

Study of the EUROSAI Task Force on Municipality Audit; synopsis of the answers to the questionnaire

Summary of the answers to the questionnaire for the German members of EURORAI

I. Preliminary note

Supralocal audits of municipalities are not performed by the Court of Audit in every federate state/Land.

In North Rhine-Westphalia and Baden-Württemberg, the supralocal audit of municipalities is performed by the relevant Municipal Audit Office (a public-law institution) rather than the Court of Audit. The Bavarian Municipal Auditing Association (*Bayerischer Kommunalen Prüfungsverband*) carries out the supralocal auditing of municipalities in the Free State of Bavaria. This is a public-law entity. It is structured so that it is an independent, autonomous body. In Brandenburg, the Ministry of the Interior and for Municipalities (*Ministerium des Innern und für Kommunales*) is responsible for the audit of municipalities. Due to its structure as a city state, the Court of Audit of Berlin has refrained from answering the questionnaire: according to the General Law on Jurisdiction, there is no separation of federate state and municipal activities.

Therefore, the federate states of North Rhine-Westphalia, Baden-Württemberg, Brandenburg, Bavaria and Berlin have not been included in the summary.

II. Overview of the responses

I. GENERAL INFORMATION

1. Describe the system of local government in your region:

1.1. What kinds of local authorities (municipalities or other) are there, and how many?

In principle, the territorial administrative bodies are the rural districts, the towns or municipalities that are part of a region or district, the district-free cities/autonomous towns, and the associations of municipalities. There are also local government associations such as offices or agencies (e.g. local audit offices) and special-purpose associations (e.g. for water or sewage). These public bodies do not have territorial sovereignty and so they are not territorial authorities.

Hesse	<p>Date: 01/01/2018:</p> <ul style="list-style-type: none"> - 21 rural districts - 418 towns and municipalities that are part of a district - 5 district-free cities and 7 special status cities
Mecklenburg-Western Pomerania	<p>Date: 01/01/2018</p> <ul style="list-style-type: none"> - 6 rural districts - 744 municipalities - 2 district-free cities and 4 large cities that are part of a district
Lower Saxony	<p>Date: 31/12/2017:</p> <p>In total: 1,098</p> <ul style="list-style-type: none"> - Hanover region - 36 rural districts - 8 district-free cities - 280 municipalities that are part of a region or a district; these include large autonomous cities (7), autonomous municipalities (59) and other municipalities that are part of a region/district (214) - 116 associations of municipalities (3 of these are autonomous associations of municipalities) with - 653 affiliated municipalities - 2 cities that have been granted special status - 2 unincorporated districts
Rhineland-Palatinate	<ul style="list-style-type: none"> - 12 district-free cities - 24 rural districts - 143 associations of municipalities - 30 municipalities that do not belong to an association - 2,262 small municipalities (legally autonomous municipalities which form part of associations of municipalities as administrative units) - 396 special-purpose associations - 1 Palatinate District Association
Saxony	<p>Date: 01/01/2017</p> <ul style="list-style-type: none"> - 420 towns and municipalities that are part of a district - 3 district-free cities - 10 administrative districts
Saxony-Anhalt	<ul style="list-style-type: none"> - 215 municipalities that are part of a district - 18 associations of municipalities - 3 district-free cities - 11 rural districts
Schleswig-Holstein	<ul style="list-style-type: none"> - 1,110 municipalities (including 63 towns; 4 of these are district-free cities and 1 is a large city that is part of a district) - 11 districts
Thuringia	<ul style="list-style-type: none"> - 17 rural districts - 6 district-free cities - 843 municipalities that are part of a district <p>609 municipalities have been merged together to form 69 special administrative districts (as at 31/12/2016)</p>

1.2. What scope of activities and responsibilities do the municipalities have? What are their tasks and what role does central government have at local level?

According to Articles 20 and 28 of the Basic Law (Grundgesetz, GG), the Federal Republic of Germany is a social, federal and constitutional democracy. Article 28 GG states that the constitutions in the federate states (Länder) must conform to the principles of a republican, democratic and social state governed by the rule of law, within the meaning of this Basic Law (principle of homogeneity) and that the Länder, districts and municipalities must have representation that has been elected by the people. Article 28(2) GG is therefore a fundamental institutional guarantee that ensures the existence of autonomous bodies for municipalities and rural districts, although it does not guarantee their existence for the individual municipalities or districts. Basic Law assigns the freedom to make decisions independently and to take responsibility for all tasks concerning local community affairs (self-government) to the municipalities and states that they must be provided with financial resources. Moreover, the federate states have the sovereign right to organise the manner in which local self-government is structured as long as this does not fall short of the constitutional requirements (Art. 70 GG).

Within the framework of the federate states' sovereign right to organise their own affairs, these standardise the fundamental declarations about the right to self-govern, the roles and responsibilities of local government and its financing in the federate state constitutions. Any additional organisation is implemented by means of federate state laws.

A municipality is a territorial authority with territorial sovereignty and the autonomous right to manage devolved matters or matters that have been especially assigned to its own local community (its own areas of responsibility) and to manage assigned external (federate state or federal) matters (delegated areas of responsibility) that are subject to directives.

Own areas of responsibility: Municipalities are entitled and, in their capacity, are obliged to assume responsibility for independently managing all local community matters within the framework of the law. This is primarily expressed in the form of statutes and bye-laws and the authority to levy charges (taxation, charges and fees). The tasks that fall within its own area of responsibility particularly include the responsibility to coordinate community development, urban land-use planning, sewage disposal, energy supply, local public transport, the supply of drinking water etc. and local audits.

Delegated areas of responsibility: Public duties to be undertaken according to instructions can be delegated to municipalities by means of laws or regulations. The specific assignment of tasks occurs within the relevant special laws or regulations. If tasks are originally part of the state sector, it is only possible to execute these within the sphere of the delegated responsibilities.

Municipalities remain members of the state as a whole, although they perform their duties independently and autonomously. They are subject to their commitments to the state government, which means they are also subject to federate state supervision/monitoring as defined by the principle of the rule of law.

1.3. How are municipalities structured? What are the most important institutions (legislative or executive etc.) and what are the principles governing their formation and their authority?

The local council (municipal/town council) and the mayor are the municipal institutions. According to Article 28 of the Basic Law of the Federal Republic of Germany, the people are represented by the local council, which is the supreme authority in a municipality. The citizens who are entitled to vote elect the members of the local council for a five-year period in general, direct, free, equal and secret ballot. The local council is an administrative organisation which belongs to the executive body, and is therefore not a parliament within the sense of constitutional law.

The mayor chairs the municipal council, is the head of the local administration and represents the municipality externally as a legal representative. The citizens of the municipality who are entitled to vote elect the mayor in a general, direct, free, equal and secret ballot for the period of office (which varies in the different federate states). In the federate state of Schleswig-Holstein, the mayor is elected by the local council from among its members.

The local council issues the main statutes for the municipality and, as the supreme decision-making body, decides on all the important matters concerning the municipality.

The district council and the district administrator are the organisational bodies in a rural district. They manage the rural district. The members of the rural district and the district administrator are democratically elected.

2. Describe the general legal bases for the audit and control system at local level – in other words, how it is structured and which organisations are involved (institutions, departments or others). (Additional images or overviews are welcome):

2.1. Which organisations are involved in the administrative and financial supervision as well as in the budgetary control (preparation and implementation of the municipal budget) of local authorities? How do they participate?

Hesse	<p>I: Supervision (federate state supervision) Local authority and specialist supervision (Sections 135-145 Hessian Municipal Code (Hessische Gemeindeordnung, HGO), and Sections 54 ff. Hessian District Code (Hessische Landkreisordnung, HKO)) According to Section 135 HGO/Section 54 HKO, federate state supervision of municipalities should ensure that municipalities govern according to the law, and that the directives issued within a legal framework are followed. The supervision should be managed so that it does not infringe upon the municipalities' decision-making power and willingness to take on responsibilities.</p> <ul style="list-style-type: none"> • Municipalities with a population of up to 50,000 inhabitants: The district administrator is the lower supervisory authority, the regional council (a federate state mediating authority which fulfils the function of connecting municipal and federate state government level) is the higher supervisory authority and the Hessian Ministry of the Interior and for Sport (Hessisches Ministerium des Inneren und für Sport, HMdIS) is the supreme supervisory authority • The regional council is the supervisory authority for municipalities that come under the 'protective umbrella of local authorities' (programme of the Land Hesse for the partial debt relief of highly indebted municipalities and rural districts) • Municipalities with a population of more than 50,000 inhabitants: The regional council is the supervisory authority and the HMdIS is the higher supervisory authority • Wiesbaden and Frankfurt: HMdIS is the supervisory authority (special case) • Rural districts: The regional council is the supervisory authority and the HMdIS is the higher supervisory authority • The supervisory authorities are responsible for the general supervision of local government. It is their responsibility to supervise all matters concerning self-government when special supervisory bodies have not been appointed (e.g. school inspections according to Sections 92 ff. Hessian Education Act (Hess. Schulgesetz) and the regulation of forest resources according to Sections 62 ff. Hessian Forestry Law (Hess. Forstgesetz)) • In addition to the supervision of local authorities, the supervisory authorities are also responsible for the specialist supervision of all directives to be carried out, unless specific authorities have been appointed for specialist supervision. • Duties: <ul style="list-style-type: none"> Section 137 HGO – Information Section 138 HGO – Complaints Section 139 HGO – Instructions Section 140 HGO – Performance of substitutive measures Section 141 HGO – Appointing a representative Section 141a HGO – Dissolving the local council Section 141b HGO – Action taken by the higher supervisory authority in place of the local authority Section 143 HGO – Approval of statutes and bye-laws, decisions, and other measures taken by the municipality <p>II: Budgetary control 1. Audit office: (local audit office) Sections 129-131 HGO and Section 52 HKO Municipalities with a population of more than 50,000 inhabitants and rural districts have their own audit offices. For municipalities that are part of a district and that do not have their own audit office, this task is performed by the rural districts. The responsibilities include:</p> <ul style="list-style-type: none"> • Auditing the annual accounts • Ongoing review of cash flows and supporting documents • Continual monitoring of cash offices and cash audits • Auditing the automated processes for the financial system • Auditing expediency and efficiency • Inspecting bodies governed by public law • Auditing the inventories and asset balances • Auditing orders before they are forwarded to the cash office • Auditing the awarding of contracts • Auditing the administration in terms of expediency and efficiency • Auditing the management of the stand-alone municipal enterprises • Auditing operations • Cash audits, financial audits and company audits
-------	--

	<p>2. The President of the Hessian Court of Audit – Supra-Local Audit of Local Authorities (Überörtliche Prüfung kommunaler Körperschaften, ÜPKK) – Section 132 HGO as well as Sections 5(1) and 6(2) Law on the Court of Audit of Hesse (Gesetz über den Hessischen Rechnungshof. HRHG) and the Law on the Supra-Local Audit of Local Authorities (Gesetz zur Regelung der überörtlichen Prüfung kommunaler Körperschaften, ÜPKKG)</p> <p>The legislator has assigned the supra-local audit of local authorities to the President of the Hessian Court of Audit (independent audit).</p> <p>Section 3 ÜPKKG stipulates the content of the audits: <i>The supra-local audit must determine whether the administration has been managed lawfully and properly and efficiently. In particular, it should use comparative principles to assess whether:</i></p> <ol style="list-style-type: none"> 1. <i>The principles for raising revenue have been followed (Section 93 HGO)</i> 2. <i>The organisation of staff is fit for purpose and posts are appropriately evaluated</i> 3. <i>With respect to investments, the performance limits are respected, the anticipated requirements are taken into account, and the planning and execution are carried out in an economic and efficient manner</i> 4. <i>Institutions are operated according to economic criteria and comply with their intended public purpose</i> 5. <i>Loans and financial investments are regularly adjusted to changing market conditions</i> 6. <i>The extent of voluntary services corresponds to capacity and will not have a permanent, negative impact on statutory or contractual obligations</i> 7. <i>Tasks cannot be performed more cheaply in organisations with a different legal status or by a third party</i> 8. <i>The general strength of the finances or the status of the debts are cause for recommending a change to future financial management.</i> <p>Section 4 ÜPKKG stipulates the subject of the audits: (1) <i>Supra-local audits will examine the following:</i></p> <ol style="list-style-type: none"> 1. <i>The district-free cities</i> 2. <i>The towns and municipalities that are part of a district</i> 3. <i>The rural districts</i> 4. <i>The Hessian Regional Welfare Association</i> 5. <i>The FrankfurtRhineMain Regional Authority</i> 6. <i>The special-purpose association for the Kassel area</i> 7. <i>The compulsory associations according to Section 5 of the law of 8 March 2011 governing the metropolitan region of Frankfurt/Rhine-Main (legal gazette (GVBl.) I p. 153)</i> 8. <i>Local authority data processing centres</i> 9. <i>Special-purpose associations, water and soil associations and the alliance of such associations if the average administrative budget capacity has exceeded three hundred thousand euros over the past three years; the other special-purpose associations and their alliances can be included in the supra-local audit of the members of their association</i> 10. <i>Pension funds for civil servants working for local authorities</i> 11. <i>Supplementary pension funds for salaried and waged employees working for local authorities, and</i> 12. <i>Public bodies that have been established by, or with the involvement of local authorities, with the exception of savings banks.</i> <p>The ÜPKK can use publicly appointed auditing firms for the auditing (Section 5(1) ÜPKKG).</p>
Mecklenburg-Western Pomerania	<p><u>Preparing and implementing the local budget:</u> Section 4 Local Constitutional Law for the Federate State of Mecklenburg-Western Pomerania (Kommunalverfassung, KV M-V) regulates the bases for independent budget management. These regulations also include the regulatory control and intervention options in terms of preventive legal supervision. There is a corresponding need for regulation because, in some circumstances, decisions on financial management may put local self-government at risk.</p> <p>The main regulations governing procedure (issuing the budgetary bye-laws) are included in Section 47 KV M-V (which, in view of the special nature of budgetary bye-laws, supplements the general rules of procedure for issuing bye-laws):</p> <p><i>“(1) The budgetary bye-laws and their notes are discussed and resolved by the local council at a public meeting. (2) The budgetary bye-laws approved by the local council, as well as the budget, its notes and the most recent annual accounts with their notes must be immediately presented to the supervisory authority on points of law prior to public announcement. They must be presented before the beginning of the budget year. (3) The budgetary bye laws are to be made public. If the budgetary bye-laws include parts that require approval, they can only be made public after the approval has been granted by the supervisory authority on points of law. (4) The obligation to publish does not include the budget and its notes. (5) After there has been a public announcement about the budgetary bye-laws, the budgetary bye-laws and their notes must be made available to the general public for seven working days and during normal opening hours at the local council offices, and these can also be inspected during normal opening hours at the local council offices. The location and the time of the availability for inspection are to be included in the public announcement.”</i></p>

