NATIONAL AUDIT
OFFICE OF LITHUANIA
• BRINGING BENEFITS •

# ASSESSMENT OF MATURITY OF BUDGETARY GOVERNANCE

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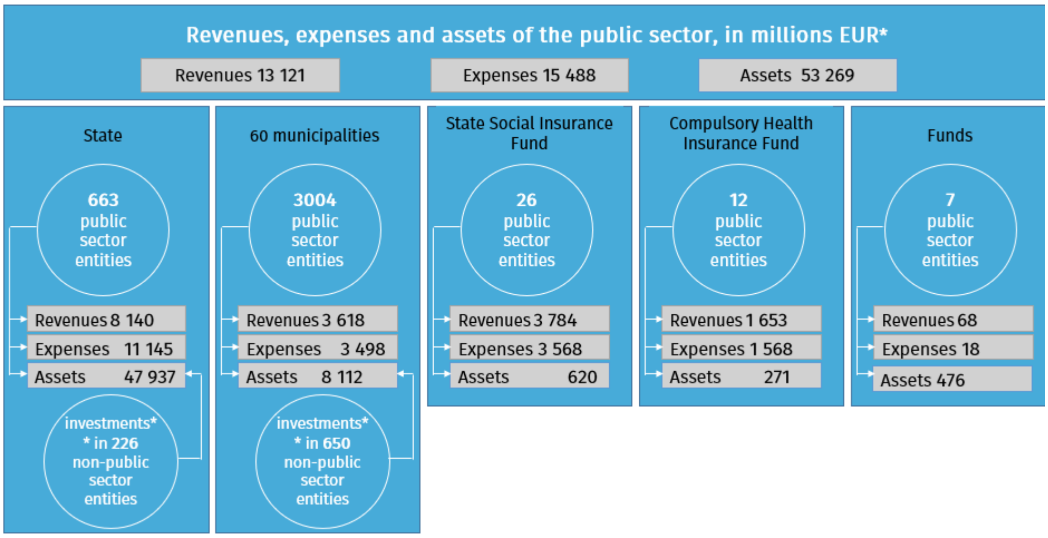
# CONTENT

# INTRODUCTION

To implement the State and municipal policies in the areas important for the society - ensuring the safety and employment of citizens, accessibility of education, science and health care, creating a favourable environment for the economic development, etc. financial resources are needed. In achieving these goals, budget appropriations managers develop activity plans, in which they envisage the use of the received financial resources: they confirm programmes and measures, funds necessary to attain the goals, evaluation criteria to measure the attainment of the goals. In Lithuania, the State, municipal, State Social Insurance Fund, Compulsory Health Insurance Fund and other budgets are shaped and adopted[1].

In 2017, 3.7 thousand public sector entities received more than EUR 13 billion of revenues, controlled EUR 53. 3 billion of assets and incurred over EUR 15 billion of expenses associated to the implementation of public policy objectives (see Picture 1). Investments in 876 non-public sector entities comprised EUR 6.7 billion.

**Picture 1.** Revenues, expenses and assets of the public sector in 2017, in millions EUR




* Based on data of the Set of National Financial Statements and the data of the groups of public sector entities - in accordance to the data of Consolidated Financial Accounts of the Public Sector Entities.

** Investments in non-public sector entities are recorded in the value of financial assets of the group of public sector entities.

Source - National Audit Office of Lithuania based on the 2017 Set of National Financial Statements, the consolidated financial accounts of the public sector entities and the 2017 reports on the Information System of Public Sector Accounting and Consolidation[2].

Budgetary governance encompassing both the management of the drawing up and execution of budget and reporting for the achieved results and the use of financial resources has a crucial role in the efficient implementation of the State goals by using the existing financial resources. Budgetary governance is the basis for creating conditions for rational and transparent distribution and use of State resources. Good shaping and

[1] Privatisation Fund, Reserve (Stabilisation) Fund, State Enterprise Ignalina Nuclear Power Plant Decommissioning Fund, Guarantee Fund, Long-term Employment Payout Fund.

[2] On the regularity of this data auditors issued a qualified opinion, for more see public audit report “Evaluation of 2017 Set of National Financial Statements and Public Debt Data and Its Management”.

governance of the budget is important to control the negative economic consequences and solve the problems related to the increase of the public debt or the non-transparent financial management.

