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INTERNAL CONTROL SYSTEMS IN THE MUNICIPALITIES OF THE EUROPEAN UNION: A BUREAUCRATIC BURDEN OR AN ESSENTIAL COMPONENT OF GOVERNANCE?

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ABSTRACT

This study explores the role of internal control systems in the municipalities of the European Union, with particular emphasis on risk management and the systems' effectiveness in combating corruption, ensuring fairness in public procurement, and reducing political influence and the mismanagement of public funds. Drawing on assessments by international institutions, the publication addresses the question of whether internal control systems constitute a bureaucratic burden or, rather, represent a vital component of effective municipal governance. An analysis of international regulatory frameworks reveals that European Union law does not require member state municipalities to establish a comprehensive internal control system. The article presents a comparative analysis of municipal governance in Denmark and Hungary, examining its impact on the quality of public administration and, consequently, on public trust. These examples demonstrate the utility of effective internal control systems at the municipal level. The findings indicate that strengthening internal controls can reduce corruption risks, improve public procurement processes, foster political integrity, and overall enhance the quality of municipal governance, thereby increasing public trust in both municipalities and the decisions made by municipal councils.

KEYWORDS

European Union law, local government, internal control, risk management, public administration, public trust.

INTRODUCTION

Municipal governance in Europe has become a significant issue, as evidenced by several initiatives in recent years. The creation of a European Administrative Space to improve the quality of public sector services was the main topic at the meeting of the Committee of the Regions' Commission for Economic Policy on 12 February 2024. Together with representatives of the European Commission (EC), discussions addressed the challenges of Europe's digital transformation and achieving the objectives of the European Green Deal at local and regional levels. Given that local and regional authorities directly implement approximately one-third of the European Union (EU) budget and are involved in the implementation of around 70% of EU legislation, they play a crucial role in the proper and sustainable management of EU funds and policy directions. The COVID-19 pandemic, the energy crisis, and cyberattacks have highlighted administrative capacity deficiencies and revealed disparities among public administration bodies. Public administration is responsible for 51.5% of the EU's GDP, employs 21% of the EU workforce, and contributes 19.8% of the EU's total gross value added¹.

The EC's "ComPact" initiative, a set of strategic measures designed to strengthen the capacity of national, regional, and local public administrations across the EU, also aims to make governance bodies more resilient, innovative, and better equipped to address contemporary challenges, such as digitalization and crisis management. "ComPact" focuses on three key areas: the "Public Administration Skills Agenda," "Capacity for Europe's Digital Decade," and "Capacity to Drive the Green Transition." Each of these areas identifies specific tasks that, if developed, can enhance public administration capacity. For example, under the Public Administration Skills Agenda, a "basic competence passport" is being created to provide a structured record and recognition of public administration employees' skills and competences across the EU. In the context of digital challenges, support is given to the adoption of artificial intelligence technologies, while the green transition is promoted through the development of tools and methods for assessing and mitigating climate risks².

The aforementioned initiatives underscore the importance of strengthening municipalities within the EU. At the same time, they highlight the need for municipalities to achieve objectives at the regional level. Municipal governance is grounded in fundamental principles, including autonomy, the rule of law, democracy, effectiveness, efficiency, and accountability.³ It is precisely the municipal ICS that strengthens municipalities and ensures the implementation of these core governance principles and the achievement of objectives, thereby promoting the efficient use of resources and reducing the risks of both the waste of municipal funds and corruption. Nevertheless,

¹ European Committee of the Regions, *Regions and Cities Discuss Commission's Proposals to Strengthen Public Administrations and Reinforce Cooperation*, (February 12, 2024) // <https://cor.europa.eu/en/news/regions-and-cities-discuss-commissions-proposals-strengthen-public-administrations-and-reinforce>

² European Commission, *Enhancing the European Administrative Space – ComPact [COM (2023) 667 final]* (Brussels: European Commission, 2023) // https://commission.europa.eu/publications/compact-enhancing-european-administrative-space_en

³ Council of Europe, *European Charter of Local Self-Government* (CETS No. 122), (1985) // <https://rm.coe.int/european-charter-of-local-self-government-eng/1680a87cc3>

comparative studies and analyses of practice indicate that in some municipalities the ICS is perceived as a bureaucratic burden—namely, primarily as an administrative obligation whose implementation is limited to the formal fulfillment of requirements and does not always provide tangible benefits in improving the quality of governance.

The subject of this article is important and timely, as EU municipalities face corruption risks and issues relating to public trust, which in turn affect local governance. At the same time, municipalities are frequently subject to criticism for deficiencies in internal control processes, as well as for their inability to achieve regional development objectives. The study identifies a key problem: although ICS have been formally introduced in many municipalities, they are often associated with cumbersome procedures and are not sufficiently effective in combating corruption or improving governance. Municipalities face numerous challenges with regard to internal control, including incomplete or fragmented legal regulation, irregular implementation of control measures, a low level of understanding of the importance of control procedures, and unclear policies.

The focus of the study is municipal governance in the EU, with particular attention paid to the practices of the Baltic States within a comparative context. The study finds that, at the EU level, there is no unified legal framework governing municipal ICS, and it analyses the impact of the absence of such a regulatory framework on the effectiveness of municipal governance. Accordingly, the author's study falls within the thematic scope of the *Baltic Journal of Law & Politics*, as it examines the interaction between legal regulation and governance by assessing the role of ICS and its impact on the quality of municipal governance in the Baltic States and the EU as a whole. The study corresponds to the range of issues addressed by the journal, namely public administration, law, and governance at the European level, and is aimed at contributing to the development of public administration while promoting public trust.

The study is also internationally relevant, as the principles of local self-government contained in the European Charter of Local Self-Government (the Charter) are binding on 46 member states. This implies that ICS, as tools of effective governance, should be implemented across all member states' municipalities. Moreover, it is essential that the ICS is not only established but also regularly reviewed and improved in line with the identified challenges. The study adopts an interdisciplinary perspective, integrating approaches and methodologies from various fields of social sciences—including law, management, political science, economics, finance, sociology, public administration, and communication studies—to conduct an in-depth analysis of ICS in municipalities.

The research methodology includes an analysis of academic literature and doctrine on the role of ICS in public administration, an examination of national and international legal instruments, an analysis of municipal practices, and a comparative analysis to assess differences in the implementation and effectiveness of ICS across EU Member States. Qualitative data analysis is conducted on the basis of available policy planning documents, as well as data from reviews, studies, and reports on corruption perception levels, the auditing field, and municipal election results, together with interviews with municipal representatives and experts in municipal law, in order to gain a deeper understanding of issues related to the implementation of ICS. The study also incorporates empirical data on governance effectiveness and levels of public trust, analysing their relationship with the functioning and outcomes of ICS.

The study's findings reveal that while ICS are a crucial component of governance in EU municipalities, their effectiveness depends on several factors. First, differences

between countries and municipalities indicate that the greatest challenges arise in municipalities facing political pressure or lacking political will or resources to implement and monitor effective ICS. Second, comparative analysis shows that municipalities with well-developed ICS and regular oversight mechanisms have significantly higher levels of public trust. Conversely, in municipalities where ICS are perceived as bureaucratic formalities and burdensome procedures, public trust in government tends to be low, and corruption risks are higher. Third, empirical data indicate that successful ICS not only help mitigate corruption risks but also enhance resource efficiency and promote transparency, thereby strengthening public trust in municipal activities and ensuring sustainable municipal development.

Thus, the results of the study highlight the need for more effective ICS in EU municipalities and provide concrete recommendations for improving both the associated legal frameworks and municipal governance practices, ultimately contributing to greater public trust in the EU's public administration sector. The study is relevant to municipal employees and officials, including executive directors, councillors, heads of legal, financial, audit, and other departments, procurement specialists, representatives of other public administration institutions, students of law and political science, university faculty, and anyone interested in law, including administrative law and public administration law.

In the continuation of the publication, Chapter 2 highlights the significance of the Charter for municipalities in EU Member States, including in the context of ICS. Chapter 3 analyses reports by international institutions related to the topic, which substantiate the issues identified in the study. Chapter 4 provides an overview of the legal framework and practice of municipal ICS in the Baltic States, while also pointing to challenges in a broader EU context. Chapter 5 presents a comparative analysis of municipal governance in Denmark and Hungary. Finally, in Chapter 6, the author draws conclusions and puts forward proposals for improving the quality of municipal governance in EU Member States.

1. THE CHARTER OF LOCAL SELF-GOVERNMENT: THE BASIS FOR EFFECTIVE MUNICIPAL GOVERNANCE

The municipality is an authority that influences a person's life path at every step—from birth to death. Typically, it is the municipality that issues both the first and the last administrative acts in a person's life: the registration of birth and death in the civil registry, and the allocation of the final parcel of land—a cemetery plot. However, between these fateful points, the municipality is responsible for many important aspects of a person's life—education, safe and pleasant roads home, water and heat supply, local festivals and fireworks, as well as support in difficult times. The municipality is the closest public administration institution to an individual throughout their entire life⁴.

