portugal, Cyprus, Luxembourg).

Therefore, the study covered 12 EU member states with a unitary system and different experiences in structuring local budget audit systems.

This report consists of a general comparative section at the beginning and 12 chapters, each with the same structure and devoted to one of the countries researched. The conclusions and recommendations are presented at the end of the document.



GENERAL TRENDS IN LOCAL BUDGET AUDITING IN THE EU



All countries whose experience we studied in the course of this research have their own unique external audit system headed by the SAI. Institutions have different sets of powers, structures, procedures and approaches to organising their work. At the same time, all SAIs studied are members of INTOSAI, operate according to international auditing standards, actively participate in the organisation's working groups and use common principles and basic rules for organising the audit system.

Typically, SAIs are independent bodies that do not belong to any branch of government. Their activities cannot be restricted or controlled by other bodies, including through influence on the institution's budget formation. SAIs independently determine their activity plans, select entities and areas for audit, and make impartial decisions based on evidence.




Therefore, the foundation of the external audit system has a number of common principles and a single methodological framework for all EU countries. The INTOSAI community has developed a number of documents that outline various aspects of auditing and are based on the experience of its members. This set of documents — the INTOSAI Framework of Professional Pronouncements (IFPP) — is divided into three categories:

1. Fundamental principles — establish the role and functions of SAIs, define the limits of their mandate (INTOSAI - P).
2. International Standards of Supreme Audit Institutions (ISSAI) — aimed at ensuring the quality of audits, the integrity of auditors and confidence in institutions.
3. INTOSAI Guidance (GUID) — regulates practical issues related to all types of audits (financial, performance, compliance), in particular explaining the application of standards within each of them².

SAIs in different countries are guided by this system of professional standards and implement its provisions in national external audit systems in different ways. Some countries are guided by standards and guidelines for performance, compliance and financial audits and do not approve their own audit methodologies. Other countries develop their own methodologies and manuals for each type of audit, taking into ac-

² INTOSAI Framework of Professional Pronouncements, www.intosai.org/focus-areas/audit-standards.html

count the provisions of generally accepted standards. Some SAIs choose a hybrid approach — the body is guided by standards but has its own instructions for their application for each type of audit. Therefore, each SAI has a set of internal regulatory documents that vary in scope, focus and level of detail of provisions and procedures. The unifying factor remains the typology of audits. It is in terms of types (performance, compliance and financial audits) that the internal policies and procedures of SAIs are most often structured.

Country	Internal Documents Regulating the Audits	Features of the Approach
<p>Bulgaria</p> 	<p>Guide to the Application of International Auditing Standards, annual extended audit programme.</p>	<p>Availability of an adapted internal methodological document based on ISSAI. In addition to the plan, the annual programme contains specific priorities and established criteria for selecting audit authorities and areas for all types of audits. In fact, the document contains all the information about what will be audited, how and when.</p>
<p>Greece</p> 	<p>Governing law; Auditing Guidelines; INTOSAI standards, in particular the Framework of Professional Pronouncements (IFPP). There is also the Methodological Guide on auditing revenues of local authorities and public sector entities.</p>	<p>The ambiguous nature of the SAI, as it is both an Accounting Chamber and acts as a Supreme Administrative Court of general jurisdiction. It organises its activities on the basis of multi-year and annual work programmes. An audit management information system has been developed and is in operation.</p>
<p>Estonia</p> 	<p>Internal manual of a general type — General Audit Standard, covering all types of audits. As of 2025 — is being updated and not yet published. The Guide to Planning and Organising Audits.</p>	<p>A country with a universal "framework" standard for all audits. Additional sources suggest that the general manual is a fairly comprehensive document covering all types of audits in the SAI. The Guide to Planning actually covers all processes related to the work of the SAI, from the selection</p>

of topics to monitoring of the implementation of recommendations.

Latvia



International standards, guidelines, manuals and instructions issued by INTOSAI. The Manual for LGs has been issued and is updated based on the results of previous audits.

For audit planning, the SAI applies risk assessments that are formed in each area based on 12 criteria, divided into four groups. High-risk audit areas (more than 60% of the total possible points) will be subject to SAI audit.

The country has a tool — a self-assessment questionnaire for municipalities — that helps in the selection of the entities to be audited.

The authority's website maintains and updates a dashboard showing the implementation of recommendations.

To foster broad dialogue, the SAI issues discussion papers with advice and guidelines for improvements in a particular area, which are not binding on the audited entities to whom they are addressed.

Lithuania



Methodologies for all types of audits, including IT audit, which the SAI does not currently conduct.

A system where local audit institutions formally follow the methodological requirements of the SAI and are required to operate in accordance with international standards. An example of centralised methodological control in a decentralised audit system.

Malta



Internal Guidance developed for financial audits.

The system is regulated mainly by international standards and instructions.






Poland



The SAI has its own methods for planning and conducting audits, which are confidential.

A two-tier audit system, comprising the SAI and independent regional accounting

chambers. The latter operate under a separate law and are not required to follow INTOSAI standards.

<p>Romania </p>	<p>Has methodologies for each type of audit, and is also guided by the methodology for developing, amending and monitoring the implementation of the SAI's programme of activities for audit planning.</p>	<p>A system with its own extensive methodological support based on ISSAI.</p>
<p>Slovakia </p>	<p>The SAI conducts three main types of audits, but methodological and other internal documents are not publicly available.</p>	<p>The system is regulated mainly by international standards and instructions.</p>
<p>Slovenia </p>	<p>Internal guidelines and the Comprehensive Audit Planning Manual, methodologies for three main types.</p>	<p>A system with a universal "framework" standard for all types of audits, taking into account international standards and the specifics of national application.</p>
<p>Hungary </p>	<p>Organisational and legal regulations defining rules, procedures and approaches to auditing.</p>	<p>The system is regulated mainly by international standards and instructions.</p>
<p>Croatia </p>	<p>Regulations on the Internal Procedures of the State Audit Office.</p>	<p>The system is mainly regulated by international standards and instructions.</p>

At the same time, there are no published regulatory documents for various subjects, areas or levels of audit (for example, there are no separate methodologies for auditing funds received by the country from the EU or auditing local budgets). For example, Greece has a methodological guide for auditing revenues received by local authorities and public sector entities.

In general, the methodological basis for auditing local budgets is the methodology for conducting the relevant type of audit (in the form proposed by INTOSAI or with additional adaptation by the SAI to its practice). The criteria for selecting audit subjects, areas, entities to be audited, etc. are in most cases contained in a separate internal do-

cument (Regulations on Planning, Regulations on Organisation, Audit Organisation Manual, etc.).

It is common practice to set out the framework for conducting audits in a strategic document. All the countries studied have an approved 3- or 5-year strategy, which defines the strategic areas on which the auditors' main attention will be focused. The level of detail of the strategy varies from country to country, ranging from the definition of general priorities and approaches to the identification of specific audit topics to the determination of annual indicators by type, topic and audit object. In all cases, the institution's strategy is the primary source for the SAI's annual plans.

Depending on the mandate of the SAI, the overall audit system in the country, legislation and a number of other factors, there are certain differences in the conduct of local government audits. Therefore, even for the countries where such powers for SAIs are enshrined in the Constitution or relevant legislation, the mechanisms and approaches to these audits differ. Below we will look at the main differences in approaches.

Country*	SAI powers in auditing local budgets
Bulgaria	Broad mandate: conducting all three types of local budget audits, access to all necessary municipal documents.
Greece	Broad mandate: conducting all three types of audits on site, including institutions belonging to local government.
Denmark	Limited powers. The SAI may, upon request, obtain access to information about the share of funds provided by the state.
Estonia	Limited mandate, audits focus on control of state transfers and internal control systems of institutions.
Ireland	No powers. On-site audits are conducted by the Local Government Audit Service, which was specially created within the structure of the Department of Housing, Local Government and Cultural Heritage
Spain	Has the authority to audit local budgets. Not studied in detail.
Italy	Has the authority to audit local budgets. Not studied in detail.
Cyprus	has the authority to audit local budgets. Not studied in detail.
Latvia	Has a broad mandate, with audits conducted every three years and covering all municipalities.

Lithuania	Two-tier coordinated system. The SAI conducts selective thematic audits on site, while municipal audit services provide regular audits. Local services operate according to SAI standards.
Luxembourg	Has the authority to audit local budgets. Not studied in detail.
Malta	Conducts an annual financial audit and prepares a single general report on the work of local government for a specific year.
The Netherlands	No powers. Local budgets are audited by accounting chambers, which must be established locally.
Poland	Two-tier parallel system. The State Audit Institution conducts selective thematic audits, while local audit services provide systematic financial audits of municipalities, operating under a separate law and their own methodologies.
Portugal	Has the authority to audit local budgets. Not studied in detail.
Romania	Has a broad mandate to conduct all three types of audits. Has methodologies and guidelines for organising and conducting audits.
Slovakia	Has a broad mandate and can cover up to one-third of local budgets per cycle.
Slovenia	Broad mandate for audits of all three types. Has the right to suspend budgetary decisions until a final opinion is presented.
Hungary	Mandatory financial audit of each municipality once every four years. May conduct other types of audits, in particular audits of local revenues.
Finland	No powers.
France	Has partial powers over municipal accounts.
Croatia	Broad mandate: conducting all types of audits of local budgets. Extensive network of regional offices.
Czech Republic	No powers.
Sweden	No powers. On-site audits are conducted by special audit boards.

*The study does not include EU countries with a federal structure.

In summary, when it comes to auditing local budgets, SAIs may have different mandates: to conduct all types of audits; only financial audits; audits of a share of the funds provided by the state; audits of local government structures; to support the activities of regional accounting chambers; or to have no mandate for on-site audits.

Therefore, although audit planning, the definition of criteria for selecting audit areas and audit authorities, their number and frequency of inspection have some common features, they most often constitute a unique system for each country. Let us consider the generalised features.

Planning Tools

Everywhere, audits are based on risk analysis and preliminary findings, and in some countries, stakeholder proposals are also taken into account. Among the specific tools, the following were highlighted:

Thematic Assessment Matrix — used to assess the priority of topics in accordance with strategic directions (Poland and Hungary).

EU Lag Index and Strategic Sector Mapping — calculated in relation to the implementation of public policy in strategic areas based on a number of indicators. Each area has its own set of indicators, which are compared with the average values for all EU members (Slovakia).

Idea Database — an internal portal of the SAI where all hypotheses and problems identified in the course of audits or analytical work are collected (Estonia).

Standardised Risk Assessment System — risks in each area are assessed according to 12 criteria, which are divided into four groups. Each criterion is assessed in points, and the resulting risk level is calculated from 0% to 100%. The higher the level, the more likely the risk is to occur (Latvia).

Manual for the International Standards Application — contains established indicators used to assess future audit subjects for each type of audit (Bulgaria).

AI-based prototype for automating financial audits (Lithuania).

In most cases, the selection of audit topics is based on a risk assessment approach. Typical factors taken into account when determining topics are:

- the presence of violations identified in previous audits;
- the amount of budget funds for the programme/audited entity or the budget size;
- the public significance of the issue (increased interest from citizens or the media);
- requests from parliament or government (where required by law).

An interesting practice is the national stakeholder survey used by the Slovak SAI as an auxiliary tool for identifying socially important sectors and issues. In some countries (e.g. Latvia, Malta, etc.), the SAI uses feedback forms for the public as an additional tool for gathering information.

In general, the criteria established by various SAIs for forming an objective sample of the entities to be audited and identifying topics can be divided into five blocks:

1. Financial:

- budget size/expenditure volume/share of state support;
- share of EU funds in the budget;
- financial significance of the issue for the sector or policy;
- number of budget holders in communities;
- financial risk indicators.