In Lithuania, it is intended to establish performance-based budget, i.e., to focus on measurable targets and allocate the necessary resources; perform the activity under programmes that ensure these achievements[3]. To achieve this goal, since 1999, in implementing the budget composition reform[4], budget appropriations allocated to appropriation managers have been approved under the programmes. In 2002, the Government adopted the Strategic Planning Methodology[5] and since 2006, the performance results of appropriation managers have been evaluated on the basis of impact, result and product evaluation criteria[6]. In 2009-2012, the Office of the Government together with the Ministry of Finance implemented the project "Development of Performance Management", which led to the creation of performance-based management tools.

Budgetary governance becomes especially relevant in order to maximise the results and impact with limited financial resources. In Lithuania, government revenues are among the lowest in the EU - in 2015-2017, Lithuania ranked 24-25th[7].

Appreciating the increasing importance of budgetary governance issues, the 17th Government included them in the list of planned tasks in 2017, envisaged the reform of strategic planning and budgeting system by increasing result- orientation and ensuring financial sustainability[8].

According to experts, in practice the line between performance budgeting and performance management is blurring[9]. This also can be seen when analysing the processes in Lithuania: public sector performance is financed from the State and municipal budgets as well as other State finances while performance and budget planning, adoption, execution and reporting processes are mutually linked (see Picture 2). Thus, the quality of budget and performance management - whether the priorities and objectives of the State and institutions are determined reasonably, whether they are properly linked to financial resources, how effective the performance is and information on the results is used – influence the quality of services provided to the society, as well as the meeting of citizens' expectations as well as incentives to pay taxes.

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[3] International Monetary Fund, From Program to Performance Budgeting: The Challenge for Emerging Market Economies, 2003.

[4] Resolution of the Parliament of the Republic of Lithuania "Regarding the Concept of the Composition of Lithuanian Republic Budget" of 22 October 1998. From 2001, the Government distributes the total sum of the State budget appropriations established in the law under the strategic activity plans programmes implemented by appropriation managers.

[5] Resolution of the Government of the Republic of Lithuania No. 827 "Regarding the Adoption of the Strategic Planning Methodology" of 6 June 2002.

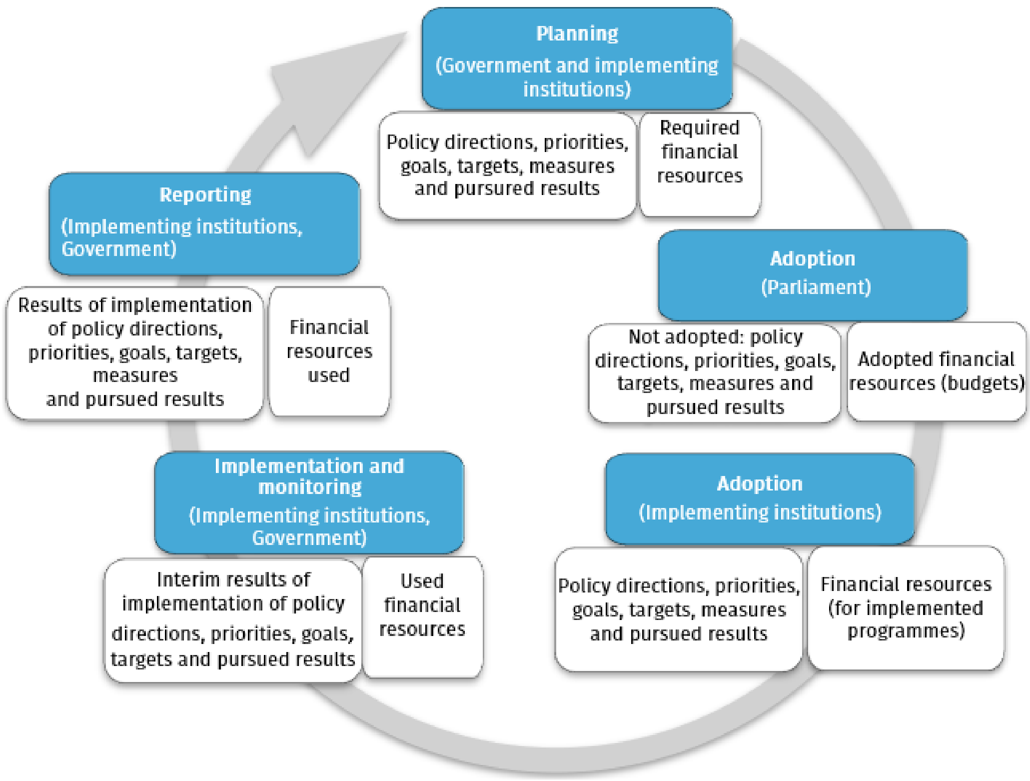
[6] Resolution of the Government of the Republic of Lithuania No. 827 "Regarding the Adoption of the Strategic Planning Methodology" of 6 June 2002 (Edition the Resolution No. 902 of 16 November 2004).