Nevertheless, despite the significant role municipalities play in people's lives, public perception often reflects the belief that municipalities are distant, opaque organizations with which local residents have little in common. The author is a citizen of Latvia and according to the 2022 survey by the Organisation for Economic Co-operation and Development (OECD), only one-quarter of Latvia's population trusts public administration; yet trust in political institutions is the "key" to effective democracy. On one

⁴ Edvīns Danovskis, *Administrative Law* (Riga: Tiesu namu aģentūra, 2022).

hand, citizen trust increases the likelihood of participation in democratic elections. On the other hand, it provides politicians and political parties with the societal mandate necessary to make supported decisions.⁵

In Latvia, municipal elections are held every four years, and trends in voter turnout allow for an analysis of changes in public engagement in local governance processes. The most recent municipal elections in Latvia took place on 5 June 2025, with approximately 46% of eligible voters participating, which, compared to the municipal elections held on 5 June 2021, indicates a higher level of public interest in local politics. In 2021, voter turnout was significantly lower, with 327,939 voters participating, representing 34.01% of eligible voters.⁶ By comparison, voter turnout in the previous municipal elections in 2017 was even higher than in 2025, with 727,467 voters participating, corresponding to 50.39% of eligible voters.⁷ Thus, fluctuations in voter turnout reflect the dynamics of the political, legal, and social context, which indirectly also influence municipal approaches to the introduction and development of governance instruments such as ICS. In this context, voter turnout does not serve as a direct causal factor but rather as an indicator of public engagement and societal demand for transparent governance, which, in turn, may affect the setting of political priorities, the allocation of resources, and attitudes toward the development of ICS within municipalities⁸.

Unfortunately, there remains a widespread misconception that municipalities operate separately from the national governance framework, functioning almost like miniature monarchies. In reality, this notion is unfounded, as municipalities are integral parts of public administration. Although the municipal council, as defined by the Law on Local Governments of the Republic of Latvia, is a democratically elected decision-making body⁹, from a structural perspective, it remains a subordinate part of public administration under the central government¹⁰. The existence of municipalities is grounded in the recognition that central authorities cannot perform all administrative functions centrally and efficiently across the entire national territory. Many administrative tasks can only be carried out effectively with an understanding of local circumstances, including the needs of the population within a particular administrative area¹¹.

Functionally, municipalities are part of public administration. As previously outlined, they deal with matters closest to citizens—those rooted in the local community and of a local nature—by managing the needs and interests of the local society as near to the citizens as possible. The division of functions between the state and municipalities depends on considerations of the most effective public administration and the proximity of the managed interests to the residents¹².

⁵ OECD, Government at a Glance 2023: Latvia (Paris: OECD Publishing, 2023) // https://www.oecd.org/en/publications/government-at-a-glance-2023_c4200b14-en/latvia_f288a5d5-en.html

⁶ LETA, "Municipal Election Results," *Neatkarīgā Rīta Avīze* (June 6, 2021) // <https://nra.lv/latvija/regionos/349077-pasvaldibu-velesanu-rezultati.htm>

⁷ Central Election Commission, *3 June 2017 Elections*, (n. d.) // <https://www.cvk.lv/lv/2017gada-3juni-ja-velesanas>

⁸ Central Election Commission, "Central Election Commission: Voter Turnout in the 2025 Municipal Elections Reached 46.77%," *Jauns.lv* (June 7, 2025) // <https://jauns.lv/raksts/zinas/658353-centrala-velesanu-komisija-veletaju-aktivitate-pasvaldibas-velesanas-sasniegusi-4677>

⁹ Saeima of the Republic of Latvia, *Law on Local Governments* Article 2, Latvijas Republikas likumi (July 1, 2021) // <https://likumi.lv/ta/id/336956-pasvaldibu-likums>

¹⁰ Edvīns Danovskis, *Administrative Law* (Rīga: Tiesu namu aģentūra, 2022).

¹¹ Jautrīte Briede, Edvīns Danovskis, Anita Kovaļevska, *Administrative Law: Textbook* (Rīga: Tiesu namu aģentūra, 2024).

¹² Ineta Ziemeļe, Sanita Osipova (eds.), *Public Law: An Introduction* (Rīga: Tiesu namu aģentūra, 2024).

The EU has more than 90,000 municipalities¹³. Municipalities are a key element of local governance, and their number varies depending on the size of the country and its administrative division. In most EU countries, municipalities are the primary units of local administration and, as noted, are responsible for a variety of functions, such as education, healthcare, infrastructure, and social services.

The most significant legal instrument is the Charter of Local Self-Government¹⁴, adopted by the Council of Europe in 1985, and currently signed and ratified by 46 member states. It is a fundamental document establishing the rights of local governments and imposing obligations on member states regarding their role in democratic governance.

The Charter is important both for municipalities and citizens, as it guarantees the rights and freedoms of municipalities to perform their functions in accordance with the principles of European democracy.

The Charter strengthens local democracy by ensuring that citizens can participate in decision-making processes at the local level, such as through elections and civic activities. It promotes citizen engagement and transparency in municipal work, thereby increasing trust in local governments. Moreover, it emphasizes that municipalities must have the right to adequate resources to perform their functions effectively. The state must ensure sufficient means for municipalities to fulfil their duties and develop their local communities. The Charter is an essential tool for ensuring that municipalities are recognized as independent and important governance units responsible for meeting citizens' needs and upholding democratic governance.

The preamble of the Charter expresses the conviction that the existence of local authorities endowed with real responsibility can ensure governance that is both effective and close to citizens. But what is this responsibility, and what constitutes governance that is effective and close to citizens? How can governance effectiveness be measured, and how can municipalities avoid becoming remote and unfamiliar to their communities? The principles of local self-government enshrined in the Charter are binding on all member states. One of the preamble's key principles is the principle of effective governance—also known as the principle of good governance—which is so broad that no single definition can encompass it fully.

Classically, good governance is explained as a prerequisite for responsible actions and decisions in public administration. Good governance encompasses transparency, public participation, accountability to society for achieved results, ethical behaviour, and fair and considered decision-making. At the heart of good governance is the individual. Good governance better enables public administration to fulfil its mission of serving the public good, fostering public trust¹⁵. This means that all member states of the Charter have pledged to uphold the principle of effective governance in their municipalities—thus making it binding not only on the municipality of Davor in Croatia and Flekkefjord in Norway but also on Valmiera in Latvia and Vigo in Spain.

If effective municipal governance is an objective enshrined in the Charter, then, to successfully achieve this goal, municipalities require a strategy—a set of actions aimed at achieving the objective. In much of the literature, including business management

¹³ European Commission, *Local Administrative Units (LAU)*, Eurostat // <https://ec.europa.eu/eurostat/web/nuts/local-administrative-units>

¹⁴ *European Charter of Local Self-Government*, Council of Europe // <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/122>

¹⁵ Cabinet of Ministers of the Republic of Latvia, *Principle of Good Governance*, (accessed October 10, 2025) // <https://www.mk.gov.lv/lv/lab-parvaldiba>

and legal literature, it is argued that effective governance is not possible without internal control.

In academic debate, the ICS is regarded as a central governance instrument that ensures the identification and mitigation of risks, compliance with the regulatory framework, and the achievement of organizational objectives.¹⁶ Theoretical discourse emphasizes that the function of ICS goes beyond the formal fulfillment of regulatory requirements and is essential for ensuring governance quality and transparency.¹⁷ However, the literature also points out that the implementation of ICS may create a bureaucratic burden, particularly where procedures are excessively formalized or insufficiently adapted to an organization's capacity, which may hinder the purposeful use of the system.¹⁸ Empirical studies indicate that in municipalities, ICS is often perceived as a formal requirement, whereas its effective functioning is closely linked to available resources, staff competence, and institutional support.¹⁹ Consequently, there is a clear need for an ICS that serves not only as a legal instrument but also as a component of strategic governance, balancing bureaucratic requirements with the purposeful operation of municipalities.²⁰

A strong ICS supports organizational goals and objectives while helping to safeguard against financial losses, waste, environmental negligence, fraud, and reputational risks; it is a crucial element of governance. Thus, there is a logical relationship: the municipality, as a part of public administration, must ensure effective governance that brings it closer to its residents—a goal that can be realized through a municipal ICS. However, to what extent municipalities in EU member states implement the principle of effective governance, whether ICS exist in municipalities, and how complete they are, depends on each member state—or perhaps even on each individual municipality.

The Charter provides the legal basis for municipal autonomy, the allocation of functions, and the determination of responsibility, all of which significantly influence the structure and implementation of ICS. Academic discourse emphasizes that the Charter establishes an institutional framework within which municipalities can develop and implement control procedures, define the distribution of functions and responsibilities, and systematically monitor risks, thereby transforming ICS into a governance instrument rather than merely a formal requirement.²¹ At the same time, legal scholarship also contains debates concerning the bureaucratic aspects of the Charter, as control rules are at times perceived as formal requirements that may weaken the practical significance of ICS and limit its potential to improve governance.²² This discourse encourages viewing ICS as a purposeful and functional instrument within the framework of the Charter, mitigating the negative effects of overly formalized control.²³

¹⁶ Robert N. Anthony, Vijay Govindarajan, *Management Control Systems*, 12th ed. (New York: McGraw-Hill, 2007).

¹⁷ Marko Spremić, Dragan Kovačević, "Internal Control in Local Governments: Efficiency and Transparency," *Public Administration Review* 80, No. 3 (2020): 431–442 // <https://doi.org/10.1111/puar.13248>

¹⁸ Christopher Pollitt, Geert Bouckaert, *Public Management Reform: A Comparative Analysis – New Public Management, Governance, and the Neo-Weberian State*, 3rd ed. (Oxford: Oxford University Press, 2011).

¹⁹ Luther Gulick, "Notes on the Theory of Organization," *Papers on the Science of Administration* (1937): 1–42.

²⁰ Marko Spremić, Dragan Kovačević, Internal control in local governments: Efficiency and transparency, *Public Administration Review* 80(3) (2020): 431–442 // <https://doi.org/10.1111/puar.13248>

²¹ Norbert Kersting, Angelika Vetter, *Reforming Local Government in Europe* (Wiesbaden: VS Verlag, 2003).