	<p>With regards to the budgetary bye-laws, advance consultation of the budgetary bye-laws and the prescribed notes with the finance committee is mandatory (Section 36(2) sentence 2 KV M-V).</p> <p><u>Supervision:</u> Article 72(4) of the Federate State Constitution (Landesverfassung, LVerf) provides for supervision in the own and the delegated areas of responsibility. The details of the supervision are regulated in Sections 78 ff. KV M-V. Section 79 KV M-V stipulates: “(1) The Ministry of the Interior is the supervisory authority on points of law for the district-free cities and the large cities that are part of a district, as well as their autonomous local authority companies. (2) The district administrator, which is also the lower-tier federate state administrative body, is the supervisory authority on points of law for the municipalities that are part of a district. (3) The Ministry of the Interior is the supreme supervisory authority on points of law. (4) The Ministry of the Interior is the supervisory authority on points of law responsible for approving treaties on territorial changes extending beyond district boundaries as well as for adjudicating border disputes that extend beyond district boundaries.”</p>
Lower Saxony	<p>Supervisory authorities as higher authorities: The supervisory authorities responsible for the specialist supervision of task completion in delegated areas of responsibility, and the local government supervisory authority charged with the financial supervision in the form of a mere legal supervision of the completion of tasks in the own areas of responsibility. The Lower Saxony Local Constitutional Law (Niedersächsisches Kommunalverfassungsgesetz, NKomVG) includes duties of disclosure and approval requirements for specific local measures; these particularly refer to the approval of parts of the budgetary bye-laws that are subject to approval (loans, liquidity loans, commitment appropriations and possibly allocations, the approval of guarantees and indemnity agreements).</p> <p>At local level, the local administration (main administrative official) is fundamentally responsible for implementing the budget as agreed by the council and approved by the local government supervisory authority (budgetary bye-laws and the budget). If need be, the local audit office may also be involved in implementing the budget when tendering processes are audited during the year. The supervisor charged with monitoring cash transactions and the local audit office audit cash transactions during the year. The council’s resolution on discharging the main administrative official(s) after the annual accounts have been audited and approved is also part of budgetary control.</p>
Rhineland-Palatinate	<p>The council produces and implements its own budget. In principle, the only item requiring authorisation from the authority charged with supervising local government is the total amount of investment loans stipulated in the budget; borrowing only requires individual authorisation by the supervisory body in exceptional cases. Moreover, the budgets must be presented to the supervisory authorities who can raise concerns about breaches of the law, if necessary. Otherwise, all activities undertaken by local authorities are subject to legal supervision by the appropriate authorities (the district authority as the lower federate state general administrative body is responsible for the municipalities belonging to a district with the exception of the large cities belonging to a district; the Supervisory and Service Directorate (Aufsichts- und Dienstleistungsdirektion) is responsible for district-free cities, large cities belonging to a district, and rural districts). The Ministry of the Interior and for Sport is the supreme federate state authority charged with supervising local government. The relevant specialised departments are responsible for the specialist supervision of matters relating to contracts.</p>
Saxony	<p>A distinction must be made between 1. legal supervision, and 2. auditing.</p> <p>1. Legal supervision: According to Article 89(1) Constitution of Saxony (Verfassung des Freistaates Sachsen, SächsVerf), the Free State of Saxony monitors the legal compliance of the municipal and rural district administrations as well as those of the other municipal associations. According to Article 89(2) SächsVerf, the law can stipulate that the assumption of debt obligations and guarantees and the sale of assets are subject to approval by the authority charged with the supervision and that from the perspective of well-regulated economic governance, this approval can be granted or refused.</p> <p>According to Section 111 of the Saxon Municipal Code (Sächsische Gemeindeordnung, SächsGemO), supervision is limited to ensuring the administration complies with the law (legal supervision), unless otherwise stipulated by the law. The supervision of the implementation of directives includes monitoring whether the administration is legally compliant and fit for purpose (specialist supervision), unless otherwise stipulated by law. Supervision should be carried out in a manner that protects the rights of municipalities and ensures that their obligations are met while supporting the decision-making power and the willingness to take on responsibilities.</p> <p>The supervisory authority on points of law can use its discretion when employing individual supervisory instruments. The SächsGemO provides for a large number of supervisory measures that are ranked in order of priority. According to the principle of proportionality, the first instruments to be used for legal supervision are those that interfere least in the rights of local self-government:</p> <ul style="list-style-type: none"> – The right to information: In order to exercise this, the supervisory authority on points of law will, for example, request local authority documents or attend meetings held by the municipal council or the district council. – The obligation to present: The obligation to present documents applies to the budgetary bye-laws and their subsequent modifications (Sections 76(2) and 77(1) SächsGemO). The obligation to present documentation means that the budgetary bye-laws must be submitted to the supervisory authority on points of law prior to their publication and taking effect. These bye-laws may only be announced if the authority has confirmed that they are legally compliant, or if no objections have been raised about the budgetary bye-laws within a period of one month (Section 119(1) SächsGemO). – The obligation to obtain approval: The law states that approval is required for specific budgetary bye-laws/statutes or parts of these – for example, for the maximum amount of short-term loans included in the budgetary bye-laws (Section 84(3) SächsGemO) or the association statutes for a special-purpose association (Section 49(1) of the Saxon Law on Municipal Cooperation (Sächsisches Gesetz über kommunale Zusammenarbeit, SächsKomZG). Approval is also required when concluding credit or guarantee agreements, or legal transactions

of a financially similar nature (Section 82 SächsGemO). Budgetary bye-laws/statutes cannot take effect unless they have been approved by the supervisory authority on points of law. If approval has not been granted, its absence cannot be rectified (Section 4(4) SächsGemO). The public announcement can only be made and the budgetary bye-law/statute can only take effect when approval has been granted.

- The right to object: The supervisory authority on points of law can object to a local authority's resolutions and directives if they violate the law, and it can require them to be revoked or amended.
- The right to issue directives or perform substitutive measures: The right to object is supported by the right to issue directives and the fact that the supervisory authority on points of law can actually enforce directives in place of the supervised body, if necessary.
- Appointing a representative: As a last resort, the supervisory authority on points of law can appoint a representative to maintain a legitimate administration within a supervised body. In addition, the term in office for a mayor or district administrator failing to satisfy the requirements of office can be prematurely terminated if significant administrative wrongdoings become evident and other measures are insufficient.

Supervisory measures are usually in the form of administrative acts and the local authorities can seek legal protection against these by way of the Administrative Court.

The District Office (rural district) is the lower-tier administrative authority and is the competent supervisory body on points of law for municipalities belonging to a district and their administrative or special-purpose associations.

The Federate State Directorate is the higher-tier supervisory authority on points of law. This body is directly responsible for the legal supervision of district-free cities, rural districts and inter-district administrative or special-purpose associations or administrative or special-purpose associations where rural districts are involved. The Saxon State Ministry of the Interior is the supreme authority on points of law.

2. Auditing:

Auditing is divided into local audits and supra-local audits.

Local audits are performed:

- In rural districts, by their own audit office (Section 64 sentence 1 Saxon Rural District Code (Sächsische Landkreisordnung, SächsLKrO))
- In district-free cities, by their own audit office or another local authority audit office (Section 103(1) sentence 1 SächsGemO)
- In municipalities with a population of more than 20,000 inhabitants, by their own audit office or another local authority audit office (Section 103(1) sentence 1 SächsGemO)
- In municipalities with a population of fewer than 20,000 inhabitants, by its own audit office or another local authority audit office, or by its own auditor or another local authority auditor, or a chartered accountant or an auditing firm (Section 103(1) sentences 1 and 2 SächsGemO).

The tasks to be performed as part of the local audit are described in Sections 104 to 106 SächsGemO. The following tasks are mandatory for a local audit:

- The local audit of the annual accounts (Section 104 SächsGemO)
- The local audit of the stand-alone municipal enterprises (Section 105 SächsGemO)
- The ongoing audit of cash flows at the municipality, in preparation for the audit of the annual accounts (Section 106(1) no. 1 SächsGemO)
- The monitoring of cash management, especially the cash audits of the municipal funds and special funds (Section 106(1), no. 2 SächsGemO)
- The audit of a municipality's evidencing of inventories, asset balances and its special assets (Section 106(1), no. 3 SächsGemO)

Local audit offices or auditors can also perform the following tasks if they judge these to be necessary (Section 106(2), no. 1-7):

- Auditing the organisation and the efficiency of the administration
- Auditing the tendering process before supply and service contracts are concluded
- Auditing the management of the stand-alone municipal enterprises and other municipal institutions
- The ongoing auditing of cash flows for special funds
- Auditing direct or indirect municipal operations in enterprises in which the municipality holds a share
- The financial audits, company audits and cash audits that the municipality has reserved the right to perform in the event of an investment, the granting of a loan, or otherwise
- Auditing the financial management of the companies that have granted the auditor such right to audit.

The municipal council can assign additional tasks to be included in the local audit.

The audit office is independent and not bound to follow instructions when completing the audit tasks that it has been assigned. Moreover, it is directly answerable to the mayor.

The supra-local audits are performed by the Court of Audit of Saxony (Section 108 SächsGemO and Section 64 SächsLKrO). It is supported by lower-ranking federate state audit offices which are subordinated to it when completing the audit (Sections 13 and 14 Court of Audit Act (Rechnungshofgesetz, RHG).

The content and the progress of supra-local audits are regulated in Section 109 SächsGemO. Supra-local audits examine compliance with the legal requirements and whether federate state government grants have been used as intended with respect to the budget and cash management as well as accounting, financial management and accounting systems, a municipality's management of its assets and its special and trust assets, as well as its operations in enterprises in which the municipality has a direct or indirect interest. The audit also examines the annual accounts and the notes with all the appendices and the report on the financial year.

	<p>The supra-local audit can inspect the organisation and the efficiency of the administration as well as the financial management of the companies granting the supra-local auditing body the right to perform such an audit.</p> <p>The supra-local audit should be performed within five years of the end of the financial year, and include all the existing financial statements together with the notes and all the appendices, the statement of accounts and the consolidated financial statements, as well as the financial statements for the special and trust assets, companies and holdings.</p>
Saxony-Anhalt	<p>The local authority's Finance Administration prepares the draft budget (budgetary bye-laws and the budget etc.). The council passes a resolution on the budgetary bye-laws and the notes. The budget is a part of the budgetary bye-laws and is binding according to the provisions of the law for the financial management of the local authority (Section 101(3) Local Constitutional Law for the State of Saxony-Anhalt (Kommunalverfassungsgesetz des Landes Sachsen-Anhalt, KVG LSA)).</p> <p>The approved budgetary bye-laws should be presented to the federate state authority charged with supervising local government (legal supervision). The local government supervisory authority will examine whether the budgetary bye-laws comply with legal requirements and will grant or refuse to provide the legally required approvals (e.g. for the total amount set for borrowing for investments and investment incentive measures). If the body responsible for supervising local authorities concludes that the budgetary bye-laws are not legally compliant, it can object to the resolution on the budgetary bye-laws. In this case, the budgetary bye-laws cannot be implemented.</p> <p>The audit office responsible for performing the local audit (own audit office, another audit office the local authority has selected to perform the local audit, or the rural district audit office) examines the local authority's financial management in accordance with the requirements of Sections 136 and 138 – 142 KVG LSA (including the stand-alone municipal enterprises, bodies governed by public law and special-purpose associations).</p> <p>The local authorities are also subject to supra-local audits (federate state auditing). In Saxony-Anhalt, these are performed by the Court of Audit (for local authorities with populations of over 25,000 inhabitants or special-purpose associations) or by the rural district's audit offices (Section 137 KVG LSA).</p>
Schleswig-Holstein	<p><u>Internal supervisory/control mechanisms</u></p> <p>As the head of the administration (Sections 55 and 65 Municipal Code (GO)), a mayor is fundamentally responsible for ensuring the budget is implemented properly. The mayor is also the most senior supervisor and is responsible for supervising his or her staff. Ideally, the administration has implemented an internal control system as part of the risk management. The compliance regulations and the monitoring of these are also part of this. As explained in section 1.3, the Municipal Executive Committee is superior to the mayor in terms of hierarchy but it has no disciplinary powers (Section 45b(5) GO). In terms of disciplinary law, the competent federate state body charged with supervising local government is the higher-ranking authority (Section 47(2) Federate State Disciplinary Law and Section 121 GO).</p> <p>The local council discusses and votes on the draft budgetary bye-laws drawn up by the administration and the budget with the notes during a public meeting (Section 79 GO and Section 95 GO). The approved budgetary bye-laws and the budget and the notes must be presented to the competent federate state authority charged with supervising local government (Sections 79(2), 95(5) and 121 GO). Certain parts of the budget will require approval by this local government supervisory authority (e.g. the total amount of commitment appropriations, Sections 84(4) and 95f(4) GO and the total amount of borrowing, Sections 85(2) and 95g(2) GO). The mayor can issue and publish the budgetary bye-laws after the necessary approvals have been received from the local government supervisory authority (Section 4(2) GO). Everyone is entitled to consult the budgetary bye-laws and the budget and the notes (principle of disclosure).</p> <p>The annual accounts (Section 93 GO) or the financial statements (Section 95m GO) must be prepared within 3 months of the end of the budget year and presented to the audit office or the audit committee for inspection. After the audit office or the audit committee have completed their audit, the mayor will present the annual accounts or the financial statements with the additional documentation to the local council for advice so they can pass a resolution on these (Sections 95n(3) and 94(3) GO).</p> <p><u>External supervisory/control mechanisms</u></p> <p>The local government supervisory authority (Sections 120 ff. GO for self-government tasks) or the body responsible for specialist supervision (Sections 17 ff. Federate State Administrative Law (Landesverwaltungsgesetz, LVwG) in terms of carrying out directives) are involved as federate state supervisory authorities, based on the nature of the tasks.</p> <p>The authorities responsible for supervising local authorities (Section 121 GO) in Schleswig-Holstein are:</p> <ul style="list-style-type: none"> - For municipalities and towns with a population of more than 20,000 inhabitants and that are part of a district, this will fall to the district administrator, which is the lower-tier, general federate state authority (Section 3(1) no.1 Law on the Establishment of General, Lower Federate State Authorities in Schleswig-Holstein; key phrase "borrowed institution arrangement" (Organleihe) – when a body of an public authority acts on behalf of another public authority and represents this public authority also externally) - For towns with a population of over 20,000 inhabitants, it will be the responsibility of the Schleswig-Holstein Ministry of the Interior, Rural Areas and Integration (Ministerium für Inneres, ländliche Räume und Integration des Landes Schleswig-Holstein, MILI), which is also the supreme federate state authority charged with supervising local government <p>The authorities responsible for specialist supervision (Section 17 LVwG) in Schleswig-Holstein are:</p> <ul style="list-style-type: none"> - For agencies in municipalities belonging to a district, the lower-tier authority responsible for specialist supervision will be the district administrator which is the lower-tier, general federate state authority (Section 3(1) no. 2 Law on the Establishment of General, Lower Federate State Authorities in Schleswig-Holstein, key phrase "borrowed institution arrangement" (Organleihe) – see above) - For the authorities in district-free cities, the highest authorities responsible for specialist supervision will be the highest federate state authority with specialist responsibility for the matters under consideration (Section 5 LVwG).