2. Organisational:

- previous negative audit findings or violations;
- findings of internal audits or municipal auditors;
- failure to implement previous recommendations;
- time since the last audit;
- persistence of the problem.

3. Public-oriented:

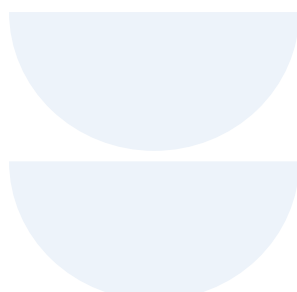
- public interest/media coverage;
- complaints from the public;
- expected added value from the audit.

4. Institutional:

- assessment of national development trends and challenges;
- capacity to conduct the audit (availability of all necessary resources);
- proposals from parliament/government;
- recommendations from auditors and departments based on their analytical work.

With regard to digital tools and systems that would allow sampling based on automated risk/criteria assessment, these decisions remain non-public. Most SAIs have customised systems for recording audits or monitoring the implementation of recommendations, which are sometimes part of the public interface of the institutions' official websites. However, comprehensive digital solutions are only beginning to be implemented (for example, the Maltese and Lithuanian SAIs are currently working on their development). At the same time, the digitisation of certain components of audit work remains confidential for security reasons.

In summary, all SAIs in the EU countries studied operate within a common methodological framework defined by INTOSAI standards. At the same time, their mandates, organisational approaches and audit systems differ and have national features. Not all SAIs in the EU have a mandate to audit local budgets, but even when they do, the scope of their powers and, accordingly, the tasks of auditors vary greatly. The system of planning audits in the field, the criteria for selecting entities to be audited and topics are almost always based on the institution's strategy and are detailed each year in the annual audit plan. Parliament (in some cases the government) may propose that the SAI conduct specific audits, but in most cases the final decision rests with the SAI. A risk-based approach is widespread, but the set of risks and approaches to their assessment vary from country to country. Some SAIs use specific non-standard tools, such as an idea bank, annual surveys or an EU Lag Index, while digital automated systems are still in their infancy and are mostly covered by audit secrecy.



Bulgaria

A unitary country, member of the European Union since 2007. There are 265 municipalities in Bulgaria. Local budgets are based on three sources: state transfers (64–72% of revenue), own revenue (including local taxes and property income) and European funds (mainly for infrastructure projects). Property-related taxes predominate among local budget revenues: on purchases, vehicles and real estate. There are also other local taxes and fees, but their share in total revenues is relatively low³.

The SAI audits all public funds in the country, including local budgets. There are no regional accounting chambers or other institutions responsible for auditing funds at the local level.

SAI: The Bulgarian National Audit Office is an independent body accountable to the Parliament. Founded in 1880, it has been operating in its current form since 1995. It operates in accordance with the provisions of the 2015 National Audit Office Act. Since 2001, it has been a member of INTOSAI and operates in accordance with international standards⁴.

Authority to Audit Local Budgets: in accordance with the National Audit Office Act, it has broad powers, including the ability to audit local budgets and municipal debt management. Unlike many EU countries, it has no restrictions or exceptions regarding on-site audits.

Who and What it Audits Locally:

- the effective use of public resources;
- the implementation of public contracts and projects funded by the EU;
- enterprises, institutions, and organisations that receive budget funds or those with municipal shares in their capital stock;
- the implementation of international treaties, agreements and conventions (where provided for in the relevant document);
- institutions that have been reported for violations, etc.⁵.

³ Comprehensive analysis of the existing legal, administrative and operational framework for municipalities, Technical Report, 2023 rm.coe.int/technical-report-on-developing-fiscal-decentralisation-and-improving-l/1680ac3302

⁴ Bulgarian National Audit Office. History, official website www.bulnao.government.bg/en/about-us/history

⁵ The National Audit Office Act of 2015 www.bulnao.government.bg/bg/za-nas/pravna-ramka/zakon-za-smetnata-palata

Planning of Local Budget Audits: planning takes place annually and is formalised in an annual audit programme. Up to five audits per year may be added by decision of parliament (the National Assembly). Planning is carried out centrally, and on-site audits are performed by regional offices (subdivisions of the SAI's head office) in accordance with the programme.

Planning Tools: the Guide to the Implementation of International Auditing Standards is used, which includes working documents, preliminary control procedures and risk assessment. Specialised audit software is used. The Audit Development Directorate is responsible for the implementation of the tools.

Selection of Topics: for each type, there are mandatory audits and those planned based on the results of a preliminary analysis. Both categories are determined annually in the audit plan, and mandatory audits are also provided for by the relevant Law. Mandatory on-site audits include: annual financial statements of budgetary organisations that have independent budgets in accordance with special laws; financial statements of municipalities where EU or other foreign funds exceed BGN 10 million; municipalities with adverse findings from previous financial audits, etc. In other cases, selection criteria are applied.

Audit Issue Identification Systems: the SAI applies a non-automated problem identification system, but uses established criteria to assess potential audit topics and subjects. Formalised identification criteria include: analysis of public procurement without competition; comparison of the volume of funds and the number of budgetary institutions; length of time without audit; results of previous audits.

Selection Criteria: selection criteria are used to plan audits that are not mandatory. The main criteria assessed include: auditing capacity, adverse findings of past audits; absence of audits in the municipality over the last three years; share of EU funds spent; number of budget holders; strategic priorities of audit directorates; public procurement without competition; stakeholder coverage; increased public interest, etc. Each type of audit has its own set of criteria, based on the results of which the selection is made⁶.

Documents governing the conduct of audits: international standards and other documents issued by INTOSAI. The Bulgarian SAI has its own Manual on the Application of International Standards of Auditing and Auditing Activities, and also prepares an extended audit programme each year. Audit methodologies for each type are likely to have been developed and approved by the SAI, but are not publicly available⁷.

⁶ Audit programme of the Bulgarian National Audit Office for 2025

⁷ Legal framework, official website of the Bulgarian SAI: www.bulnao.government.bg/za-nas/pravna-ramka/ramka-za-profesionalni-stanovisha-na-intosaj

Own Digital Solutions: some regulatory documents contain references to automated processes, but no specific digital solutions for audit planning, data analysis or audit selection have been identified.

Practice of Conducting Local Budget Audits in Bulgaria

In 2023, 423 audit reports were approved, including: 333 financial audits; 72 compliance audits; 7 performance audits; 10 special-type audits⁸.

On the website of the Bulgarian SAI, information and results of municipal audits are recorded and stored separately.

An example of a local budget audit topic: Compliance audit of the management of budgetary funds and activities of the Municipality of Makresh for the period 2022 - 2023.

The subject of the audit is compliance with the requirements for the management of budget funds⁹.

Greece

A unitary country that joined the EU in 1981, becoming the tenth member of the Union. According to the country's Constitution, public administration is decentralised. Local governance was streamlined following the 2010 reform known as "Kallikratis." It is currently a two-tier system consisting of 332 municipalities (first tier) and 13 regions (second tier).

The largest share of tax revenues to local budgets comes from property tax and property transactions. In addition, a significant share of local budget revenues comes from transfers from the Greek State Budget.

The highest audit authority, the Hellenic Court of Audit, has the power to audit local budgets, including institutions belonging to local authorities. In its own practice, it carries out financial audits as well as performance and compliance audits.

SAI: The Hellenic Court of Audit (Greek: ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ) is both an administrative body and the Supreme Administrative Court of special jurisdiction, also known as the Court of Auditors of Greece. It exercises control over the state's finances and has a spe -

⁸ Annual report on the activities of the Bulgarian National Audit Office for 2023

⁹ Reports on audits conducted by the Bulgarian National Audit Office:
www.bulnao.government.bg/bg/oditna-dejnost/dokladi-obshini

cial status in the judicial system. The body is believed to have begun operating in 1831 and was one of the founders of INTOSAI in 1953.

Authority to Audit Local Budgets: enshrined in Article 98 of the Greek Constitution. The supreme audit institution has the right to control the expenditure of local authorities. The provisions of the Constitution regarding the powers to audit local budgets are specified in the relevant law 4820/2021¹⁰.

Who and What it Audits Locally: The Hellenic Court of Audit conducts mandatory audits of the accounts of municipalities, regions and their legal entities, as well as utilities, companies and municipal public limited liability companies. The financial audit is conducted on an annual basis and consists of an audit of the legality and regularity of management.

The ex-post audit must, in particular, verify:

- compliance with the principle of sound financial management;
- proper compliance with the accounting or management system in accordance with the rules and principles governing it;
- legality of the payment of any share in one or more contributions to any type of legal entity or programme contracts;
- legality of obtaining loans, providing guarantees and fulfilling conditions relating to property;
- collection of revenues from third parties within the established deadlines or under programme contracts.

The competent authority may also, during the financial year, exercise control over the revenues of local authorities and their legal entities, as well as over the collection of debts or penalties from third parties.

Planning of Local Budget Audits: depending on their subject matter, audits are divided into general management audits (annual audits) and thematic or specific audits (special audits).

When conducting general management audits, the Hellenic Court of Audit examines the quality of the entity's financial management.

Thematic audits are conducted on more specific topics. They cover more than one legal entity (horizontal thematic audits) unless they are exclusively relevant to a single entity due to its special competences (vertical thematic audits).

¹⁰Law on the Hellenic Court of Audit of 2021 https://www.elsyn.gr/sites/default/files/book_files/ORGANIC%20LAW.pdf

Specific audits concern specific accounts, or categories of entries in them, or specific financial management operations or actions.

The SAI organises its activities in accordance with multi-annual and annual work programmes, which are subject to approval by the plenary session of the audit body.

The multi-year audit programme defines a list of audit topics by strategic areas and outlines the objectives and priorities of future audits.

Each year, the President of the Hellenic Court of Audit submits an annual audit programme to the Parliament, in which he or she may propose that priority be given to certain audits. In addition, audits that are of interest to the Parliament and were not originally planned in the programme (maximum three per year) are undertaken, with a particular focus on weaknesses in the public administration system.

Financial audits of local budgets are mandatory and are carried out at least once every four years. They do not necessarily result in an audit opinion, as is the case with audits of the state budget. Such audits concern the reliability of reporting and the accuracy and legality of transactions recorded in the accounts. Depending on the auditing capacity of the Hellenic Court of Audit, these audits may be limited to entries in the accounts or transactions subject to accounting.

Thematic audits are planned on the basis of the audit topics set out in the SAI's Table of Thematic Audits. In accordance with the multi-annual programme of thematic audits, the topics selected for the annual audit programme cover, as far as possible, all the topics listed in the Table of Thematic Audits over a four-year period.

However, with a few exceptions, structural units should not devote more than half of their total time to thematic audits.

Planning Tools: when developing the annual programme and determining possible combinations of audits, the Hellenic Court of Audit:

- is guided by the strategic priorities of the multi-annual programme;
- takes into account the Court's mandatory regular audit tasks;
- considers requests from parliament, state bodies or citizens regarding audits in the context of complaint handling;
- takes into account opportunities for cooperation with European and international audit institutions.

Selection of Topics: the selection of topics for non-mandatory audit tasks may be based on fixed standards or a combination thereof. Such criteria may include the demonstration of interest by the Parliament or the Government in a particular issue, or even

public opinion as reflected in surveys or the press; the risk inherent in economic activities that have not been carried out in accordance with the rules governing them; and the amount of funds allocated or used to achieve a particular effect¹¹.