[7] Eurostat's data (government revenues). Internet access: http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do.

[8] Task 3.1.5 of the Plan for the Implementation of the Programme of the Government of the Republic of Lithuania adopted by Resolution No. 167 of 13 March 2017.

[9] Moynihan, D., & Beazley, I. Toward Next-Generation Performance Budgeting: Lessons from the Experiences of Seven Reforming Countries. World Bank Publications, 2016, p. 3.

**Picture 2.** Stages and participants of shaping and implementation performance plans and budget




Source - National Audit Office of Lithuania based on the Law on the Budget Structure of the Republic of Lithuania[10], Law on Health Insurance of the Republic of Lithuania[11], Law on the Budget Structure of State Social Insurance Fund c the Republic of Lithuania[12], Strategic Planning Methodology[13].

At the end of the 20th century especially great importance globally was attached to the development of the public sector performance management[14], however, various performance management elements had been applied in the public sector of many countries previously as well. To compare the performance management systems of different countries, G. Bouckaert and J. Halligan - the scientists analysing public administration and management developed a framework for comparative analysis of performance management[15]. In essence, its content is reflected in the principles of good budgetary governance highlighted by the OECD[16].

The OECD principles of good budgetary governance

- Distribution of budget appropriations must be aligned with national goals, public policies, government priorities, etc.
- The data of the budget and its implementation must be public, open, transparent and accessible and serve as source of information in shaping and implementing the policy, etc.

[10] Law on the Budget Structure of the Republic of Lithuania, No. I-430 of 30 July 1990.

[11] Law on Health Insurance of the Republic of Lithuania, No. I-1343 of 21 May 1996.

[12] Law on the Budget Structure of State Social Insurance Fund of the Republic of Lithuania, No. IX-547 of 11 October 2001.

[13] Confirmed by the Government Resolution No. 827 of 6 June 2002 (with the most recent amendments and supplements).

[14] Bouckaert G., Halligan J., Managing Performance, 2008, p. 11.

[15] Ibid.

[16] OECD. Recommendation of the Council on Budgetary Governance, 2015.

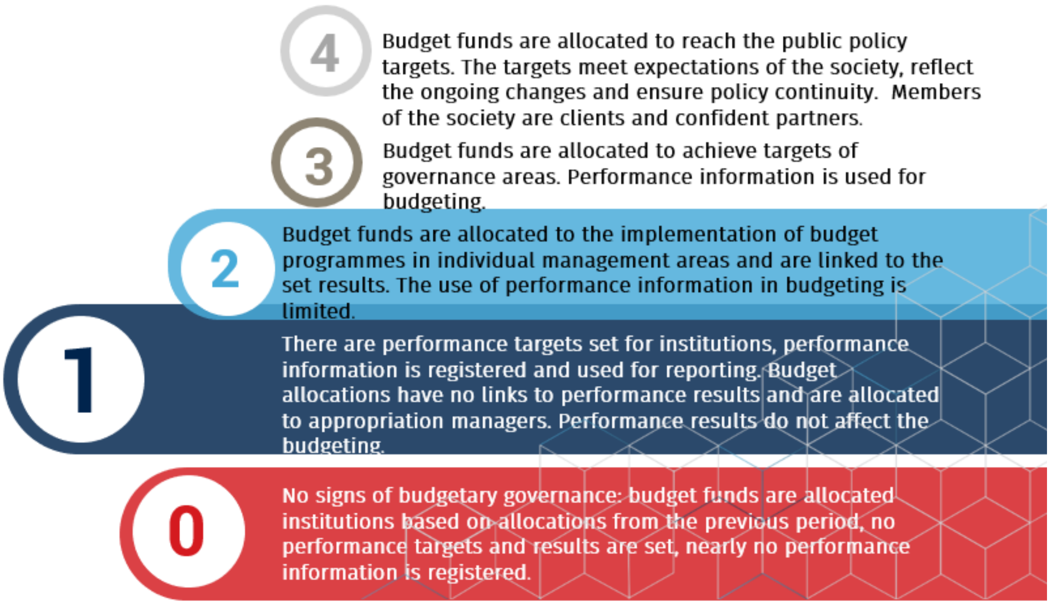
- Having an adequately constructed reporting process in place, the budget implementation reports can provide valuable information about performance results and benefits received from the future allocation of the budget resources, etc.
- It must be ensured that the budgetary process is accompanied by continuous evaluations of performance results and achieved benefits as well as timely, thorough, consistent and comparable information about the achieved results, which is suitable for decision adoption, etc.
- And others.

