

Assessment of the Performance of Control Activities in Small Municipalities: Evidence from the Slovak Republic

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The article discusses the topic of public control in small municipalities. In these municipalities, the control authority is represented by the municipal council, while an independent chief controller carries out the independent control functions. This study aimed to evaluate the activities of municipal chief controllers from both legislative and practical perspectives. We analysed a statistically significant sample of 272 municipalities, each with a population of up to 1,500. The areas of control activity were assessed, and we reviewed the submission and publication of annual summary control reports. The article outlines the functions, status, powers, and competencies of chief con-

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trollers, as well as the most common findings from their control activities. We also highlight the challenges faced by small municipalities in the realm of internal control. Finally, we provide several practical recommendations designed to enhance control performance in these municipalities. The article concludes with recommendations specifically for mayors and municipal controllers responsible for internal control.

Keywords: chief controller, municipality, summary report on control activities, control findings, Slovak Republic

1. Introduction

Control in public administration serves as a mechanism that ensures the legality, economy, efficiency, and effectiveness of the exercise of public authority. Internal control is a fundamental aspect of managing public administration organisations, both at the state and local government levels. In state administration, control is conducted by various entities, such as ministries, internal control departments, and the Supreme Audit Office. For local governments, the chief controllers of municipalities and towns perform this function, with their competencies defined by law.

Following the year 1990, the Slovak Republic introduced the principle of self-governing bodies, granting local governments greater autonomy. Municipalities are now responsible for managing and handling their property independently. They serve as the foundational units of territorial self-government, comprising individuals with permanent residence within their boundaries.

Control functions as a feedback system. This means that, as part of the decentralisation of public administration – a key aspect of the democratisation processes after 1989 – the establishment of territorial self-government as an independent subsystem of public administration necessitated the creation of an effective control system. Control in public administration is essential for guaranteeing the legality, economy, efficiency, and effectiveness of public authority performance. The development of the internal control system in Slovakia's public administration is significantly influenced by the country's membership in the European Union. The EU mandates that member states implement a public internal control (PIC) system that aligns with international standards (such as COSO and IN-

TOSAI). Consequently, Slovakia had to adapt its legislation, institutions, and control mechanisms to meet these requirements. The evolution of internal control within public administration in Slovakia is fundamentally a result of EU membership, which introduced standards, methodologies, and reform pressures. While cultural factors also influence control in public administration, they play a secondary role, primarily affecting the effectiveness of reform implementation in practice.

This article aims to assess the state of internal control in small municipalities as self-governing units within the Slovak Republic. Specifically, we evaluate the work of chief controllers in small municipalities (with populations of up to 1,500 inhabitants). We investigate whether these municipalities publish current reports on the chief controller's control activities on their websites and identify the primary areas of focus for these activities. Additionally, we examine the most common control findings and whether municipalities conduct mandatory basic financial controls. Our inquiry includes whether municipalities adhere to their control activity plans and whether chief controllers provide opinions on draft municipal budgets and final accounts.

The article is organised into three parts. The first part presents the theoretical background of the issue, along with an overview of relevant studies published to date. The second part analyses the specific areas that chief controllers concentrate on, details additional activities they carry out beyond control, and evaluates the most common control findings. Finally, we assess the professionalism of reports on control activities and conclude with practical recommendations.

2. Theoretical Background

2.1. The State of Internal Financial Control in the Slovak Republic

The control system for public administration in the Slovak Republic is governed by several laws, which in turn are subject to the Constitution of the Slovak Republic. These authorities conduct control activities as authorised by law, aiming to assess the objective state of affairs in financial management and the allocation of public investment funds (Baničová, 2016b).

From an organisational perspective, the implementation of control activities in the Slovak Republic involves a two-tier system for public finance

control. The first tier is internal control, while the second tier consists of external control. Internal control is conducted by various entities, including the Government of the Slovak Republic, the Office of the Government, budget chapter administrators, the Ministry of Finance of the Slovak Republic, municipal councils, city councils, regional self-governing councils, the Office for Public Procurement, and the Office for the Regulation of Network Industries (which oversees price control). Functionally, external control in the Slovak Republic is exercised by the National Council of the Slovak Republic (parliament), the Supreme Audit Office of the Slovak Republic, the Public Defender of Human Rights and Freedoms (ombudsman), the prosecutor's office, the administrative judiciary, as well as through external audits and public oversight (Králík & Kútík, 2013). It is important to note that the control performed by the chief controller of a municipality is categorised as internal control.

The objectives of internal control within public administration in the Slovak Republic are designed to ensure the efficient, economical, practical, and lawful operation of public institutions. Internal control is a component of the broader financial management and control system, as mandated by Act No. 357/2015 Coll. on Financial Control and Audit. The chief controller is responsible for ensuring the legality and compliance of activities and decisions with applicable legal regulations, internal guidelines, and relevant standards.

Key objectives include:

1. Economy, Effectiveness, and Efficiency (the 3E principle):
 - Economy refers to the use of public funds at the lowest possible cost.
 - Effectiveness involves achieving the maximum results from the given resources.
 - Efficiency means meeting set objectives and the needs of the public.
2. Prevention of Irregularities, Fraud, and Corruption: The chief controller aims to identify and minimise the risks of fraudulent or uneconomical actions.
3. Protection of Public Funds and Assets: The chief controller supervises the proper and secure handling of public administration properties and funds.
4. Reliability and Accuracy of Financial and Operational Information: The controller ensures the accuracy of accounting, financial statements, and reporting.