Audit Issue Identification Systems: The SAI uses a specialised information system to monitor audits, ensuring that opinions are based on thorough investigations and that as many entities as possible are included for audit.

Selection Criteria: The performance audit strategy is primarily developed by the President of the Court, who consults with the SAI staff to (1) ensure coverage of important areas of public concern and (2) include topics and entities identified through a comprehensive risk assessment in the Strategy.

Multi-year and annual audit programmes focus on key areas such as fiscal sustainability, welfare state development, rule of law and sustainable development.

It is noteworthy that performance audits are cross-sectoral, cover several entities and reflect the interrelated nature of the issues being audited.

Documents governing the conduct of audits: in its activities, it is guided by the relevant law 4820/2021¹², the developed audit manual, and uses INTOSAI standards, in particular the Framework of Professional Pronouncements (IFPP).

There is also a methodological guide on auditing revenues received by local authorities and public sector entities¹³.

Auditors may take into account the findings or opinions of previous audits and, in general, the audit work of other bodies.

Own Digital Solutions: the Hellenic Court of Audit has created and operates an audit management information system aimed at integrating all of the Court's audit procedures and activities. This system controls the set of audit programme data, notes, work processes, documentation and correspondence for each audit, findings and any other elements of interest to the auditors. There is a function for generating audit extracts for review and supervision of audit activities.

The register of audited bodies and accountants and their financial statements is also monitored.

¹¹ The Auditor's Calculus www.elsyn.gr/sites/default/files/The%20Auditor%27s%20Calculus.pdf

¹² Law on the Hellenic Court of Audit of 2021 www.elsyn.gr/sites/default/files/book_files/ORGANIC%20LAW.pdf

¹³ Revenues audit manual www.elsyn.gr/sites/default/files/Revenues_Audit_Manual.pdf

Practice of Auditing Local Budgets in Greece

Let us consider a horizontal thematic audit conducted by the Hellenic Court of Audit on the effectiveness of control mechanisms applied by land services and local authorities to ensure compliance with obligations undertaken by individuals after granting permission for simple use of the sea coast and beach¹⁴.

The audit examined how the control mechanism is organised and functions in practice, whether it is implemented systematically, whether sanctions are imposed on offenders after violations are established, on the one hand, and administrative measures provided for by law, on the other, and whether the conditions for ensuring the public nature of public goods and their use within the limits of the concession and the law are met.

As part of this audit, 19 municipalities and 14 relevant land services were inspected.

The focus was on identifying problems arising from recent changes in Greece's regulatory framework for permits.

The audit found that the register of concession contracts provided for by the new legislation is only partially updated by municipalities.

Shortcomings were also identified in the registration of contracts concluded by municipalities as administrative bodies during the period prior to the entry into force of the Law.

The thematic audit also found that local authorities do not develop verification initiatives. Citing staff shortages, a lack of information from the land service on the contracts it concludes and the complaints it receives, they carry out few or no checks. There is no specific schedule, and inspections are planned for an indefinite period "during the current summer season" depending on the availability of inspection team members (which is not guaranteed due to summer vacations). Of the 14 municipalities that underwent audits, only 6 conducted audits in 2023 (of which 4 allocated only one day for it). In 2024, the number of municipalities conducting beach inspections increased to 9.

The minimal inspections carried out by municipalities also revealed the following:

(1) Reports are sent with a delay to the land service, which is responsible for imposing fines and taking measures to remedy the situation.

¹⁴ Are the oversight mechanisms for granting the right of simple use of the coastal zone and beach effective? Audit Report, 2025 www.elsyn.gr/sites/default/files/book_files/EKΘΕΣΗ%20ΕΛΕΓΧΟΥ%20%20ΠΑΡΑΛΙΕΣ.pdf

(2) The reports compiled by the municipality's control group only record the concessionaires' data and measurements taken, without identifying any violations.

(3) The reports do not contain documentary evidence (photographs, accurate measurements), and the findings are insufficiently documented and vaguely worded.

At the end of the report, findings and recommendations were provided, in particular to local authorities, to overcome the identified problems.

Estonia

A unitary country, member of the European Union since 2004. Following the 2017 local government reform, it has 79 municipalities: 64 rural and 15 urban. Local governments have broad autonomy and enjoy substantial legal protection. Municipalities have independent budgets and are empowered to levy taxes and fees. Estonia has six local taxes: on advertising, road and street closures, animals, entertainment, and parking, the rates of which are set by the local council¹⁵. These taxes do not have a significant impact on the formation of local budgets. The largest component of revenue is personal income tax, part of which (11.96%) goes to the local budget, as well as land tax, which goes entirely to the community budget. A large percentage (28.6% in 2019) also comes from state subsidies and grants, most of which are non-targeted. The state also pays for the expenses incurred by local authorities in the exercise of their powers.

Due to the broad autonomy of municipalities, the SAI has limited powers to audit local budget funds. The institution can verify the effectiveness and legality of the use of funds, but cannot assess the relevance of their use at the local level¹⁶.

SAI: The National Audit Office of Estonia, founded in 1918 (with a break in operation during the Soviet occupation). Since 1992, it has been a member of INTOSAI and operates in accordance with international auditing standards¹⁷.

Authority to Audit Local Budgets: established by the relevant law (On State Audit) in 2005¹⁸.

¹⁵ Estonian tax system, Estonian Government Portal
www.eesti.ee/eraisik/en/artikkel/money-and-property/taxation-and-currency/taxes-and-tax-system

¹⁶ David Young, Local Government in Scandinavia and the Baltic States, Review, 2020
decentralization.ua/uploads/library/file/720/Ukrainian_finalver_bluebook_compressed.pdf

¹⁷ Maris Vaino, What is the National Audit Office? 2019
www.riigikontroll.ee/Riigikontrollkuiasutus/tabid/106/language/en-US/Default.aspx

¹⁸ Legal basis of the National Audit Office of Estonia
www.riigikontroll.ee/Riigikontrollkuiasutus/%C3%95iguslikalus/tabid/137/language/en-US/Default.aspx

Who and What it Audits Locally:

- local self-government bodies with regard to the ownership, use and disposal of communal property;
- funds and non-profit associations established by a local government body or of which a local government body is a member;
- companies over which local authorities exercise a controlling influence through a majority stake or otherwise, as well as subsidiaries.

In terms of internal control, financial management and accounting, financial reporting; the legality of economic activities (in particular transactions); the reliability of information technology systems, the SAI checks:

- property transferred from the state;
- targeted subsidies and grants from the state;
- funds allocated for the performance of local self-government functions;
- EU funds allocated through the LG and the fulfilment of obligations in connection with these funds¹⁹.

Planning of Local Budget Audits: the SAI Audit Department collects audit topics from three sources: monitoring — mainly based on public data (media, monitoring interviews, preliminary audits, etc.); interdepartmental issues — mainly arising from the SAI strategy and provided by advisers and other departments; those submitted by target groups. The conduct of individual audits is provided for by law.

Planning Tools: The SAI has a database of ideas on its internal website, where all hypotheses and issues identified as a result of monitoring are recorded. This database is used when planning the work of the Audit Department.

Selection of Topics: the list of topics for audits for the next three years is compiled by the Audit Department and approved by the Auditor General. Topics from the preliminary plan are selected through discussions with management, in particular the heads of audit units²⁰.

Audit Issue Identification Systems: there is no automated system. Auditors independently determine whether a problem exists during monitoring, as well as through contacts with politicians, the media, and academics. The Guidance on Conducting Performance Audits indicates that factors indicating the existence of an issue may include:

¹⁹ The National Audit Office of Estonia Act 2002, www.riigiteataja.ee/en/eli/507012016002/consolide

²⁰ Work Planning and Audit Manual, Order of the Auditor General No. 1-1.1/18/34 of 3 April 2018

deficiencies in quality and services; a large number of complaints from the public; increased costs, leading to requests for additional resources.

Selection Criteria:

- relevance of the problem (the amount of funds and/or importance to citizens);
- risk of inefficiency;
- structural nature and continuity of the problem;
- ability to conduct an audit (availability of the necessary methods);
- resources (budget, time, etc.);
- assessment by another institution (if the audited entity is already undergoing some kind of assessment, it is not advisable to conduct an audit at this time);
- potential for change;
- interest in change on the part of the government or the audited entity²¹.

Documents Regulating the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI. The Estonian SAI has its own general manual, the General Audit Standard of the National Audit Office, which contains general principles (nature of audits, planning, documentation, quality control, etc.) and applies to all types of audits. As of July 2025, the standard is being updated and is therefore not published on the institution's website. There are no separate guidance documents on local budget audits among the regulatory documents.

Own Digital Solutions: available – TeamMate software.

Practice of Conducting Local Budget Audits in Estonia

The Estonian SAI conducts an average of 10-20 audits per year, excluding other activities (reviews, analytical studies). The institution's website has a module for accessing reports, audit cards, etc., and allows audits to be filtered by area, status and year.

In 2024, the SAI conducted six audits of local budgets, and one audit is planned for 2025. Audit cards may not contain details of entities when the area is local government bodies. However, the content of the audit may cover not only them, but also government institutions related to the subject of the audit. Below are examples of identification of the objective and the entity to be audited by category "local self-government bodies":

²¹ Guide to the Theory and Practice of Performance Auditing in Estonia, 1999.

1. Development of the heating sector in local government bodies

The objective of the audit is to analyse how local government bodies have used the opportunities provided by the law to actively and thoughtfully guide the development of the heating sector.

Audited area of governance: Ministry of Economic Affairs and Communications, local governments.

Audited institutions/entities: Ministry of Economic Affairs and Communications, Estonian Competition Authority, Haapsalu City, Järva Parish, Kastri Parish, Keila City, Lääne-Nigula Parish, Otepää Parish, Rapla Parish, City, Tallinn, Tapa Parish, Viljandi Parish, private legal entities under the decisive influence of local governments.

2. Implementation of the rental housing programme

The purpose of the audit is to analyse the objectives of the rental housing programme launched in 2018 and the current status of their achievement, as well as the activities of the Ministry of Climate, the Entrepreneurship and Innovation Foundation and local governments that have received support from the programme in managing the programme.

Audited area of management: Ministry of Climate, local government bodies.

Audited institutions/entities: Ministry of Climate, Entrepreneurship and Innovation Foundation, local government bodies (in practice — 11 cities), private legal entities under the dominant influence of local government bodies, Tax and Customs Services.

Latvia

Latvia is a unitary country that joined the EU during the fifth enlargement of the Union (2004). The country is divided into 42 local government units, consisting of counties (kāriji) and cities of national importance (10 cities)²². The territories of municipalities, in turn, include parishes and cities — 512 parishes and 71 cities.

Currently, there are 14 types of taxes in the country, each of which is regulated by a separate law. Six types of taxes are allocated to the local budget, the largest part of which is personal income tax, 78% of which remains in the local budget. In addition,

²² Law on Administrative and Territorial Settlements of 2020, Latvia likumi.lv/ta/id/315654#piel0

the local government council may establish and collect revenues for its own budget from 11 types of local taxes.

The State Audit Institution of Latvia has the authority to audit local budgets. It checks the income and expenditure of local governments, the budgets of public institutions, the financial resources of state-owned companies, the use of funds that came from the EU and other international organisations, as well as actions involving property belonging to local governments, by conducting financial, compliance and performance audits.

SAI: The State Audit Office of the Republic of Latvia was established in 1918 (with a break in operation during the Soviet occupation) and resumed its work in 1992. Since 1995, the Office has been a full member of INTOSAI, supporting its performance in accordance with international auditing standards.