²² John Loughlin, Frank Hendriks, Anders Lidström, *The Oxford Handbook of Local and Regional Democracy in Europe* (Oxford: Oxford University Press, 2010).

²³ Christopher Pollitt, Geert Bouckaert, *Public Management Reform: A Comparative Analysis – New Public Management, Governance, and the Neo-Weberian State*, 3rd ed. (Oxford: Oxford University Press, 2011).

Reports from the Council of Europe's Congress of Local and Regional Authorities on the compliance with the Charter's principles²⁴ show that while states generally comply with the Charter's requirements, full compliance is lacking. Shortcomings are identified: the need to improve municipal autonomy and efficiency, reduce central government influence, enhance financial management, and promote greater public participation—that is, to strengthen citizen engagement. All these deficiencies are related to ICS issues. Thus, in the author's view, while most EU member state municipalities have implemented ICS, these systems are not comprehensive, covering only part of the ICS functions. Strengthening ICS would help address these deficiencies. Similarly, some municipalities have introduced formal ICS primarily to ensure compliance with the letter of the law. A formalistic approach to assigned duties lies at the core of bureaucracy. For ICS to function as a genuinely effective governance instrument, its strengthening must be pursued in a manner that avoids generating excessive documentation and instead ensures a municipal orientation toward processes, results, and the quality of decision-making. An effective ICS is integrated into the municipality's daily operations, enabling the monitoring of resource use, the identification of risks, and the promotion of compliance with regulatory requirements, while at the same time preserving the system's flexibility and proactive character. Such an approach transforms ICS from a formal bureaucratic requirement into a strategic tool that not only enhances governance effectiveness and transparency but also strengthens public trust in local institutions.

2. REPORTS OF INTERNATIONAL INSTITUTIONS: WARNING SIGNALS FOR GOVERNANCE QUALITY

The implementation of a comprehensive ICS might not appear as an urgent priority were it not for the indirect signals from international institutional reports, which serve as warning signs regarding the quality of governance in the public administration sector, including municipalities.

Corruption is one of the major obstacles to democratic development, economic growth, and ensuring public trust in state institutions. Although the Charter does not address corruption as a separate topic, its principles directly promote anti-corruption measures, since the main aim of this legal act is to improve local governance and ensure transparency and accountability.

The international anti-corruption organization Transparency International annually publishes the Corruption Perceptions Index (CPI), which provides insight into how the public and experts perceive the level of corruption in the public sector across different countries. The CPI scale ranges from 0 (high corruption) to 100 (low corruption).

According to the organization's 2024 data, the EU's average score in 2023 was 64 points, which is 21 points higher than the global average of 43 points. However, since 2016, perceptions of corruption within the EU have not significantly changed, indicating stagnation. For years, Northern European countries—Denmark, Finland, and Sweden—have maintained leading positions, while Hungary, Bulgaria, and Romania

²⁴ Congress of Local and Regional Authorities of the Council of Europe, *Report on the Application of the European Charter of Local Self-Government in Poland* (2020) // <https://www.congress-monitoring.eu/en/34-pays.html>; Congress of Local and Regional Authorities of the Council of Europe, *Report on the Application of the European Charter of Local Self-Government in Italy* (2021) // <https://www.rm.coe.int/report-on-the-implementation-of-the-european-charter-of-local-self-gov/168071ae0c>; Congress of Local and Regional Authorities of the Council of Europe, *Report on the Application of the European Charter of Local Self-Government in Romania* (2023) // <https://www.congress-monitoring.eu/en/34-pays.html>

have recorded the highest perceived levels of corruption²⁵. These trends highlight a lack of progress, indicating the need for carefully considered anti-corruption measures.

The Special Eurobarometer 548 (2024) study examined citizens' attitudes toward corruption across the EU, finding that 61% of EU citizens consider corruption unacceptable, yet 68% believe that it is widespread in their country. More than a quarter (27%) feel personally affected by corruption in their daily lives. Moreover, 65% believe that high-level corruption cases are not sufficiently investigated, and only 30% consider government efforts to combat corruption to be effective²⁶. These data reflect a broad perception of corruption across the EU and underscore the need for stronger anti-corruption efforts.

Given that the study's author resides in Latvia, the data for the Baltic States were examined separately, revealing that Latvia's CPI score has declined, making it the only Baltic state where the situation has worsened. By comparison, Estonia maintained 76 points, significantly exceeding the EU average, while Lithuania improved by two points, reaching 63 points, marking its highest score to date²⁷. Significantly, 30% of Latvian residents believe that the level of corruption in the country has considerably increased over the past three years²⁸.

Corruption undermines public trust in democratic institutions and weakens political accountability. The Eurobarometer survey in 2023 revealed that, on average, 70% of EU citizens perceive corruption as a widespread problem. The survey also found that 29% of Latvian businesses believe that corruption has hindered their success in public procurement competitions. Additional problems stem from limited competition, prohibited agreements, and insufficient oversight of the use of EU funds²⁹. This indicates that Latvia lacks systematic efforts to combat corruption, which is also reflected in CPI results over the past ten years. Improving the situation would require reducing public fund wastage and "arranged" procurement practices, promoting greater transparency and accountability in public procurement processes, and ensuring effective conflict-of-interest management by introducing clearer legal regulations and oversight mechanisms.

One of the most recent studies in Latvia on corruption risk analysis in municipal construction boards revealed potentially very high corruption risks in two construction stages: during construction works and the commissioning of buildings. Specifically, the construction inspector holds significant influence over developers, making daily decisions regarding the commissioning of buildings, where hundreds of millions of euros are spent annually in the construction sector. Several causes and influencing factors for corruption risks—such as low salaries, heavy workloads, and unilateral decision-making—apply to all inspectors. As a result, 66% of construction inspectors work for long periods (five years or more) in intense work environments with low pay and high delegated responsibility. In some cases, risks of conflicts of interest, monopoly power, and political influence were identified, as well as situations where inspectors simultaneously perform

²⁵ Transparency International, *Corruption Perceptions Index 2024* (2024) // <https://www.transparency.org/en/cpi/2024/index>

²⁶ European Commission, *Citizens' Attitudes towards Corruption in the EU in 2024: Eurobarometer Survey* (July 2024) // <https://ec.europa.eu/info/publications/eurobarometer-survey-2024>

²⁷ Transparency International, *Corruption Perceptions Index 2024* (2024) // <https://www.transparency.org/en/cpi/2024/index>

²⁸ European Commission, *Citizens' Attitudes towards Corruption in the EU in 2024: Eurobarometer Survey* (July 2024) // <https://ec.europa.eu/info/publications/eurobarometer-survey-2024>

²⁹ European Commission, *Eurobarometer Survey: Citizens' Views on Corruption in the EU* (2023) // <https://ec.europa.eu/info/publications/eurobarometer-2023-corruption>

multiple duties, thereby increasing corruption risks. This grants very wide discretionary power and influence over both the construction processes and the control and post-control of decisions, as well as over the use of the institution's financial resources through procurement contracts³⁰.

Importantly, the OECD 2024 report highlights a decline in public trust in governments. Survey data show that only 44% of people trust their governments, with trust particularly low in areas such as technology regulation and climate change³¹. For instance, the Council of Europe's Group of States against Corruption (GRECO) in 2022 provided Bulgaria with 28 recommendations, of which only 7 were fully implemented, illustrating challenges in anti-corruption policies in southeastern Europe³². This data points to the need for continuous efforts to improve the public sector, including municipalities, to foster public trust in governance institutions. Public trust in state institutions is critically important for stability and development.

In this regard, it should be recalled that the EU's Sustainable Development Goal (SDG) 16, "Peace, Justice, and Strong Institutions," is one of the 17 global goals adopted by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. It focuses on ensuring justice, peace, and effective institutions. One of its core aspects is improving the efficiency of public administration and the quality of public policy, as well as promoting the fight against corruption and illegal financial flows, which affect public trust³³. The comprehensive municipal ICS proposed by the author is an effective tool for significantly improving the quality of the public sector from the municipal perspective, since only transparent, accountable, and effective public administration—including municipalities—can foster trust and ensure sustainable development.

It is important to mention that, among surveyed companies across the EU, 27% reported that they had participated in a public procurement competition and believed that corruption had hindered their chances of winning the contract. Conversely, companies that did not participate in public procurement competitions stated that they refrained because they believed the procurement criteria were tailored to favour a specific participant (16%), or that the deal had already been concluded before the competition was announced, i.e., a fictitious competition (12%), or they had the impression that a secret agreement had taken place, i.e., that victory in the competition had already been promised to someone (8%). Regarding perceptions of corruption in public procurement, slightly more than half of the surveyed businesses across the EU reported that corruption is widespread in public procurement in state institutions in their respective countries (19% very widespread, 32% fairly widespread). A similar proportion reflects perceptions at the local authority level, where 19% indicated that corruption is very widespread, and 34% that it is fairly widespread³⁴.