5. Support for Management and Decision-Making: Internal control provides feedback to the organisation's management regarding the functioning of internal processes and systems.

These objectives are part of the broader framework known as the public internal control system.

The municipal council serves as the control authority within this structure. Independent internal control at the municipal level is carried out by the chief controller, who is elected by the municipal council for a six-year term. The responsibilities of the chief controller include:

- Conducting checks on the receipts and expenditures of the municipal budget.
- Managing municipal property.
- Submitting a draft control activity plan to the municipal council every six months.
- Preparing expert opinions on the draft municipal budget and the final account prior to their approval by the council.
- Presenting individual control results directly to the municipal council.
- Providing an annual summary report on control activities to the municipal council.
- Collaborating with state authorities regarding the management of resources allocated to the municipality from the state budget or European Union structural funds.
- Carrying out controls at the request of the municipal council.

This structured approach aims to enhance transparency and accountability in the management of public funds within the Slovak Republic.

The chief controller participates in municipal council meetings with an advisory vote and may also discuss commissions established by the municipal council.

Control activities are subject to oversight by the municipal office, budgetary and other organisations established by the municipality, legal entities in which the municipality holds an ownership interest, individuals managing municipal property, and those who receive special-purpose subsidies or repayable financial assistance from the municipal budget, specifically with regard to the use of these funds (Act No. 357/2015 Coll. on Financial Control and Audit as amended; Act No. 369/1990 Coll. on Municipal Establishment, as amended).

As an employee of the municipality, the chief controller's rights and obligations align with those of other senior employees and are governed by specific regulations. The chief controller conducts control activities independently and impartially, adhering to fundamental principles of control.

Key responsibilities of the chief controller include:

1. Preparing expert opinions on draft budgets before approval.
2. Compiling reports on the results of control activities.
3. Preparing an annual report on control activities.
4. Monitoring income, expenditures, and financial operations of the local government.
5. Overseeing the management and disposal of local government property.
6. Ensuring compliance with laws, General Assembly Regulations, the implementation of resolutions, and internal regulations.
7. Supervising the handling of complaints and petitions.

The role of the chief controller is incompatible with that of a municipal council deputy, the mayor, members of legal entities established by the municipality, or any other municipal employees.

The outcomes of the chief controller's reports carry significant legal, organisational, and political implications in the organisational context. As an independent body responsible for monitoring public fund management, the chief controller's reports, while informative and binding, rely on local government authorities (such as the mayor and municipal council) for implementation and corrective actions. If deficiencies or violations are identified, the chief controller recommends appropriate measures, and local authorities are required to address these recommendations, sometimes within a specified deadline.

The findings can lead to disciplinary, labour law, or criminal law consequences for responsible employees or officials. In severe cases, a complaint may be filed with the relevant criminal justice authorities. Reports are submitted to the city or municipal council and are often published, influencing public perception and citizen trust. Poor management or wasteful spending can have political repercussions, especially during elections.

Furthermore, the findings may lead to revisions of internal guidelines, processes, control mechanisms, or organisational structures. In severe cases, the control report can serve as the basis for actions by the Supreme Audit Office of the Slovak Republic, the Public Procurement Office, and the Ministry of Finance, particularly regarding the use of subsidies, grants, and other forms of financial support.

2.2. Performance of the Chief Controller's Duties

The methods employed by chief controllers vary significantly. Some controllers focus on strictly describing identified issues, while others assist in formulating corrective measures for municipalities, and some provide expert advice. In his study, Lavigne (2024) identifies five types of territorial management controllers: strategist, partner, advisor, analyst, and hybrid. These roles represent different approaches that local government controllers may adopt in their work, influenced by organisational needs, the political environment, and the level of professionalisation within local government. The strategist's primary focus is on long-term strategic planning and the development of practical organisational elements. This controller's activities closely align with the professionalisation of objectives and strategy, preparing proposals aimed at improving the budgeting process to optimise public spending. The partner controller takes a more interactive approach, collaborating with the municipality's management and various departments. Recognised as a trusted colleague rather than merely a "fault-finder", this controller enhances the municipality's willingness to cooperate, thereby improving the effectiveness of control measures. The advisor provides expert recommendations and consultations, typically in a relaxed and informal setting, helping to clarify complex legislative changes for members of the municipal council or municipal management.

The analyst is data-driven and technically oriented, using analyses to identify weaknesses within the system objectively and to propose improvements based on data.

The hybrid controller combines several of these approaches as needed, demonstrating a flexible and adaptable work style suited to the specific conditions of the municipality or region. In smaller municipalities, they may serve as both an analyst and a partner, while in larger municipalities they focus more on strategic control and advisory services.

Finding a suitable controller can be challenging, even for small municipalities. From the perspective of a small municipality, it is often most beneficial to seek a hybrid controller who possesses qualities such as professional competence, objectivity, ethics, integrity, and accountability (Lamboska & Yordanov, 2020).

When performing the role of a controller, it is essential to have economic knowledge and education related to the public sector; however, intuition also plays a significant role. The study by Anderson and Max (2012) emphasises the importance of this intuitive characteristic among controllers.