Audits of the National Audit Office of Lithuania regularly identify shortcomings associated with budgetary governance. With a view to the importance of budgetary governance for the rational and transparent distribution and use of the State resources, it was decided to evaluate the maturity of budgetary governance in Lithuania. Such evaluation allows to define what maturity of budgetary governance is intended to be achieved as well as select the necessary means for the attainment of this goal. Having regard to the fading difference between the performance budgeting and performance management and their close management principles, we decided to supplement the framework for comparative analysis of performance management created by G. Bouckaert and J. Halligan with budgetary governance elements and apply it when evaluating the maturity of budgetary governance.

With its audits the National Audit Office of Lithuania aims to encourage the audited entities to improve their performance results by indicating in audit reports the performance aspects to be developed and/or shortcomings to be eliminated. We evaluated the budgetary governance maturity by summarising the observations regarding the budget formulation and execution as well as performance management shortcomings made in public audits conducted in 2015 - 1st half 2018.

Having completed the budgetary governance maturity evaluation we identified that maturity in Lithuania has not yet exceeded the first level (see Picture 3), which international experts call the classic rule-based bureaucracy.

**Picture 3.** Budgetary governance maturity level




Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

Difficulties still emerge when shaping the policy and determining performance priorities, developing strategies and planning activities and financial resources to implement them, establishing evaluation criteria, monitoring and evaluating the implementation processes. The use of information should also be improved - often, reporting for the budget implementation and performance is only a formality, therefore, the report data is not suitable decision making: only numerical information is given, without evaluating it, incorrect and/or incomplete information is submitted, when planning the performance and shaping the future budgets the results are not taken into account.

The scope of assessment and methods applied are described in more detail in Annex 1 "Scope and Methods of Assessment".

# 1. MATURITY LEVELS OF BUDGETARY GOVERNANCE

We performed the maturity evaluation of budgetary governance following the framework for comparative analysis of performance management developed by G. Bouckaert and J. Halligan[17]. Its contents, as it was mentioned, is reflected in the OECD principles of good budgetary governance. The framework distinguishes five performance management types:

- Traditional performance - it is performance management level without any signs of maturity: there are no requirements to manage performance information, there is no bureaucratic mechanism for the incorporation and use of performance information, and the awareness of performance management is intuitive and subjective[18].
- Performance administration - least mature level of performance management. The authors call it a classic example of rule-based bureaucracy - the performance management is performed because it is required by the legislation.
- Managements of performances. It is a more mature level of performance management than performance administration, however, the performance management is still not consistent, systematic and integrated – there is a lot of information on performance results that is not necessarily interlinked and meant for various purposes.
- Performance management. The performance information is systematically and coherently generated, incorporated and used.
- Performance governance is the most mature level of performance management, which, in the view of the authors, neither State has yet reached, and which encompasses the inter-institutional cooperation exceeding the limits of the public sector, the inclusion of the society in the performance management and trust.

To determine the type of performance management, the authors propose to analyse the following components of performance management: performance evaluation (measurement), incorporation and use of performance information.

In order to apply the framework for comparative analysis of performance management for the evaluation of the maturity of budgetary governance, we linked the types of performance management with the elements of budgetary governance (Table 1).

[17] Bouckaert G., Halligan J., Managing Performance, 2008.

[18] Ibid., p. 69.

Evaluating the maturity of budgetary governance, which is based on the public audit results in this report, we considered that:

- In the traditional stage of performance financial resources are allocated to the performance of institutional functions based on the data of use of funds in the previous year, and the target performance results are not determined.
- In the performance administration level information about performance results is present, however, it does not affect changes when shaping and implementing the budget.
- In the managements of performances maturity level, the budgeting is based on programmes, it may answer various questions, e.g., how much the implementation of certain program costs.
- In the performance management maturity level, it is ensured that when shaping the budget, the information on performance results will be appropriately taken into account.
- In the performance governance maturity level, it is ensured that when shaping the budget not only the information on performance results but also the observations and opinions submitted by the society will be taken into account.