³⁰ Corruption Prevention and Combating Bureau, *Corruption Risk Analysis in Latvian Municipal Building Authorities: Summary of Strategic Analysis Report* (2025), (accessed October 10, 2025) // <https://www.knab.gov.lv/lv/media/7302/download?attachment=>

³¹ OECD, *OECD Survey on Drivers of Trust in Public Institutions – 2024 Results: Building Trust in a Complex Policy Environment* (2024) // <https://doi.org/10.1787/9a20554b-en>

³² Group of States against Corruption (GRECO), *Fifth Round Compliance Report on Bulgaria: Preventing Corruption and Promoting Integrity in Central Governments (Top Executive Functions) and Law Enforcement Agencies* (Council of Europe, 2025) // https://www.coe.int/en/web/greco/home/-/asset_publisher/lxOP5Yph48Zi/content/bulgaria-publication-of-the-fifth-round-compliance-report

³³ United Nations, *Goal 16: Peace, Justice and Strong Institutions* (2015) // <https://www.un.org/sustainabledevelopment/peace-justice/>

³⁴ European Commission, *Flash Eurobarometer 543: Businesses' Attitudes towards Corruption in the EU* (July 2024) // <https://europa.eu/eurobarometer/surveys/detail/3180>

This statistical data indicates that trust in public procurement conducted by state institutions is low. However, according to the author, it is not always the result of malicious actions by officials. Often, problems in public procurement are linked to the poor quality of procurement procedures, which in turn are associated with the actions of unprofessional procurement specialists. In the author's view, many EU countries do not provide opportunities to obtain high-quality education in public procurement. This field is often taught only at the course level. Only a few countries in the EU offer specialized programs that provide comprehensive knowledge of procurement procedures, including risk analysis and sustainable procurement practices³⁵. Such specialists are well-prepared, with the knowledge and skills necessary to reduce risks related to corruption, waste of resources, and unfair competition within organizations. Unfortunately, in Latvia as well, it is currently not possible to obtain professional education in this specialty. Given that the field of public procurement is complex and significant, the professionalism of procurement specialists plays a crucial role.

The Latvian State Audit Office has found that the most significant obstacle to the successful execution of procurements at present is the low capacity of personnel involved in procurement functions, influenced by several factors—workload, non-competitive remuneration, and insufficient training. Deficiencies in staff capacity negatively affect the planning and execution of procurement tasks, including the ability to meet deadlines, prepare high-quality procurement documentation, and raise supplier awareness about procurement opportunities. A competent procurement specialist is a key factor in ensuring the success of procurement processes. It is necessary to improve both the continuing education of procurement specialists and to ensure competitive remuneration corresponding to the risks and specific nature of the position, as well as to provide them with accessible consultative and methodological support³⁶.

Municipalities are usually the largest contracting authorities among all organizations in EU Member States. For example, in Latvia, municipalities account for 81% of all public procurement contracting authorities. This simply means that the greatest risks of corruption in the field of public procurement arise precisely from procurements organized by municipalities. Latvia's public procurement regulation is stricter than the EU requirements, as, although Member States may relax the rules for procurements below the EU thresholds, in Latvia, procurement procedures are applied starting from significantly lower contract value thresholds than required by the EU directive. It is possible that this strategy has been chosen because 67% of Latvian entrepreneurs acknowledge that corruption in the field of public procurement is widespread³⁷.

At the same time, pressing challenges in municipal governance are highlighted in reports of the European Court of Auditors. In particular, the review of the management and control mechanisms of cohesion expenditure has revealed deficiencies at all levels of the control system, namely at the level of managing authorities in the Member States, Member State audit authorities, and the EC. The majority of errors in cohesion expenditure are related to ineligible expenditure and projects, followed by non-compliance of beneficiaries with State aid and public procurement rules. Three main root causes

³⁵ Irem Ozsevim, "Top 10 Procurement Schools and Certifications," *Procurement Magazine* (May 30, 2023) // <https://procurementmag.com/articles/top-10-procurement-schools-and-certifications>

³⁶ State Audit Office of Latvia, "Complicated and Inflexible Regulatory Framework Hinders Successful Public Procurement," *LV portāls* (December 9, 2024) // <https://lvportals.lv/norises/370531-valsts-kontrole-publisko-iepirkumu-veiksmigu-norisi-kave-sarezgigais-un-neelastigais-normativais-regulejums-2024>

³⁷ State Audit Office of Latvia, *Problems and Opportunities for the Development of Public Procurement* (2024) // <https://www.lrvk.gov.lv/lv/getrevisionfile/29779-41W-xQrqkMfk5f9mcdGNYHfubMRhVAHn.pdf>

of these errors have been identified: insufficient administrative capacity in Member States, including inappropriate decision-making and ineffective checks by managing authorities; negligence or deliberate non-compliance with regulatory requirements on the part of funding beneficiaries; and problems related to the interpretation of legal provisions. The audit results indicate an urgent need to strengthen the manner in which the control system for cohesion expenditure for the 2021–2027 programming period is implemented.³⁸ These findings of the European Court of Auditors demonstrate that municipal ICS are not merely instruments of internal governance but, in practice, also function as mechanisms for the protection of EU financial interests. Deficiencies in these control systems highlight the importance of municipal ICS as a crucial element within the multi-level governance and control framework. The identified problems—namely ineligible expenditure and the misinterpretation of regulatory provisions, ineffective checks, and insufficient administrative capacity—point to structural shortcomings in the functioning of ICS at the municipal level, which significantly affect the lawful and transparent use of EU financial resources.

In addition, a significant problem in municipal governance arises when municipal decisions and actions are misaligned with regional objectives. One of the most prominent examples in which municipal practice came into conflict with EU objectives is the opposition raised in Italy's Val di Susa region in connection with the Turin–Lyon high-speed railway project. EU institutions repeatedly indicated that local control mechanisms and decision-making processes were not sufficiently effective to ensure compliance with environmental law, the achievement of climate objectives, and adherence to European transport policy. It was emphasized that an effective municipal ICS is essential not only for formal compliance with legal norms but also to ensure that local governance aligns with EU regional objectives. Criticism was also directed at the failure to ensure constructive dialogue with the local community and at the inadequate consideration of environmental concerns. It was acknowledged that the lack of public participation and insufficient dialogue mechanisms constituted one of the reasons why the project encountered prolonged difficulties and delays, thereby hindering the achievement of the objectives of EU regional development and transport policy.³⁹

In academic debate, this event has been assessed through the prism of public participation. Participatory governance initiatives are particularly advocated as a means of addressing complex issues characterized by value conflicts and an inability to reach consensus on solutions. Citizen participation in policymaking has expanded across several policy areas, including environmental and welfare policy. In some studies, the governance of infrastructure projects has also been examined from analytical perspectives grounded in the literature on participatory governance. Participatory governance consists of processes involving a broad range of actors, as well as diverse institutional frameworks enabling public participation. Empirical evidence indicates that, in the Italian case, there were significant structural barriers to effective democratic participation. Megaprojects of this kind represent particularly important empirical cases for the study of participatory governance practices at the intersection of public governance,

³⁸ European Court of Auditors, *EU's Control System on Cohesion Spending Is Not Working* (2024) // <https://eucrim.eu/news/eca-eus-control-system-on-cohesion-spending-is-not-working/>

³⁹ "The EU Court of Auditors Says 'No Tav': The Turin Lyon Railway Line Is Becoming Increasingly Expensive and Behind Schedule," *EUNews.it* (January 19, 2026) // <https://www.eunews.it/en/2026/01/19/the-eu-court-of-auditors-says-no-tav-the-turin-lyon-railway-line-is-becoming-increasingly-expensive-and-behind-schedule/>; European Court of Auditors, *Special Report 02/2026: EU Transport Infrastructure – Further Delays and Some Cost Increases, but a Reinforced Governance Framework Is in Place for the Future* (2026) // https://eca.europa.eu/ECAPublications/SR-2026-02/SR-2026-02_EN.pdf

public policy and administration, and democratic theory.⁴⁰ These debates form part of a broader discussion on the performance of participatory governance, which has become especially salient in the field of environmental policymaking. The study also identifies a problem related to the conduct of municipal officials, namely that information concerning municipal projects is often deliberately distorted and strategically disseminated in order to avoid opposition from stakeholders, thereby preventing open discussion, including with the public. This points to the need to strengthen ethical conduct and transparency in decision-making by municipal officials within the framework of ICS. The situation indicates insufficiently developed elements of the control environment, including ethical standards, risk management, and accountability mechanisms. Consequently, an effective ICS may serve as a preventive instrument that, *inter alia*, reduces the risk of the strategic dissemination of misleading information, while promoting evidence-based, transparent public administration that strengthens public trust.

3. OVERVIEW OF THE ISSUES: THE EXPERIENCE OF MUNICIPAL INTERNAL CONTROL SYSTEMS IN THE BALTIC STATES

Given that the study focuses on municipalities in EU Member States, the author has analysed EU legal acts regulating this matter in the context of municipal ICS. The results of the study indicate that, at the EU level, there is no single legal act that directly regulates municipal ICS, nor is there a comprehensive requirement for their implementation. Nevertheless, several regulations and directives establish mandatory internal control requirements in specific areas, such as finance, public procurement, and personal data protection. However, the majority of these legal acts are related to governance at the national level and are subsequently adapted or applied by analogy to municipalities and other institutions. Accordingly, the author concludes that the establishment of ICS in municipalities is primarily based on the national legal frameworks of EU Member States. Consequently, national legislation at the Member State level should impose an obligation on municipalities to establish and maintain effective ICS, while also providing for equally effective ICS oversight mechanisms in order to promote good governance and the efficiency of municipal operations.

In the study, the author analysed the legal regulation and practical application of municipal ICS in the Baltic States, finding that they differ significantly. These differences are evident both in the scope of the legal framework and in the control mechanisms implemented by municipalities. The identified disparities may lead to situations in which some municipalities fail to achieve the objectives of ICS; for example, by inadequately controlling project implementation, resource use, or risk management, while in other municipalities, ICS operate considerably more effectively.