Research has shown that effective use of intuition requires experience. Experienced public controllers tend to use their intuition more effectively and accurately than their less experienced colleagues. Additionally, the reliance on intuition increases when there is less time available for analysis, highlighting the crucial role that experience plays in this process. The study concluded that intuition and rational analysis are not mutually exclusive; rather, they are complementary. Effective use of intuition often requires substantial experience in logical analysis. Ultimately, the findings suggest that intuition can lead to decisions that are as sound as those made through rational analysis.

The public sector plays a key role in the economy and the market, necessitating clear principles for the effective management of public resources (Kloviene et al., 2016). Based on theoretical knowledge, the critical success factors for ensuring transparency in municipal management include political will and support, methodological assistance and expertise, stringent control of optional parameters, and equitable allocation of funds. Da Cunha and Callado (2019) describe the primary functions of a municipal controller as performing internal control for the municipality, participating in financial management, protecting and managing assets, and controlling risks. The diligent execution of these functions is crucial for ensuring economy and efficiency in managing public resources. However, Ziablitckaia, Manina, and Borshchenyuk (2019) argue that to enhance the economy and efficiency of public resource management, it is beneficial to hold employees accountable for wasteful and inefficient spending, embezzlement, and fraud. They also propose mechanisms to improve the effectiveness of control measures while emphasising the importance of preliminary and ongoing controls over ex post controls.

Municipal control presents an opportunity to improve organisational management of the entire municipality and all budgetary organisations within it (Kulikova, 2014). Estrada and Bastida (2020) advocate the theory of adequate transparency, suggesting that relevant information should be made public, that transparency must be based on unbiased data, and that information about municipalities should be comparable across different jurisdictions. Today, citizens (voters) are increasingly concerned about issues such as municipal fraud, abuse, waste, inefficiency, and the development of effective internal control systems. Anderson, Maks, and Klaassen (2020) note that one of the decentralised aspects of new public management is the decentralisation of responsibility to local managers. Municipal controllers may sometimes face requests from managers that contradict legal provisions, which can lead to conflicts with the mayor and reduced compliance.

López and Rich (2017) investigate an interesting aspect of control activities within municipalities: the geographical distance between the controller and municipal clients (the municipalities themselves). This distance affects both the likelihood and the severity of any deficiencies identified during a control process. Specifically, control rigour tends to be higher for clients who are geographically distant from the controller, as this distance enhances the independence of control performance. In his study, Peterson (2018) finds that implementing term limits for the election of the controller is linked to a reduction in internal control deficiencies. These election policies can significantly influence the quality of management and the effectiveness of internal controls. Municipalities can also benefit from inter-municipal cooperation, which can reduce the costs associated with the controller's salary and improved professionalism in control performance. When multiple municipalities collaborate to appoint a joint controller who can provide expert services, this can result in cost savings and enhanced professionalism in managing controls (Johnsen, 2021).

Additionally, the outcomes of control processes are influenced by the political dynamics within which local governments operate. Cohen and Levendis (2013) highlight that a municipality's economic performance can affect the likelihood of adjustments being made to the controller's report. Their study shows that a municipality experiencing poor economic conditions is more prone to decentralisation. Conversely, when there is less competition between political parties within the local council, the probability of altering the controller's report decreases. Furthermore, a more decentralised decision-making process among various bodies within the local council correlates with a higher likelihood of changes to the controller's report (Paananen et al., 2021).

2.3. Overview of Scientific Study Results

Several studies have been conducted in this research area. Špiler et al. (2024) explore the challenges and obstacles that municipalities in Serbia face when implementing internal controls to prevent fraud. Conducted across 162 municipalities, the study found that internal controls are often either non-existent or, when present, inadequate for effectively preventing and detecting fraud. The research highlights that the only significant factor in fraud risk management is the level of education among employees. The authors provide recommendations for enhancing internal controls in local municipalities to reduce fraud risk and improve accountability in the management of public resources.

Dvorak's (2023) study from Lithuania aims to identify the financial crime risks present in local government settings. The prevention of financial crime is vital not only in areas typically associated with bribery and fraud but also during specific phases of the political cycle. This qualitative study revealed that the primary risk of financial crime across all studied municipalities is linked to public procurement, with perceptions of risk varying based on the municipality's size and the scope of its public procurement activities.

A study by Swedish researchers Wällstedt, Grossi, and Almqvist (2014) provides an overview of financial sustainability in public administration, refining this framework based on empirical evidence from municipalities in Sweden. Their research indicates that solutions for achieving financial sustainability depend on the size and organisational structure of the municipalities, as well as changes in the political majority. Furthermore, the study demonstrates that the municipality's management and administrative system is crucial for achieving financial sustainability. The system's characteristics, communication function, and perspective on resources should align with the fundamental characteristics of the municipal organisation to be effective.

De Vicente-Lama et al. (2024) examine the impact of internal control on the financial sustainability of local governments in Spain. Specifically, the study analyses the effect of Spanish regulations that require municipalities to develop an Annual Financial Control Plan. Based on a sample of 77 municipalities, the results reveal that improved quality of control planning and increased implementation of operational controls contribute positively to financial sustainability. The study also finds that municipalities with simpler structures and women in leadership positions, such as mayor or controller, tend to exhibit greater financial sustainability. Conversely, inadequate resources for developing the control function hinder progress.

