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Implementing Municipal Audit Recommendations in Kosovo

Insights to help government officials act to make needed changes and improve efficiency

Government financial audits can increase the transparency, accountability and effectiveness of public resource spending. But their impact is severely limited if recommendations are not acted upon. ideas42 and OSCE Mission in Kosovo conducted research to understand behavioral barriers behind low rates of implementation for audit recommendations, among municipal budget organizations in Kosovo—a current and serious issue affecting most municipalities in the country. While a lack of resources and legal levers for enforcement undoubtedly contribute to the problem, we found that psychological and contextual factors lead to behavioral barriers that exacerbate structural issues. We identified a number of initial, feasible solutions that could help overcome these roadblocks and improve audit implementation rates for minimal costs.

Summary

Audits serve a crucial role in holding governments accountable. They provide transparency into how public resources are allocated, and, ultimately, help maintain public trust in governments. Well-conducted and successful audits can produce recommendations that mitigate corruption and increase efficiency within government, for example by identifying issues related to the spending of public money or procurement practices. Making audit reports publicly available also creates scaffolding for constituents to openly voice their concerns and ensure their leaders are held responsible. Moreover, in Kosovo, positive audit findings also lead to eligibility for funding from third-parties or other levels of government, which can significantly boost local governments' budgets to provide public services and build infrastructure. However, if government officials do not act to make the necessary changes, audits alone are unlikely to substantially benefit municipalities and constituents.

Highlights

- Kosovo municipalities have an unsatisfactorily low rate of implementation for audit-based recommendations.
- Behavioral barriers stemming from human biases and contextual factors may contribute to the problem.
- Straightforward, inexpensive solutions, such as simplifying the Audit Report or employing social levers could encourage higher implementation.

In Kosovo municipalities, for the past several years, audit recommendation implementation rates have been low, with the Kosovo National Audit Office (NAO) noting, "The implementation of audit recommendations is not satisfactory."[1] According to internal data, in 2018 ***33% of the 586 recommendations made across municipalities were not implemented at all***—an improvement compared to 2016, when 45% of recommendations were not addressed, but still a serious challenge. Furthermore, the issue is not restricted to a few municipalities, but is instead a pervasive problem. In 2018, 30 of the 38 municipalities in Kosovo did not completely implement more than 20% of their audit recommendations.

[1] *Strategic Plan of the National Audit Office 2018-2021* (2018). Prishtina: National Audit Office.

A large proportion of unimplemented and often repeated recommendations would not require significant resources or investment to address. For example, recommendations related to misclassification of expenditures or municipal asset/property evaluation and registration are repeated year to year.[2] Implementing such procedural recommendations is feasible and would not require significant changes in operations—suggesting that an innovative approach to determine barriers is needed.

In 2018, one of the strategic objectives of the Kosovo National Audit Office (NAO) was to enhance the impact of audits by "establishing effective mechanisms to follow-up implementation of audit recommendations."[3] We worked with the Organization for Security and Co-operation in Europe (OSCE) Mission in Kosovo and NAO to identify behavioral barriers government practitioners may face in adopting audit recommendations, and propose behaviorally informed solutions to help facilitate follow-through.

Identifying behavioral barriers to implementing audit recommendations

We conducted desk research, interviews with nine municipality officials, and an online survey of 94 officials involved in audit implementation to understand the process and context of municipal audits and their implementation. This research revealed six insights about behavioral barriers that prevent implementation and uptake of audit recommendations in Kosovo.

1. Because some recommendations are truly infeasible to address within the year and the audit language is sometimes vague, municipal officials ***automatically dismiss even some feasible recommendations*** as unattainable or unreasonable.
2. Officials involved in implementation may be ***overly optimistic about the timeline*** for implementing a recommendation, and how many their municipality will be able to implement within the fiscal year. As a result, they may develop implementation plans that are not completely realistic or achievable.
3. Officials may occasionally feel less motivated in their efforts to implement recommendations because they ***perceive internal assignment as unfair*** and don't believe they should be responsible for it. Our research showed that the perception of wrongly assigned responsibility was prevalent: 79% of officials surveyed report at least sometimes being responsible for implementing an audit recommendation that should be the responsibility of another individual.
4. Our research revealed that a whole department was often listed as the 'responsible actor' for implementing an audit recommendation, and that groups of six or more officials could be involved in implementing one recommendation. Given this lack of individual ownership and large group size, officials may not take certain actions and steps toward implementation because they ***defer responsibility and expect that someone else in their department or municipality will take those actions.***