When evaluating the components of budgetary governance framework, we considered that:

- Performance evaluation (measurement) is a determination for which performance and what amount of financial resources will be allocated, what are the performance targets, goals, and implementors, what criteria will be applied to measure the performance results, who and by what means will collect, analyse and evaluate the information about the used financial resources and achieved performance results, etc.
- Incorporation of performance information is the development of means, methods and ways formalising the evaluation and use of financial resources and performance results in the documents and processes, which are associated with the shaping and implementation of budget.
- Use of performance information is ensuring the accountability for the used financial resources and achieved results and the adoption of decisions following the existing information: in shaping the policy, planning changes and the allocation of resources, responsibilities and competences, etc. (see Table 1).

**Table 1.** Types of performance management and elements of budgetary governance

| | Traditional performance | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 |
| **Performance** evaluation (measurement) | Intuitive and subjective. | Registration of administrative data, mostly the quantity of input and process. | Quantitative and qualitative performance results are evaluated. Importance of performance quality evaluation is appreciated. Specialized performance | Economy, efficiency and effectiveness of performance and expectations of stakeholders are evaluated. Focus is placed on performance quality evaluation. Hierarchical performance evaluation system. | Economy, efficiency and effectiveness of performance and trust of the society are evaluated. Members of society become not only clients, but also partners. |

| | Traditional performance | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 |
| | | | management systems. | | |
| | | Micro level. Performance of one institution is evaluated. | Micro and meso levels. Performance of an institution and public policy in an area are evaluated. | Micro and meso levels. Performance of an institution(s) and public policy in several areas are evaluated and causally linked. | Micro, meso and macro levels. |
| | Target goals and results of the financed activity are not determined. | Allocated financial resources are most often linked only with quantitative performance results of the institution. Efficiency and effectiveness of the use of financial resources are not evaluated. | Allocated financial resources are linked with quantitative and qualitative performance results of the institution and public policy in the area. Rudimentary use of horizontal planning documents. Limited evaluation of the efficiency and effectiveness of the use of financial resources. | Allocated financial resources are linked with quantitative and qualitative performance results of the institution and public policy in several areas in horizontal planning documents. Efficiency and effectiveness of the use of financial resources in individual areas of public policy is evaluated. | Allocated financial resources are linked with quantitative and qualitative public policy results relevant for the society. Efficiency and effectiveness of the use of the State financial resources is evaluated. |
| Incorporation of performance information | None. | Somewhat - to individual processes of shaping and implementing the performance and budget, formal. | To unrelated systems of individual management functions that do not have a direct impact on the budgeting. Incorporation in budget negotiations is limited. | Systematic internal integration of performance and budget information in all cycles of budget shaping and implementation. It is aimed to balance the supply and demand of information. | Incorporation is hyper dynamic. Supply and demand of budget information is balanced. |
| Use of performance information | None or almost none. | Limited. For internal reporting in the institution for administrative purposes for individual cycles and processes. Standards are set. | For reporting purposes in the institution for management of individual, not necessarily associated processes. Standards are reviewed and amended. | Consistent, thorough and steady use of information for the purposes of management development and public policy. | Consistent, thorough and steady use of information for the purposes of management development, public policy and societal purposes. |
| | Budget is shaped based on the data on use of funds in previous year, performance of institutions functions is financed. | Performance information does not significantly influence the shaping of the budget, it is used in the background. Budget funds are allocated to appropriation managers | Use of performance information when shaping the budget is limited. Budget funds are allocated for the implementation of programmes linking them with the target results. | Performance information is used when shaping the budget. Budget funds are allocated to achieve the goals of management areas. | Performance information as well as observations and opinions of the society submitted as a feedback are used when shaping the budget. Changes that occurred and new goals are evaluated; continuity is |

| | Traditional performance | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 |
| | | without linking them with the target results. | | | ensured. Budget funds are allocated to achieve public policy goals. |

Source - National Audit Office of Lithuania based on: Bouckaert G., Halligan J., Managing Performance, 2008; Pollitt C., Bouckaert G., Public Management Reform. A comparative analysis – New Public Management, Governance and the Neo–Weberian State, 2011; Demeulenaere E., Corvo L., Bouckaert G., Meneguzoo M., Measuring performance-based budgeting in Flemish and Italian municipalities, 2013.