In the case of Latvia, Section 77(1) of the Law on Local Governments establishes an obligation for municipalities to create an ICS that complies with the objectives set out in Section 77(2) of the same Law, namely to ensure: (1) effective, efficient, and economical municipal operations in accordance with the municipality's competence, defined objectives, tasks, and available resources; (2) activities carried out in the public interest, promoting good governance; (3) the prevention of potential risks of corruption and conflicts of interest; (4) the prevention of the waste, inefficient use, and

⁴⁰ Giuseppe Esposito, Alessandro Felicetti, Andrea Terlizzi, "Participatory Governance in Megaprojects: The Lyon-Turin High Speed Railway Among Structure, Agency, and Democratic Participation," *Policy and Society* 42, No. 2 (2023): 259–273 // <https://doi.org/10.1093/polsoc/puac029>

uneconomical use of property and financial resources; (5) the timely identification and correction of errors and the implementation of necessary improvements; and (6) the timely acquisition of reliable financial or management information and the protection of such information against unauthorized disclosure. At the same time, Section 77(3) of the same Law imposes an obligation on municipalities to establish an internal audit system for the purpose of ensuring effective municipal operations, as well as for the assessment of governance, risk management, and control. Pursuant to Section 22(1)(13) of the Law, the municipal ICS is organized, supervised, and developed by the executive director of the municipality.⁴¹

In Latvia, there is no specific regulation of municipal ICS beyond the generally defined objectives listed in the aforementioned provision, which are largely focused on the financial sector and on a single ICS mechanism — internal audit. As a result, in matters relating to ICS, municipalities must rely systemically on other legal acts and take into account guidelines issued by competent authorities. Moreover, in the context of municipal ICS, reference is frequently made to a range of Cabinet of Ministers regulations that are not applicable to municipalities but rather to direct state administration institutions, such as ministries. These regulations do not reflect municipal specificities, including one of the most significant objectives of ICS — namely, the promotion of the achievement of municipal regional objectives. Consequently, a fragmented and chaotic approach to the establishment and maintenance of municipal ICS has emerged. Accordingly, in Latvia, municipalities are required to navigate issues related to ICS on the basis of a fragmented and incomplete legal framework, supplemented by guidelines issued by competent authorities, which do not always take into account the specific nature of municipal activities. This results in uneven practice and prevents the formation of a uniform understanding of the role of ICS and its intended functions. In turn, this leads to substantial disparities in municipal capacity, which affect the quality of life of local communities and the ability of municipalities to respond to residents' needs in a timely and effective manner. The impact of these disparities manifests in areas such as demographic trends, unemployment levels, access to social services, the development of public infrastructure, and the ability to attract investment, among others.

In her study, the author has analysed the ICS of several Latvian municipalities, including Valka Municipality, Valmiera Municipality, Smiltene Municipality, and Cēsis Municipality, concluding that these systems are predominantly formalistic and bureaucratic and fail to achieve the objectives of ICS set out in Section 77 of the Law on Local Governments. Furthermore, when assessed from the perspective of multi-level governance — a concept that presupposes the interlinked functioning of control mechanisms at the local, regional, national, and international levels — the municipal ICS in Latvia appear weak and are largely oriented toward individual municipal objectives rather than regional ones. Consequently, in the Latvian context, there is a clear need to improve the legal framework, including measures to ensure that ICS support municipal compliance with regionally defined strategic and development objectives.

In contrast, in the case of Lithuania, a separate legal framework has been developed — namely, a dedicated law on internal control and internal audit that applies directly to municipalities. The law provides explanations of the relevant terminology, including definitions of internal control, internal control policy, progress monitoring, and

⁴¹ Saeima of the Republic of Latvia, *Law on Local Governments* Article 2, Latvijas Republikas likumi (July 1, 2021) // <https://likumi.lv/ta/id/336956-pasvaldibu-likums>

risk management. Although the municipal ICS objectives set out in the law are similar to those established in the Latvian legal framework, it is significant that Article 4(1) of the law includes a requirement for municipalities to identify and analyse risk factors and to implement internal control in order to achieve the objectives set out in strategic planning documents.⁴² Given that municipalities must integrate EU cohesion policy objectives, national development planning documents, and sectoral policies (education, environment, employment, etc.) into their strategic documents, it may be concluded that the Lithuanian legislator has recognised that municipal objectives must not be oriented solely toward individual municipal goals but must, in their entirety, correspond to the needs of the specific territory. This is particularly important for Latvia to take into account when improving national legal regulation and governance practices, in order to promote a common understanding of the role of municipalities within the multi-level governance system, reduce disparities in municipal capacity, and strengthen the implementation of good governance principles at the local level.

At the same time, municipalities in Lithuania have introduced municipal controllers, who are officials independent of both the municipal council and the municipal administration. Article 27 of the Law on Local Self-Government of the Republic of Lithuania provides that municipal controllers carry out not only financial and performance audits within the municipal administration, municipal institutions, and municipally controlled enterprises, but also annually prepare and submit to the municipal council an opinion on the municipality's consolidated set of financial statements, the efficiency of project implementation, and the assessment of public procurement procedures. At the request of the National Audit Office of Lithuania, the municipal controller is obliged to submit the necessary documents for the purposes of external supervision, which confirms that the controller operates within the framework of internal control functions. A further indication that the municipal controller effectively constitutes a mechanism of the ICS is the requirement that, upon the recommendation of the municipal controller, the municipal council must establish a control and audit service, which functions as an internal and permanent structural unit of the municipality. Moreover, the municipal controller performs his or her duties within the institutional framework of the respective municipality, including in the context of symbolic identity, by using the municipality's coat of arms in official documents. In addition, the municipal administration provides the municipal controller with the necessary financial and administrative support. It should be noted that the municipal controller is a specialist in the relevant field, as the law requires the controller to hold a higher education degree and to have at least three years of professional experience in finance, economics, law, auditing, control, or public administration. The municipal controller is granted the right to attend meetings of the municipal council, its committees, boards, and commissions, and to express an opinion on matters within his or her competence. Where evidence of criminal activity is identified, the municipal controller is obliged to inform law enforcement authorities and to take preventive measures to ensure that the identified violations are remedied and do not recur. Importantly, the municipal controller also examines complaints submitted by residents concerning the possible unlawful conduct of municipal officials and employees in relation to the use of municipal funds and property.⁴³

⁴² Republic of Lithuania, *Law on Local Self-Government* (Vilnius: Seimas of the Republic of Lithuania, 1994) // <https://e-seimas.lrs.lt/rs/legalact/TAD/98efa592d8fc11e782d4fd2c44cc67af/>

⁴³ Republic of Lithuania, *Law on Local Self-Government* (Vilnius: Seimas of the Republic of Lithuania, 1994) // <https://e-seimas.lrs.lt/rs/legalact/TAD/98efa592d8fc11e782d4fd2c44cc67af/>

In the case of Estonia, the Local Government Organisation Act does not impose any obligation on municipalities to establish an ICS. At the same time, however, pursuant to Article 48⁴⁴, a municipality is required to establish an internal audit system. Although the law regulating the activities of Estonian municipalities contains no provisions regarding ICS, attention should be drawn to Article 48 of the Act. This provision shows that the council is obliged to establish an audit committee, which has the authority to examine the legality, goalalignment, and productivity of institutional activities, as well as the purposeful use of resources and compliance with the budget.⁴⁴ In her study, the author analysed the work of audit committees in several Estonian municipalities, concluding that this constitutes an effective ICS mechanism, as the audit committees have assessed a much broader range of issues, going beyond the financial sector and covering areas such as human resource management, work organisation, welfare development, evaluation of service providers' performance, infrastructure readiness, institutional challenges, and others. Importantly, Lithuania also has an analogous ICS mechanism to that of Estonia—the control committee. Notably, these control mechanisms cooperate with one another; for example, the municipal controller in Lithuania, in cooperation with the control committee, must submit a draft of his or her work plan to the National Audit Office of Lithuania. In addition to other duties, the control committee submits to the council opinions on the results of the municipal controller's work, prepares and submits to the council conclusions on the legality, expediency, and efficiency of the use of municipal property and funds, proposes that the council carry out an independent audit of the use of municipal property and funds and of municipal activities, submits its conclusions on the audit results, and hears institutional managers regarding the rectification of deficiencies or violations of legal acts identified by the municipal controller.⁴⁵ The establishment of such a committee is not provided for in the Latvian legal framework.