Lambovska and Yordanov (2020) explore the relationship between motivation and internal controls in Bulgarian municipalities. They investigate how internal control impacts motivation and vice versa, identifying factors that influence the performance of controllers, including professional competence, objectivity, ethics, integrity, and accountability. These factors significantly affect the quality of control, effectiveness of internal control, compliance with standards, and social and democratic accountability.

Another Spanish study by Moreno-Enguix, Gras-Gil, and Henández-Fernández (2019) examines the introduction of new management systems in public administration and their effect on the development of

effective and efficient internal control. Focusing on Spanish local governments, the authors evaluate the impact of internal control structures on the transparency of financial information disclosed online. The study concludes that the structure of the internal control system influences the quality of financial information presented on municipal websites, highlighting the importance of robust internal controls in public management.

Castellini and Riso (2023) analyses risk management within the internal control systems of Italian municipalities. Their findings indicate that there is a lack of strong integration between risk management and existing internal control systems. This research contributes to the discourse on public sector risk management and can assist both practitioners and academics in addressing municipal needs.

Ciarko and Paluch Dybek (2022) assess the effectiveness of internal control in Polish local government units. They emphasise that the purpose of control is to compare the actual state of affairs with the desired state. The control body should identify discrepancies, and the resulting recommendations and conclusions must include methods and guidelines to address these shortcomings.

Greek authors (Boufounou et al., 2024) emphasise the significance of effective internal control measures in reducing local-level corruption, which in turn contributes to broader economic growth and social prosperity. In Greece, where corruption has been a persistent issue, internal control mechanisms within local governments are particularly crucial.

An older Slovak study (Baničová, 2016a) examines the position and responsibilities of the chief controller within the overall structure of municipalities and their internal control systems. The study highlights the importance of controls within local government bodies, which manage substantial amounts of public funds and assets, and assesses the effectiveness and functioning of the internal control systems across different municipality sizes in the Slovak Republic.

However, we found no study that specifically addresses the role of the chief controller in small municipalities. This area remains under-explored, with few, if any, studies available in Central and Eastern European countries. Our aim is to bridge this gap by presenting a study that evaluates the activities of chief controllers in small municipalities within the Slovak Republic. This study contributes to further research on the subject and seeks to enhance governance in municipalities. It is an exploratory analysis based on a sample of municipalities, building upon previous reviews.

3. Data and Methodology

Compliance with the 4 E principles – economy, efficiency, expediency, and effectiveness – in managing public resources is essential, even in small municipalities. This analysis assesses the control activities of controllers operating in municipalities with populations of up to 1,500 inhabitants. We evaluate the focus areas of these control activities, examine whether annual summary control reports are submitted and published, and identify the most common findings reported in these documents.

Our recommendations are tailored for three groups: first, the municipalities themselves; second, the chief controllers; and third, the central state administration. The goal is to improve the efficiency and economy of public resource management, enhance the effectiveness of resource use, and ensure that resources are used for their intended purposes. The data for this analysis consists of annual summaries of the chief controller's individual control activities for each municipality from the most recent years, specifically 2022–2024. We acquired this data by examining publicly available analyses on municipal websites, particularly the final reports of the chief controllers. We created a database based on these reports to evaluate control activities across selected municipalities. The municipalities analysed are located in the Eastern Slovakia region, which includes two self-governing regions: the Košice Self-Governing Region and the Prešov Self-Governing Region. These two regions are the largest in Slovakia by population, out of the country's eight self-governing regions. Table 1 outlines the total number of municipalities, as well as the number of selected and analysed municipalities.

In this context, the term “municipality” refers collectively to a seat or territorial unit, encompassing both villages and cities. In the Slovak Republic, there are 2,747 villages and 140 towns. For our analysis, we analysed villages with populations of up to 1,500, which we refer to as small villages or small municipalities. These small municipalities represent a significant portion of all municipalities in Slovakia.

Table 1: *Analysed group of small municipalities*

	All municipalities	Municipalities up to 1,500 inhabitants	Number of municipalities included in the analysis	Share of analysed municipalities from the number of municipalities with up to 1,500 inhabitants
Košice Self-Governing Region	440	361	101	27.98%
Prešov Self-Governing Region	665	572	171	29.89%
Total	1105	933	272	29.18%

Source: Author.

The municipalities in the research sample were selected randomly. The selected sample of 272 municipalities from a population of 933 is statistically significant, with a 95% confidence level, a 5% sampling error, and a Z-score of 1.96.

Research questions

We focused on evaluating the work of the chief controllers in terms of assessing the following questions:

- RQ1: Does the municipality publish up-to-date reports on its website on the chief controller's activities?
- RQ2: What areas of control are the chief controller's activities focused on?
- RQ3: What are the most common control findings?
- RQ4: Do municipalities carry out mandatory basic financial control?
- RQ5: Is the control activity plan followed?
- RQ6: Does the chief controller present an opinion on the draft municipal budget and the final account?

By answering these research questions, we provide insight into the state of municipal financial control performance in the Slovak Republic and, ultimately, practical recommendations that can improve this situation.

It is worth noting that the municipality's chief controller's tasks include examining the efficient, economical, and effective spending of public funds from the municipality's budget to ensure proper management. This is primarily achieved through expertise, impartiality, and suggestions for improvement, with the controller serving as an advisory body to the municipal council.