More information on types of ideal performance management identified by G. Bouckaert and J. Halligan and their application may be found in Annex 2.

# 2. BUDGETARY GOVERNANCE DID NOT EXCEED THE FIRST LEVEL OF MATURITY – RULE-BASED CLASSIC BUREAUCRACY

One of the tasks of the National Audit Office of Lithuania is to encourage a positive and effective impact of public audit on financial management and control system of the State and on the public management based on results and public expectations. The following factors affecting the quality of budgetary governance are evaluated during the audits: shaping and implementation of the State budget, use of the State assets, economy, efficiency and effectiveness of audited entities, etc.

During 2015 – 1$^{st}$ half 2018, the National Audit Office of Lithuania performed systemic performance audits on the State budgeting, management of the State real estate, implementation of its policy objectives in education, social security, law enforcement, culture and other areas. The budgetary governance issues are regularly analysed in evaluations of the regularity of the sets of accounts of the State budget, Compulsory Health Insurance Fund (hereinafter - the CHIF), State Social Insurance Fund (hereinafter - the SSIF) and other funds as well as the legality of the management, use and disposal of funds and assets.

Performing the functions of the budget policy monitoring institution, the National Audit Office of Lithuania monitored, analysed and evaluated the adherence to the fiscal discipline rules and the implementation of budget policy goals, issued opinions on the approval of the economic development scenario, government sector financial indicators, etc.

Evaluating the maturity of budgetary governance, we analysed the audits, assessment and opinions issued (hereinafter - audits) in 2015 – 1$^{st}$ half 2018. Almost 500 observations concerning the budgetary governance in all groups of public sector entities were made in 94 audits: in groups of entities of State, municipal, State Social Insurance and Compulsory Health Insurance Funds and Resource Funds. In order to determine the maturity of budgetary governance we evaluated the contents of the observations that shows one or another maturity level of budgetary governance.

## 2.1. Signals Sent by Public Audit Results

Having evaluated the audit observations, we detected that in Lithuania the maturity of budgetary governance has not yet exceeded the first maturity level – it is evidenced by 68% of all observations (see Table 2 and Annex 3). International experts define this level as classic rule-based bureaucracy. It means that we have procedures required by the law regulating the budget shaping and implementation, strategic planning, performance evaluation and monitoring as well as other results-based management tools, however, difficulties still emerge when implementing them, especially in performance evaluation stage: when determining priorities, developing strategies and planning activities for their implementation, allocating responsibilities and determining evaluation criteria, especially qualitative, monitoring and evaluating the implementation processes.

It should be noted that this achieved maturity level of budgetary governance is not sustainable: in 20% of cases performance is not managed, i.e., when shaping and executing the budget, the pursued objectives and/or results are not determined, information about their achievement is not collected, responsible institutions and/or persons for the performance of functions are not determined, etc. However, the budgetary governance in the public sector also has the characteristics of the second maturity level (see Table 2).

**Table 2.** Breakdown of observations made in audits by maturity levels of budgetary governance, in %

| | Maturity levels of budgetary governance | | | | Total, % |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | |
| Evaluation of performance (measurement) | 23 | 69 | 8 | 0 | 100 |
| Incorporation of performance information | 17 | 75 | 8 | 0 | 100 |
| Use of performance information | 3 | 63 | 34 | 0 | 100 |
| In total, % | 20 | 68 | 12 | 0 | 100 |

Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

A trend that was observed during audits prevents the maturity of budgetary governance to achieve a higher level - public sector entities do not comply with legal requirements: they do not perform their functions, do not prepare performance strategies, plans, programmes, do not conduct evaluations; they perform tasks with delay of smaller than required scope, etc. Such cases of non-compliance comprise 10% of the observations. If these cases of non- compliance would be absent, the maturity of budgetary governance would acquire more characteristics of the second maturity level (see Table 3).

**Table 3.** Breakdown of observations made in audits by maturity levels of budgetary governance, if non-compliance would not exist, in %

| | Maturity levels of budgetary governance | | | | Total, % |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | |
| In total, % | 18 | 61 | 21 | 0 | 100 |

Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

Evaluating the budgetary governance in groups of public sector entities, we see that it is most advanced in the public sector: there are most evidence that the budgetary maturity has achieved the first level, which has characteristics of the second level, and there are the least observations that the performance is not managed (see Table 4 and Annex 4). Lower budgetary governance maturity level was achieved in the management of performance and budgets of State Social Insurance, Compulsory Health Insurance Funds and municipalities –the most observations regarding the performance shortcomings of these sectors showing that there is no performance management were made in audits.