At the same time, Estonia has for many years been recognised as one of the world's strongest digital states, enabling its residents and entrepreneurs from around the globe to abandon traditional bureaucracy in favour of digital governance. Estonia has consolidated its position as a global leader in egovernment practices, ranking second after Denmark in the United Nations 2024 EGovernment Survey, while the Estonian capital, Tallinn, ranks first worldwide. Other leading countries include highly developed and affluent states such as Singapore, Iceland, the Republic of Korea, and Saudi Arabia.⁴⁶

According to OECD data, in 2023, 83% of Estonians were satisfied with the administrative services they used—an exceptionally high figure. Estonia's 2022 Digital Government Index (DGI) score of 0.74 also exceeded the OECD average of 0.61.⁴⁷ Estonia has supported the introduction of egovernment since the early 2000s. Its current high standing is linked to several technologies and achievements: first, digital identity, as every Estonian citizen is provided with digital identification enabling secure online authentication and digital signatures; second, the implementation of the *XRoad* platform—a decentralised dataexchange system that allows public and private sector databases to operate seamlessly; third, 99% of public services are available online

⁴⁴ Republic of Estonia, *Local Government Organisation Act*, Consolidated text as in force, Estonian Riigikogu, Riigi Teataja (2021) // <https://www.riigiteataja.ee/en/eli/530082021001/consolide>

⁴⁵ Republic of Lithuania, *Law on Local Self-Government* (Vilnius: Seimas of the Republic of Lithuania, 1994) // <https://e-seimas.lrs.lt/rs/legalact/TAD/98efa592d8fc11e782d4fd2c44cc67af/>

⁴⁶ Invest Estonia, *Estonia Ranks High in the UN E-Government Survey* (2024) // <https://investinestonia.com/estonia-ranks-high-in-the-un-e-government-survey/>

⁴⁷ OECD, *Government at a Glance 2025: Estonia* (2025) // https://www.oecd.org/en/publications/government-at-a-glance-2025-country-notes_da3361e1-en/estonia_89797d03-en.html

around the clock; and fourth, the creation of the “eResidency” programme, which allows nonEstonians to access Estonian eservices. As a result, the country has become a hub of digital innovation, attracting technology startups and fostering a digitally friendly business environment. The eBusiness Register—an online platform that facilitates access to public data—is particularly noteworthy. European cooperation also plays a significant role, and Estonia has been especially committed to adopting and implementing the EU’s digital strategy, effectively utilising EU funding for national and crossborder digital initiatives. With the aim of transferring all public services to the online environment, Estonia may soon take first place globally.⁴⁸

In addition, elections in Estonia are conducted using secure electronic voting, and the country’s databases are interoperable, transparent, and protected. These reforms have reduced administrative costs, strengthened public trust, and reinforced Estonia’s position as a model of institutional resilience.⁴⁹ In this context, it should be noted that during the 2025 municipal elections in Latvia, electronic solutions were tested, but the attempt was unsuccessful due to identified technical and organisational problems. As a result, electronic voting was not fully implemented, and extensive public debate emerged regarding digital governance. Given that disruptions in the online voter register were detected, several legal proceedings were initiated, requesting the courts to assess whether the transparency of the vote had been ensured, what impact the disruptions had on the election results, and whether the elections as a whole complied with the principles of the rule of law and democracy.⁵⁰ Following the incident, the Director of the State Digital Development Agency was dismissed⁵¹, after which the responsible minister resigned, thereby assuming political responsibility for the agency’s work.⁵² At the same time, the Chair of the Central Election Commission also resigned.⁵³ By contrast, Estonia introduced its electronic voting system as early as 2005,⁵⁴ based on a longterm digital development policy, meaning that Latvia’s neighbouring state succeeded twenty years earlier in achieving what Latvia was still unable to accomplish in 2025. The author concludes that the introduction of an electronic voting system in Latvia has been hindered by a combination of factors: technological, institutional, legal, political, financial, and social.

With regard to the practice of Estonian municipalities in applying digital solutions, the author wishes to draw particular attention to the *XRoad* dataexchange platform introduced in Estonia, which has become a global system and is recognised as one of the key pillars in driving the transformation of digital society. It has also been adopted

⁴⁸ Invest Estonia, *Estonia Ranks High in the UN E-Government Survey* (2024) // <https://investinestonia.com/estonia-ranks-high-in-the-un-e-government-survey/>

⁴⁹ Victor I. Espinosa and Antonia Pino, “E-Government, Inclusive Growth, and the Legitimacy of Capitalism: Lessons from Estonia,” *Journal of Economic Behavior and Organization* 238 (2025): 107248 // <https://doi.org/10.1016/j.jebo.2025.107248>

⁵⁰ Central Election Commission of Latvia, “Court Rejects Political Party’s Appeal Against CEC Decision,” *CVK News*, CVK.lv // <https://www.cvk.lv/lv/jaunums/tiesa-noraida-politiskas-partijas-parsudzibu-par-cvk-le-mumu>

⁵¹ LSM.lv, “Director of the State Digital Development Agency Liopa Suspended Due to Problems in Election Results Compilation,” *LSM.lv* (June 9, 2025) // <https://www.lsm.lv/raksts/zinas/latvija/09.06.2025-velesanu-rezultatu-apkoposanas-problemu-del-atstadina-valsts-digitalas-attistibas-agenturas-direktoru-li-opu.a602434/>

⁵² LETA, “Minister Bērziņa Resigns from Office,” *Dienas Bizness* (2025) // <https://www.db.lv/zinas/ministre-berzina-atkapjas-no-amata-521821>

⁵³ “CEC Head Saulīte Finally Notifies Saeima of Resignation,” *LSM.lv* (June 11, 2025) // <https://www.lsm.lv/raksts/zinas/latvija/11.06.2025-cvk-vaditaja-saulite-tomer-saeimai-pazino-par-atkapsanos-no-amata.a602922/>

⁵⁴ Fabian Breuer, Alexander H. Trechsel, *E-Voting in the 2005 Local Elections in Estonia: Report for the Council of Europe* (Council of Europe, 2006) // https://www.coe.int/t/dgap/goodgovernance/activities/e-voting/coe_studies/FinalReportCOE_EvotingEstonia2005_en.asp

by other countries, including Finland, Iceland, and Japan. The platform enables secure mutual data sharing.⁵⁵ *XRoad*, which is managed by the Estonian Information System Authority in cooperation with the Nordic Institute for Interoperability Solutions, follows the “onceonly” principle, ensuring that different institutions do not repeatedly request the same data from citizens. As a form of digital public infrastructure, *XRoad* demonstrates how inclusive, secure, and citizenoriented digital systems can improve service delivery, increase transparency, and reduce costs. Estonia’s experience offers valuable lessons for countries seeking to build trustworthy, interoperable digital ecosystems grounded in democratic values and effective institutional governance.⁵⁶

Article 49¹ of Estonia’s Public Information Act stipulates that state information systems must be maintained using specific support systems, including the dataexchange layer (*XRoad*). This means that all participants in state information systems, including municipal systems, must be compatible with this dataexchange layer if they exchange state data. Consequently, municipalities are effectively required to connect to *XRoad* in practice if their systems use state data.⁵⁷ In contrast, the Latvian legal framework does not impose an obligation on municipalities to connect to a unified, centralised dataexchange platform, but instead allows them to introduce their own solutions insofar as they ensure the availability of electronic data.

At the same time, it should be noted that Latvia has introduced a dataexchange platform based on similar technology, but its use at the municipal level is primarily oriented toward technical information exchange and has not been developed to a level of functionality that would enable realtime data processing. To illustrate the differences between the systems, the author will provide several practical examples from the daily work of municipalities.

1. With the help of the *X-Road* platform, a child’s birth data are automatically transferred from the hospital to the civil registry, the population register, social services, and health systems, immediately assigning the child a personal identification number and social services. In contrast, in Latvia, although the fact of a child’s birth is electronically reported to the Office of Citizenship and Migration Affairs, updating data in social benefit and health systems often requires manual actions or separate requests.

2. With the *X-Road* platform, police officers or tax inspectors can instantly access several data systems simultaneously, checking a driver’s licence, vehicle or company registration, and tax status. The system thus ensures integrated and secure real-time data exchange. In Latvia, this information can be obtained only separately by submitting requests to the Road Traffic Safety Directorate, the State Revenue Service, or municipal systems, which requires more time and bureaucratic steps. These registers are not mutually integrated, which can increase the risk of errors.

3. With the *X-Road* platform, when a building permit is registered at the construction board, the system automatically checks company registration, tax obligations, and property ownership data in real time. This allows staff to immediately verify the legal status, financial obligations, and legal basis of the parties involved, while reducing administrative burden and the likelihood of errors. Meanwhile, in Latvia such checks are

⁵⁵ Yash Hirdaramani, “Estonia’s X-Road: Data Exchange in the World’s Most Digital Society,” *GovInsider* (2025) // <https://govinsider.asia/intl-en/article/estonias-x-road-data-exchange-in-the-worlds-most-digital-society>

⁵⁶ Uday Singh, *Estonia’s X-Road: A Foundational Model for E-Governance* (2025) // https://www.academia.edu/143010199/Estonias_X_Road_A_Foundational_Model_for_E_Governance

⁵⁷ Riigikogu, *Public Information Act (Avaliku teabe seadus)*, Riigi Teataja (2012) // <https://www.riigiteataja.ee/en/eli/514112013001/consolide>

carried out manually, with staff verifying business status separately through the databases of the Enterprise Register and the State Revenue Service.

4. With the *X-Road* platform, when registering a child for school or preschool, it is possible to simultaneously verify the child's address, family status, previous education, and received social benefits. This enables staff to more easily assess the child's eligibility for admission, ensuring faster decision-making and reducing bureaucratic procedures. In Latvia, such data are obtained manually from the Office of Citizenship and Migration Affairs, municipal social services, and other registers, and also require parents to submit documents. As a result, these processes are significantly slowed down, whereas integrated data exchange would speed up child registration, allow municipalities to proactively monitor service availability and social benefits, and thereby support monitoring of the education process.

5. With the *X-Road* platform, fast and secure inter-institutional communication is possible—Estonian municipalities can electronically send decisions and other documents to state institutions. In Latvia, such data exchange still takes place via email or e-address, requiring manual entry of information and attachment of the relevant documents.

The examples above demonstrate that the use of effective digital platforms significantly enhances the implementation of ICS functions. Integrated, realtime dataexchange systems enable municipalities to monitor processes, verify compliance with legal requirements, oversee the use of resources, and identify risks. This ensures controlled, transparent, and proactive governance, reducing administrative burdens and the likelihood of errors. At the same time, trust in interinstitutional cooperation is strengthened, thereby improving service quality. These aspects show that digital platforms are not merely technological tools but also strategic ICS instruments that promote efficient and sustainable municipal governance and increase public trust in public authorities. The experience of Baltic municipalities illustrates a lack of uniformity in the implementation and maintenance of ICS, which largely depends on each country's understanding of the role of ICS within municipal governance.