	<p>Local government audits In Schleswig-Holstein, local government audits are made up of local audits, supra-local audits, and the auditing of the annual financial statements for the local authority economic enterprises. These audits aim to examine the actual processes and procedures in terms of regularity, expediency, efficiency and economy.</p> <p>The Schleswig-Holstein Court of Audit has an extensive audit mandate in the local public sector in accordance with Article 64(2) of the Federate State Constitution for Schleswig-Holstein (LVerf-SH) and Section 2(2) of the Law on the Federate State Court of Audit (Gesetz über den Landesrechnungshof, LRH-G) which is substantiated in the Local Government Audit Act (Kommunalprüfungsgesetz, KPG). In Section 1(3), the KPG, which provides more detail, stipulates that the district administrators as well as the Federate State Court of Audit should act as audit bodies.</p> <p>According to Section 2 KPG, the Federate State Court of Audit is responsible for the supra-local audits for the districts, the district-free cities and the towns with populations of over 20,000 inhabitants. This is irrespective of its right to conduct its own audits to monitor the financial management of other local authorities. Furthermore, the Court of Audit is also responsible for auditing the special-purpose associations that are supervised by MILI.</p> <p>It is also responsible for coordinating and managing the audit of the annual financial statements for the undertakings belonging to these local authorities and requiring auditing according to the KPG (stand-alone municipal enterprises and small corporate enterprises). In other words, it appoints the auditors or firm of auditors, attends the closing meetings and evaluates the audit report (Section 8 ff. KPG). The supra-local audit of local authorities also examines the administration for the holdings (audit of operations); in accordance with Section 54 of the Budgetary Principles Act (Haushaltsgrundsatzgesetz, HGrG), this audit will also include the companies that have been audited according to the German Commercial Code (Handelsgesetzbuch, HGB) rather than the KPG because of their size. In terms of auditing, the Court of Audit of Schleswig-Holstein has overall responsibility for the area in which the MILI is actively the federate state authority charged with supervising local government.</p> <p>According to Section 4(1) KPG, the Court of Audit - in consultation with MILI - can also appoint the district administrator to audit local authorities or specific areas of several local authorities on a case-by-case basis if these are subject to auditing by the district administrator according to Section 3(1) KPG. In Schleswig-Holstein, the responsibility for supervising local authorities (Sections 121(1) and 2 GO/Section 60 District Code (Kreisordnung, KrO)) and supra-local auditing is therefore shared according to the size of the local authorities.</p> <p>The Court of Audit of Schleswig-Holstein can also monitor all local government financial management within the framework of horizontal audits (Section 5a KPG), irrespective of any assignment involving local authority supervision. In this case, individual or several fields of activity at a large number of local authorities will be audited.</p> <p>Local audits are primarily geared towards towns with populations of over 20,000 inhabitants. According to Section 114 GO, these towns must set up an audit office. Other municipalities can set an audit office if there is a need and if the costs are reasonably in proportion to the size of the administration. Section 116 GO regulates the tasks to be carried out by the audit office. There is a distinction between the mandatory tasks (paragraph 1) and additional tasks that the local council can assign to the audit office (paragraph 2). In addition, the audit office should offer its expert opinion on planning or measures, if this is requested by the local council or the mayor (paragraph 3).</p> <p>Section 3(1) KPG states that the district administrator is responsible for the supra-local auditing of the local authorities that it supervises. It performs this duty as the lower-tier, general federate state authority in accordance with Section 3(1) no. 6 of the Law on the Establishment of General, Lower Federate State Authorities in Schleswig-Holstein (Gesetz über die Errichtung allgemeiner unterer Landesbehörden in Schleswig-Holstein). According to Section 3(3) KPG, the district administrator should perform a supra-local audit on local authorities that do not have their own audit office once every five years (Section 3(1) KPG). The cash or the financial accounting should be audited without advance notice at least once every two years. This does not affect audits due to special circumstances.</p>
Thuringia	<p>Audit office (local audit), auditing firms if required (e.g. financial statements for the stand-alone municipal enterprises); lower-tier legal supervision (District Office), higher-tier supervisory authority on points of law (Federate State Administration Department), supreme supervisory authority on points of law (the competent ministry), and the Thuringian Court of Audit (supra-local audit)</p> <p>Local audits: The audit office (local audit) audits the annual accounts and financial statements of the stand-alone municipal enterprises and municipal corporations, unless they are being audited by a chartered accountant. In municipalities that have no audit office, these duties are performed by the rural district audit office. The local audit of the annual accounts and financial statements should be carried out within twelve months of the end of the budget year. The mayor is responsible for the local cash audit. In municipalities that do have an audit office in place, the mayor will use this office. (Section 82 Thuringian Local Authority Code (Thüringer Kommunalordnung, ThürKO))</p> <p>Supra-local audits: The audit will examine compliance with the regulations and principles that apply to economic management, and especially whether:</p> <ol style="list-style-type: none"> 1. The budgetary bye-laws and the budget have been adhered to 2. Income and expenditure are justified and documented, and the annual accounts and evidence of assets have been prepared properly 3. Procedures are efficient and economic 4. Tasks can be performed more efficiently with fewer staff, at less cost or in some other way (Section 84(1) ThürKO).

	<p>In addition to the above items to be audited, supra-local audits also examine ongoing performance and especially the development and exploitation of an authority's own income opportunities, the management of the institutions where cost accounting is involved, the stand-alone municipal enterprises and municipal corporations as well as the handling of investments. (Section 3 Audit Report Law (PrüfBerG)).</p> <p>Legal supervision: In matters relating to its own areas of responsibility and in the public interest, the federate state limits its supervision to monitoring the delivery of the statutory public services and the fulfilment of obligations that have been inherited as well as the legal compliance of the administration (legal supervision). In matters relating to delegated areas of responsibility, the federate state monitors how administrative discretion is managed (specialist supervision) in addition to performing legal supervision. (Section 117 ThürKO).</p>
--	---

2.2. Do the municipalities have an audit committee? If so, what are its roles and responsibilities in the audit system at local level?

Hesse	No
Mecklenburg-Western Pomerania	<p>The audit committee is a mandatory committee (Section 36(2) sentences 5 and 6 KV M-V): <i>“An audit committee must be set up in each municipality and in accordance with the Local Government Audit Act (Kommunalprüfungsgesetz). Municipalities that form part of a kind of association of municipalities (corporation under public law) can use that association’s audit committee.”</i></p> <p>The audit committee is governed by the requirements of the Local Government Audit Act (in the version of KPG M-V, last amended by Article 8 of the law of 17 December 2009 [Law and Ordinance Gazette for Mecklenburg-Western Pomerania (Gesetz- und Verordnungsblatt Mecklenburg-Vorpommern, GVOBl.M-V) pages 687 and 720]). Section 1(4) KPG M-V regulates the responsibilities of the audit committee: <i>“The audit committee will perform the local audit. It must use the audit office, if one has been set up.”</i></p> <p>Paragraphs 1 and 2 of Section 3 KPG M-V regulate the local audit tasks: <i>“(1) The local audit includes:</i></p> <ol style="list-style-type: none"> <i>1. The audit of the annual accounts as well as the notes to the annual accounts</i> <i>2. The audit of the consolidated annual accounts as well as the notes to the consolidated annual accounts</i> <i>3. The auditing of compliance with the generally accepted accounting standards</i> <i>4. Examining whether the budget has been properly managed</i> <i>5. Auditing the lawfulness, expediency and efficiency of the administration</i> <i>6. Ongoing monitoring of the municipality’s handling of payments, its stand-alone municipal enterprises, and other special or trust assets</i> <i>7. Auditing cash and special funds on a regular basis and without advance notice</i> <i>8. Examining whether the automated data processing programs used for the municipality's accounting have been checked and approved before use as well as their proper use</i> <i>9. Auditing at least a tenth of the procurements for the budget year</i> <i>10. Auditing the use of donations to parliamentary groups.</i> <p><i>(2) In addition:</i></p> <ol style="list-style-type: none"> <i>1. The economic management of stand-alone municipal enterprises as well as the special and trust assets</i> <i>2. The municipality's operations in enterprises and institutions with a separate legal identity, and</i> <i>3. Cash audits, financial audits and company audits the municipality has reserved the right to perform when committing to a loan, a guarantee, or otherwise can be audited.”</i>
Lower Saxony	<p>Not a mandatory committee – it is a council committee set up on a voluntary basis.</p> <p>In Lower Saxony, the audit office is responsible for all the audit tasks in accordance with Sections 153 ff. Lower Saxony Constitutional Law (Niedersächsisches Kommunalverfassungsgesetz, NKomVG): The rural districts, the Hanover Region, the district-free cities, the large autonomous cities and the autonomous municipalities set up an audit office to carry out audits; other municipalities and associations of municipalities can set up an audit office if there is a need for one and if the costs are reasonably in proportion to the size of the administration. If a municipality or association of municipalities does not have an audit office [...], the audit office for the rural district or the Hanover Region will perform the audit and the municipality or the association of municipalities will pay for it.</p> <p>When assigning tasks, the NKomVG differentiates between the tasks that the audit office must perform and the tasks that the council can assign to the audit office. The mandatory tasks are as follows:</p> <ul style="list-style-type: none"> • Audit of the annual accounts • Audit of the consolidated annual accounts • Ongoing audit of the cash flows and supporting documents in preparation for the annual accounts • Constant monitoring of the local authority’s treasury and the treasury of its stand-alone municipal enterprises, and carrying out cash audits regularly and without advance notice, regardless of the regulations on cash supervision, and

	<ul style="list-style-type: none"> • Auditing the awarding of contracts, including the assignment of stand-alone municipal enterprises and municipal foundations. <p>Additional tasks may include:</p> <ul style="list-style-type: none"> • Auditing the inventories and asset balances • Auditing the administration to examine regularity, expediency and efficiency • Auditing the management of the stand-alone municipal enterprises and the municipal foundations • Auditing the local authority operations involving enterprises and institutions organised under private law, where the local authority has a direct or indirect interest • Performing cash audits, financial audits and company audits if the local authority has reserved the right to carry out such audits when there has been an investment, the granting of a loan or in other circumstances, and • Auditing the financial statements of the local authority foundations in accordance with Section 135(1) sentence 2 NKomVG and auditing the financial statements of the local authority foundations that the local authority is supervising.
Rhineland-Palatinate	All local authorities have their municipal/district council's audit committees. These assemblies are voluntary bodies and they are primarily responsible for auditing the annual accounts in preparation for the municipal/district council's discharge decision. Larger local authorities also have audit offices where there are full-time staff who audit the annual accounts prior to the committee discussions, and then prepare an independent audit report.
Saxony	No, there is no need to set up an audit committee. There is a voluntary option of setting one up.
Saxony-Anhalt	Local authorities can set up an audit committee or delegate auditing tasks to another committee. The audit committee prepares the matters involved in the audit for the council.
Schleswig-Holstein	<p>Yes. Towns with a population of over 20,000 inhabitants <i>must</i> set up an audit office. Other municipalities <i>can</i> set up an audit office, if there is a need for one and if the costs are reasonably in proportion to the size of the administration (Section 11 GO). Sections 115 f. GO outline the position and the tasks. The audit office is responsible for auditing the annual accounts (Section 94 GO) or the annual financial statements and management report (Section 95n GO), and the consolidated financial statements and management report (Section 95o(7) GO). It is also responsible for auditing the cash flows and supporting documents, constantly monitoring the treasury and the financial accounting of the local authority and its stand-alone municipal enterprises as well as performing cash audits and auditing the financial accounts without any advance notice and examining the regularity, expediency and efficiency of the administration, the stand-alone municipal enterprises and the other special assets. The local council can delegate other tasks to the audit office. Examples of these are listed in Section 116(2) GO (e.g. audit of inventories, assets, and the awarding of contracts, etc.). The audit office must provide its expert opinion about specific planning or measures when requested by the local council, the mayor or the main council committee.</p> <p>When auditing the accounts or the financial statements, a local council committee (audit committee) takes the place of the audit office in municipalities that do not have an audit office. It is therefore a legal requirement to have an audit committee (Section 94(5) GO and Section 95n(5) GO) in connection with auditing the accounts or the financial statements <i>if</i> there is no audit office (Section 114 GO).</p>
Thuringia	An audit committee can be set up. The formation, structure and responsibilities of the committees are governed by rules of procedure. (Section 26 Thuringian Local Legislation (Thüringer Kommunalordnung, ThürKO)).

2.3. How is the internal audit system of local government organized? What is its relationship with the external audit system?