4. Results

4.1. Disclosure of Annual Reports of the Chief Municipal Controller

The role of the chief controller is defined by Art. 18 of Act No. 369/1990 Coll. on Municipal Establishment, as amended. This law requires the municipality's chief controller to submit an annual report on control activities to the municipal council. Therefore, we initially focused on whether these annual reports are also published on the municipalities' websites.

Table 2: *Publication of the report on the control activity of the chief controller*

	Number of municipalities	Percentage share
Published report on the control activity with all categories	98	36
Published report on the control activity is very brief	41	15
Only the control activity plan published, not the reports	57	21
Nothing published	76	28
Total	272	100%

Source: Author.

In Table 2, municipalities are categorised based on the nature of the reports submitted by the chief controllers. There are four groups:

1. Detailed Reports: Municipalities in this group submit thorough reports that include all necessary details.
2. Brief Reports: These municipalities provide reports intended to quickly fulfil legal obligations, lacking comprehensive information.
3. Control Activity Plans: Some municipalities only publish a plan of control activities, without any reports from the chief controller.
4. No Information Published: Municipalities in this group do not publish any information regarding the chief controller's activities on their websites.

Our findings indicate that only 51% of municipalities publish reports on control activities, which are required to be submitted annually to the municipal council. Among these, 36% provide detailed reports describing the control

procedures and identifying factual situations or shortcomings, alongside chronological control activity plans. An additional 15% publish relatively brief reports, containing only a list of completed controls and professional activities, without detailed descriptions of findings and procedures.

We also found that up to 28% of small municipalities do not publish any reports or control activity plans, suggesting that controls may not be conducted at all. Therefore, we recommend that all municipalities publish both control plans and reports on their websites to enhance transparency and accountability.

4.2. Areas of Control and Most Common Control Findings

We identified the areas on which municipal chief controllers focus their control activities, primarily involving oversight of the municipality’s management (municipal office), as detailed in Table 3.

Table 3: *Areas of control and activity of a municipal office*

When managing a municipal office, controllers focus on specific areas, including:
– Oversight of the municipality’s financial resources.
– Monitoring the budget’s receipts and expenditures, along with operational records of budget measures.
– Ensuring the implementation of resolutions passed by the municipal council.
– Reviewing the status of records related to the municipality’s receivables and obligations, including financial operations.
– Monitoring contracts, including their publication in the central register of contracts.
– Verifying contractual relationships (e.g., lease agreements, legal representation agreements, work contracts, and purchase agreements) and ensuring compliance with public procurement regulations.
– Ensuring adherence to the provisions of the Act on Financial Control, including mandatory implementation of basic financial controls in selected financial operations.
– Oversight of subsidies provided by the municipality to both individuals and legal entities, as well as the accounting of these subsidies.
– Monitoring the use and accounting of subsidies received by the municipality for the transferred performance of state administration.
– Ensuring compliance with generally binding municipal regulations (e.g., regulations regarding municipal waste, management of municipal apartments, and procedures for handling complaints).
– Verifying that selected generally binding regulations and internal guidelines are compliant with current legal regulations.

– Ensuring that internal guidelines align with superior legal regulations (e.g., concerning the circulation of accounting documents).
– Overseeing waste management practices within the municipality.
– Implementing measures to correct deficiencies identified during previous audits.
– Conducting inventory checks of the municipality’s property.
– Reviewing travel allowances paid by the municipality.
– Ensuring compliance with legal requirements when publishing orders on the municipality’s website and controlling the publication of mandatory invoice data online.
– Monitoring the publication of summary reports on low-value orders on the Office for Public Procurement’s website.

Source: Author.

The chief controller carries out these controls on financial cash (cash register), cash journals, and receipt and expenditure cash documents. They determine whether basic financial controls have been performed on these documents, invoices, and other accounting records. When checking compliance with budget rules, the controller ensures that only receipts, expenditures, and financial operations occurring during the relevant budget year are included in the execution of the municipality’s budget. Funds may only be used for the purposes for which they were approved in the municipal budget. Furthermore, accounting documents are checked for formal and substantive correctness. Controllers cooperate with controlled entities to implement measures addressing identified deficiencies. Few controllers verify the implementation of measures, as most reports do not contain any deficiencies. In performing their activities, the chief controller focuses mainly on legal aspects relating to public funds management, budget compliance, accounting correctness, the performance of control, and self-government. These are listed in Table 4.

Table 4: *Parts of the law that the chief controller focuses on*

1. Act No. 431/2002 Coll. on Accounting
The chief controller supervises the accuracy and completeness of the municipality’s accounting records, documents, and financial statements. Municipalities, as legal entities, are obliged to maintain accurate accounting records in compliance with applicable laws, using a double-entry accounting system. The controller verifies the completeness, correctness, and legitimacy of accounting documents. An annual inventory of assets and liabilities allows the controller to assess the municipality’s progress and results. The controller also examines the preparation, content, and approval of financial statements.
2. Act No. 369/1990 Coll. on Municipal Establishment