Authority to Audit Local Budgets: established by the relevant Law "On State Audit" adopted in 2002 (Article 2)²³.

Who and What it Audits Locally: the items/entities to be audited by State Audit Office of the Republic of Latvia include:

- revenues and expenditures of local self-government bodies, as well as other derivative budgets of public institutions, financial resources of companies with capital from public institutions, public-private partnerships, and private companies with capital;
- use of funds received from the European Union and other international organisations or institutions included in local government budgets;
- actions with property or part thereof belonging to local self-government bodies.

The purpose of the institution is to determine the legality, correctness, economy and efficiency of the above actions, as well as to provide recommendations for eliminating identified shortcomings.

Planning of Local Budget Audits: audits in each municipality are conducted at least once every three years in accordance with the operational plans and capabilities of the State Audit Service²⁴. For financial audits, this period is five years.

²³ Law on State Audit of 2002, Latvia likumi.lv/ta/id/62538-valsts-kontroles-likums

²⁴ Latvian LGs self-assessment tool and questionnaires: www.lrvk.gov.lv/lv/revizijas/pasvaldibam/pasnovertejuma

All audits are planned and conducted in accordance with the annual audit plan approved by the SAI Council. Local authorities that are at high risk or on which auditors have received information about possible violations may also be subject to financial audits. The Council also distributes audit work among departments through its resolutions.

The Audit Department consists of a director and sectors. The Director of the Department determines the operational strategy for conducting audits and oversees the planning of audits together with the heads of the Department's sectors.

Division into areas, audit directions and annual risk assessment of directions are done by the audit departments of the SAI, taking into account:

- 1) the possibilities for using auditing methods;
- 2) the specifics of the sectors;
- 3) the allocation of budget programmes;
- 4) the most important groups of public functions;
- 5) the specifics of a particular period, such as the costs of overcoming new challenges, as well as other considerations based on the auditor's experience.

Audit departments conduct annual risk assessments in the areas they audit to ensure that audit topics are relevant to public.

Planning Tools: The Latvian State Audit Institution uses risk assessment for audit planning. Risk assessment is the process of obtaining a representative and high-quality set of risk observations for each area. Risk assessment in audit areas is summarised by sector depending on specific needs.

Risks in each area are assessed according to 12 criteria, which are divided into four groups. Each risk criterion is given a qualitative assessment in points (from 0 to 5 points) according to:

- the assessment determined by the SAI;
- the materiality of the criterion, which is determined by the specific characteristics of the particular audit area.

For example, in audit areas that provide services important to the public, the materiality of risks to beneficiary satisfaction (complaints) will be higher than in other areas.

The overall risk assessment, as a result of evaluating all criteria and materiality, is expressed as a percentage — from 0% (lowest possible risk) to 100% (highest possible

risk). The State Audit Office of Latvia has determined that high-risk audit areas are those where the risk assessment exceeds 60%. They typically represent about 20% of all 112 audit areas.

Selection of Topics: The State Audit Office of the Republic of Latvia determines the topics of compliance and performance audits based on risk assessment. To identify these risks, the SAI assesses audit areas in order to focus on those audit topics that, after study and recommendations for their resolution, will have the greatest socio-economic impact.

When assessing risks, the service complies with both international auditing standards and internal regulations, which stipulate that the following should be prepared when selecting audit topics:

- an assessment of the effectiveness of national development trends (indicators of the effectiveness of policy actions and their significance);
- an assessment of the risks of audit areas;
- application for audit topics.

The assessment of the effectiveness of national development trends is taken into account when making medium term decisions on audit topics. It includes challenges identified by cooperation partners (parliamentary factions, non-governmental organisations, social partners, municipalities), as well as an assessment of socio-economic risks by international organisations.

In order to assess risks in audit areas in accordance with international standards, the SAI discusses and prepares a list of requests for audit topics.

Reports from financial audits are also used to determine compliance and performance audit topics. Interaction with external auditors engaged to perform financial audits also helps to identify audit topics.

The SAI of Latvia also receives requests from authorities responsible for specific policy sectors implemented at the local level (e.g. labour, education).

Thus, the institution uses both methods of determining audit topics – by assessing national development trends (top-down) and by using the knowledge and experience accumulated in the audit department (bottom-up).

Audit Issue Identification Systems: the country has a tool for municipalities to self-assess problems – questionnaires for local authorities provided by the State Audit Office of the Republic of Latvia. These enable other municipalities that did not participate

in the audit to assess their activities in a particular area and identify necessary improvements²⁵.

In addition, for financial audits, where the service works with external auditors, a questionnaire is used to understand such aspects of planning as:

- How many years has the auditor been working with specific municipalities?
- Are there any risks in conducting an audit by an auditor due to their previous involvement in the work of the municipality?
- Are there any risks of compromising the auditor's independence?

Ultimately, the SAI consolidates and evaluates the information received from both parties to better understand the situation on the ground.

Selection Criteria: The SAI of Latvia has established the following risk criteria for audit areas, according to which auditors provide an evidence-based qualitative assessment:

- Are there risks that the resources allocated to this area will be insufficient and will not be used in accordance with the objectives?
- Is the information on expenditure in this area sufficient and of good quality?
- Is information on performance indicators in the sector available and regularly updated?
- Does the management system implemented in this area (centralised, decentralised) affect the risks?
- Do the planned and implemented reforms create risks for the implementation of the tasks set at the local level?
- Is information about service recipients in this area available?
- Do the information systems and databases that have been created meet the needs and allow for the collection of reliable information?
- Are there sufficient and appropriate human resources available in this area to ensure the implementation of the tasks?

²⁵ Latvian local government self-assessment tool and questionnaires:
www.lrvk.gov.lv/lv/revizijas/pasvaldibam/pasnovertejuma-riki

- Is there sufficient and high-quality infrastructure (buildings, equipment, technology) to ensure the implementation of the sector's policies and tasks?
- Are there any studies or audits that assess opportunities for improvement in this area?
- Have current events in this area been covered in the media?
- Have any statements or complaints been received?

Based on an overall assessment of risks in audit areas, changes therein, and additional assumptions related to workload and audit sequencing, departments propose possible topics. The final decision for the following year is made by the SAI Council, taking into account the degree of achievement of medium-term national development goals, information obtained during ongoing financial audits, and proposals submitted by audit departments. Following current events, the Council may decide to postpone audits or make other changes to the work plan, for example, by including more relevant audit topics.

Documents Governing the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI.

Own Digital Solutions: the SAI website publishes and updates a dashboard showing the progress of the implementation of the recommendations of the supreme audit institution.

The information available on [the platform](#) is updated twice a year: on 1 March (on the status of implementation of recommendations as of 31 December) and on 1 September (on the status of implementation of recommendations as of 30 June).

Practice of Auditing Local Budgets in Latvia

Since 2021, the SAI of Latvia has been maintaining and updating the Guide for Local Governments²⁶, which provides advice to municipalities based on the experience of previous audits in various areas. Each update to the Guide includes a section on a new area of local budget auditing. In addition, the guide highlights common errors that auditors find during audits, recommendations for improving the situation, and best practices for municipalities to successfully pass audits.

²⁶ Guide and tips on working and broadening horizons based on audit findings for local government heads, deputies, auditors, accountants, company managers, Reference Book, Latvian SAI, 2021: www.lrvk.gov.lv/uploads/files/Dokumenti/Revizijas/Pasvaldibu_rokasgramata_2025.pdf

In addition to the self-assessment questionnaires for municipalities mentioned above, in order to expand dialogue and promote good governance, the State Audit Office explains the results of audits at seminars, discussions and conferences²⁷.

Another practice used by the State Audit Office of the Republic of Latvia is the preparation of discussion papers. These summarise the findings and opinions of audits on a specific topic, highlight challenges and propose possible solutions to address them.

These discussion papers do not impose any formal obligations on those for whom they are intended. Their purpose is to stimulate broader discussion among stakeholders and invite them to engage in dialogue to identify the most effective and sustainable use of public finances. There is also a discussion paper on local government: "Rational Municipalities"²⁸ (2017). It offers recommendations for improving governance, financial discipline, transparency and the quality of public services in local government. The document emphasises the importance of strategic planning, cooperation between local authorities and citizen engagement to create an effective and results-oriented management system.

During an interview with representatives of the SAI office in Latvia, the experience of auditing the municipality of Rezekne was cited. It is one of the top 10 largest municipalities in the country. Despite the fact that the city's population has been declining in recent years, Rezekne has rapidly accumulated financial liabilities, which was noted by the auditors. The Latvian State Audit Institution engaged an external auditor to conduct a financial audit. In this case, the focus was narrowed down to the two most critical areas, where it was necessary to ensure that budget management complied with legislation and that commitments were fully met. As a result, the audit revealed opaque and fragmented budget management, in particular significant shortcomings in the implementation and control process, as well as in the process of preparing and approving changes. In addition, investment project management also faced a number of challenges. The audit summary is available on the SAI website²⁹. Some time after the audit, the service monitored the implementation of the recommendations provided during the audit. As a result, the auditors noted that the municipality was working on the recommendations provided.

²⁷ Training materials, official website of the Latvian SAI: www.lrvk.gov.lv/lv/revizijas/pasvaldibam/macibu-materiali

²⁸ Regional local government, proposals for discussion, Latvian SAI, 2017: www.lrvk.gov.lv/uploads/files/Dokumenti/Diskusiju%20dokumenti

²⁹ State Audit Office of Latvia: Evidence obtained indicates that Rēzekne did not comply with legal acts in its budget and financial management: web.archive.org/web/20250806084611/https://lrvk.gov.lv/lv/aktualitates

Lithuania

A unitary country, member of the European Union since 2004. There are 60 municipalities in the country, which have broad autonomy in their powers. According to the Constitution, municipalities have the right to collect local taxes and set their rates. However, most of the local budget revenues come from personal income tax (92% of tax revenues), the rate of which is set at the central level. State targeted and non-targeted subsidies also play a significant role in filling municipal budgets (over 39% of local budget revenues)³⁰. Among local taxes, property tax generates revenue, while other local taxes and fees have no significant impact on budget formation.

The SAI in the country conducts external audits of state budget funds, in particular those allocated to municipalities, and is also responsible for auditing EU funds received by municipalities.

Audits of local budget funds are carried out by the control and audit service, which, according to the law, must be established in each municipality. The SAI conducts an external review of such audits.

SAI: National Audit Office of Lithuania, founded in 1919. Since 1992, it has been a member of INTOSAI and operates in accordance with international auditing standards³¹.

Authority to Audit Local Budgets: indirect, regulated by the Laws "On State Control"³² and "On the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania"³³.

³⁰ David Young, Local Government in Scandinavia and the Baltic States, Review, 2020: decentralization.ua/uploads/library/file/720/Ukrainian_finalver_bluebook_compressed.pdf

³¹ We strive to be a reliable and professional partner, NAO of Lithuania: www.valstybeskontrole.lt/EN/post/15577/internationality

³² Law on State Audit of 1995, Lithuania: <https://www.e-tar.lt/portal/lt/legalAct/TAR.61BB05227699/asr>

³³ Law on the Management, Use and Disposal of State and Municipal Assets of 1998, Lithuania: www.e-tar.lt/portal/lt/legalAct/TAR.D5496D69DF98/asr

Who and What it Audits Locally

SAI:

- state budget funds allocated to municipalities;
- financial assistance received from the European Union;
- the activities of municipal control and audit services;
- compliance of municipal budgets with the rules for the approval, amendment and implementation of budgets established by the Law "On the Implementation of the Tax Code"³⁴.