Hesse	See explanations in section 2.1: Municipalities with populations of over 50,000 inhabitants have their own audit office. Other than this, these tasks are performed by the rural districts.
Mecklenburg-Western Pomerania	<p>The internal (local) and external (supra-local) auditing of local government is based on the Local Government Audit Act (Kommunalprüfungsgesetz, KPG M-V) .</p> <p>The municipalities, rural districts, associations of municipalities and special-purpose associations are responsible for the local auditing of their financial management and it is a task that falls within their own areas of responsibility.</p> <p>Rural districts and municipalities with populations of over 20,000 inhabitants set up an audit office, whereas other local authorities can set one up if required, and if the costs are reasonably in proportion to the size of the administration. If a member of a special-purpose association has set up an audit office, this association must use this audit office (cf. Section 1(3) KPG M-V). According to Section 2(1) KPG M-V, the audit office is answerable to the local council. It advises and supports the audit committee. It is not bound by any instructions when assessing facts as part of its local auditing activities. With the agreement of the audit committee, the mayor can commission tasks relating to the audit of the administration to the audit office.</p> <p>The audit committee will perform the local audit. It must use the audit office, if one has been set up (cf. Section 1(4) KPG M-V).</p> <p>The audit committee and the audit office can commission expert third parties as auditors if the subject of the audit necessitates this (cf. Section 1(5) KPG M-V).</p> <p>For the tasks involved in the local audit, please refer to the answer for section 2.2.</p> <p>The internal auditing system bears no relation to the external auditing system.</p>

Lower Saxony	The local authority's audit office is directly answerable to the council and is only accountable to it. The main council committee can commission tasks relating to the audit of the administration to the audit office. The audit office is independent and therefore not bound by instructions when completing the factual assessment of the audit procedures.
Rhineland-Palatinate	The internal audit system primarily consists of the audit committees and the audit offices. In addition, an inspector appointed to supervise the treasury should regularly perform local cash audits. Only the financial statements for local authority enterprises and companies (especially stand-alone municipal enterprises and limited liability companies) are legally required to be externally audited by auditing firms. When the Court of Audit carries out external ("supra-local") audits on local authorities, this is always independent of the internal auditing activities. However, the audit planning will establish whether the audit offices have carried out their own organisational or staff requirements audits. If these have been carried out professionally and are current, the external supra-local audit may not inspect these areas in order to avoid an uneconomical duplication in its own audit.
Saxony	The internal audit system forms the local audit. Depending on the type of entity, it may have its own audit office, appoint its own local authority auditor, use other local authority audit offices or auditors, or commission chartered accountants or auditing firms (cf. question 2.1). The external audit is carried out by means of the supra-local audit (Court of Audit of Saxony). The local audit and the supra-local audit are independent of each other. The supra-local audits take the findings of the local audit into account (Section 109(1) sentence 3 SächsGemO). The local audit is performed within the framework of a local authority's right to self-government, whereas the supra-local audit is a federate state measure for monitoring municipalities in accordance with Section 89(1) SächsVerf to supervise legality.
Saxony-Anhalt	The audit office responsible for the local audit (the local authority's own audit office, another local authority audit office appointed by the local authority itself, or the rural district audit office) is independent and is not bound by any instructions when completing the audit tasks assigned to it (Section 139(1) KVG LSA). The local audit is not subordinate to the supra-local audit. However, the local audit is also subject to supra-local auditing (external federate state audit). The Court of Audit of Saxony-Anhalt acts as an "external auditing system" and advises on local audits (no. 6 of the General Principles for the Supra-Local Auditing of Local Authorities - circular of 15/06/2010 issued by the Saxony-Anhalt Court of Audit - Ministerial Law Gazette (Ministerialblatt, MBI) p. 472).
Schleswig-Holstein	See explanations in sections I. 2.1 and 2.2.
Thuringia	The audit office (local audit) audits the annual accounts and financial statements of the stand-alone municipal enterprises and municipal corporations, unless they are being audited by a chartered accountant. In municipalities that have no audit office, these duties are performed by the rural district audit office. The local audit of the accounts and financial statements should be carried out within twelve months of the end of the budget year. The mayor is responsible for the local cash audit. In municipalities that do have an audit office in place, the mayor will use this office. (Section 82 Thuringian Local Authority Code (Thüringer Kommunalordnung, ThürKO)) The audit office is independent when performing audits. It cannot be instructed on the scope and the nature of the audit, or the findings of the audit. The head and the deputy head of the audit office must be established civil servants. As a minimum requirement, they must be qualified for higher, non-technical, public administrative service, and must be suitable and have the required experience for their post. The mayor will commission or dismiss the head, the deputy head or the auditors at the audit office by resolution of the municipal council. A resolution to dismiss the head or the deputy head of the audit office against their will is only possible if they have failed to complete their tasks properly; it will require a two thirds majority of the members of the municipal council to be passed. (Section 81 ThürKO) Supra-local audits should be based on the findings of the local audits. Duplicated audits should be limited to random samples unless the auditor considers a more intensive scrutiny to be necessary. (Section 3 Audit Report Law (PrüfBerG)).

2.4. How is the external audit system of local government organized? Which bodies are involved (state, regional/local audit institutions or private firms of auditors, etc.)?

Hesse	See explanations in section I. 2.1
Mecklenburg-Western Pomerania	This is based on the current provisions of the KPG M-V: <i>"Section 4 The supra-local audit</i> <i>(1) The financial management and other administrative activities performed by the municipalities, rural districts, associations of municipalities and special-purpose associations are subject to supra-local auditing by the auditing bodies. The auditing bodies are the Federate State Court of Audit and the district administrator, which is a lower federate state administrative body.</i> <i>(2) Other public bodies where the members are local authorities and public corporations set up by local authorities are subject to supra-local auditing according to this law, if this is stipulated in the legal provisions. They are subject to the regulations governing local authorities when this law is applied. The highest competent federate state authority will take the place of the supervisory authority on points of law.</i> <i>Section 5 Auditing by the Federate State Court of Audit</i> <i>The Federate State Court of Audit is responsible for the supra-local auditing of the local authorities if they are subject to direct legal supervision by the federate state. The federate state, in consultation with the Ministry of the Interior, can also carry out horizontal audits at other local authorities. Supra-local audits also include the tasks specified in paragraph III of this law.</i>

	<p><i>Section 6 Auditing by the district administrator</i></p> <p><i>(1) The district administrator is responsible for the supra-local auditing of local authorities that fall within its jurisdiction for legal supervision.</i></p> <p><i>(2) Within the context of the responsibilities according to this law, the district administrator uses the rural district audit office as the audit office for the local authority. Section 2(1) sentence 3 accordingly applies to the district administrator, the head of the audit office and the auditors.</i></p> <p><i>(3) Local authorities as specified in paragraph 1 that have not set up an audit office must be audited once every four years. Cash audits without advance notice must be performed at least once a year. This does not affect audits due to special circumstances.</i></p> <p><i>(4) Section 2(3) and (4) accordingly apply to the audit activities performed by the head of the audit office and the auditors.”</i></p> <p>The audit body will set the time, the nature and the scope of the audit. It can use its own professional judgement when limiting the audit or involving third party expertise (cf. Section 7(2) KPG M-V). According to Section 7(3) KPG M-V, the competent supervisory authority on points of law will give notice of planned audits and which areas will be the focus of these audits. It works in consultation with the Federate State Court of Audit and the Ministry of the Interior to ensure the audit is performed properly.</p> <p>The supra-local audit will also examine the financial statements and the management reports produced by the stand-alone municipal enterprises and special-purpose associations insofar as their management complies with the Regulation on Stand-alone Municipal Enterprises. The financial statements of local authority enterprises and institutions managed according to private law are also subject to auditing in as far as their financial statements are to be audited according to the corresponding provisions included in the statutes or the articles of association. After consulting the institution that is subject to auditing, the Federate State Court of Audit appoints a chartered accountant or an auditing firm (statutory auditor) to audit the financial statements on behalf of and for the account of the institution that must be audited. According to Section 323 German Commercial Code (Handelsgesetzbuch, HGB), the statutory auditor is also accountable to the Federate State Court of Audit.</p>
Lower Saxony	External auditing systems will be involved if the financial statements of local authority enterprises or enterprises in which local authorities hold a participating interest are subject to auditing according to HGB regulations.
Rhineland-Palatinate	The Court of Audit, as the highest federate state authority, is responsible for the supra-local auditing of local authorities. On the basis of legal authorisation, it has delegated the auditing of the large number of smaller local authorities that are part of districts in Rhineland-Palatinate to the municipal audit offices set up at the 24 district administrations. They perform the audit tasks as the lower-tier federate state general administrative bodies and are supervised by the Court of Audit. The Court of Audit can also engage experts during the audit (these may also be in the form of private auditing firms, if necessary). However, this rarely happens because the staff at the Court of Audit always have the necessary skills.
Saxony	<p>The Court of Audit of Saxony is the supra-local auditing body. Three Federate State Audit Offices have been set up to prepare, support and complete the Court of Audit's auditing work. The State Audit Offices are subordinate to the Court of Audit. The Court of Audit assigns the State Audit Offices with audit tasks for one financial year at a time. The State Audit Offices complete their audits as instructed by the Court of Audit and in accordance with Saxon Budget Code (Sächsische Haushaltsordnung).</p> <p>The Court of Audit of Saxony can appoint external agencies to carry out auditing or consultancy work in specific cases. However, this is an absolute exception.</p>
Saxony-Anhalt	<p>The local authorities are subject to supra-local audits (federate state auditing as an external audit system). In Saxony-Anhalt, these are performed by the Court of Audit (for local authorities with populations of over 25,000 inhabitants or special-purpose associations) or by the rural district's audit offices (Section 137 KVG LSA).</p> <p>The auditing bodies involve the relevant authority charged with supervising local government in the audit preparations. The appropriate local government supervisory authority requires the audited local authorities to deal with objections arising from the supra-local audit.</p> <p>The audited local authority will comment on the respective audit report. The relevant council will pass a resolution on the comments made by the administration (senior administrative official).</p>
Schleswig-Holstein	See explanations in sections I. 2.1 and 2.2.
Thuringia	The supra-local audit of accounts is carried out after the annual accounts and the financial statements for the stand-alone municipal enterprises, the hospitals with commercial accounting system and the local authority institutions have been approved (Section 83 ThürKO). The Court of Audit of Thuringia has been assigned responsibility for carrying out the supra-local audits and the supra-local cash audits. In isolated cases, private auditing firms can be engaged.

3. Was any analysis, audit or other research of the external auditing system of municipalities carried out in your country (by SAI, other institutions or organisations)? If yes, please outline the main findings of such a research.

Hesse	<p>Bertelsmann Foundation. [Financial supervision of local authorities – a comparison of the structures, rationalities and implementation in the federate states] LebensWerteKommune, issue 1/2017 (in German): The <u>supervisory bodies for law</u> in Hesse, North Rhine-Westphalia and Saxony were the subjects of the research.</p> <p>1. Involvement and position of lower-tier legal supervision to ensure the independent handling of the facts relating to legal compliance:</p> <ul style="list-style-type: none"> • The object of the supervision is legal compliance, not expediency or efficiency (this is the responsibility of the supra-local audit of local authorities), but there is a lot of room for discretion • Findings in Hesse: there are large variations in supervisory practice and there is insufficient enforcement of the law with respect to the municipalities • But: 90% of municipalities state they have a good relationship with the supervisory authority (in spite of strict requirements): constructive supervision – expert "advice"– partnership based on "equality" • From the point of view of the supervisory authorities: early involvement saves work, "moving in the same direction" and "supervised" at the same time • The intensity of the supervision has increased in Hesse (more advice and monitoring), via the 'protective umbrella of local authorities' programme (programme for the partial debt relief of highly indebted municipalities and rural districts)a safety net programme), among other things. <p>2. Depth of inspection within the context of preventative supervision, staffing:</p> <ul style="list-style-type: none"> • There is a huge disparity between the number of staff and the range of supervision in the higher and lower-tier supervisory bodies for law in Hesse • There are higher staffing levels in the intermediate authority because the regional council is the supervisory body for the local councils who are included in the 'protective umbrella' • However: there is a risk that the depth of monitoring will vary and that municipalities will not be treated equally, depending on the prevailing allocation of staff • Aim: Specify minimum staffing levels • Staff have usually completed the traditional training in administration or law studies. There is a desire for more interdisciplinary skills and more professional experience in the finance department as well as a need for tailor-made education and training opportunities. <p>3. The use of repressive instruments for supervision (objections, suspension, directives, performance of substitutive measures, or appointing a representative).</p> <p>4. Collaboration among the supervisory authorities: Criticism:</p> <ul style="list-style-type: none"> • The supervisory bodies largely work in isolation from each other • The supervisory staff working for the intermediate authority and the districts criticise the fact that the ordinances lack applicability; the districts criticise the lack of involvement in the preparation of the ordinances • At district level in particular: great desire for clear standards and guidelines (2/3 of the employees see potential for improvement) • Reporting obligations are perceived as a "burden without any benefits". <p>There is no knowledge of an analysis/investigation of the supra-local audit of local authorities.</p>
Mecklenburg-Western Pomerania	<p>Audits performed by the Federate State Court of Audit where it examines the organisation of supra-local audits of local authorities in the areas belonging to a district:</p> <ul style="list-style-type: none"> • Audit (cf. Mecklenburg-Western Pomerania Court of Audit (2011): Annual Report 2011 (Part 2) – Federate State Financial Report 2011 p. 240 ff., and • Follow-up audit (cf. Mecklenburg-Western Pomerania Court of Audit (2017): Annual Report 2016 (Part 2) – Local Authority Financial Report 2016, p. 115 ff.). <p>The annual reports are available at http://www.lrh-mv.de/Veröffentlichungen/Jahresberichte/ (in German).</p> <p>The subjects of the audit included the level of arrears for the regularity audits that should be carried out on a regular basis, and the staffing allocated to the tasks involved in the supra-local audits of local authorities.</p>
Lower Saxony	<p>The supra-local auditing of local authorities was part of a highly political debate and was reorganised on 01/01/2011. On this date, the independent institution that was responsible for this task in the Federate State of Lower Saxony (Lower Saxony Institution for Local Government Auditing) was dissolved and the task was assigned to the President of the Lower Saxony Court of Audit as the public authority. There has not yet been a specific analysis, inspection or other investigations of the external audit system.</p>
Rhineland-Palatinate	No
Saxony	<p>1) Peer review of the Court of Audit of Saxony (2010): The results were presented in the Federal Court of Audit's final report of 28/05/2010.</p>

	<p>The findings and recommendations either directly or indirectly relating to the local authorities were as follows:</p> <ul style="list-style-type: none"> - Change to the financial regulations to ensure the independence of the Court of Audit of Saxony (item 0.1 of the final report) - Unaudited activities are a cause for concern when auditing local authority enterprises. The number of auditors allocated for local auditing requires improvement (0.3) - The strategic management must be improved to provide a framework for operational activities (0.4) - The auditing of construction projects must be more organised in terms of responsibilities (0.8). <p>2) Saxon Court of Audit Annual Report 2010, item 28: "Effectiveness of the supra-local auditing of local authorities" p. 233 - 241:</p> <p>The Saxon Court of Audit re-examined the effectiveness of supra-local auditing by means of an extensive survey in 2009. The results confirm the supra-local audit is highly independent and objective and that its advisory work is valued. A potential improvement would be prompt reporting.</p>
Saxony-Anhalt	<p>In 2007, the Court of Audit of Saxony-Anhalt carried out a supra-local audit of local authorities in rural districts in the Federate State of Saxony-Anhalt. It focused on the "level of accomplishment of tasks in terms of the auditing of accounts and local authority supervision".</p> <p>In doing so, the Court of Audit has established that:</p> <ul style="list-style-type: none"> - Improvements in the quantity and the quality of staffing for the supervision of local authorities and auditing of accounts are required so that the tasks can be completed - There are additional requirements in terms of quality and quantity with respect to the supervision of local authorities and auditing of accounts in particular. This is due to the transfer of tasks involved in the functional reform that was proposed and the advice to the towns and municipalities belonging to districts when the unitary authorities and associations of municipalities were being created - The strained budgetary situation and the requirement for budgetary consolidation in the rural districts as well as the towns, municipalities and administrative associations belonging to a district mean that local government needs to be closely supervised and audited, and - The introduction of double-entry accounting also presents new challenges both for the supervision of local government and for auditing. <p>The findings are summarised in an advisory statement in accordance with Section 88(2) Federate State Budget Regulations for the Federate State of Saxony-Anhalt (Landeshaushaltsordnung des Landes Sachsen-Anhalt) of June 2008.</p>
Schleswig-Holstein	<p>Consistency has largely been maintained in the supra-local audits of local authorities in Schleswig Holstein in spite of the fact that the functions and the tasks are shared between the Court of Audit of Schleswig-Holstein and the district administrators. Attention is to be drawn first to Section 4 KPG. This states that the Court of Audit, in consultation with the MILLI, can appoint the district administrator to audit local authorities in isolated cases, and that the district administrator should be involved in auditing local authorities belonging to a district. However, regular exchanges of knowledge between the Court of Audit and the municipal audit offices in the districts, joint audits performed by the Court of Audit and the municipal audit offices that focus on previously agreed areas for auditing, and horizontal audits performed throughout the district by the Court of Audit are particularly important in terms of consistency.</p> <p>The Court of Audit of Schleswig-Holstein last completed a horizontal audit on "staffing and the fulfilment of tasks by the local authority auditing bodies" (reference: LRH 43 - Pr 1602/2008). The following conclusions were drawn in the audit letter of 07/2010:</p> <p><i>"In a large, rural state such as Schleswig-Holstein, the structure and organisation of supra-local audits of local authorities represent a suitable solution. It is made up of the Federate State Court of Audit which has maintained central responsibility for the larger cities and the districts, whereas the district administrators perform the local, decentralised auditing of the local authorities that are part of the district. Thanks to close collaboration, the abovementioned advantages of centralisation can also largely be used for the current organisational structure. In this context, it should be noted that the Court of Audit of Schleswig-Holstein has partly worked with the districts' audit offices and municipal audit offices to address a large number of issues and problems concerning the completion of tasks throughout the districts. This involved horizontal auditing according to Section 5a KPG and was independent of the Court's primary responsibility for the large local authorities. A considerable amount of consultancy services have already been provided to the smaller local authorities in the past. This will also be a focus of the audit work performed by the Court of Audit in the future.</i></p> <p><i>In view of this, the Court of Audit will adopt suitable measures so that it continues to work more closely with the municipal audit offices.</i></p> <p><i>However, the districts' audit bodies should act on the suggestions, tips and recommendations set out in section III/points 1 to 5 and use these as a method of improving the quality of supra-local auditing. In this context, reference should be made to the guidance provided so far by the auditing bodies about an "approach to developing supra-local auditing".</i></p> <p><i>Moreover, the Court of Audit's invitation to the federate state municipal associations to discuss the auditing work performed by the Court of Audit and the municipal audit offices should become practice. This would then enable the suggestions concerning key areas for audits, among other items, to be taken into account from a local perspective when planning audits.</i></p> <p><i>Therefore, when all the points have been considered, there is no need to reorganise local government auditing, particularly as a bottom-up devolution of responsibilities would be contrary to the Court of Audit's general opinion on functional reform and the current political discussion."</i></p>
Thuringia	No