<p>This law outlines the position, responsibilities, and obligations of the chief controller. It specifies the role, job description, and scope of the controller's activities. According to this legislation, the chief controller submits the results of audits, reports, budget proposals, and final accounts to the local council. The chief controller ensures compliance with the municipal budget, including any changes and the intended use of funds.</p>
<p>3. Act No. 583/2004 Coll. on the Budgetary Rules of Local Government</p>
<p>This law governs municipal management and budgeting, serving as the foundation for financial oversight. The chief controller monitors the legality of the budget preparation process and reviews expenditure disbursement to ensure compliance with intended purposes and promote efficiency. The municipality must adhere to binding budgetary rules. The chief controller provides an opinion on both the draft budget and the final account.</p>
<p>4. Act No. 523/2004 Coll. on Budgetary Rules of Public Administration</p>
<p>This law establishes the general rules for budgetary management within public administration. The chief controller monitors compliance with the principles governing public fund management and oversees how the municipality handles funds received from the state budget. Key criteria that the chief controller verifies during audits include economy, efficiency, effectiveness, and purposefulness.</p>
<p>5. Act No. 357/2015 Coll. on Financial Control and Audit</p>
<p>This Act provides the framework for conducting financial control in municipalities. The chief controller assesses whether the municipality has an effective internal control system in place, verifies that basic financial controls are performed before entering into any commitments, and develops a plan for control activities.</p>

Source: Author.

In addition to the controls conducted by the municipal office, several other oversight activities were implemented to ensure transparent, economical, and efficient handling of public funds, as detailed in Table 5.

Table 5: *Additional control activities beyond utilisation control*

<ul style="list-style-type: none"> – Monitoring the use of financial resources allocated from the municipal budget to civil associations, such as folklore groups.
<ul style="list-style-type: none"> – Overseeing the management of the municipality's sports club.
<ul style="list-style-type: none"> – Evaluating the utilisation of subsidies from the municipal budget provided to the sports club.
<ul style="list-style-type: none"> – Auditing the subsidies granted to other municipalities, civic associations, churches, and elementary schools.
<ul style="list-style-type: none"> – Supervising the management of elementary schools, their canteens, and kindergartens.
<ul style="list-style-type: none"> – Assessing economically justified costs associated with the provision of public financial resources for local bus transport.

– Handling and investigating complaints.
– Ensuring compliance with Act No. 211/2000 Coll. on Free Access to Information, as amended.
– Registering and verifying suggestions received by the municipality in accordance with the provisions of the Act on the Protection of Whistle-blowers of Anti-Social Activities.

Source: Author.

In addition to control activities, the municipal chief controller performs several other professional tasks:

- Prepares expert opinions on the draft municipal budget and draft final account before council approval.
- Submits opinions on the municipality's final account during municipal council meetings.
- Prepares and presents opinions on the draft budget at municipal council meetings.
- Oversees compliance before accepting returnable funding sources and prepares related opinions.
- Monitors the state and development of the municipality's debt throughout the budget year and prepares analytical reports.
- Investigates and handles complaints against senior municipal employees, including the head of the municipal office, chief of the municipal police, and directors of any budgetary or contributory organisation established by the municipality.
- Develops a control activity plan.

We also focused on the most frequent control findings. Most reports contain no findings. Controllers note that budget implementation is regularly submitted, typically on a quarterly basis. If necessary, special budgetary measures are proposed. Financial operations are conducted accurately, in compliance with applicable laws, and financial discipline is upheld. Public resources are generally considered to be used economically, efficiently, and effectively. Reports on control activities containing findings represent only 15% of all reports, indicating a lack of professionalism in the control process. Therefore, it is necessary to increase the professional requirements for electing a municipal controller.

Identified shortcomings include:

- Non-compliance with generally binding regulations.
- Missing or outdated generally binding regulations.

- Irregularities in determining contributions of legal representatives of children in schools and school facilities.
- Unfulfilled municipal council resolutions, which remain under the controller's oversight until addressed, including irregularities in the provision of travel reimbursements and missing generally binding regulations in this area.
- Missing documents and unregistered income and expenses in sports clubs, which are municipal budgetary organisations.
- Lack of publication of essential data on municipal websites, despite compliance with the Act on Free Access to Information.
- Inadequate use of cash register software.
- Irregularities in the registration and categorisation of receivables by type and due date.
- Only formal document deficiencies were found during audits of municipal receipts and expenditures, which were subsequently corrected by municipal staff.

In only a few municipalities are highly professional reports, recommendations, and findings produced. These reports are typically prepared by controllers, most of whom are nearing retirement age, often with prior professional experience at the Office of the Chief Controller for a large city or self-governing region. Report quality is generally higher among controllers with a university degree. Additionally, we found that most small municipalities with populations of up to 1,500 inhabitants (68%) share a joint chief controller, who typically spends less than 10% of their working time in this role, amounting to only two days per month.

4.3. Other Areas Analysed

Regarding the implementation of mandatory basic financial control, all reports on control activities confirmed that municipalities are conducting basic financial controls. This entails overseeing each municipality's financial operations, with municipal employees responsible for carrying out these controls. Additionally, some municipalities also perform administrative financial control, specifically monitoring the allocation and accounting of subsidies allocated by the municipality to both natural and legal persons.

We also found that municipalities are adhering to their control activity plans. The reports we reviewed indicate that each municipality prepared a

document summarising the results of the controls conducted throughout the year, in accordance with their activity plans. Based on the controllers' findings, we conclude that these plans are being consistently followed. No evidence of non-compliance with the plans was identified, meaning that 100% of the scheduled controls were carried out. This figure does not include unscheduled controls, which primarily addressed requests from citizens and members of the municipal council.

Furthermore, the controllers in all published reports indicate that they provide opinions on draft budgets.

