NATIONAL AUDIT OFFICE

OF THE REPUBLIC OF LITHUANIA

PUBLIC AUDIT REPORT

CONTROL OF THE APPLICATIONS OF THE PUBLIC SECTOR ACCOUNTING AND REPORTS CONSOLIDATION INFORMATION SYSTEM

29 March 2013, No. VA-P-90-1-5
Vilnius

Audit started	30 March 2012
Audit completed	29 March 2013

Full audit report in Lithuanian is available on the website
of the National Audit Office: www.vkontrole.lt

Sets of financial statements consolidated at all levels are prepared using the Public sector accounting and reports consolidation information system[1]. This system was created within the framework of the Plan of Measures for the implementation of the Public sector accounting and reports consolidation information system and designed to draw up consolidated statements of the public sector entity groups, the State and local governments as well as to prepare and take decisions on the management of state assets. The operator and manager of the system and data provider is the Ministry of Finance, which is responsible for the system creation, operation and development and establishes requirements related to the data management.

[1] Government of the Republic of Lithuania Resolution No.730 of 16 July 2008 on the composition of public sector entity groups of the Republic of Lithuania for the consolidation of financial statements and on the establishment of public sector entities responsible for the preparation of consolidated financial statements, paragraph 2.7..

The audit was performed at the Ministry of Finance and aimed to check whether the control measures ensure that data entered in the Public sector accounting and reports consolidation information system is accurate, authentic, complete, entered without duplication and only by adequately authorised persons, whether it is fully and correctly processed, and whether the system output results, sets of consolidated financial statements, are reliable.

The objective of the audit was to assess the management of data in the Public sector accounting and reports consolidation information system. The audit addressed control of the system applications, i.e. management of the data entry, processing and output, and of the key data files. Also, the auditors checked the data contained in the system, such as financial statements, as well as harmonised and non-harmonised interconnected data.

No inconsistencies were identified upon the completion of the audit of the system database security settings and check-up of the selected correctness rules related to both data entry and data processing, there are effective automated controls in the systems, the control procedures function in accordance with their descriptions. The data processing result of the Public sector accounting and reports consolidation information system is sets of consolidated financial statements, the correctness of which depends not only on correct data entry, processing and output in the key data files management information system, but also on the correctness of accounting and consolidation entries of the public sector entities.

The audit found instances when consolidation entries in the Public sector accounting and reports consolidation information system had not been supported with accounting or related accounting documents; however, upon the entry into force of the amendments of the Consolidation methodology for sets of financial statements of the public sector entities in 2013[2], every consolidation entry has to be supported with a consolidation entry reference and other documents, therefore no such corrections should be left in future.

Audit conclusions

1. There is sufficient control of the applications of the Public sector accounting and reports consolidation information system. However, a number of data entry management deficiencies were identified, which increase the risk of erroneous primary data entry. Also, the automated tools of entering data in the Public sector accounting and reports consolidation information system have not been used to full capacity:

- the existing control procedures do not ensure separation of duties of system users, there were cases established when the public sector entities had failed to comply with the

[2] Consolidation methodology for sets of financial statements of public sector entities approved by Order No. 1K-152 of the Minister of Finance of the Republic of Lithuania of 19 April 2011 on consolidation of sets of financial statements of public sector entities (version of Order No. 1K-049 of 31 January 2013), Chapter VII.

requirements of the Consolidation procedure for sets of financial statements of the public sector entities when appointing responsible persons;

- in 2012, less than 1 per cent of the public sector entities provided data in an automated manner, which is only 28 out of more than 4,000;
- during consolidation, the type of a number of blocking control measures was changed from blocking to warning;
- during the audit period, system bandwidth problems were addressed, however, it will be possible to see whether the improvements did bring any real benefits only when consolidating statements for the year 2012.

2. No significant problems were identified in relation to the management of the data of the Public sector accounting and reports consolidation information system, modifications of the key data are adequately controlled and authorised, there are effective data output control measures in place.

Audit recommendations

With a view to ensuring provision of correct information in financial statements of the public sector entities and an effective data provision process, we recommend the following:

To the Ministry of Finance

1. to reduce the risk of erroneous primary data entry – to use full potential of the existing Public sector accounting and reports consolidation information system, to ensure automated data provision from the Treasury finance management and accounting information system and Finance management accounting information system operated by the Ministry of Finance;
2. to provide for requirements to introduce automated tools for the input of data to the Public sector accounting and reports consolidation information system when creating and/or modernising information systems of the public sector entities, which are used for the management of information related to material and financial resources;
3. to ensure proper management of the system users in order to maintain the principles of separation of incompatible duties.

The recommendations, their implementation measures and deadlines are provided in the Recommendation Implementation Plan provided in Annex 2.