4. Please give details on whether there are currently any changes or plans to improve the existing external system for auditing municipalities in your country.

In principle, the audit processes and procedures are undergoing a process of continual improvement.

In the federate state of Mecklenburg-Western Pomerania, a current change to the law grants the Federate State Court of Audit the right to act in place of local authorities and exercise their rights vis-à-vis third parties and perform financial audits in certain areas involving social legislation. The audit rights of the local authorities (e.g. in their role as bodies providing youth and social welfare) and the contracting party remain unchanged.

The Saxony-Anhalt Court of Audit suggested the audit powers of the Court of Audit should be extended to local authorities with populations of up to 25,000 inhabitants. At the same time, the basic responsibilities of the rural districts' audit offices for local authorities with a population of up to 25,000 inhabitants should remain unchanged. Changes to legislation are currently under preparation.

II. THE ROLE OF THE REGIONAL AUDIT INSTITUTION IN THE EXTERNAL AUDITING OF MUNICIPALITIES

1. Describe the legal framework and provide general information on the regional external public sector audit institution:

1.1. Which authority establishes this institution, appoints its heads, employs its staff and provides funding?

Auditing by the Court of Audit is anchored in the federate state constitutions of the relevant German states and developed in federate state law. Accordingly, the Court of Audit is a supreme federate state authority. It is independent and is only subject to the law. The independence is particularly evident in its freedom to act according to its own judgement (what should be audited and when) and independently of instructions.

The Federate State Court of Audit is made up of the President, the Vice President and other members. The President and Vice President are elected by the federate state parliament (in Thuringia and Saxony-Anhalt the other members are also elected; in Schleswig-Holstein, the federate state parliament is involved in appointing the other members). The additional members are usually appointed by the Federate State Prime Minister. All members are protected by judicial independence. The President appoints the other civil servants and engages the other officials; all of them fall under his hierarchical authority.

The Court of Audit is financed through the federate state budget; it receives its own budget which is determined by the budget legislator (parliament).

1.2. Which authority is the institution accountable to? How is the accountability organized (by submitting annual reports etc.)?

Due to the independence of the Court of Audit, there is no accountability in the true sense of the word.

The Court of Audit summarises the key results in an annual report which it presents to the federate state parliament and government. The President of the Court of Audit holds a press conference to inform the media and the public about the findings.

There is accountability to the federate state parliament with respect to its own accounts. The parliament examines the Court of Audit's accounts. A parliamentary subcommittee inspects the Court of Audit's accounts annually by performing random checks on the documentation in preparation for parliament's decision on discharging the accounts.

2. Define the legally established mandate for the regional audit institutions when auditing municipalities:

2.1. What kind of local authorities can the audit institution inspect (including companies owned by municipalities, etc.)?

Hesse	<p>Auditing rights according to Section 132 HGO and Section 4 ÜPKKG:</p> <p>Supra-local audits examine the following:</p> <ol style="list-style-type: none"> 1. The district-free cities 2. The towns and municipalities that are part of a district 3. The rural districts 4. The Hessian Regional Welfare Association 5. The FrankfurtRhineMain Regional Authority 6. The special-purpose association for the Kassel area 7. The compulsory associations according to Section 5 of the law of 8 March 2011 governing the metropolitan region of Frankfurt/Rhine-Main (legal gazette (GVBl.) I p. 153) 8. Local authority data processing centres 9. Special-purpose associations, water and soil associations and the alliance of such associations if the average administrative budget has exceeded three hundred thousand euros over the past three years; the other special-purpose associations and their alliances can be included in the supra-local audit for the members of their association 10. Pension funds for civil servants working for local authorities 11. Supplementary pension funds specifically for salaried and waged employees working for local authorities, and 12. Public bodies that have been established by, or with the involvement of local authorities, with the exception of savings banks <p>Section 123 HGO explains the instruction and audit rights with regards to municipality investments:</p> <p><i>If a municipality's investment in a company does not represent a majority stake within the sense of Section 53 Budgetary Principles Act (Haushaltsgrundsatzgesetz, HGrG), the municipality must work to ensure that either the statutes or the articles of association grant the powers according to Sections 53 and 54 HGrG. If there is an indirect stake, this will only apply if the investment is greater than a quarter of the shares and this stake is in a company in which the municipality has a majority interest – either alone or with other local authorities – within the sense of Section 53 HGrG.</i></p>
-------	--

Mecklenburg-Western Pomerania	<p>See also:</p> <ul style="list-style-type: none"> • Article 68(4) Federate State Constitution (Landesverfassung, LVerf) (“<i>The Federate State Court of Audit supervises the financial management of the local authorities and other legal entities governed by public law and that are subject to supervision by the federate state</i>”) and • Section 4 KPG M-V (“<i>The financial management and any other administrative activities performed by the municipalities, rural districts, associations of municipalities and special-purpose associations are subject to supra-local auditing by auditing bodies.</i>”) as well as • Section 5 KPG M-V (“<i>The Federate Court of Audit is responsible for the supra-local auditing of the local authorities if they are subject to direct legal supervision by the federate state. In consultation with the Ministry of the Interior, it can also carry out horizontal audits at other local authorities. Supra-local audits also include the tasks listed in section III of this law.</i>”). <p>According to Section 7(1) KPG M-V, supra-local audits should particularly establish whether:</p> <ul style="list-style-type: none"> • The financial management and the other administrative activities of the local authority and its special assets comply with law and the supervisory authority’s instructions (regularity audit) • The cash transactions have been carried out correctly (cash audit) • The administration of the local authority and its special assets has been carried out properly and efficiently (performance audit). <p>The audit body can carry out a horizontal audit as a special form of supra-local auditing. This will involve a comparative examination of several local authorities where either one area of responsibility or key areas of information are inspected (cf. Section 7(4) KPG M-V).</p> <p>The Court of Audit is also responsible for auditing the financial statements and management reports of the stand-alone municipal enterprises and the special-purpose associations if their management is governed by the provisions of the Regulations on Stand-alone Municipal Enterprises (cf. section III [Sections 11 ff.] KPH M-V). The financial statements of local authority enterprises and institutions managed according to private law are also subject to auditing if their financial statements are to be audited according to Section 73(1) no. 2a KV M-V and the corresponding provisions in the statutes or the articles of association (cf. Section 11(1) sentence 2 KPG M-V).</p> <p>After consulting the institution that is subject to auditing, the Court of Audit appoints a chartered accountant or an auditing firm (statutory auditor) to audit the financial statements on behalf of and for the account of the institution that must be audited. According to Section 323 German Commercial Code (Handelsgesetzbuch, HGB), the statutory auditor is also answerable to the Court of Audit (cf. Section 13(2) KPG M-V).</p>
Lower Saxony	<ul style="list-style-type: none"> • Municipalities, associations of municipalities, rural districts, local authority institutions, shared local authority institutions, special-purpose associations, the "Greater Brunswick" Regional Authority, the Lower Saxony pension fund and the pension fund for civil servants working for the municipalities and associations of local authorities in the former state of Oldenburg (bodies to be audited) • Legally-independent private enterprises in which institutions subject to auditing as defined in Section 53 HGrG have acquired an interest, if the articles of association or the company statutes have granted the federate state the right to perform audits with reference to the Lower Saxony Local Audit Act (Niedersächsisches Kommunalprüfungsgesetz, NKPG).
Rhineland-Palatinate	<p>The Court of Audit will audit the local authorities as well as their businesses and enterprises managed according to public and private law. Enterprises managed according to private law and in which a local authority or other public bodies have a majority holding can only be founded if the articles of association grant the Court of Audit the right to inspect their financial management. The same applies if local authorities wish to have a share in existing companies.</p>
Saxony	<p>Rural districts, district-free cities, municipalities, administrative associations, special-purpose associations, regional planning associations, other local authority associations, stand-alone municipal enterprises, stand-alone municipal companies, local authority shareholdings (companies) – if the relevant audit rights have been granted – and local authority foundations</p>
Saxony-Anhalt	<p>The audit institution can audit the actual local authority, the stand-alone municipal enterprises, institutions governed by public law and special-purpose associations. The audit institution can only audit local authority enterprises and investments managed according to private law if they have been granted the right to do so.</p>
Schleswig-Holstein	<p>The Federate State Court of Audit has a comprehensive mandate to perform audits at local level (Article 64(2) Federate State Constitution for Schleswig-Holstein (LVerf-SH) and Section 2(2) Law on the Federate State Court of Audit (Landesrechnungshof, LRH-G) and the KPG). There are no unaudited activities. See explanations in section 2.1.</p>
Thuringia	<p>All local authorities are subject to supra-local auditing of their accounts and cash. (Section 1 PrüfBerG)</p> <p>The management of the hospitals and the financial statements are subject to auditing. (Section 84(2) ThürKO)</p> <p>The audit will also examine the management of the stand-alone municipal enterprises. (Section 84(3) ThürKO)</p> <p>Municipal operations in enterprises managed under private law where a municipality has a direct or indirect investment will be included in the audit taking into account the general principles of sound business. The same applies to commercial and industrial cooperatives in which the municipality is a member. The audit will also include financial audits, company audits and other audits the municipality has reserved the right to perform when committing to a loan, or otherwise. (Section 84(4) ThürKO)</p>

2.2. What type of audits may be carried out (performance, financial or regularity audits, etc.)?

Hesse	According to Section 3 of the Law on the Supra-Local Audit of Local Authorities (Gesetz zur Regelung der überörtlichen Prüfung kommunaler Körperschaften, ÜPKKG), the supra-local audit of local authorities must determine whether the administration has been managed lawfully, properly and efficiently . This will be determined by conducting specialist audits and auditing the budget structure on a comparative basis.
Mecklenburg-Western Pomerania	Regularity audit, cash audit and performance audit (cf. answer to section II 2.1).
Lower Saxony	Regularity and performance audits
Rhineland-Palatinate	The types of audit that can be carried out are not restricted by the law.
Saxony	Section 109(1) Saxon Municipal Code (Sächsische Gemeindeordnung, SächsGemO) (statutory audit): <ul style="list-style-type: none"> - Regularity audit - Examine whether government grants have been used as intended Section 109(2) SächsGemO (voluntary audit on a discretionary basis): <ul style="list-style-type: none"> - Organisation - Efficiency
Saxony-Anhalt	Regularity, cash and performance audits are carried out in accordance with Section 137(4) of the Constitution for the State of Saxony-Anhalt (Kommunalverfassungsgesetz des Landes Sachsen-Anhalt, KVG LSA).
Schleswig-Holstein	In accordance with Section 5(1) of the Local Government Audit Act (Kommunalprüfungsgesetz, KPG), supra-local audits of local authorities particularly include: <ul style="list-style-type: none"> - Regularity audit - Cash audits/financial accounting audit - Performance audit - Fund allocation audit
Thuringia	- Supra-local audit (Section 3 Thuringia Audit Report Law (ThürPrüfBerG)) - Supra-local cash audit (Section 4 ThürPrüfBerG) - Comparative audit (Section 4a ThürPrüfBerG) These types of audits will examine the efficiency, regularity and the legality of the actions of the administration.

2.3. What is the scope (subject matter) of each type of audit (municipal budget execution, financial statements, use and management of municipal assets etc.)?

Hesse	According to Section 3(1) sentence 2 ÜPKKG, comparative assessments will be performed to particularly examine whether: <ol style="list-style-type: none"> 1. The principles for raising revenue have been followed (Section 93 HGO) 2. The organisation of staff is fit for purpose and posts are appropriately evaluated 3. With respect to investments, the performance limits are respected, the anticipated requirements are taken into account, and the planning and execution are carried out in an economic and efficient manner 4. Institutions are operated according to economic criteria and comply with their intended public purpose 5. Loans and financial investments are regularly adjusted to changing market conditions 6. The extent of voluntary services corresponds to capacity and will not have a permanent, negative impact on statutory or contractual obligations 7. Tasks cannot be performed more cheaply in organisations with a different legal status or by a third party 8. The general strength of the finances or the status of the debts are cause for recommending a change to future financial management
Mecklenburg-Western Pomerania	Cf. answer to section II 2.1. Local authorities can be audited in all areas relating to local self-government. The mandate also applies to the performance of tasks in the delegated areas of responsibility.