5. Discussion

In the Slovak Republic, the chief controller of a municipality occupies a hybrid position. This means that the chief controller is a professional employee elected by the municipality who is specifically responsible for control functions within that municipality. As such, the chief controller is not considered a municipal body but rather a compulsory employee of the municipality. This distinction results in several differences in the controller's legal status and in the execution of tasks and competencies assigned by law (Tekeli & Hoffmann, 2013).

The position of chief controller is mandatory for every municipality. According to the Act on Municipal Establishment, each municipality is required to appoint a chief controller. However, the law does not impose any sanctions on municipalities that fail to establish this position.

In terms of powers and competencies within territorial self-government at the municipal level, they are divided among the following actors:

- The municipal council, which acts as the normative and conceptual body.
- The mayor of the municipality, who serves as the executive authority.
- The chief controller of the municipality, who performs a broad range of control activities in accordance with specific procedural regulations.

Most of the issues identified through the analyses conducted by controllers were found in municipalities with fewer than 1,000 inhabitants. This group constitutes a significant portion of the municipalities examined. In the Slovak Republic, over 74% of municipalities in the analysed region of Eastern Slovakia have populations of up to 1,000 inhabitants, and these

municipalities also manage public resources. Therefore, addressing the findings of these analyses is crucial.

Our study of the activities of chief controller in small municipalities is unique, as this topic is seldom analysed and developed in the scientific literature. Studies addressing this issue are scarce in Central and Eastern European countries or have not received adequate attention. An earlier Slovak study by Baničová (2016a) examined the roles and responsibilities of chief controllers within the municipal framework. The study highlighted the effectiveness and functioning of the internal control system in municipalities of various sizes in the Slovak Republic. Baničová's research concluded that municipalities with fewer than 1,000 inhabitants were at the highest risk, as chief controllers reported significant deficiencies in compliance with the basic legal regulations. These shortcomings were particularly evident when the chief controller worked less than two days a month or not at all. Our study corroborates this finding, confirming that municipalities with populations under 1,000 are the most vulnerable to this issue.

While our research builds upon previous studies, its primary aim is to address a gap in the existing literature. We formulated several research questions that also examined additional aspects of the activities of chief controllers, thereby providing an exploratory analysis of their role in small municipalities in the Slovak Republic.

A common challenge in practice concerns the qualification requirements for candidates applying for the position of chief controller in a municipality. By law, candidates must have completed secondary education with a matriculation examination or hold a higher education degree. Municipalities are not permitted to impose stricter qualification requirements than those prescribed by law. However, it remains essential for the controller to be adequately prepared to handle the economic and legal complexities of the position, enabling them to assess control findings effectively, define them accurately, and defend them when necessary. Current practice indicates that second-level university education, particularly in economics or law, is advantageous, if not essential, for chief controllers.

Therefore, it would be prudent to amend the legislation governing municipal establishment in order to authorise municipalities to set stricter qualification requirements or to include professional experience as an additional criterion for candidates.

The chief controller is an employee of the municipality and cannot be replaced by external actors, such as members of parliament. However, the

Act on Municipal Establishment allows municipalities to appoint a joint chief controller shared by several municipalities on the basis of a coordinated public agreement. This provision primarily aims to support smaller municipalities, enabling them to conserve financial resources while ensuring that they have qualified individuals managing compliance and control functions.

Although small municipalities often struggle with personnel and financial limitations, a well-chosen controller can significantly improve the management of public finances. We therefore recommend that municipalities publicly announce the election of the chief controller through official notice boards, municipal websites, local radio, and municipal newsletters. The announcement should clearly specify the educational and experiential requirements for the position. Depending on the size of the municipality, it may be feasible to consider part-time candidates for the role.

Candidates should also submit a sworn declaration confirming the absence of conflicts of interest, such as family relations with the mayor or deputy, or an employee of the municipality. Additionally, it is advisable to allow candidates to briefly present themselves at a meeting of the municipal council.

Providing support to the newly appointed controller is crucial, and initial training through professional institutions is recommended. The mayor and the municipal office should facilitate cooperation and provide the necessary documentation to support this effort. If suitable candidates cannot be identified, municipalities should consider cooperation with neighbouring municipalities.

Small municipalities may experience limited capacity on the part of their chief controllers, which can result in a lower level of professionalism in management. Therefore, we offer recommendations for the responsible performance of this role in smaller municipalities. The controller must act independently of the mayor and deputies, even in the absence of personal relationships or pressure, and should also refrain from involvement in political matters.

The controller is required to develop an annual control plan that takes into account the size of the municipality, the number of organisations under its jurisdiction, the budget, and the time available. In smaller municipalities, key areas of control include auditing, accounting, and budget management, oversight of the use of subsidies, compliance with the Public Procurement Act, and the management of municipal property.

Effective communication is paramount. Control results must be presented clearly and professionally, avoiding unnecessary technical jargon, as the audience may include mayors and deputies who lack specialised professional training. Reports must be archived and made available to the public when required.

Even in small municipalities, the chief controller should remain informed about current legislation, particularly regarding budgetary rules for local governments, accounting practices, and financial control. Even when employed on a part-time basis, the controller should regularly monitor accounting statements and budgets, maintain communication with the municipal office, and adhere to the control plan.