Municipal Control and Audit Services:

- accounting, management, use and disposal of municipal assets;
- state assets held in trust and by the municipality;
- execution of the municipal budget;
- evaluation and control in city management: administration, institutions, municipal enterprises;
- complaints from the local population regarding the use or management of municipal funds or assets^{35, 36}.

Planning of Local Budget Audits: local budget audits are planned by local control and audit services. Their plan of action is prepared by the municipal controller and agreed with the local council's audit committee.

Audit planning is carried out in accordance with the strategic and operational objectives and priorities established by law, as well as taking into account the human resources of the services.

The SAI, in turn, plans audits of municipal control and audit services. The procedure for such audits is established by the Auditor General.

Planning Tools: there are no specific planning tools for municipal services.

The SAI has adopted a provision on audit planning, on the basis of which the entire process takes place. The preliminary audit tool is mainly used to identify risks and the

³⁴ Law on State Audit of 1995, www.e-tar.lt/portal/lt/legalAct/TAR.61BB05227699/asr

³⁵ Law on Local Self-Government of 1994, Lithuania www.e-tar.lt/portal/lt/legalAct/TAR.DOCD0966D67F/asr

³⁶ Control and Audit Service of Palanga City Council, official website of the city council www.palanga.lt/index.php/savivaldybe/struktura-ir-kontaktine-informacija

need for a main audit. In addition, the Seimas has the power to instruct the SAI to conduct an audit that is not provided for in the plan³⁷.

Selection of Topics: topics are selected by auditors and agreed with management in accordance with internal procedures. Apart from audits that are directly specified by law, most topics fall within the priorities of the authority's activities as defined by its strategy. For example, for the SAI, these are: a) sustainable public finance management; b) effective public administration (data, quality services, innovation, critical infrastructure); c) society (environment, poverty reduction, inclusion, education and employment)³⁸.

At the same time, institutions routinely monitor the emergence of risks of illegal and inefficient management or use of state assets, which may be grounds for including the relevant issue in an audit.

Audit Issue Identification Systems: there is no automated system. Auditors identify audit issues within the scope of priorities and taking into account the results of routine monitoring. At the same time, the SAI website has an option for the public to submit proposals for audit topics. The authority takes into account the submitted and well-substantiated topics in its own planning, in particular by assessing the relevance of the issue.

Municipal services focus on taking into account the state's strategic goals, geopolitical challenges, the degree of risk to resources, proposals from the Seimas and other state institutions, as well as non-governmental organisations³⁹ when planning. In addition, municipal services may respond to residents' appeals and complaints, which will involve conducting an audit on a specific issue.

Selection Criteria: not clearly defined in any of the published internal documents.

Documents Regulating the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI. The Lithuanian SAI has methodologies for conducting all four types of audits, although it only conducts three of them (financial, performance and compliance).

Municipal control and audit services are also required to follow international standards (monitored by the SAI). These services conduct three standard types of audits locally, following methodologies approved by the SAI⁴⁰.

³⁷ Law on State Audit of 1995, Lithuania www.e-tar.lt/portal/lt/legalAct/TAR.61BB05227699/asr

³⁸ Strategy of the National Audit Office of the Republic of Lithuania, Order of the Auditor General No. VE-11 of 18 January 2022: www.valstybeskontrole.lt/TVS/Content/Apie_mus/Strategy_2025.pdf

³⁹ Work plan of the Control and Audit Service of the Palanga City Municipality for 2025, Order of the controller of the Palanga City Municipality of 17 March 2025: www.palanga.lt/doclib/so31suwsiggquvb728b47t35ywwp9drb?lang=uk

⁴⁰ Regulations on the Control and Audit Service of Palanga City Municipality, Resolution of the City Council No. T2-252 of 8 August 2024: www.palanga.lt/doclib/emuniorhdikjvazq158rnxf2qk9frxb?lang=uk

There are no specific guidance documents on local budget auditing among the regulatory documents.

Own Digital Solutions: yes, a special website for audit entities responsible for implementing recommendations (ARIS), as well as an-AI based prototype for automating financial audits.

Practice of Auditing Local Budgets and Municipal Control and Audit Services in Lithuania.

Verification of the Activities of Municipal Audit Services.

The State Audit Office of Lithuania prepared 19 audits, 5 reviews, 8 budget policy assessments (one of which concerned local budgets), 2 reports on the implementation of recommendations and a review of the activities of municipal control and audit services for 2024⁴¹. The website contains information on current audits and published reports on completed audits. There is a dashboard for tracking the implementation of recommendations.

The SAI reviews the activities of municipal services annually. Services are selected based on their importance and risk and are assessed based on criteria such as the size of the municipality, population, revenue for the previous year, the controller's length of service, the number of service employees, the previous audit rating, the date of the previous assessment, and the significance of the risks identified during the previous assessment.

One type of audit is conducted no more than once every three years (for the same municipality).

A specially created department is responsible for such audits at the SAI, and the audit is carried out in accordance with a plan approved by the Auditor General. The main purpose of such audits is to assess whether the municipal service operates in accordance with the international standards of the SAI and other acts regulating the rules for conducting external audits.

Lithuania has an Association of Municipal Auditors, which, in addition to providing professional development and training for local service auditors, also has the right to participate as an observer in municipal service audits conducted by the SAI.

⁴¹ Report on the activities of the National Audit Service of the Republic of Lithuania for 2024
www.valstybeskontrolė.lt/TVS/Content/Administracine_informacija

Audit of Local Budgets (based on the example of the Municipal Control and Audit Service of Palanga).

The Municipal Control and Audit Service of Palanga consists of three specialists: a municipal controller, an advisor and a chief specialist. On average, the service conducts 7-10 control procedures per year. In 2024, the service prepared 8 documents: 3 audit reports; 2 reports on monitoring the implementation of recommendations; 3 opinions on the budget. The topics of the audits in the respective year focused on issues related to the granting of permits for earthworks and the organisation of commercial events in the city; assessment of the annual report, municipal budget and use of city council assets; use of funds from the Infrastructure Development Support Programme⁴².

The service's information resource is part of the Palanga City Council website. The service publishes the results of control procedures, as well as annual audit plans and reports.

 **Malta**

A unitary state, member of the European Union since 2004. There are 68 local and 6 regional councils in the country. Local Authorities have limited powers and almost no autonomy in deriving their own revenue. The main source of income for local councils is the annual budget allocated by Parliament, with the amount determined through a formula that takes into account the locality's population and other parameters. Local councils cannot independently collect taxes, invest in property, or own it without the permission of the Minister. Councils have the possibility to raise some revenue through the issue of permits against a fee, in line with Subsidiary Legislations in place, but the portion of these funds in the budget is insignificant.

The SAI has a mandate to audit all funds at both the central and local levels. A financial audit of local government is mandatory annual process for each local and regional council, as well as the Local Councils' Association. At the end of the year, the SAI issues a separate report on the workings of local government.

⁴² Control and Audit Service of Palanga City Council, official website of the city council: www.palanga.lt/index.php/savivaldybe/struktura-ir-kontaktine-informacija/kontroles-ir-audito-tarnyba

SAI: The National Audit Office of Malta established in 1997. It is an independent constitutional body accountable to the Parliament and a member of INTOSAI.

Authority to Audit Local Budgets: This is established by the Auditor General and National Audit Office Act– Chapter 273 of the Laws of Malta, while the audit of local budget also emanates from the provisions of the Local Government Act – Chapter 363 of the Laws of Malta.

Who and What it Audits Locally:

- Local Councils;
- Regional Councils;
- Local Councils' Association;
- State bodies enterprises and institutions with more than 50% state-owned;
- Audits of state aid received by non-governmental organisations.

The primary objective of the annual financial audit is to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. To conduct the audit, local councils must submit their annual financial statements to the SAI. On the other hand, compliance audits primarily aim to assess whether the council's operations comply with the relevant provisions of the Local Government Act, as well as the applicable regulations and guidelines issued by the Local Government Division. These audits focus mainly on procurement practices, salaries, and hospitality expenses.

Planning of Local budget Audits: Financial audit is mandatory every year for all 68 local councils, the 6 regional councils and the Local Councils' Association. As regards compliance audits, 3 or 4 audits are planned per year, based on risk criteria. Performance audits in this area are rarely conducted. The results of these audits are presented in a summary report – 'Report by the Auditor General on the Workings of Local Government', which is published annually in December.

Planning Tools: The SAI independently plans compliance audits, while financial audits are mandatory for all councils.

Selection of Topics: The list of topics is compiled by the SAI and focuses mainly on the provision of services to the residents, as this is the main function of local councils.

Audit issue identification Systems: There is currently no automated system, but the SAI is working on purchasing one. When identifying problem areas, the SAI takes into account reports from the media and the public, as well as shortcomings identified during the previous audits.

Selection Criteria: these apply to compliance audits. There is no fixed list, but the SAI applies criteria for objective selection each time, for example:

- per capita expenditure level;
- issues considered risky from the SAI's point of view (primarily issues relating to financial indicators, such as negative working capital and negative reserves, the structure of expenditure etc.);
- given that Malta has two dominant political parties represented in local councils, political balance is taken into consideration to avoid any perception of bias.

Documents Regulating the Audits: International Standards, guidelines, manuals and instructions issued by IINTOSAI. Internal guidelines have also been developed for financial audits. No specific methodology or instructions for auditing local budgets have been established.

Own Digital Solution: under discussion.

Practice of Auditing Local Budgets in Malta

Every year the SAI⁴³ prepares a summary report on the workings of local government which is presented to Parliament. The report includes the results of both the compliance audits and the assessment of the audited financial statements, management letter, and the responses provided by the municipalities, outlining how the highlighted issues will be addressed.

Poland

A unitary state, member of the European Union since 2004. Poland has three levels of local self-government: municipalities (gminas), counties (powiaty), and voivodeships. There are 2,477 municipalities, 380 counties and 16 voivodeships in the country. Local government funding comes from three main sources: own revenues (48.7%), targeted subventions (29.1%) and general subsidies (22.2%). The main source of own re-

venues is a share of personal income tax. The rates are set centrally: municipalities receive 38.08%, counties — 10.25%, and voivodeships — 1.6%. Municipalities also have revenues from property tax and a number of smaller local taxes.

The Supreme Audit Institution (NIK) conducts external audits of public funds, including at the local level. At the same time, there are local accounting chambers (RIO), whose mandate is limited to auditing local government and focuses mainly on financial control. RIOs are not subordinate to or accountable to the Supreme Audit Institution or the Sejm.

SAI: The Supreme Audit Office of Poland (Najwyższa Izba Kontroli, NIK) is the constitutionally defined supreme state audit institution. Founded in 1919, it operates in accordance with the 1994 Act on the Supreme Audit Office. It is a member of INTOSAI and works in accordance with international standards⁴⁴.

Authority to Audit Local Budgets: in accordance with the Act on the Supreme Audit Office, it may audit the activities of local government bodies, local government legal entities and other local government organisational units.

Who and What it Audits Locally:

NIK:

- the activities of local self-government bodies;
- application of laws and other legal acts regarding the financial, economic, organisational and administrative activities of local government bodies, including their internal audit tasks;
- procurement, revenue, accounting;
- projects related to the use of EU funds⁴⁵.

⁴³ Report on the workings of local government 2023: nao.gov.pl/wp-content/uploads/2024/12/LCDec2024report.pdf

⁴⁴ Legal basis for the activities of the Supreme Audit Office of the Republic of Poland, official website: www.nik.gov.pl/o-nik/podstawy-prawne-dzialania-nik

RIO:

- the legality of decisions in the field of local finance;
- compliance with deficit and debt limits;
- systematic oversight of all municipalities at least once every four years.