[2] 2018 Overview on Municipal Auditing. OSCE Governance Section

[3] See Strategic goal 3.3 in *Strategic Plan of the National Audit Office 2018-2021* (2018). Prishtina: National Audit Office.

5. Municipal officials may falsely ***believe that the implementation rate of their own municipality is in-line, or even better than, that of other municipalities.*** Because various reports and media publicize the challenge of low audit implementation rates, and municipal officials do not look at reports from other municipalities, implementers may think they are already doing better than the average, and feel no need to improve. Indeed, not a single government official we surveyed believed that their municipality was doing worse than other municipalities in terms of audit implementation.
6. The National Audit Organization has few economic or legal incentives or deterrents at its disposal to encourage implementation. When asked explicitly, officials report that the incentives that do exist (i.e. a municipal performance grant that is partly conditional on audit-related criteria) are important and valuable to them. However, since there are different actors involved in the process and there is a gap in time between implementing audit recommendations and reaping the benefits of the incentives, ***the connection between audit implementation and the incentive may not be salient or top-of-mind*** for officials involved in implementation.

Improving audit recommendations implementation through behavioral insights

We identified two existing channels that could be employed to deliver low-cost interventions aimed at boosting implementation rates: the **Audit Report** delivered by the National Audit Office to municipalities at the end of the audit and the **Action Plan** written by municipality officials in response to the recommendations in the Audit Report.

Simplify and clarify

- ***Use clear language.*** Audit Reports are often lengthy documents with legal and bureaucratic terms that may obscure the significance and importance of the content and findings itself. The Audit Report should use clear, simple, and specific language, with the most important points made visually salient.
- ***Designate individual ownership.*** In many municipalities' Action Plans, the 'responsible individual' for implementing a recommendation was often an entire department. To create a sense of personal responsibility, the Action Plan template should require the name of specific individuals in charge of implementation, and they could even be required to sign their name next to a commitment to act.
- ***Indicate feasibility.*** To help municipalities focus on the feasible recommendations, auditors could mark infeasible recommendations and separate them from the feasible ones. Recommendations that are likely to take more than one cycle, could be broken down into smaller, achievable goals.

Use social levers

- ***Employ social benchmarking.*** The annual Audit Report could include comparisons of municipalities' performance in terms of implementation rates and audit findings to help correct officials' assumptions that they are already doing relatively well and to motivate them to improve their municipalities' standing.
- ***Offer social incentives and recognition.*** Publicize municipalities' rankings in terms of recommendation implementation and publicly commend the well-performing ones. Offer internal recognition to departments or individuals that implement all their recommendations.

Facilitate follow-through

- ***Create planning prompts.*** Use the Action Plan to help municipalities breakdown and articulate the necessary actions for the implementation of each recommendation, and create concrete and realistic timelines.
- ***Send reminders.*** Timely reminder letters or emails sent to municipalities and individuals involved in the implementation to could keep implementation top-of-mind.

These solution ideas are preliminary directions to be further developed and refined through research and collaboration with relevant stakeholders, and iterative rounds of prototyping and user-testing.

Takeaway

Behavioral barriers identified by this study point to the fact that imperfect legislative frameworks and a scarcity of enforcement levers and resources—while important—are not the only factors leading to low rates of audit recommendation implementation behaviors among government officials. Like all individuals, government actors may be influenced by subtle but significant factors such as perceptions of fairness, diffusion of responsibility, or perceived norms of other municipalities. These and other psychological biases and features of the environment compound and amplify structural issues. They also point toward simple, inexpensive solutions (such as re-designing the Audit Reports or Action Plans) that tread a different path than traditional directions for government reform.