**Table 4.** Breakdown of observations made in audits by maturity levels of budgetary governance and public sector groups*, in %

| | Maturity levels of budgetary governance | | | | Total, % |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | |
| State | 15 | 70 | 15 | 0 | 100 |
| Municipalities | 35 | 63 | 2 | 0 | 100 |
| SSIF | 60 | 40 | 0 | 0 | 100 |
| CHIF | 33 | 67 | 0 | 0 | 100 |

* Due to the small number of observations made (4 cases), we did not evaluate the maturity level of budgetary governance of the resource funds.

Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

Therefore, in order to consistently move to a more mature budgetary governance maturity levels, not only gaps of the first maturity level need to be eliminated, but also, in certain cases, the simplest management elements need to be introduced: a decision needs to be made of what is our goal, who will perform it, how will the results be measured and what we will do with this information.

Further, we provide information about shortcomings of budgetary governance by components: performance evaluation (measurement), incorporation and use of performance information.

## 2.2. Shortcomings in Performance Evaluation (Measurement)

Performance evaluation (measurement) is the first step aiming to manage the performance budget. Following the valid procedure, public sector entities plan their activity in the programmes of strategic activity plans, approve the performance priorities of areas and institutions, pursued goals and results by linking them with financial resources. The information system was developed for the monitoring of the achievement of performance results and the use of financial resources allocated to them[19], persons responsible for monitoring and data submission are appointed in institutions, etc.

The distribution of observations made (see Table 2) shows that not in all cases, when evaluating (measuring) the performance, the first maturity level was achieved. There are still a lot of shortcomings in the implementation of the set processes and their requirements (see Annex 3):

[19] Institutions accountable to the Government submit the data to the Monitoring Information System.

- The area policy and/or priorities are not determined, different level policies are not coordinated, pursued results are not determined, measures for achieving the results are not envisaged, etc. These observations comprise 24% of all observations made regarding the shortcomings of performance evaluation (measurement).

Examples of shortcomings related to the determination of policies, priorities, goals and pursued results detected by audits

- The EU has awarded more than EUR 2 billion for the development of Lithuania's regions and shaping of favourable investment climate. However, the Ministry of the Interior, which shapes the national regional policy, organises, coordinates and controls its implementation, adopted such EU assistance directions that did not allow municipalities to respond to the State's strategic goals to attract direct foreign investments[20].
- The State social insurance does not have the goal and principles bringing together its benefits that would more clearly differentiate them from the social assistance measures paid from the State budget, and this does not allow clarifying the goals of the State social insurance system. Without having a common goal, the funds of the State Social Insurance Fund are used to address the State's social issues (e.g., to improve Lithuania's demographic situation with higher maternity benefits, to solve employment issues), however, such decisions do not comply with financial capabilities of the State Social Insurance Fund[21].
- The shaping of culture policy does not meet the expectations of culture community, because the culture priorities of the State are unclear, and as a result, the allocation of financing is not enough purposeful[22].

- Evaluation criteria are not set, the criteria are established not adhering to their creation principles (e.g., non-measurable, not having data sources), evaluation criteria are unclear and/or do not reflecting the content of performance, there is a lack of qualitative evaluation criteria, etc. These observations comprise 27% of all submitted observations on the shortcomings of performance evaluation (measurement).

Examples of shortcomings related to evaluation criteria detected by audits

- The result criteria of strategic activity plans of ministries are not suitable for the evaluation of achievement of programmes' goals: the criteria do not show the achievement of the programme goal and the benefit of the programme for the direct beneficiaries (Ministry of Energy), the criteria are set, on the implementation of which the Ministry does not have any influence (Ministry of Social Security and Labour)[23].
- Municipalities do not have specific criteria, by following which, they would periodically evaluate the necessity of all enterprises controlled by municipalities, and they do not perform a periodic evaluation. The market has other municipal and private economy entities providing the same services, however, the issue of the necessity of enterprises controlled by municipalities is not discussed while the enterprises are working profitably, despite the fact that profitability is more equal to zero[24].
- Due to the increase in expenses of the State Social Insurance Fund as a result of decisions adopted by the Parliament or the Government, it is unclear what objectively measurable

[20] "Actions Taken by Public Establishments and Institutions in Attracting Direct Foreign Investments", No. VA-2017-P-20-6-16 of 27 September 2017.