Planning of Local Budget Audits: planning begins in the middle of the previous year and is carried out by the relevant department of the SAI. In the process, proposals are collected from branches, from previous audits and analysis. To a greater extent, the plan includes topics initiated directly by the SAI based on an analysis of the socio-economic situation in Poland and taking into account the proposals of interested parties. An analysis of statements and complaints submitted to the SAI is also carried out⁴⁶.

Planning Tools: Control Topic Assessment Matrix (MOTK) — an adapted risk assessment tool — is used to justify audit topics and entities/items. It is used to assess the priority of topics in line with NIK's strategic directions (e.g. finance, human capital, environment). The NIK also uses analytical monitoring to identify potential problems and to develop a long-term plan. Priorities are determined by the NIK Board⁴⁷.

Selection of Topics: selection is based on the following criteria: amount of funding; findings of previous audits; presence of public complaints; presence of internal risks; social or political relevance of the topic; monitoring results. Some topics may be selected intentionally, others at random (using statistical methods). The final decision rests with the NIK, which may also take into account proposals from the President of Poland, the Sejm or its bodies, the Prime Minister, and other state authorities. In all cases, topics are selected within the strategic areas of work of the NIK defined for the relevant period.

Audit Issue Identification Systems: NIK uses a non-automated but structured monitoring system. It involves regular data analysis, including information from local authorities, previous audits and suggestions from the public. As part of its analytical activities, NIK develops thematic and strategic plans for a three-year period.

The SAI also occasionally holds meetings with local government representatives to discuss local issues, which are also a source of audit issues.

⁴⁵ Act on the Supreme Audit Office of 1994, Poland: www.nik.gov.pl/en/about-us/legal-regulations/act-on-the-supreme-audit-office.html

⁴⁶ Annual work plans of the Supreme Audit Office of the Republic of Poland: www.nik.gov.pl/kontrola/plan-pracy-nik

⁴⁷ Wojciech Golenski, Marcin Ciebiek, Risk analysis in the NIK planning process – application of the audit topic assessment matrix, article, 2024: www.nik.gov.pl/kontrola-panstwowa/03/analiza-ryzyka-w-procesie-planowania

Selection Criteria: The SAI uses sampling methods to determine which budgets and communities are subject to audit (unlike RIOs, which conduct audits on sites systematically and return to the audited entities approximately every four years). In some cases, this may be a random sample, while in others, the audited entity is selected purposefully.

Various criteria may be used for selection, such as: budget expenditure volumes, size, identified internal control issues, high risks in previous audits, etc. The SAI always prepares a risk analysis in advance, but the algorithms used to prepare it, as well as the analysis itself, are protected by audit secrecy and are not disclosed.

Documents Regulating the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI. The Polish SAI has its own methodologies for conducting audits, planning and other operations carried out by the institution, but these documents remain inaccessible for the public and are available for internal use only.

RIOs are governed by a separate law and internal regulatory documents. RIOs do not apply INTOSAI standards in their work.

There are no separate guidance documents on local budget auditing among the regulatory documents.

Own Digital Solutions: no digital solutions for planning or risk analysis have been recorded, but given the large amounts of information protected by audit secrecy, the operation of a closed system within the SAI is possible.

Practice of Auditing Local Budgets in Poland

Using the example of the NIK branch in Łódź, in 2022–2023, 13 municipalities in the Łódź Province were audited. The audits covered financial management, the correlation of expenditures and revenues, as well as compliance with the restrictions set out in the Public Finance Act. Subject of the audit: correct collection and expenditure of public funds, correctness of granting and calculating subsidies, correctness of concluding procurement contracts and keeping accounts, proper exercise of management control.

Based on the findings of the audits, brief conclusions with recommendations are drawn up for each local government. No separate summary report is provided.

Romania

Romania is a unitary country that joined the EU in 2004. The country is divided into the following units⁴⁸:

- **41** counties and the municipality of Bucharest with special status;
- **108** municipalities;
- **216** towns;
- **2,863** communes (including 12,957 villages).

Each of these units has its own accounts, which are subject to audit control.

The largest source of revenue for local budgets in Romania is income tax, 63% of which goes to local authorities, depending on where the taxpayer conducts their business.

Local taxes and fees are approved by local and county councils and the General Council of the Municipality of Bucharest. The following types of local taxes and fees are established in the country: construction tax; land tax; vehicle tax; fees for issuing certificates, permits and authorisations; fees for the use of advertising and mass media; special taxes; other local taxes.

Romania has the Supreme Audit Institution that controls the formation, management and use of state and public sector financial resources, including those received from the EU, by conducting financial, compliance and performance audits. At the same time, county accounting chambers have been established and operate at the county level, representing the Romanian Court of Auditors and not being separate legal entities.

SAI: The Romanian Court of Auditors (Curtea de Conturi), which dates back to the 19th century. After the fall of the communist regime in Romania, the institution resumed its powers. It became a member of INTOSAI in 1993.

Authority to Audit Local Budgets: although the Constitution does not explicitly mention the powers to audit local funds, Article 140⁴⁹ contains the term "public sector" (sectorul public), which includes the budgets of local authorities (municipalities, cities, counties).

⁴⁸ Law No. 2 of 16 February 1968 (revised) on the administrative organisation of the territory of Romania: legislatie.just.ro/public/DetaliuDocument/189

The relevant provision is also contained in the relevant law on the organisation and functioning of the Court of Auditors (Article 1)⁵⁰.

Who and What is Audited at the Local Level: in accordance with the Romanian Law "On the Organisation and Functioning of the Court of Auditors", the audit body has the following powers with regard to the budgets of local authorities and institutions managing public funds:

- the formation and use of budget resources, as well as the movement of funds between these budgets;
- the use of budget allocations for investments, subsidies and transfers, and other forms of financial support;
- the use of public funds by autonomous administrative bodies and autonomous social insurance bodies;
- the status, development and management of state and administrative-territorial property by public institutions, autonomous governments, companies and national societies, as well as the concession or lease of goods that are part of public property;
- establishment, use and management of financial resources for environmental protection, improvement of quality of life and working conditions;

and other areas in which the competence of the Court of Auditors is established by law.

Planning of Local Budget Audits: a risk-based approach is used in planning. Entities with the highest risk indicators are selected for audit. In addition, experience and the period when previous audits were conducted are also taken into account. Financial audits are conducted in accordance with the annual programme of activities, based on the financial statements submitted by local governments.

However, an entity can also be included in the audit list outside the risk-based system when the auditor has compelling reasons to believe it is necessary.

⁴⁹ Constitution of Romania, Article 140:
www.constitutiaronaniei.ro/art-140-curtea-de-conturi

⁵⁰ Law No. 94 of 8 September 1992 (revised) on the organisation and functioning of the Court of Auditors:
legislatie.just.ro/Public/DetaliiDocument/2364

First and foremost, administrative-territorial units with large budgets, assets or payments in the relevant period are taken into account.

A separate department has been set up and is operating within the Romanian Court of Auditors to plan and coordinate the audit of local budgets.

Performance audit planning includes the following stages:

1. Strategic planning, which consists of selecting topics and entities to be subject to performance audit.

2. Operational planning, which consists of the following phases:

- documentation in performance auditing;
 - identification, assessment of risks and their potential impact;
 - formulation and review of specific performance audit objectives and questions to be answered by the audit;
 - establishing the audit criteria to be used and their sources;
 - establishing the audit methodology to be used to obtain audit evidence;
 - development of a performance audit plan.
-

Planning Tools: The Court of Auditors conducts audits based on its programme of activities, both after completion and during the implementation of projects, programmes, processes or measures subject to audit.

Performance auditing activities are carried out in accordance with its own methodology, adopted on the basis of INTOSAI auditing standards and best practices in this field, as well as on the basis of the professional opinion of external state auditors.

Selection of Topics: compliance audits (controls) are conducted on the basis of specific topics developed by specialised structures of the Chamber of Accounts. The topics of audits to be conducted on site are approved by the Vice-President of the Coordination Department.

Compliance audits (controls) may also be conducted as a result of information appearing in the media and reports received from citizens or businesses or from other sources.

Financial and performance audits are conducted in accordance with the annual programme of activities approved by the plenary session of the Court of Auditors.

Audit Issue Identification Systems: there is no single audit problem identification system, but the practice itself is well documented at the regulatory level⁵¹. Risks are identified and assessed mainly through the professional judgement of external public auditors and as a result of an assessment of the internal control system. Audit criteria are selected by auditors and must meet the following characteristics: they must be reliable, objective, relevant, understandable, comparable, comprehensive and acceptable for achieving performance audit objectives.

Selection Criteria: planning of control activities involves the preparation of a control plan by external state auditors. It is approved by the director of the department, and the allocation of control objectives among each external state auditor in the team is also verified by the team leader, if possible.

Documents governing the conduct of audits: each type of audit has its own manual for conducting it. Audits are conducted by the Court of Auditors in accordance with its own standards, which were developed taking into account INTOSAI standards⁵² and the methodology established by the Regulations⁵³.

In addition, the Methodology for developing, amending and monitoring the implementation of the Court of Auditors' programme of activities is used for planning audits.

Own Digital Solutions: for planning and conducting audits, the Romanian Court of Auditors has its own digital solutions based on the use and processing of large data sets. First of all, big data is used to select the entity to be audited. For this purpose, information on payments from budgets is used, and in the case of municipal enterprises, their financial reports are used. They have their own digital platform for this purpose.

In addition, the SAI has a platform for tracking progress in implementing recommendations. Steps taken to implement recommendations are recorded in this system, but it is not available to public.

In the coming years, the authority plans to publish its findings and recommendations in digital format⁵⁴. In addition, the authority wants to have a unified system of communication and document flow with audited entities.

⁵¹ Regulations of 29 May 2014 on the organisation and conduct of specific activities of the Court of Auditors, as well as the use of documents resulting from these activities: legislatie.just.ro/Public/DetaliuDocument/190483

⁵² INTOSAI standards posted on the official website of the Romanian Court of Auditors: www.curteadeconturi.ro/despre/reglementari-specifice

⁵³ Regulations dated 29 May 2014 on the organisation and conduct of specific activities of the Court of Auditors, as well as the use of documents resulting from these activities: legislatie.just.ro/Public/DetaliuDocument/190483

⁵⁴ Strategy for the digitalisation of the Romanian Court of Auditors for the period 2023–2028: www.curteadeconturi.ro/uploads/a65264c7/9297662a/088613a7

Practice of Auditing Local Budgets

Reports on financial, performance and compliance audits are posted on the website of the Romanian Court of Auditors⁵⁵.

In addition to conducting the usual types of audits (financial, performance, compliance), the Romanian Court of Auditors also issues uniform recommendations on frequently recurring practices in order to explain errors to the target audience and prevent similar cases in the future⁵⁶.

The Romanian Court of Auditors regularly publishes a programme of activities for audits of local budgets and public finance administrators⁵⁷. It specifies the subject of the audit, the type of audit and what it concerns, the period of the audit, and the body responsible for its implementation.

Let us consider the report on the special compliance audit on the verification of certain aspects included in the communications/petitions received by the Romanian Court of Auditors regarding the activities carried out within the commune of Dragos-Vode⁵⁸.

The subject of the audit was to verify how the commune complied with legal requirements regarding:

- taxation of taxpayers on land plots with adjacent communes;
- taxation of taxpayers who purchased/transferred goods or real estate on the basis of debt settlement agreements;
- public procurement of firewood;
- activities related to public procurement of repair works for the purpose of refurbishing Secondary School No. 1 in Dragos-Voda, and whether they comply with current legislation.