Lower Saxony	<p>The audit will examine the regularity and efficiency of the management of the budget and the treasury at the institution under inspection. The audit is also used to support the management of the budget and the organisation of the institution to be audited by advising on self-government matters. In particular, suggestions for improvement should be put forward and the opportunities to compare should be used. The audit must be based on the findings of the audits performed by the audit offices (Section 2 NKPG).</p> <p>The auditing body should conflate the audit for several institutions to be inspected and organise it so that the results can be compared. During this process, the audit should be limited to focus areas (Section 3(1) sentences 2 and 3 NKPG).</p>
Rhineland-Palatinate	<p>Subject matters to be regularly audited include a local authority's administrative organisation, its staff requirements, the appropriateness of staff benefits (e.g. jobs have been evaluated correctly), the efficiency and the regularity of administrative actions in selected risk-based areas of responsibility, besides analysing the financial situation of an audited local authority. The focus is on checking efficient practice. The priority is to identify opportunities to reduce expenses and increase earnings. Horizontal audits are performed in addition to these routine audits. The horizontal audits examine a specific audit subject in the same way at several local authorities so that comparative data can provide information for best practice in terms of value for money.</p>
Saxony	<ol style="list-style-type: none"> 1. Regularity audit: <ul style="list-style-type: none"> - Budgeting, monitoring cash, accounting, economic management, accounting systems, the management of assets, auditing of operations, auditing of enterprises (if the audit rights have been granted in the articles of association) - Annual accounts/financial statements and budget - The management of assets and debt 2. Auditing of grants: <ul style="list-style-type: none"> - Notifications of approval, evidence of use and documentation 3. Organisation: <ul style="list-style-type: none"> - The structure of the administration, staffing levels and processes and procedures 4. Performance: <ul style="list-style-type: none"> - The financial management is based on the principles of economy and efficiency - All administrative activities
Saxony-Anhalt	<p>The scope of the audit is also regulated in Section 137(4) KVG LSA.</p> <p>The supra-local audit determines whether:</p> <ol style="list-style-type: none"> 1. The financial management of the local authorities complies with the law and is consistent with the instructions on the performance of tasks, and third-party subsidies for specific purposes have been used as intended 2. A reliable system of cash management has been set up 3. The management of the local authority is carried out in accordance with the principles of efficiency and effectiveness <p>The details are regulated in the previously mentioned circular of 15/06/2010 issued by the Federate State Court of Audit - Ministerial Law Gazette (Ministerialblatt, MBI) p. - 472 General Principles for the Supra-Local Auditing of Local Authorities.</p>
Schleswig-Holstein	<p>Cf. definitions in Section 5(1) KPG:</p> <ul style="list-style-type: none"> - <u>Regularity audit</u>: Examine whether the financial management and the other administrative activities of the local authority and its special assets comply with the legal provisions and the instructions of the supervisory authorities. - <u>Cash audits/financial accounting audits</u>: Examine whether cash transactions have been managed correctly and whether there is adequate and orderly financial accounting. - <u>Performance audit</u>: Examine whether the local authority and its special assets have been managed properly and efficiently. - <u>Fund allocation audit</u>: Examine whether ear-marked grants provided by the federal government, the federate state, or other public bodies have been used as intended. <p>The first aim of the local government audit is to perform on-site enquiries to determine the facts, i.e. the financial data, organisational structures, processes and the decisions taken by the local authorities, and then to analyse and evaluate these in terms of their regularity, suitability and efficiency. This knowledge is ultimately used to provide information and recommendations so that local authority tasks can be completed more efficiently and in a manner that is legally compliant. In these circumstances, the Federate State Court of Audit increasingly performs the role of a forward-thinking consultant for decision-makers in local government.</p>
Thuringia	<p>The audit will examine compliance with the regulations and principles that apply to economic management, and especially whether:</p> <ol style="list-style-type: none"> 1. The budgetary bye-laws and the budget have been adhered to

	<p>2. Income and expenditure are justified and documented, and the accounts and evidence of assets have been prepared properly</p> <p>3. Procedures are efficient and economic</p> <p>4. Tasks can be performed with fewer staff and at less cost, or in some other way that is more efficient (Section 84(1) ThürKO)</p> <p>Supra-local audits extend beyond the items to be audited according to Section 84(1) ThürKO. They also examine ongoing performance, especially with respect to an authority's development and exploitation of its own income opportunities, the management of the organisations where there is cost accounting, the stand-alone municipal enterprises and local authority institutions, as well as the handling of investments. (Section 3 PrüfBerG)</p> <p>Cash audits examine whether cash transactions have been completed correctly and whether the cash offices have been set up properly and the interaction with management. (Section 84(5) ThürKO)</p> <p>A supra-local audit can take the form of a comparative audit (horizontal audit); in this case it will usually be restricted to one or several specific tasks performed by the inspected authorities. (Section 4a ThürPrüfBerG)</p>
--	--

3. Describe how the regional audit institution implements the audit mandate in practice according to the type of audit:

3.1. Financial audit (3.1.1. - 3.1.4.)

- 3.1.1. Describe the main aspects of planning and organizing the financial audit in municipalities
- 3.1.2. Is the financial audit carried out in all local authorities of the region or only in selected ones? Is the financial audit performed annually? What is the approximate number of financial audits per year?
- 3.1.3. Is the financial audit performed separately or together with the regularity (or other) audit?
- 3.1.4. What types of documents does the audit institution prepare for reporting the results of the financial audit (audit report, opinion etc.)? Which are the entities these documents are submitted to?

Hesse	<ul style="list-style-type: none"> - Comparative audits examine accountancy, efficiency and regularity together and not as separate entities. The following statements therefore also apply to sections 3.2 and 3.3. - It is the Court of Audit President's responsibility to define the time, type and scope of the audit (Section 5 ÜPKKG); in other words, the planning/scheduling of the audit, the content of the audit, the key areas to be audited and select the subjects of the audit (local authorities, special-purpose associations, etc.) - A set of benchmarks for the local authorities is compiled for each audit. The selection criteria include key points for the audit, population figures, infrastructure and the economic situation etc. - An external auditing firm can be commissioned when the audit is to be performed (authorized audit representative). This will be advertised throughout Europe as part of an official tender procedure, depending on the value of the contact. The selection will involve creative competition. - District-free cities, rural districts, the Hessian Regional Welfare Association and the FrankfurtRhineMain Regional Authority must be audited at least once every 5 years (Sections 4 and 5 ÜPKKG). There are no time stipulations for the other local authorities listed in Section 4(1) ÜPKKG. The 5-year deadline applies as guidance, but can be shortened in individual cases. The aim is to perform supra-local comparative audits for all Hessian local authorities, special purpose associations etc. at regular intervals. - Approximately 6-7 supra-local audits are started annually and concluded two years later – in other words, the tendering/award may be in 2017, the on-site enquiries/preliminary audit findings in 2018, and the closing reports and full report (local authority report) in 2019. This also anticipates 2-3 budget structure audits and 3-4 specialist audits. - A criteria for every audit is to determine whether the administration is managed correctly and efficiently and that it complies with the law (Section 3(1) ÜPKKG). - Before commencing the audit, the Supra-Local Audit of Local Authorities (ÜPKK) will send notification of the audit to inform the local authorities concerned about the impending audit, its contents, and its time frame. - If an authorized audit representative is used, this auditor is responsible for collecting the data. The data is usually based on the financial data of the Hessian Statistical Office and, if currently available, the audit reports for the financial statements. Additional documents and records (e.g. calculations of charges) are collected or additional consultations are made during the on-site enquiries. Questionnaires are used, if necessary. - The on-site inspection (local enquiries) will begin with an introductory briefing which will outline the main features of the audit. There will be a meeting to discuss the data and facts that have been collected with the local authority. - After the local enquiries have been completed, the results of the audit will be presented to the audited body in the form of "preliminary audit findings". These results will be examined at operational level during an interim discussion and any necessary amendments will be incorporated in the report. Finally, the audited bodies will receive the "audit findings" in the form of the draft final report. The contradictory procedure will then begin (Section 6(1) ÜPKKG)). The audited bodies have the opportunity to send in their written comments about the audit findings. These are then discussed at the closing meeting. The results of the audit are summarised in a final report which will be forwarded to the decision-making body (city council, local council, or district council, etc.). This will enable the audit findings to be incorporated in the political decisions, and at the same time it will create transparency. The supervisory authority and the audit office will also receive the final report.
Mecklenburg-Western Pomerania	<p>For sections 3.1.1. – 3.1.3.:</p> <p>With respect to the performance of the auditing tasks (defining the subject of the audit and how the audit is to be carried out), please refer to the Federate State Court of Audit Regulations (Prüfungsordnung des Landesrechnungshofes, PO-LRH) and especially Sections 8 ff.PO-LRH:</p>

	<p><i>“Section 8 PO-LRH General</i> <i>Before the beginning of each calendar year, the audit plan lists the audit tasks to be performed during the next calendar year with the staffing required and the time frame they will be required for in each case. This audit plan is based on an analysis of tasks and the risks. Therefore the departments continually analyse the areas that fall within their remit by systematically recording the audit subjects and topics and then identifying audit fields (analysis of tasks). For the audit fields, they will evaluate the risks that exist for the financial management of the federate state or the local authorities (risk analysis), while taking into account the financial significance, current developments and the need to ensure there are no unaudited activities etc.”</i></p> <p>Moreover, it must be pointed out that is not possible to give a blanket response to these questions because each case needs to be considered individually.</p> <p>For section 3.1.4.: Cf. the following regulations in the KPG M-V:</p> <p><i>Section 9 Audit results</i> (1) <i>The audit body should hold a closing meeting to discuss the findings of the audits with the local authority in accordance with 7(1) no. 1 and 3. The supervisory authority on points of law and the audit institution responsible for the local audit should be given the opportunity to participate.</i> (2) <i>The audit body should inform the local authority and the supervisory authority on points of law about the key audit findings and its recommendations by means of a written record.</i> (3) <i>The local authority should forward comments about the audit results to the supervisory authority on points of law. In particular, it should indicate whether account has been taken of the audit findings. The supervisory authority on points of law will evaluate the comments and, after consulting the audit body, will decide on closing the audit.</i></p> <p><i>Section 10 Duty to report</i> (1) <i>When requested, the district administrator must report to the Federate State Court of Audit about the results of its audit if the bodies he has audited have used federate state budgetary resources.</i> (2) <i>The local authority representatives must be notified about the findings of the audit. Each political group must receive at least one copy of the findings.</i> (3) <i>As soon as the local authority representatives have been notified about the findings of the audit, these must be made accessible to the public for seven working days and during normal opening hours, while taking into account the regulations of the federate state data protection law. A public announcement must provide advance notice of the location and the time of the availability for public inspection.</i> (4) <i>Federate state authorities performing their own audits or commissioning these must forward their audit reports to the audit body responsible for the supra-local audits. The audit schedules must be agreed upon in each case.”</i></p>
Lower Saxony	Under the assumption that accounting refers to a local authority's bookkeeping, cash management and annual accounts, it should be noted that the local audit offices are responsible for this audit. Responsibility for the supra-local auditing of local authorities has not been assigned in this subject matter in Lower Saxony.
Rhineland-Palatinate	Cf. II 3.4.
Saxony	<p>For 3.1.1: According to the audit guidelines issued by the Court of Audit of Saxony, the most important aspects of the planning and organisation of audits in terms of the selection criteria used for audit planning are as follows: the time interval since the last audit, publicity (the impact and topicality of possible audit findings), anticipated bundling effects, volumes of finance and the extent of employment involved (financial significance of the subject of the audit). The selection of audit topics is based on risk. The audit can focus on areas and involve samples.</p> <p>For 3.1.2.: There will be a financial audit of all the bodies listed under 1.1. and that are subject to regular audits. According to the law, this should be carried out within 5 years of the end of the budget year. Approximately 150 audits are performed each year. Horizontal audits are additionally performed on selected topics.</p> <p>For 3.1.3.: The financial audits are carried out with the regularity audits and the performance audits.</p> <p>For 3.1.4.: The audit report sent to the municipality and the supervisory authority on points of law is used as the documentation. If necessary, additional information is sent to the bodies of the administration (when there are comments that are less significant: for example formalities, account assignments or similar).</p>
Saxony-Anhalt	<p>3.1.1. The Federate State Court of Audit plans the audits so that each local authority to be audited is audited at least once every four years, if possible. The supra-local (external) audit is based on the findings of the local audit, as the local authorities' accounting practices are inspected as part of the local audit which examines the annual accounts every year.</p> <p>3.1.2. All local authority accounts are audited as a matter of principle. Audits do not take place every year (see above). Approximately 18 – 20 audits are performed in total.</p> <p>3.1.3. Audits are regularly combined with regularity audits and performance audits.</p> <p>3.1.4. In accordance with Section 137(5) KVG LSA, the results of an audit are forwarded to the following bodies in the form of an audit report:</p> <ul style="list-style-type: none"> - The audited local authority - The authority/authorities charged with supervising local government - The bodies in charge of specialist supervision, when their competence is involved - The Federate State Court of Audit unless it performed the audit itself (in other words, if the rural district audit office has performed the audit). <p>The supra-local audit does not supply an audit opinion/certification.</p>

Schleswig-Holstein	See explanations in section II 3.4.
Thuringia	<p>At the end of the year, all the departments at the Thuringian Court of Audit draw up a plan for the following year. This plan sets out the local authorities to be audited, the type of audit and the auditors. Approximately 30 local authorities are audited each year.</p> <p>After the decision-making body of the Court of Audit (collegial body made up of the members of the court) has discussed the plan for the year, the auditors prepare the audit approach to support each audit process. The relevant collegial body (senate) will sign these.</p> <p>The local authorities are sent a letter notifying them about the audits and arranging them. In most cases, the letter from the Court of Audit will also request the initial data from the local authority (e.g. the budget account, budget plans, budgetary bye-laws and budget books, etc.).</p> <p>The opening discussion then takes place. This is attended by representatives from the municipalities to be audited and representatives from the Court of Audit. The Court of Audit will invite the supervisory authority on points of law to attend the discussion.</p> <p>In the next step, the auditors will collect further information on site.</p> <p>The findings of the audit are recorded in an audit report. The draft version of the audit report is sent to the audited local authorities, with a request to make comments. If necessary, there will be another follow-up meeting to discuss the key findings of the audit. The auditor will evaluate the comments submitted by the municipality and will then produce the final audit report.</p> <p>As soon as the audit reports have been compiled, the Court of Audit sends them to:</p> <ol style="list-style-type: none"> 1. The legal representative of the audited body or this person's representative in office, and 2. The supervisory authority on points of law responsible for supervising the audited body. Local authority representatives are notified about the audit reports. Each political group receives at least one copy. <p>The Court of Audit contacts the supervisory authority on points of law with regards to the settling of any unresolved audit deficiencies arising during the audit. The supervisory body will use its professional judgement when deciding about further action. (Section 7 PrüfBerG)</p>

3.2. Regularity audit (3.2.1. - 3.2.3.)

3.2.1. Describe the main aspects of planning and organizing the regularity audit in municipalities. Are regularity audits performed separately or together with financial or performance audits?