Another problem arises when a legal framework is formally adopted in a country, but its implementation is largely superficial or bureaucratic. For example, although Portugal has enacted the *Regulamento de Controlo Interno*, audits have revealed that municipal regulations have not been updated for years and that the procedures described in them are not applied in practice. The existence of the system is perceived as a bureaucratic obligation aimed at avoiding criticism from the state rather than as an instrument for effective municipal management. Portuguese legal scholars have acknowledged that municipalities tend to operate under a *compliance culture* rather than a *performance culture*, meaning that the mere existence of a document—formally satisfying legal requirements—is prioritised over its practical relevance. Researchers at the University of Minho have found that small municipalities often produce ICS documents identical to those of large municipalities, without reflecting their actual risks, thereby rendering the ICS effectively nonexistent. Portugal thus serves as a classic example of the formalistic nature of legal regulation. As noted by the Portuguese Court of Auditors, although municipalities are legally required to develop ICS, their practical implementation is fragmented. An OECD study similarly found that internal control and audit systems in the public sector are extensively regulated in many countries, including

Portugal, yet their implementation in practice often fails to meet the intended purpose of the regulatory requirements.⁵⁸

A study on the internal control and internal audit practices of EU Member State municipalities has revealed significant differences between countries—and even between regions within the same country—with regard to the level of audit implementation in the municipal sector. In some countries, an ICS has not been introduced at all. The results confirm that all countries have established an external control model for municipalities, yet in some of them certain entities are not subject to annual financial audits. In other words, all or a substantial share of entities within the municipal sector are not audited, resulting in large portions of public expenditure remaining unexamined and thereby undermining the quality and transparency of information. In several countries, the level of audit implementation is particularly low, with even key entities not being subject to annual financial audits because audits are carried out solely by the supreme audit institution on a sampling basis. This situation can be observed in certain regions of Germany, Austria, Belgium, Croatia, France, Spain, Slovenia, Hungary, and Romania. The case of France is noteworthy: deficiencies have been identified in the municipal audit system, such as delays in audit reports, prompting the government to set an objective to address these shortcomings through cooperation with privatesector auditors. Overall, the study's findings indicate that EU Member States exhibit a highly uneven regulatory framework for municipal IC and internal audit, and in countries where annual financial audits do not cover all municipalities, significant shortcomings are evident.⁵⁹

Other studies lead to similar conclusions. According to OECD public integrity indicators, OECD countries on average meet 76% of the standard criteria relating to internal control and riskmanagement regulations, and 55% of the criteria relating to internal audit. Eight countries comply with all criteria for internal control and riskmanagement regulations: Costa Rica, Estonia, Lithuania, Mexico, Slovenia, Spain, Sweden, and the United States. Lithuania is the only country that meets all criteria for internal audit regulations.⁶⁰ These data show that, in the Baltic context, both Estonia and Lithuania stand out as leaders in the effective implementation of municipal ICS, whereas Latvia requires substantial improvement in this area. Consequently, for Latvia to reach the level of its neighbouring countries, both the legal framework and its effective implementation in practice must be strengthened.

4. DENMARK VS. HUNGARY: WHY SUCH A DIFFERENCE?

According to data from the international anti-corruption organization Transparency International, Denmark is the European country with the highest Corruption Perceptions Index (CPI), indicating the lowest level of perceived corruption. Denmark scored 90 points out of 100⁶¹. This result reflects a very low perception of corruption, as a score of 0 signifies "highly corrupt" and a score of 100 indicates "no corruption." Such a high

⁵⁸ OECD, *Anti-Corruption and Integrity Outlook 2024 – Country Notes: Portugal* (OECD Publishing, 2024) // https://www.oecd.org/en/publications/anti-corruption-and-integrity-outlook-2024-country-notes_684a5510-en/portugal_d782a546-en.html

⁵⁹ Instituto de Censores Jurados de Cuentas de España, *Audit of Local Governments: A Comparative Analysis in the European Union* (Madrid: ICJCE) // <https://www.icjce.es/adjuntos/audit-local-eu.pdf>

⁶⁰ OECD, *Government at a Glance 2025* (Paris: OECD Publishing, 2025) // <https://doi.org/10.1787/0efd0b-cd-en>

⁶¹ Transparency International, *Corruption Perceptions Index 2024*, Transparency International (2024) // <https://www.transparency.org/en/cpi/2024/index>

score demonstrates Denmark's effective anti-corruption policies, transparency, and strong rule of law. In contrast, Hungary scored only 42 points—the lowest among EU member states.

The author has concluded that the governance systems of Danish and Hungarian municipalities differ significantly, particularly regarding autonomy, corruption prevention, and transparency. The study found that Danish municipalities enjoy a high degree of autonomy and play a crucial role in providing public services, including education, healthcare, and social welfare. Funding comes from local taxes and government subsidies allocated through clear and transparent mechanisms. Conversely, in recent years, the autonomy of Hungarian municipalities has been significantly reduced. The central government has taken over many services that were previously under local authority, such as education and healthcare. Municipal funding is heavily dependent on the state budget and is often used as a tool of political influence⁶².

Regarding internal control, Denmark relies on an independent audit system. The main components of this system are the National Audit Office and municipal audit institutions. Audit institutions assess not only compliance with regulations and conduct financial audits but also evaluate the organization of daily municipal operations and administrative procedures. They assess whether the quality of processes can be improved and evaluate the effectiveness of ICS, including risk management, data security, and compliance with procedures. They help to identify potential risks that may impact municipal operations⁶³. In contrast, in Hungary, municipal oversight is highly centralized. National control institutions are closely tied to the government, raising concerns about political interference and selective auditing⁶⁴. Several reports have been issued about the misuse of state and EU funds, and the judiciary is often criticized for political influence. Public procurement processes are frequently used to promote the interests of companies affiliated with the government⁶⁵.

In Denmark, openness and public participation are at a high level. Decision-making at the municipal level is transparent, and information is easily accessible to residents. Meanwhile, in Hungary, access to information and press freedom are restricted. State-controlled media often do not broadcast critical reports about the government, and access to municipal financial data can be difficult. It is clear that Denmark's high standing results from municipalities that are independent, well-funded, and operate within effective ICS frameworks aimed at ensuring public trust. Meanwhile, in Hungary, municipal authority has been increasingly restricted, subjected to centralized control, and corruption remains a significant problem⁶⁶. Thus, Denmark serves as an example of stable and reliable governance, while Hungary has witnessed a growing decline in democratic governance and municipal autonomy in recent years.

Denmark has the lowest perceived level of corruption not only within the EU but also globally, due to several key factors:

⁶² European Commission, *Denmark – Fiscal Powers of Municipalities*, (accessed October 8, 2025) // <https://portal.cor.europa.eu/divisionpowers/Pages/Denmark-Fiscal-Powers.aspx>

⁶³ Ministry of Social Services and Housing, *Municipal Audit Reports*, (accessed October 8, 2025) // <https://www.english.sm.dk/responsibilities-of-the-ministry/municipal-audit-reports>

⁶⁴ Congress of Local and Regional Authorities, *Hungary – Fiscal Powers of Municipalities*, (accessed October 8, 2025) // <https://portal.cor.europa.eu/divisionpowers/Pages/Hungary-Fiscal-Powers.aspx>

⁶⁵ European Commission, *Hungary 2022 Report: Rule of Law, Public Procurement, and the Misuse of EU Funds* (European Commission, 2022) // <https://ec.europa.eu/info/publications/hungary-2022-report-rule-law-public-procurement-and-misuse-eu-funds>

⁶⁶ UNCAC Coalition, *Denmark Signs the UNCAC Review Transparency Pledge*, UNCAC Coalition (2022) // <https://uncaccoalition.org/denmark-signs-the-uncac-review-transparency-pledge>

- 1) Strong legal system and transparency: Denmark has a highly developed legal framework that ensures clear and strict rules regarding corruption. Public authorities operate with a high degree of transparency, and decision-making processes are publicly accessible and subject to control.
- 2) Effective internal control and anti-corruption mechanisms: Strict supervisory and control mechanisms are maintained in both the public and private sectors, minimizing opportunities for corrupt activities.
- 3) Public trust in government: Citizens trust their institutions, which reduces the likelihood of corruption. People are aware of their rights and actively participate in governance processes, creating pressure on officials to maintain high ethical standards.
- 4) Robust media and civil society: Independent media and active civil society organizations monitor the government and report any suspicions of corruption, promoting accountability and transparency.
- 5) Low bureaucracy and digitalization: Denmark is a leader in e-governance, reducing direct contact between officials and citizens, thereby minimizing corruption risks, such as bribery⁶⁷.

By contrast, in Hungary, municipal governance has undergone significant changes in recent years, raising concerns about the state of local democracy. In February 2022, the Council of Europe's Congress of Local and Regional Authorities highlighted the deteriorating situation in Hungary's local and regional governance, particularly emphasizing violations of the Charter. The Congress expressed concern over clear trends toward centralization, the lack of effective consultations, and significant state interference in municipal functions. Attention was also drawn to the insufficient financial resources available to local authorities and their inability to hire qualified personnel⁶⁸. Furthermore, already in 2013, 89% of Hungarian respondents believed that corruption was a widespread problem in the country, and around 13% reported that they had been asked for or expected to pay a bribe—figures exceeding the EU average. Such conditions affect municipal operations, as the prevalence of corruption undermines public trust in local institutions and hampers the effective delivery of public services⁶⁹. These factors collectively point to the challenges faced by Hungarian municipalities, particularly concerning autonomy, resource availability, and the prevention of corruption.