The report contains a summary, introduction, description of the audit task (purpose, mission period, scope of the audit), applicable legal requirements, findings and recommendations regarding the audit areas.

In addition, the report highlights the communication that took place between the auditors and the municipality, its nature, the corrective measures taken during the

⁵⁵ Follow-up actions (No. 43357/13.06.2024) regarding financial audit report No. 1535/27.07.2018, UATC Livezile: www.curteadeconturi.ro/rapoarte-audit/rapoarte-audit-financiar

⁵⁶ Uniform recommendations and practices, Romanian Court of Auditors: www.curteadeconturi.ro/ce-facem/indrumari-si-practici-unitare

⁵⁷ Annual Activity Programme, Romanian Court of Auditors: www.curteadeconturi.ro/ce-facem/program-de-activitate

⁵⁸ Compliance audit report No. 48415/15.07.2025, UATC Dragos Voda: www.curteadeconturi.ro/rapoarte-audit/rapoarte-conformitate/raport-audit-de-conformitate

audit, and the feedback from the audited entity on the audit findings and recommendations received.



Slovakia

A unitary country, member of the European Union since 2004. The country is divided into 8 regions (kraje), which have a certain degree of autonomy, and includes 2,929 municipalities⁵⁹.

According to Slovak legislation, municipalities have broad autonomy in matters of self-government, independently regulate local taxes and collect them. Taxation is optional, its expediency, rates and exemptions are determined locally. The most economically effective tax is the property tax. At the same time, a number of other taxes may be applied, for example: on dog owners, on the use of public space, on vending machines, on entry into the historic part of the city, etc. Traditionally, a large share of tax revenues comes from personal income tax, 70.5% of which goes to the community budget.

The SAI in the country has the authority to conduct external audits of state budget funds and local self-government bodies, as well as the property, liabilities, and debts of legal entities that operate in the public interest or have received funds from abroad, etc.

At the local level, the Association of Local Government Auditors and the Association of Chief Auditors of Cities and Municipalities of the Slovak Republic have been established. Both associations bring together internal auditors who, however, work closely with the SAI⁶⁰.

SAI: The Supreme Audit Office of the Slovak Republic, according to the history of the institution, is considered to have been established in 1761, but in its current form it has been operating since 1993, when the relevant law was adopted. It has been a member of INTOSAI since 1994⁶¹.

Authority to Audit Local Budgets: established in 2006, provided for by the Constitution of the Slovak Republic and the Law on the Supreme Audit Office.

⁵⁹ Features of the organisational and legal support for the activities of national-level local government associations in European Union countries, DESPRO project, 2020: komsamovr.rada.gov.ua/uploads/documents/42251.pdf

⁶⁰ Strategic focus of the audit activities of the Supreme Audit Office of Slovakia for 2024-2026.

⁶¹ Brochure "Supreme Audit Office of the Slovak Republic": www.nku.gov.sk/documents/d/nku-en/about-sao-sr-2019-brochure-en

Who and What it Audits at the Local Level:

- budget funds approved by the Parliament or the Government;
- property, funds, obligations of state institutions, municipalities and legal entities with their participation;
- property, funds, debts provided to the country from abroad, as well as legal entities operating in socially significant areas;
- budget revenues, including local ones;
- funds received from the European Union⁶².

Planning of Local Budget Audits: audit work is planned annually, and a three-year work plan for the SAI is drawn up, which, among other things, sets out strategic goals and objectives for the three years. However, there are also municipal controllers at the local level who are responsible for initial control over compliance with the law and the savings of funds at the local level. There is also a professional organisation — the Association of Local Government Auditors and the Association of Chief Controllers of Cities and Municipalities.

Planning Tools: the basis for drawing up the plan is the information obtained during control activities. Proposals from state authorities, local self-government bodies and citizens may also be taken into account.

Selection of Topics: the areas of audit are determined by the SAI's three-year strategy. Control measures are planned within the defined areas. However, the narrower topics also provide for the possibility of receiving proposals on areas or specific topics for audits from parliamentary committees, and are determined based on the results of an annual survey. The SAI conducts surveys of key stakeholders on an ongoing basis, including questions not only about potential audit topics, but also about the assessment of the added value of the SAI's work over the previous year. The list of stakeholders in the 2023 survey included 86 respondents from government and scientific institutions, local self-government bodies, NGOs, etc.

Audit Issue Identification Systems: no automated system was identified during the research. At the same time, there is a clear mechanism for preparing the SAI's strategic document, which also includes the identification of priority areas for audits. The system for determining the significance of public policy is based on three criteria: the amount of financial resources, international comparisons and the results of stakeholder surveys. The international comparison includes a risk analysis and is based on the calculation of the lag index behind EU countries in terms of public policy implementation in strategic areas according to a number of defined indicators. For example, the following indicators

⁶² Act on the Supreme Audit Office of the Slovak Republic of 1993:
www.zakonypreludi.sk/zz/1993-39

have been identified for the area of effective and transparent public administration: the corruption perception index, the data openness index, the share of ESIF payments within the of 2014-2020 appropriations, and the digital economy and society index. The value of each indicator is compared with the average for EU member states, and the gap is calculated in this way.

In addition to the survey, strategic mapping of individual areas of public policy is carried out, where for each area an assessment of basic indicators for recent years, risks identified during audits over the last six years, as well as an analysis and ranking of risks is carried out⁶³.

Selection Criteria: not clearly defined in any of the published internal documents.

Documents Regulating the Audits: the Slovak SAI refers to INTOSAI international standards, but the website does not contain any methodological or other materials that it uses to guide its activities.

There are no separate guidance documents on local budget audits among the regulatory documents. Given the format, structure and content of the audit reports, the measures taken at the local level are carried out within the framework of the methodologies for conducting the main types of audits.

Own Digital Solutions: none recorded during the desk research.

Practice of Auditing Local Budgets in Slovakia

In 2024, the SAI of Slovakia conducted 35 control activities and 4 preliminary studies, covering 162 audited entities. The SAI website contains a register of audited entities, which provides statistical information on the frequency of audits in the SAI and allows users to view all reports. All audits are divided into strategic areas: "Effective and digital public administration", 10 in the area of "Sustainable public finance" and 8 in the area of "Strategic public policy management" (although more strategic areas have been defined for 2024-2026). Some of the audits have been carried over to 2025.

Use of Agreements on Work Performed outside of Employment in Local Government

The purpose of the audit is to promote the efficient use of public funds by verifying the exceptional nature, validity and effectiveness of the performance of work tasks and the performance of work activities by employees under agreements on work performed outside of employment. Verified institutions/entities: 15 regional and district cities.

⁶³Strategic focus of the audit activities of the Supreme Audit Office of Slovakia for 2024-2026.



Slovenia

A unitary state, member of the European Union since 2004. There are 212 municipalities in the country, 12 of which have city status. The total budget of municipalities in 2024 is about €3 billion, while the country's state budget is €13.8 billion. Municipalities are financed from local taxes, fees, income from municipal property and state transfers.

SAI: The Court of Audit of the Republic of Slovenia was established in 1994 and is an independent constitutional body operating in accordance with the Constitution and the Court of Audit Act. It has been a member of INTOSAI and EUROSAI since 1995.

Authority to Audit Local Budgets: The Court of Audit has the authority to audit both state and local bodies, including public service providers and legal entities or individuals receiving budgetary funds or EU funds. In accordance with the Court of Audit Act, an annual audit of local government activities is mandatory (the number of local budgets is determined separately).

Who and what is audited at the local level:

- the correctness and effectiveness of municipal activities;
- budget execution, preparation of financial statements;
- management of municipal assets;
- procurement, investment expenditures, transfers to non-profit organisations;
- sale and lease of real estate;
- debt;
- administrative decisions of local authorities.

Planning of Local Budget Audits: planning is carried out on an annual basis and is set out in the auditors' work programme, which is approved by the head of the SAI. The annual programme is drawn up taking into account methodological recommendations for its development. Proposals for the programme are submitted by each department of auditors.

Planning Tools: audit departments prepare their own proposals, taking into account initiatives, media reports, conclusions from previous audits, analytics and risks. For audit planning, a database of audited municipalities is maintained, media reports are recorded, and suggestions received regarding the conduct of audits are documented.

Audit planning is carried out in accordance with:

- the annual work programme;
- the strategy of the Court of Audit;
- annual planning recommendations;
- planning guidelines (including strategic, indicative and detailed planning);
- guidelines and methodological manuals.

Selection of Topics: each department of the SAI prepares its own proposals for the work programme each year, with the final decision being made by the head of the SAI. Topics are usually selected taking into account aspects such as: risks of misuse or inefficient use of budget funds, initiatives of authorities, MPs or the public, and priorities identified in the SAI's strategy for the relevant period.

Audit Issue Identification Systems: The SAI does not have an automated system for identifying audit issues or risks, but it collects, records and analyses information on initiatives from interested parties, media reports and the findings of the audits conducted. To a large extent, it is this data that is used to identify problem areas.

Selection Criteria: The following criteria are mainly used to select specific budgets or entities to be audited:

- strategic guidelines;
- budgetary resources;
- risks;
- findings of previous audits;
- time since the last audit;
- proposals from members and working bodies of the National Assembly, the Government, ministries and local authorities;
- public interest and attention;
- possible consequences of the audit.

Documents Regulating the Audits: internal guidelines for planning and conducting audits; INTOSAI international standards; methodological guidelines and recommendations of the Slovenian Audit Institute, etc.

The SAI does not have a separate methodology for auditing local budgets, despite its extensive methodological support in general. In particular, methodologies for conducting three main types of audits have been adopted, and a comprehensive guide to audit planning has been compiled.

Own Digital Solutions: a system for recording conducted audits, initiatives, media reports and other relevant data has been established, but no specific digital solutions or services for automating planning or selecting the entities to be audited have been found⁶⁴.

Practice of Conducting Local Budget Audits in Slovenia

In 2024, the SAI of the Republic of Slovenia conducted 108 audits and approved 51 reports on 95 audited entities. The topic of local self government was included in 20 of them.

Compliance audits were conducted in 9 municipalities. These audits focused on: budget preparation and implementation; sale of real estate and rental of premises; current transfers to non-profit organisations; borrowing, etc.

Regularity of the Activities of the Municipality of Vransko in 2023

Audited entity: Municipality of Vransko

Purpose of the audit: to establish the compliance of the municipality's activities regarding salaries and other employee expenses, maintenance of municipal roads, public procurement and investments, and current transfers to non profit organisations.

Subject of the audit: compliance of individual activities of the municipality with legislation in 2023.

Basis for the audit: the municipality's budget report for the previous year⁶⁵.

Hungary

A unitary state, member of the European Union since 2004. The country has a two-tier local government system consisting of districts (175) and cities/communities (3,200). In addition, national and ethnic minorities also have the right to establish local

⁶⁴ This section is based on information provided by the Court of Audit of the Republic of Slovenia.

⁶⁵ The regularity of certain operations of the municipality of Vransko, audit report, 2025: www.rs-rs.si/fileadmin/user_upload/Datoteke/Revizije/2025/ObcVransko/ObcVranskoPP23-revizijsko-porocilo.pdf

governments. Among other things, local governments also have financial autonomy: the right to collect taxes, adjust the rates of certain local fees, etc.⁶⁶.

Local budgets are financed mainly from taxes and state transfers. Communities are quite dependent on state aid (subsidies account for up to 70% of their income).