The chief controller is responsible for maintaining confidentiality and upholding professional ethical standards. Information obtained through control activities is confidential unless designated for public release. Collaboration with other controllers from small municipalities is recommended. In cases of uncertainty, methodological assistance can be sought through the Ministry of Finance, the Supreme Audit Office, or professional associations.

6. Conclusion

The article evaluates the performance of chief controllers' oversight activities in small municipalities from both legislative and practical perspectives. Given that these municipalities manage significant financial resources and property, their internal control systems must be practical and functional. We examined 272 municipalities with populations of up to 1,500, representing 29.18% of all such municipalities. The selected sample is therefore statistically significant.

Our findings indicate that municipal offices are the most frequently audited entities, sometimes undergoing several audits each year. We recommend directing control activities toward other municipal entities, such as kindergartens, elementary schools, and budgetary or contributory organisations. Increasing the responsibilities of chief controllers could serve as a motivating factor for smaller municipalities. Municipal councils are not required to determine a minimum number of working hours when approving the chief controller's workload. In smaller municipalities, controllers often allocate less than 10% of their working hours to this role. These hours are typically determined by financial constraints rather than by

the actual needs and scope of control activities, resulting in a largely formal-organisational approach to the performance of control functions. In municipalities struggling to appoint a chief controller, we suggest considering the possibility of sharing a controller among multiple municipalities through collaboration. Lastly, it is essential to enhance both the formal and substantive quality of summary reports on the activities of the chief controllers and to publish these reports on the municipality's website.

This article contributes to bridging gaps in research and analysis of the use of control mechanisms in the public sector, focusing specifically on small municipalities. It also opens avenues for further studies in this area, such as expanding the range of municipalities examined or conducting comparative analyses with entities facing similar economic and political situations. We believe that the analysis presented here clarifies the functions and powers of chief controllers, evaluates their activities in small municipalities, highlights key areas of control, identifies common findings and frequent challenges in practice, and offers several recommendations for improvement.

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ASSESSMENT OF THE PERFORMANCE OF CONTROL ACTIVITIES IN SMALL MUNICIPALITIES. EVIDENCE FROM THE SLOVAK REPUBLIC

Summary

The article aimed to evaluate the performance of control activities carried out by chief controllers in small municipalities, examining both legislative and practical perspectives. As municipalities manage significant financial resources and property, their internal control systems need to be practical and effective. A thorough analysis was conducted on a statistically significant sample of municipalities in the Slovak Republic with populations of up to 1,500 inhabitants. The study assessed the main focus areas of control activities in these municipalities, including the submission and publication of annual summary reports on control activities. The article describes the functions, status, powers, and competencies of chief controllers, as well as the most common findings identified during control activities. It also addresses the challenges faced by small municipalities in the implementation of internal control and presents several practical recommendations aimed at improving the effectiveness of control activities in these settings. The study thus provides valuable insights for policymakers and professionals in public administration and governance. A recurring issue in practice is determining the qualifications of candidates analysed for the position of chief controller in municipalities. The analysis also confirmed the control-related problems identified in the theoretical literature concerning small municipalities. This article contributes to addressing gaps in the research and analysis of control activities within the public sector, particularly in small municipalities. Furthermore, it opens avenues for future studies in this area, such as expanding the range of municipalities examined or comparing the findings with those from other countries with similar economic and political contexts.

Keywords: chief controller, municipality, summary report on control activities, control findings, Slovak Republic

PROCJENA IZVEDBE NADZORNIH AKTIVNOSTI U MALIM OPĆINAMA: DOKAZI IZ SLOVAČKE

Sažetak

Cilj ovog članka bio je procijeniti izvedbu nadzornih aktivnosti koje provode glavni revizori u malim općinama, promatrajući ih iz zakonodavne i praktične perspektive. Budući da općine upravljaju značajnim financijskim sredstvima i imovinom, njihovi sustavi unutarnje kontrole moraju biti funkcionalni i učinkoviti. Provedena je detaljna analiza na statistički značajnom uzorku općina u Slovačkoj koje imaju do 1.500 stanovnika. Analizirana su područja na koja su usmjerene nadzorne aktivnosti u tim općinama, uključujući podnošenje i objavljivanje godišnjih zbirnih izvješća. Članak opisuje funkcije, status, ovlasti i nadležnosti glavnih revizora, kao i njihove najčešće nalaze u postupcima nadzora. Također se razmatraju izazovi s kojima se male općine suočavaju u unutarnjem nadzoru te se iznose praktične preporuke za poboljšanje izvedbe nadzornih aktivnosti u takvim sredinama. Time se pružaju vrijedni uvidi za donositelje politika i stručnjake u javnoj upravi i javnom upravljanju. Učestali problem u praksi odnosi se na određivanje kvalifikacija kandidata za položaj glavnog revizora u općinama. Analiza je potvrdila nadzorne probleme koji su u teoriji već identificirani u vezi s malim općinama. Ovaj članak doprinosi popunjavanju praznina u istraživanjima i analizama nadzornih aktivnosti u javnom sektoru, osobito u malim općinama. Također, otvara mogućnosti za buduća istraživanja u ovom području, primjerice proširenjem skupa analiziranih općina ili usporedbom nalaza s rezultatima iz drugih zemalja sličnog gospodarskog i političkog konteksta.

Ključne riječi: glavni revizor, općina, zbirno izvješće o nadzornim aktivnostima, nalazi nadzora, Slovačka