In order to conclude that Hungary faces significant corruption issues and that substantial improvements are necessary, it is important to consider not only the aforementioned facts, including that Hungary has the lowest CPI score in the EU, but also the following additional factors:

- 1) Judicial independence and democracy ratings: International organizations, such as Freedom House, have noted the politicization and declining independence of the judiciary, which facilitates corruption.

⁶⁷ World Health Organization, *Denmark: Overview of the Statutory Financing System*, European Health Information Gateway, (accessed October 8, 2025) // <https://eurohealthobservatory.who.int/monitors/health-systems-monitor/countries-hspm/hspm/denmark-2024/financing/overview-of-the-statutory-financing-system>

⁶⁸ Council of Europe Congress of Local and Regional Authorities, *Hungary: Time to Reverse "Clear Trend Towards Recentralisation," According to New Council of Europe Monitoring Report* (February 12, 2021) // <https://www.coe.int/en/web/congress/-/hungary-time-to-reverse-clear-trend-towards-recentralisation-according-to-new-council-of-europe-monitoring-reportPortal>

⁶⁹ Transparency International Hungary, *GCB 2013 – Hungarians Say Our Country Is Corrupt, and the Situation Is Getting Worse* (2013), <https://transparency.hu/en/adatok-a-korrupcirol/globalis-korrupcios-barometer/gcb-2013/>

- 2) EC reports: Both the EC and the European Parliament have repeatedly pointed to improper management of EU funds in Hungary, associated with corruption risks. As a result, parts of EU funding have been suspended.
- 3) Formation of oligarchic structures and a system of crony contracts: Studies and journalistic investigations have revealed that public procurement contracts frequently benefit companies closely linked to the government, indicating favouritism and conflicts of interest.
- 4) Media control: Restrictions on media independence hinder the investigation and exposure of corruption, a feature typical of highly corrupt countries⁷⁰.

To improve the situation in Hungary, several measures would be necessary, such as strengthening judicial independence: it must be ensured that judges are not subject to political influence and that their appointments are carried out through a transparent and independent process. Furthermore, the effective operation of anti-corruption institutions is essential, namely, independent bodies such as the prosecution service and anti-corruption agencies, which must be freed from political influence and ensured the ability to investigate cases without intimidation, while also promoting the establishment of effective ICS. Greater transparency in public procurement must be introduced to prevent favouritism and to ensure that public funds are allocated fairly. Freedom of the press must be guaranteed, along with the strengthening of civil society by supporting non-governmental organizations and public initiatives. Additionally, the EU pressure must be increased by maintaining a firm stance against breaches of the rule of law in Hungary. It would also be important to ensure greater political competition, which would reduce the likelihood of corruption becoming uncontrollable.

CONCLUSION

EU Member States are responsible for the implementation of the Charter, including the enforcement of the principles of local self-government, which entails ensuring effective governance within municipalities. In the municipalities of EU Member States, ICS play a crucial role in securing effective governance, as ICS encompass risk management, the prevention of corruption and unfair public procurement practices, and the reduction of political influence and the mismanagement of public funds, among other areas of oversight. ICS promote transparency, accountability, and efficiency, and their strengthening can significantly enhance the quality of municipal governance. Moreover, in the context of the current geopolitical situation, municipalities in EU Member States must give particular consideration to risk management related to preparedness for external security threats and crisis situations.

At the same time, EU law does not establish direct and unequivocal requirements obliging municipalities to create comprehensive ICS. Instead, there are sector-specific legal acts addressing areas such as financial discipline, the use of EU funding, public procurement, and personal data protection. This fragmented approach creates the misleading impression that a municipal ICS is sufficient if it merely covers these

⁷⁰ "Brussels Seeking to Freeze €13bn of EU Funds to Hungary over Corruption Fears," *The Guardian* (November 30, 2022) // <https://www.theguardian.com/world/2022/nov/30/brussels-seeking-to-freeze-13bn-of-eu-funds-to-hungary-over-corruption-fears>; Freedom House, *Hungary: Freedom in the World 2025 Country Report*, (2025) // <https://freedomhouse.org/country/hungary/freedom-world/2025>; Mihály Fazekas, Péter András Lukács, István János Tóth, "The political economy of grand corruption in public procurement in the construction sector of Hungary," *Digiwhist* (2016) // <https://digiwhist.eu/publications/the-political-economy-of-grand-corruption-in-public-procurement-in-the-construction-sector-of-hungary/>

areas. Although international best practices are available, they are not legally binding. Consequently, the establishment of comprehensive ICS in EU municipalities currently depends on the national legal frameworks of the Member States, leading to the conclusion that Member States themselves bear responsibility for introducing appropriate legal regulation. This situation frequently results in the absence of a coherent and systemic framework for the establishment and maintenance of ICS at the national level, as EU regulation addresses only selected aspects of internal control. As a result, Member States are afforded excessively broad discretion in regulating this area, which in practice leads to uneven approaches to the understanding and application of ICS at the municipal level. Such an approach increases the risk that ICS will oversee only certain municipal processes or will be implemented merely in a formal manner, without clear objectives or functional integration into municipal governance processes.

It can therefore be concluded that, at present, ICS in EU municipalities may function either as an essential component of governance or as a potential bureaucratic burden, depending on the institutional capacity of the state and the municipality, the degree of detail of the legal framework, and the quality of its implementation. Comparative studies indicate that in some countries, such as Estonia and Lithuania, ICS are used as proactive instruments for ensuring governance effectiveness, integrating risk management, resource monitoring, and data verification into everyday processes. By contrast, in other countries, such as Portugal and Italy, municipal ICS are often fragmented and highly formalised, being primarily oriented toward regulatory compliance and documentation, which may generate administrative burdens and limit the system's actual effectiveness. Member States should draw on these examples of good practice, including the experience of Denmark, since, although reports by international institutions confirm that public administration bodies in that country operate in accordance with ICS principles, the most significant factor is the high level of public trust in the public administration sector.

In order to ensure a uniform minimum level of control in municipalities across all EU Member States, one possible solution would be the introduction of a common EU-level legal framework. However, in order to avoid a situation in which the introduction of such regulation merely increases bureaucratic burdens, the author takes the view that the appropriate solution would not be the adoption of a generally applicable regulation that would be directly applicable in all Member States and would require all municipalities to comply with detailed procedures irrespective of their institutional capacity and resources. Rather, the adoption of a directive would be preferable, as it would establish the objectives to be achieved while leaving a certain degree of discretion to Member States as to the means of achieving those objectives. Such an approach would be based on the principle of the primacy of EU law, the main purpose of which is to ensure the uniform application of EU law across all Member States by promoting the introduction of common minimum standards, while at the same time allowing ICS to be adapted to the national context. At the same time, a directive would help to reduce the excessively broad discretion currently enjoyed by Member States in the field of ICS and would require the incorporation of mandatory principles into national legal frameworks, ensuring that all municipalities comply with them, while allowing their practical implementation to be adapted to the institutional capacity of each municipality.

It is also important to emphasise that a directive is a binding instrument of EU law that sets objectives to be achieved by Member States while leaving them discretion as to the form and methods of implementation within their national legal systems. This

means that Member States would be obliged to ensure the effective transposition of the directive's requirements into national legislation, but the EU would not prescribe specific procedures or detailed institutional arrangements, as would be the case with a generally applicable regulation. Such an approach would simultaneously strengthen feedback and enforcement mechanisms at the EU level, since in cases where a directive is not implemented or is implemented improperly—namely, where its transposition is incomplete—the EC would be able to intervene by initiating infringement proceedings in accordance with Article 258 of the Treaty on the Functioning of the EU, which establishes the obligation of Member States to comply with EU law. In this way, Member States' duty to observe EU legal acts and to achieve the objectives laid down therein would be ensured. Such infringement procedures could expose the Member States concerned to the risk of financial sanctions, thereby incentivising those that have failed to implement the prescribed EU requirements, or have implemented them only formally, to ensure their effective application to the extent required by EU law.

The directive should establish the fundamental principles of ICS in a systematic and coherent manner. Such regulation would impose an obligation on EU Member States to ensure the establishment and functioning of ICS at the municipal level in order to guarantee effective risk management, the implementation of internal audit, and the transparent use of public resources. At the same time, the directive would precisely define ICS-related terminology, including the concepts of "internal control," "internal control system," "internal audit," "internal audit system," and "risk management," thereby fostering a common understanding and reducing the likelihood of divergent interpretations across Member States.

Member States would be required to transpose the content of the directive into national legislation by a specified deadline and to inform the EC of the measures taken. The EC could require Member States to submit reports on the implementation and maintenance of ICS and could issue recommendations for their further development. This would mean that the implementation of the directive would provide not only an enforcement mechanism but would also promote cooperation by performing a coordinating function, as Member States with more limited institutional capacity, through receiving EC recommendations, could improve their municipal ICS by remedying deficiencies and adopting best-practice solutions.

In addition, the results of the author's study indicate that, in practice, municipal ICS are often oriented toward the achievement of individual municipal objectives, while insufficiently taking into account regional-level development priorities. Such an approach limits the potential of ICS to function as an instrument of coordinated and strategically aligned governance. In light of this, it would be appropriate for the directive to incorporate a mandatory core principle requiring municipal ICS to be oriented not only toward local objectives but also toward the achievement of regional development goals. The inclusion of such a principle in the directive would entail a requirement to establish control mechanisms ensuring the alignment of municipal ICS with regional planning documents and strategic priorities.

In this way, an integrated approach to municipal planning and decision-making would be promoted, strengthening both horizontal and vertical coordination between local and regional levels of governance and supporting municipal action in line with both local and regional development objectives.

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