3.2.2. If the regularity audit is performed separately:

- Does the audit cover one topic in all local authorities of the region or in several of them (horizontal audit), or is the scope of the audit limited to one local authority (municipality)?
- Is the regularity audit performed annually? What is the approximate number of regularity audits per year?

3.2.3. What types of documents does the audit institution prepare for reporting the results of the regularity audit (audit report etc.)? Which are the entities these documents are submitted to?

Hesse	<ul style="list-style-type: none"> - According to Section 3(1) ÜPKKG, the Supra-Local Audit of Local Authorities must determine whether the administration has been managed lawfully and properly <u>and</u> efficiently. These are not treated separately. However, the three criteria can be given a different emphasis when scrutinised, depending on the subject being audited. - For the audit process, please refer to the information in 3.1.
Mecklenburg-Western Pomerania	<p>For section 3.2.1.:</p> <p>The decision on whether the audits will be performed separately or together will depend on the circumstances of the individual case.</p> <p>For number 3.2.2.:</p> <p>In the case of horizontal auditing, the audits are performed at several local authorities. Otherwise they are performed at individual local authorities.</p> <p>For number 3.2.3.:</p> <p>Cf. answer to number 3.1. The audit body sends a written record of the key audit findings and its recommendations to the local authority and the supervisory authority on points of law (Ministry of the Interior and Europe as well as the district administrator as the lower-tier federate state administrative body).</p>
Lower Saxony	<p>In Lower Saxony, the assignment of the supra-local audit of local government is to examine the correctness of the budget and cash accounting as well as to inspect the local audit offices in connection with the financial audits. As a general rule, there is no clear separation from the performance audit (exception: the so-called "financial status audits"). The number of audits per year varies greatly. Audits are largely carried out in the form of horizontal audits.</p> <p>In principle, the audits are carried out as follows:</p> <ul style="list-style-type: none"> • Preliminary concept • Detailed concept • Audit notification and assignment • On-site enquiries to determine the facts at the institutions selected for auditing – these involve interviews and obtaining the relevant documents for the audit • Assessment of the facts and making observations (in the event of illegal conduct) or recommendations (e.g. to improve work procedures) • Where applicable, give some examples of good practice

	<ul style="list-style-type: none"> • Produce a draft audit letter • Send the draft audit letter to the audited institution and start the procedure for submitting comments • Evaluate and acknowledge the comments from the audited institution • Complete the final version of the audit letter • Send it to the audited institution and the relevant federate state authority charged with supervising local government
Rhineland-Palatinate	Cf. II 3.4.
Saxony	Please refer to the answers in sections 3.1.1. to 3.1.4. As the audit is carried out with the financial audit and the performance audit, the same issues will arise for the planning and organisation, as well as the same types of documents.
Saxony-Anhalt	<p>3.2.1. The Federate State Court of Audit plans the audits so that each local authority to be audited is audited at least once every four years, if possible. The supra-local (external) audit is based on the findings of the local audit as the local audit also inspects the management of the local authorities in terms of regularity when it examines the annual accounts. Regularity audits are also carried out if there is evidence of improper administrative actions (e.g. due to information provided by other public institutions or third parties, etc.).</p> <p>3.2.2. Audits are sometimes carried out separately from financial audits or performance audits. Both horizontal audits and audits limited to one local authority are carried out in these cases. Approximately 18 – 20 audits are performed in total.</p> <p>3.2.3. In accordance with Section 137(5) KVG LSA, the results of the audit are forwarded to the following bodies in the form of an audit report:</p> <ul style="list-style-type: none"> - The audited local authority - The authority/authorities charged with supervising local government - The bodies in charge of specialist supervision, when their competence is involved - The Federate State Court of Audit unless it performed the audit itself (in other words, if the rural district audit office has performed the audit).
Schleswig-Holstein	See explanations in section II 3.4.
Thuringia	<p>Regularity audits are largely carried out as part of the local audit.</p> <p>Supra-local audits should be based on the findings of the local audits. Duplicated audits should be limited to random samples unless the auditor considers a more intensive scrutiny to be necessary. (Section 3 PrüfBerG)</p> <p>The regularity audit included in the supra-local audit of local government performed by the Court of Audit of Thuringia examines whether the key income (e.g. tax, grants and income from loans) and expenditure (staff, material expenses, grants and investment spending) have been recorded correctly and in full. This also includes the recording of the municipality's fixed and movable assets. The internal cost allocation is also examined.</p>

3.3. Performance audit (3.3.1. - 3.3.4.)

3.3.1. Describe the main aspects of planning and organizing the performance audit in municipalities

3.3.2. What are the types of performance audits according to the audit scope:

- Audits that cover one topic in all local authorities of the region or in several of them (horizontal audit)
- Audits which scope is limited to one local authority (municipality)
- Other

3.3.3. Is the performance audit carried out annually? What is the approximate number of performance audits per year?

3.3.4. What types of documents does the audit institution prepare for reporting the results of the performance audit (audit report etc.)? Which are the entities these documents are submitted to?

Hesse	<ul style="list-style-type: none"> - According to Section 3(1) ÜPKKG, the Supra-Local Audit of Local Authorities must determine whether the administration has been managed lawfully and properly <u>and</u> efficiently. These are not treated separately. However, the three criteria can be given a different emphasis when scrutinised, irrespective of the subject being audited. - For the audit process, please refer to the information in 3.1.
Mecklenburg-Western Pomerania	Cf. answers for sections II 3.1. and 3.2. (similar).
Lower Saxony	See II 3.2.
Rhineland-Palatinate	Cf. II 3.4.

Saxony	Please refer to the answers in sections 3.1.1 to 3.1.4. As the audit is carried out with the financial audit, the same issues will arise for the planning and organisation as well as the same types of documents.
Saxony-Anhalt	<p>3.3.1. The Federate State Court of Audit plans the audits so that each local authority to be audited is audited at least once every four years, if possible. Performance audits are planned and carried out as either general performance audits (the efficiency of administration) or specialised performance audits (the efficiency of an intended investment, etc.). These are often combined with financial audits or regularity audits. The efficiency benchmark is often a key audit benchmark for all audits.</p> <p>3.3.2. Both horizontal audits and audits limited to one local authority are carried out.</p> <p>3.3.3. As the efficiency benchmark is often a key audit benchmark, performance audits are carried out every year. Approximately 18 – 20 audits are performed in total.</p> <p>3.3.4. In accordance with Section 137(5) KVG LSA, the results of the audit are forwarded to the following bodies in the form of an audit report:</p> <ul style="list-style-type: none"> - The audited local authority - The authority/authorities charged with supervising local government - The bodies in charge of specialist supervision, when their competence is involved - The Federate State Court of Audit unless it performed the audit itself (in other words, if the rural district audit office has performed the audit).
Schleswig-Holstein	See explanations in section II 3.4.
Thuringia	Economic evaluations of investment projects are also a component of auditing. For the procedures and the required documents, please refer to section 3.

3.4. Other audits in municipalities (if other than those listed in sections 3.1. – 3.3.)

3.4.1. Describe the main aspects of planning and organizing the audit

3.4.2. Is this audit performed annually? What is the approximate number of audits per year?

3.4.3. Are financial audits performed separately or together with regularity (or other) audits?

3.4.4. What types of documents does the audit institution prepare for reporting the results of the audit (audit report etc.)? Which are the entities these documents are submitted to?

Hesse	Not applicable
Mecklenburg-Western Pomerania	Cf. answers for sections 3.1. and 3.2. (similar).
Lower Saxony	See II 3.2.
Rhineland-Palatinate	<p>In principle, the Court of Audit has a standard procedure for its audits rather than employing separate methods for the types of audits mentioned above. Before an audit starts, documents (e.g. budgets, annual accounts/financial statements, staffing plans and lists of actions for the individual task areas, etc.) are requested from the local authorities. After these documents have been evaluated, the audit approach is prepared. This is based on the identified risks and topics that the Court of Audit wishes to gain information about and that apply to the municipalities in general. A financial audit largely investigates whether the budgets and staffing plans, the annual accounts/financial statements and the bookkeeping comply with budgetary regulations. A regularity audit is only routinely carried out in areas where legal violations can have serious financial consequences for a municipality (e.g. compliance with regulations on cash security, especially the dual control principle, public procurement law and collective bargaining law). Moreover, the supervisory authorities on points of law and the judicial authorities are primarily responsible for monitoring the purely legal aspects of local authority actions. The investigations always focus on auditing efficiency, and especially the question of whether tasks can be completed with less effort and expense (in terms of staffing and material resources), or whether the municipality is forgoing income (e.g. collection of contributions or rents and leases that are underpriced etc.). The Court of Audit performs between 10 and 20 regular audits at local authorities each year, depending on the size of the items to be examined, the complexity of the audit subjects and the number of staff available. The interval between audits is not regulated in law, but is usually between 8 and 10 years. The audit will examine the last four budget years for which the accounts have been closed, as well as the current financial year. The relevant decision-making body (collegial body made up of members of the Court of Audit) will disclose the findings of the audit by means of audit letters that need to be approved and the municipality must make these communications available for public inspection. These audit letters are sent to the audited local authority (please see section 4 for additional addressees).</p> <p>The Court of Audit also performs comparative horizontal audits (see section 2.3.). The findings are published in the local authorities' annual reports to the federate state parliament and are primarily used as guidance for all authorities – in other words, including those local authorities who were not included in the horizontal audit.</p>
Saxony	<p>Other possible inspections are audits that have an advisory role in the areas of construction, staffing and organisation, as the case may be.</p> <p>For 3.4.1.: Please refer to the answer for 3.1.1 (with reference to the audit guidelines issued by the Saxon Court of Audit)</p> <p>For 3.4.2.: These audits are carried out when appropriate.</p>

	For 3.4.3.: In addition to the documents listed above (audit report and information to the council) the findings can be used for consultative purposes and be forwarded to the federate state parliament (legislator for the federate state) in the form of an advisory report.
Saxony-Anhalt	None
Schleswig-Holstein	<p>General information for sections II 3.1. to II 3.4.: In principle, the Federate State Court of Audit has a standard procedure for its audits rather than employing separate methods for the types of audits mentioned above.</p> <p>In terms of legal requirements, the Federate State Court of Audit concentrates on the financial situation as well as the efficiency, economy, and the suitability of the administrative actions of local councils. In doing so, it focuses on supporting the audited authorities by way of analysis, advice and recommendations.</p> <p>As the auditing body, the Court of Audit uses its professional judgement to determine the scope and the time frame for each audit. The Court of Audit can use its professional judgement to limit audits and leave accounts unaudited. The Court of Audit will therefore specify the intensity and the depth of an audit. There are no unaudited activities.</p> <p>The Court of Audit has a wide range of options for its course of action; these range from exhaustive enquiries or it can be limited to samples. This principle is an unavoidable result of the fact that the Court of Audit cannot audit all the administrative activities of the audited council over a longer period of time. It decides on the intensity and the focuses of the audit. This ensures that the method of working is appropriate for the subject of the audit in terms of the facts, and does not require too much administration. In isolated cases, the Court of Audit can also call in experts.</p> <p><u>Procedures for local government audits:</u> A work schedule covering several years is prepared internally. There is an executive organisational chart that assigns the responsibilities in detail within the Court of Audit.</p> <p>The starting point is the President of the Federate State Court of Audit's audit mandate based on the audit approach developed to support the audit process. The Court of Audit briefs the main administrative official of the audited body before the on-site enquiries begin. Before the on-site investigation starts, the Court of Audit sends out a preparatory questionnaire about the individual focus areas of the audit. Some documents will have already been requested from the local authority. The information/data that has been returned is evaluated and included in the further audit.</p> <p>The procedure for a supra-local audit is based on the specific regulations included in the KPG (Sections 5-7). After the on-site enquiries at the local authorities have been completed, the Court of Audit evaluates the information it has gained and produces a draft audit report. The key findings of the audit are discussed with the local authority during the closing meeting and the authority charged with supervising local government is involved. The closing meeting is an important part of the audit process. The Court of Audit then sends a written audit report containing the key audit findings and the resulting recommendations and proposals to the local authority and the authority responsible for supervising local government.</p> <p>The audited local authority must announce the existence of the audit findings within 6 months of receipt and then make these available for public inspection unless this is contrary to the legitimate interests of individuals. The announcement must state that the audit findings are available for public inspection.</p> <p>The local authority must submit any comments about the audit findings to the Court of Audit and the authority charged with supervising local government within 6 months. Above all, it must state whether and how the audit findings have been taken into account. Due to the significance of this commentary with respect to local politics, it is subject to Section 28 no. 21 of the Municipal Code (Gemeindeordnung, GO) and the corresponding provisions of the municipal constitution, which means the relevant supreme body of the local authority will need to pass a resolution on it.</p> <p>The Court of Audit evaluates the comments submitted by the audited local authority. It can request a more detailed commentary if the audit findings have not sufficiently been taken into account. The Court of Audit notifies the authority responsible for supervising local government about the results of the evaluation and can prompt the supervisory authority to take action, if necessary. In consultation with the authority charged with supervising local government, the Court of Audit will come to a decision on closing the audit.</p> <p>In accordance with Section 5a KPG, the Court of Audit will inform the local authorities, the authority responsible for supervising local government, the relevant specialised ministries and the federate state municipal associations about the findings of the horizontal audits. With the exception of the federate state municipal associations, those addressed should submit comments to the Court of Audit, although the Court can refrain from inviting the local authorities to comment. The Court of Audit will decide about closing the audit process for horizontal audits.</p> <p>The supra-local audit of local authorities is carried out by an external institution, which is in contrast to the local self-audit (by the audit office). It is neither a duplication, nor an inspection of the local audit with a different time interval. In fact, it is an independent and comprehensive audit that does not depend on the year but can be based on the knowledge gained from the local audits. The main component is the mid-term examination and evaluation of a local authority's administrative activities and there is a clear focus on financial management.</p>

	Furthermore, a supra-local audit has the advantage that an examination of the different local authorities will provide empirical values and key figures which can then be used for an inter-municipal comparison. The advisory role of the supra-local audit is becoming increasingly important in terms of efficiency and expediency of the budget management and administrative activities in the local government sector. Above all, however, it should pave the way for self-monitoring.
Thuringia	The only audits that have been carried out are the types of audit listed in section 2.2.

4. Describe which entities recommendations are addressed to once the audit is complete. Can the regional audit institution adopt any measures with regard to the audited municipalities (production of administrative acts, commencement of legal proceedings or other)?