Less than a third of revenues come from local taxes, among which the tax on income from entrepreneurial activity plays a major role. The share of this tax varies significantly: Budapest, for example, accumulates up to 45% of revenues from it⁶⁷.

Local funds are audited by the State Audit Office of Hungary, which has fairly broad powers.

SAI: The State Audit Office of Hungary was established in 1990. It is accountable to the National Assembly. It is a member of INTOSAI and operates in accordance with international standards.

Authority to Audit Local Budgets: established by a dedicated law (the State Audit Office Act, as revised in 2011).

Who and What it Audits at the Local Level:

- use of funds provided from the state budget or which constitute state aid;
- use of assets belonging (wholly or partly) to local self-government bodies;
- local tax authorities, in particular with regard to their administration of local taxes and the tax activities of local self-government bodies;
- activities of municipalities, in particular with regard to the implementation of state policy tasks;
- integrity of state and local enterprises⁶⁸.

Planning of Local Budget Audits: the plan is developed for one year, approved by the head of the SAI and sent to the Parliament. Planning is based on priorities identified through a review of economic sectors and the identification of their risks. Some audits are conducted at the request of the National Assembly or the Government.

⁶⁶ Fedorenko V., Chernenchenko O., Constitutional models of local self-government in EU member states, Switzerland and Ukraine, monograph, 2017: ccu.gov.ua/sites/default/files/fedorenko_v.i._chernezhenko_o.m.

⁶⁷ Karlin M., Ivashko O., Financial systems of European Union countries, textbook, 2022: evnuir.vnu.edu.ua/bitstream/123456789/21714/1/financy_eu.pdf

⁶⁸ Law on the State Audit Service of Hungary of 2011: njt.hu/jogszabaly/2011-66-00-00

Planning Tools: a "risk pyramid" consisting of five levels is used to select audit topics: the highest is management, the second is operational, the third is basic law, the fourth is risk categories, and the fifth is elementary risks. The penultimate two form a risk assessment matrix, which is used directly in the planning process. Risks are also classified and assessed on the basis of numerical data⁶⁹.

Selection of Topics: The SAI (based on indirect information) has a defined system of indicators, the analysis of which helps to determine the audit topics. The entities to be audited are also selected based on risk analysis. At the same time, a proportional coverage approach is also used for municipalities that receive budget support.

Audit Issue Identification Systems: A database of previous audits is maintained, and its results are used during the planning of subsequent audits.

A risk monitoring model is applied, covering financial, operational and management aspects. Reporting, public procurement and asset management efficiency are assessed. The specifics of local self-government, risks associated with the implementation of state tasks, management, property supervision, etc. are taken into account.

Selection Criteria: there is no clear list, but some criteria used for selecting topics and the entities to be audited can be identified from publicly available information:

- the scope of state support received;
- a defined level of financial, operational or management risk;
- the relevance of the topic for the implementation of state tasks;
- previously identified violations.

Documents Regulating the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI. The Hungarian SAI has Organisational and Legal Regulations that establish internal rules, methods and procedures for audits. No specific guidance documents on the audit of local budgets were found among the regulatory documents. Relevant manuals developed by INTOSAI⁷⁰ are used in conducting standard types of audits.

Own Digital Solutions: there is probably an automated risk management system, but it is not available to the public.

⁶⁹ Basics of risk analysis of the State Audit Office, official website: www.asz.hu/kockazatelemzesi-keretrendszer

⁷⁰ Regulations of the State Audit Office of Hungary, official website: www.asz.hu/szabalyzatok

Practice of Auditing Local Budgets in Hungary

In 2023, the SAI completed 66 audits covering 2,169 organisations, including those related to local budgets: 6 audits of the tax activities of local authorities; 20 financial audits of municipalities; 20 audits of local authorities focusing on business tax; integrity audit of 1,574 state-owned or local government-owned enterprises; 5 audits of real estate management in local authorities and budgetary institutions.

Targeted Audit of Local Government Management

The purpose of the audit was to assess whether the expenses presented in the reports of the municipality of Cerdí (hun. Csorna) were properly executed and accounted for, and whether they were related to the performance of the municipality's public functions.

Among the administration's monetary transactions, the audit was conducted on a sample basis using risk criteria. Priority was given to the assessment of transactions directly related to the performance of public tasks, their performance in accordance with obligations, as well as the legality and regularity of payments⁷¹.



Croatia

A unitary state, member of the European Union since 2013. There are 576 local and regional self-government units in the country (20 counties (županija), 128 cities and 428 municipalities). Local self-government bodies have a certain degree of autonomy, including financial autonomy. The tax system is two-tiered, with state transfers and taxes being the main sources of local budget revenue. Local taxes include inheritance, motor vehicle, and property taxes. There are also municipal taxes (e.g., taxes on summer homes, slot machines, and alcohol in hotels). A portion of national taxes also remains at the local level.

Local budgets are audited by the SAI, which has a head office and regional offices.

SAI: The State Audit Office of Croatia was established in 1993. It has been a member of INTOSAI since 1994 and operates in accordance with international auditing standards.

⁷¹ Audit of local government – adequacy of implementation and accounting for expenses reflected in the cash flow of the municipality of Cerdí, audit report, 2025.

Authority to Audit Local Budgets, as defined by the Law on the State Audit Office, allow it to cover virtually all aspects of local government activities.

Who and What it Audits at the Local Level:

- local and regional self-government bodies;
- legal entities funded from local budgets;
- enterprises in which a significant share belongs to local self-government bodies;
- users of budget funds;
- organisations implementing projects with EU funds⁷².

Planning of Local Budget Audits: audits are planned in accordance with the SAI's strategy, on the basis of which an annual programme and work plan are developed and approved each year. The strategy contains indicative numerical indicators for the volume of audits for the entire duration of the strategy. For example, the strategy for 2023-2027 stipulates that 80 local units will be audited each year.

Planning Tools: the basic principles of planning are defined by the relevant law and described in detail in the strategy for the relevant period. The planning process is based on risk assessment and the opinions of previous audits. At the same time, information obtained from the media or other institutions and consultations with external experts and state institutions are also used.

Selection of Topics: the strategy has defined thematic areas, and based on the analysis of each and the assessment of potential risks, general audit areas are selected for each year. The findings of previous audits, the level of risk of inefficient use of funds, public interest in the issue, and information from the media are also taken into account. For performance audits, the potential contribution of the audit to improving management, the significance of the topic, and the expected added value of the recommendation are also taken into account⁷³.

Audit Issue Identification Systems: no automated system is in place. Risk assessment, analysis of economic sectors and the findings of previous audits are used to identify problem areas. Information from stakeholders and the Parliament initiatives may also be taken into account. During the analysis of potential areas, internal control systems, financial reporting data, and budget indicators are also assessed⁷⁴.

Some audits are mandatory, and their frequency is determined by the relevant law.

⁷² Law on the State Audit Office of the Republic of Croatia of 2019 www.revizija.hr/o-nama/zakoni-i-akti/zakon

⁷³ Strategic Plan of the State Audit Service of the Republic of Croatia for the period 2023-2027.

⁷⁴ Law on the State Audit Service of the Republic of Croatia of 2019: www.revizija.hr/o-nama/zakoni-i-akti/zakon-o-drzavnom-uredu-za-reviziju/303

Selection Criteria: not clearly defined in published documents, but the following criteria can be summarised from the analysis of internal acts: high risk, financial significance, previous violations, failure to comply with recommendations in previous periods.

Documents Regulating the Audits: international standards, guidelines, manuals and instructions issued by INTOSAI. The strategy includes one of its objectives as harmonising the rules for conducting audits with INTOSAI requirements, but the SAI has no published documents adopted to implement international standards. The main documents referred to by the SAI in its work are the relevant law, the code of professional ethics for state auditors, INTOSAI standards and the Regulations on the Internal Procedure of the State Audit Service.

Own Digital Solutions: none recorded.

Practice of Auditing Local Budgets in Croatia

The number of audits per year is planned during the development of the agency's five-year strategy, but it can be adjusted each year during the formation of the annual plan, in particular taking into account available human resources.

For example, the plan for 2025 provides for 180 financial audits (60 of which are at the local level), 45 performance audits (39 of which are at the local level) and 9 compliance audits.

Audit of Karlovac, 2023

The purpose of the audit is to verify that the financial statements are consistent with the system in all material respects and that transactions comply with legislation and internal regulations.

Subject of the audit: annual financial statements, regulations that have a significant impact on activities; internal control system, budget planning and implementation, public procurement⁷⁵.

⁷⁵ Report of the State Audit Office on the financial audit of the city of Karlovac for 2023.

CONCLUSIONS



This research provides a brief overview of the local budget audit systems of the SAIs of EU member states and allows readers to familiarise themselves with the structure and logic of these systems. We have attempted to analyse the experience of other SAIs using a unified structure so that readers can compare the practices and decisions used in the EU with regard to the external audit of local budgets.

The study showed that despite the common methodological framework established by INTOSAI standards, national audit systems have a number of differences — from the mandate to audit local funds to the criteria for selecting specific budgets.

The research shows that there is no single effective model of external audit of funds in Europe, but rather a number of effective models. First of all, the optimality of each individual model is dictated by the political, economic, and sometimes historical context, as well as the continuous work of SAIs and national parliaments to improve the system. Therefore, the practical value of this report lies in the possibility of modelling a workable system of external audit of local budgets, taking into account the peculiarities of the Ukrainian SAI, the functioning of communities and institutions at various levels.

The issue of the SAI's mandate to audit local budgets and its coverage remains decisive for the audit system. Not all EU countries have chosen to grant these powers to the SAI; some have a parallel or delegated system with a network of regional audit services. It should be noted that, in parallel with the development of the external audit system, countries are also working on establishing an internal audit system. This, in turn, can reduce the workload on specialists and guarantee a basic level of financial control even in those institutions or communities that were not included in the sample at a given time.

In our research, we paid considerable attention to the issue of audit planning. In the vast majority of countries, this process is closely linked to the institution's strategic plan. Most often, the strategy forms the basis for the formation of annual audit plans. The planning tools are largely similar: risk assessment, policy sector analysis, information gathered from the public, the media and academics, and in some cases, requests from parliament. At the same time, some countries use specific tools, such as a planning matrix, an idea database, the EU lag index, etc. Digital solutions and tools are only gaining popularity among SAIs and are being integrated into processes, but this aspect of the institution's work is kept confidential for security reasons.

With regard to methodological support and regulatory consolidation of audit practices, we identify two dimensions in this issue: first, the tradition of and the institution's approach to regulatory activity; second, the current absence of international standards for auditing local budgets. In the first aspect, countries can be conditionally divided according to their approach to standardising practices: some countries are guided by international audit standards without additional adaptation, while others adopt their own audit methodologies or guidelines for applying audit standards. In both cases, SAIs have separate planning guidelines or a set of internal documents that regulate related issues. At the same time, we have not identified any guidelines or methodologies for auditing local budgets. The methodology of the relevant type of audit is most often used for them.

For the Ukrainian context, the main conclusion is that there is no ready-made model for auditing local budgets in EU countries, and the existing solutions, despite their diversity, are efficient for their systems. The research also revealed common points in the processes of planning and conducting audits, as well as unique tools that could be useful for Ukraine. Therefore, in our opinion, the best approach is to build a system of external audit of local budgets in Ukraine based on the existing Accounting Chamber methodologies developed for financial audit, performance and compliance. At the same time, it is possible to adapt the tools used for planning and selection by countries such as Bulgaria, Estonia, Latvia, Lithuania, Poland, Slovakia and Slovenia. The question of the Accounting Chamber resource capacity to audit local budgets annually (given their large number) also remains open.