Hesse	<p>In accordance with Section 6(1) ÜPKKG, with the final report the Supra-Local Audit of Local Authorities forwards its findings, potential areas for improvement in the results and recommendations to the audited body. The report will also be sent to the supervisory authority and the audit office. The audited body must notify the decision-making body (the local council or the district council etc.) about the findings.</p> <p>In accordance with section 6(2) ÜPKKG, the supervisory body will decide on any irregularities that become evident as a result of the audit findings and that are within the scope of its authority and the regulations that apply to the authority responsible for supervising local government.</p> <p>The results of all the audits are summarised in a local authority report that is presented to the federate state parliament, the federate state government and the local authority umbrella associations once a year (Section 6(3) ÜPKKG).</p> <p>According to Section 7 ÜPKKG, the opinion of the Court of Audit of Hesse/the Supra-Local Audit of Local Authorities must be heard before issuing federate state legal or administrative provisions regarding budget management, cash management or accounting of local authorities.</p> <p>The contradictory procedure that applies to the Supra-Local Audit of Local Authorities does not include the drafting of administrative acts or the initiation of court proceedings. If, during the course of the audit, it is established that there have been gross violations (e.g. in terms of corruption/fraud or as part of the tender procedure), the public prosecutor's office must be involved.</p>
Mecklenburg-Western Pomerania	<p>Please see Section 9 KPG M-V that was cited in section number 1.2. with respect to the Federate State Court of Audit. The auditing body sends a written record of the key audit findings and its recommendations to the local authority and the supervisory authority on points of law (Ministry of the Interior and Europe as well as the district administrator as the lower federate state administrative authority) as well as the relevant supervisory authority responsible for the specialist supervision.</p> <p>Moreover, the Federate State Court of Audit's mandate under constitutional law and its legal status mean it cannot give instructions to audited bodies or impose sanctions. As an independent audit body, it has neither executive nor legislative authority.</p> <p>The relevant local authority committees and the supervisory authorities on points of law (Ministry of the Interior and Europe as well as the district administrator as the lower-tier federate state administrative authority) are responsible for the evaluation and for establishing the consequences of the audit findings.</p>
Lower Saxony	<p>As already stated in section 3.2., the audit letters are also sent to the relevant authority with responsibility for supervising local government. As the auditing body responsible for the supra-local auditing of the local authorities in Lower Saxony does not have any authority over the audited institutions, only the authority charged with supervising local government can finally decide whether or not it will make use of the options available to it under local governance laws (instruction, complaints, directives, performance of substitutive measures or the appointment of representatives). The supervisory authority responsible for the specialist supervision may also be involved. (Sections 170 ff. Lower Saxony Local Authority Constitutional Law)</p> <p>Moreover, the previously mentioned involvement of the audit advisory board, and the preparation of the local authority report mean that other bodies are requested to draw conclusions on the findings of the audit.</p>
Rhineland-Palatinate	<p>The audit reports prepared by the Court of Audit are forwarded to the appropriate authority responsible for supervising local government, the Ministry of the Interior, as the supreme authority charged with supervising local government, and the Ministry of Finance, as well as the audited local authorities. The Court of Audit does not have its own powers of intervention that it can exercise over the local authorities. In the event of a disagreement, the relevant authority responsible for supervising local government is responsible for implementing the Court of Audit's audit findings.</p>
Saxony	<p>According to Section 109(4) of the Saxon Municipal Code (Sächsische Gemeindeordnung, SächsGemO):</p> <ul style="list-style-type: none"> - The audit report is forwarded to the audited municipality and the supervisory authority on points of law. - The audit report must be presented to the municipal council within six months of receipt. <p>According to Section 109(5) SächsGemO:</p> <ul style="list-style-type: none"> - The municipality is under an obligation to comment on the findings of the audit report and to pass these comments on to the supervisory authority on points of law and the auditing body (always within 3 months). - The supervisory body on points of law has authority over the procedure for the closing of the audit: <ul style="list-style-type: none"> a) Audit completion certificate if there are no significant objections or if these have been dealt with

	<p>b) Close the audit but with restrictions if significant objections have not been addressed. If it is still possible to address these, the supervisory body will require the municipality to take the necessary action at once.</p> <p>The Court of Audit of Saxony is the regional audit institution but does not have the authority to insist the audited bodies act on its audit findings.</p>
Saxony-Anhalt	<p>Recommendations can be forwarded to:</p> <ul style="list-style-type: none"> - The audited local authorities (as part of the audit report, and any necessary further guidance e.g. sent directly to the bodies of the administration) - The authority/authorities charged with supervising local government (in the correspondence accompanying the audit report or a supplementary correspondence about the comments from the audited local authorities) - The supervisory bodies responsible for the specialist supervision when their competence is involved (in the correspondence accompanying the audit reports or a supplementary correspondence about the comments from the audited local authorities) - The federate state parliament, within the context of the notes or memorandum or advisory comments in accordance with Section 88 Federate State Budget Code (Landeshaushaltsordnung, LHO) <p>The Federate State Court of Audit does not have the authority to sanction audited municipalities. This is the responsibility of the federate state authority charged with supervising local government.</p> <p>The Court of Audit could take legal action if its rights were breached because its audit activities have been obstructed. However, it can assert its rights more effectively in principle if it involves the supervisory authorities.</p>
Schleswig-Holstein	<p>Please refer to the explanations about the procedures for local government audits in section II 3.4. The Federate State Court of Audit summarises its audit results in an audit letter. After the closing meeting with the audited local authority, the audit letter is sent to the local authority, the federate state authority charged with supervising local government (MILI), and to other federate state authorities, if necessary (Section 7(1) sentence 2 KPG).</p> <p>Additional steps include:</p> <ul style="list-style-type: none"> - The audited local authority must make the audit letter available for public inspection within 6 months of receipt (Section 7(5) KPG) - The local authority must submit any comments to the Federate State Court of Audit and/or the federate state authority charged with supervising local government within 6 months (Section 7(3) sentences 1 and 2 KPG) - The Court of Audit will evaluate the comments (Section 7(3) KPG) - If necessary, request additional commentary and its evaluation (Section 7(3) KPG) - The Court of Audit notifies the authority charged with supervising local government about the results of the evaluation (Section 7(3) sentence 3 KPG) - Close the audit (Section 7(3) sentence 4 KPG). <p>The Federate State Court of Audit does not actually have any powers of intervention (Federal Administrative Court (Bundesverwaltungsgericht, BVerwG) judgement of 19/12/1996 3 C 1/96, juris, marginal no. 33) over the audited local authorities in the same way as the federate state authority charged with supervising local government does (Sections 122 ff. GO). Therefore, the Court of Audit can take action via the relevant supervisory authority. This does not affect the right to notify a law enforcement authority if there is reasonable suspicion of a criminal offence. Moreover, the Court of Audit should use reasonable arguments to persuade the audited local authorities, if possible. The Court of Audit can inform the public that an audit has been closed (Section 2(5) sentence 2 LRH-G). This may give rise to certain public pressure.</p>
Thuringia	<p>The Court of Audit of Thuringia can submit recommendations to the audited local authority, the supervisory authority on points of law and the relevant ministry. Methods of communication include, for example, audit reports and annual reports or opinions about legislative initiatives.</p> <p>The Thuringian Court of Audit does not have the right to intervene directly.</p> <p>The Court of Audit can notify law enforcement authorities about audit results, if it feels it has particular reason to do so.</p> <p>If there is well-founded suspicion of criminal offences in a local government area, the Court of Audit will immediately notify the staff authorised for disciplinary supervision (Section 2(5) Thuringian Audit Report Law (ThürPrüfBerG)). For the senior civil servant at the local authority, this will be the supervisory authority on points of law (cf. Section 3(1) Thuringian Law on Elected Senior Civil Servants (Thüringer Gesetz über kommunale Wahlbeamte, ThürKWBG)), and for the other employees, it will be the senior civil servant at the local authority. If those responsible for disciplinary supervision do not take action, the Court of Audit will notify the law enforcement authorities directly in the event of serious cases at the very least, unless this conflicts with serious concerns of the audit.</p>

5. Is there a practice of evaluation of the quality control systems of the regional audit institution in order to improve it (i.e. is there a legal requirement to appoint institutions to conduct peer reviews, does the regional institution initiate peer reviews and does it invite other institutions to perform this task on a voluntary basis etc.?) Please describe shortly.

Hesse	There is no statutory requirement for quality assurance (QA) for the Supra-Local Audit of Local Authorities. The contract for services between the authorized auditor and the President of the Hessian Court of Audit – the Supra-Local Audit of Local Authorities – requires the auditor in charge to include quality management and quality assurance officers. This part of the tendering process is an important criteria. The applicants must include a detailed description of the scope of the QA system in the proposal.
Mecklenburg-Western Pomerania	No
Lower Saxony	No
Rhineland-Palatinate	Peer reviews are neither a statutory requirement for the Court of Audit, nor have they been carried out yet on a voluntary basis.
Saxony	There is no statutory requirement stating that carrying out peer reviews is necessary for evaluating quality control systems at regional audit institutions. Irrespective of this, it is possible to carry out peer reviews on a voluntary basis. For example, the Court of Audit of Saxony appointed an external body to carry out a peer review in 2010.
Saxony-Anhalt	No peer reviews have been organised yet.
Schleswig-Holstein	No
Thuringia	The Court of Audit of Thuringia has implemented a common assessment framework (CAF) as well as occupational health management to improve the quality of its work/processes. The German Common Assessment Framework Centre assisted in implementing the CAF. BAD-GmbH was selected for the occupational health management programme. Both processes started with an evaluative assessment. The evaluation also included a comparison with other authorities.

6. Describe other functions of the regional audit institution and the kinds of documents issued in relation to municipalities but not related to audit.

6.1. Which additional functions (in addition to auditing) does the regional audit institution perform with respect to municipalities? Which documents does the institution prepare in order to implement these functions (for example, an opinion on the draft budget, the findings necessary for the municipality to take decisions regarding taking-out loans etc.)? Are these functions imposed by legal acts or are they carried out upon the initiative of the institution itself?

Hesse	<p>According to Section 7 ÜPKKG, the opinion of the Hessian Court of Audit/ the Supra-Local Audit of Local Authorities must be heard before issuing federate state legal or administrative provisions regarding budget management, cash management or accounting of the local authorities. The Supra-Local Audit of Local Authorities can share its audit experiences within the context of statutory initiatives or proposals.</p> <p>Comparative audits can provide additional information about success factors for local authority activities, but they will also expose weaknesses. They also highlight opportunities for improvement and potential savings. The recommendations and advisory approach of the supra-local audits support the local authority decision-makers without playing a legal or specialist supervisory role.</p>
Mecklenburg-Western Pomerania	<p>The Federate State Court of Audit also acts in an advisory capacity as part of its audit work.</p> <ul style="list-style-type: none"> • At irregular intervals, it sends out circulars about issues that are not just important for isolated cases. These circulars are sent to any public administrative bodies in Mecklenburg-Western Pomerania that may be audited by the Regional Court of Audit. The circulars also include information about the municipal sector (available at: http://www.lrhmv.de/Veröffentlichungen/Rundschreiben/). The Regional Court of Audit also sends out circulars about important issues to inform municipal enterprises that are subject to having their financial statements audited according to Section III KPG M-V. A current summary of the circulars sent to municipal enterprises is available on the Regional Court of Audit's homepage (available at: http://www.lrh-mv.de/Veröffentlichungen/Rundschreiben-an-Wirtschaftsprüfer/). Circulars are only sent electronically and are also made available on the Regional Court of Audit's homepage (see above). The Regional Court of Audit uses the evaluations and recommendations included in its circulars as a basis for its future audit activities, and assumes the audited authorities already know about these. • It attends the meetings held by the heads of the audit offices at the Association of Towns and Municipal Councils in Mecklenburg-Western Pomerania • the Ministry of the Interior and Europe, the Regional Court of Audit and the heads of the municipal audit offices regularly meet together as part of a "local government auditing cooperative" in order to exchange information and experience. • This cooperative prepares special reports on various issues (available at: http://www.lrh-mv.de/Veröffentlichungen/Sonderberichte/). • It is also involved in preparing joint documents produced by the courts of audit (available at: http://www.lrhmv.de/Veröffentlichungen/Gemeinsame-Dokumente-der-Rechnungshöfe/).

Lower Saxony	The Lower Saxony Local Government Audit Act (Niedersächsisches Kommunalprüfungsgesetz, NKPG) also enables regional audits to take on an advisory role. According to Section 6, the institutions and companies to be inspected can ask the auditing agency to advise them on value for money and organisation in return for the reimbursement of costs. However, this option is rarely used.
Rhineland-Palatinate	None
Saxony	<p>The regional inspection authority does not offer authorities to be audited any opinions, evaluations or other expert appraisals for individual cases other than those included in the audit procedure. The Saxon Court of Audit is not authorised to provide legal advice due to its legal mandate.</p> <p>The Saxon Court of Audit publishes general information gained from underlying audits either in the form of Advisory Comments (e.g. as organisational recommendations and sometimes with check lists) or as reports included in its annual report. These can be used by the local authority administrative bodies. This form of advice is provided voluntarily.</p> <p>The State Ministry of the Interior regularly consults the Saxon Court of Audit with regard to legislative procedures or before issuing ordinances, administrative regulations or decrees relating to local authorities, and the Court can provide its opinion on these. This is not a legal requirement, but it is common practice.</p> <p>The Saxon Court of Audit must be consulted (Section 103 Saxon Budget Code (Sächsische Haushaltsordnung, SäHO)) before general administrative regulations on executing the Saxon financial regulations or general instructions about the administration of cash distribution agencies or paying offices, bookkeeping, or evidencing assets are issued. This applies to the regional inspection agency if the regulations to be issued affect local authorities.</p>
Saxony-Anhalt	The Federate State Court of Audit can also voluntarily offer local authorities spoken and, in some cases, written advice about matters relating to the budget, accounting, bookkeeping, calculations and fees that are not part of the audit procedure. In this case, only the advice offered by the audit offices is governed by the circular of 15/06/2010 issued by the Federate State Court of Audit - Ministerial Law Gazette (Ministerialblatt, MBI) p. 472 - General Principles for the Supra-Local Auditing of Local Authorities. The Court also advises the relevant ministries (Ministry of the Interior or Ministry of Finance) and the local authority umbrella associations outside of the auditing procedure, with respect to general subjects that relate to the auditing process.
Schleswig-Holstein	The Federate State Court of Audit operates within the audit mandates that have been expressly awarded. Apart from auditing, it has no other function.
Thuringia	The Thuringian Court of Audit is asked to give an opinion when there are changes to the law or ordinances. It can advise local authorities in return for the reimbursement of costs. Local authorities have not yet used this option.

6.2. Which other documents does the regional audit institution prepare with respect to municipalities (surveys, instructions or overviews etc.)?

None

7. Describe how the independence of the audit institution is ensured: guarantees, legal provisions and procedures that ensure independence and objectivity of the institution's executive duties (funding principles, appointment of heads for terms of office, rotation of auditors etc.).

See sections II 1.1. and 2.

The President, Vice President and the other members of the Court of Audit have judicial independence. The Court of Audit is only subject to the law in terms of its work. Decisions are made according to the collegial principle. Therefore the Court of Audit's only obligation is to apply the law during its audits and it performs these according to an auditing programme that has been adopted on a collegiate basis.

As the Court of Audit is financed by the federate state budget, audited local authorities are not involved in its financing.