[21] "Regularity of 2016 Set of Reports of State Social Insurance Fund and the Legality of the Management, Use and Disposal of Funds and Assets", No. FA-2017-P-10-11-5-1 of 29 September 2017.

[22] "How the Ministry of Culture Forms Culture Policy and Organises and Manages Its Implementation", No. VA-P-50-2-3 of 28 February 2017.

[23] "Programme Budget System: Setting up Strategic Action Plans and Monitoring Their Implementation, No. VA-P-60-2-17 of 10 October 2016.

[24] "Does the Governance of Municipality-Owned Enterprises Ensure the Effective and Transparent Activity of Enterprises", No. VA-2017-P-30-1-9 of 25 April 2017.

criteria may be used to evaluate the financial condition of the fund and, after evaluating it, adopt a decision regarding the allocation of the State budget resources to this fund[25].

- Research and evaluations necessary for the determination of purposefulness of performance or individual processes and for the evaluation of their efficiency are not performed or performed with poor quality. These observations comprise 20% of all observations made regarding the shortcomings of performance evaluation (measurement).

Examples of shortcomings associated with the conduct of research, evaluations and analysis of performance and processes detected by audits

- At a national level, there is no evaluation of where it would be most beneficial to divert the funds of the State Investment Programme and ministries do not have information on which objects of their areas were allocated funds of this programme by other ministries[26].
- At a national level, there is no evaluation of what supervision functions, with regard to risks, Lithuania needs; priority areas of business supervision are not evaluated. There is no evaluation in which areas the State business supervision must be performed (what must be, but is not supervised, and what is supervised but could be not supervised), whether there are supervision functions or areas that would be more beneficial to conduct by private entities and/or non-governmental organisations, and which may be left for self-control to municipalities[27].

- The data important for the evaluation of performance results that is gathered is of poor quality (incomplete, inaccurate, untimely) or it is not gathered at all; means for data collection are not created, etc. These observations comprise 16% of all observations made in relation to the shortcomings of performance evaluation (measurement).

Examples of shortcomings related to monitoring detected by audits

- About 20% of data on ministries' performance results present in the Monitoring Information System (implementation of strategic activity plans' programmes) are still not credible and incomplete, therefore, they are not appropriate for the monitoring of performance results and reporting. In the Monitoring Information System in 2016 80% of data on evaluation criteria results of the Government Programme implementation are not present[28].
- The municipality, in order to implement the 2013-2023 Program of Safe and Quality Catering for Children of the General Education Institutions of Jurbarkas Region and achieve the envisaged results, must manage the information and control the performance of the program, but it does not have data necessary for the proper monitoring, which is why, it will not be able to measure whether it received benefit from program performance: it does not have precise information how many funds were used from the start of implementation, which is why, it does not know, whether in performing the program the expenses of municipal budget decrease or increase[29].

When analysing how the performance evaluation (measurement) is conducted in individual groups of public sector entities, we see that this process is performed slightly

[25] "Regularity of 2015 Set of Consolidated Statements, Management, Use and Disposal of Public Funds and Property of the State Social Insurance Fund", No. FA-P-10-3-4-1 of 30 September 2016.

[26] "Management of the Programme for Investment in 2015", No. VA-P-60-9-16 of 10 October 2016.

[27] "Is the Lithuanian Business Monitoring System Effective", No. VA-2018-P-50-2-3 of 20 March 2018.

[28] On the Progress of Implementing the Recommendations of Audits "Programme Budget System: Setting up Action Plans and Monitoring Their Implementation" and "Management of the Programme for Investment in 2015", No. VA-2017-P-60-1-18 of 12 October 2017.

[29] "The Implementation of the Safe and Quality Catering Programme for 2013-2023 in the General Education Establishments of Jurbarkas District", No. VA-P-30-3-6 of 12 May 2016.

smoother in the public sector as compared to municipalities and State Social Insurance and Compulsory Health Insurance Funds (see Table 5 and Annex 4).

**Table 5.** Breakdown of observations made in audits by groups of public sector entities and maturity levels of budgetary governance, in %

| | Maturity levels of budgetary governance | | | | In total, % |
|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | |
| Performance evaluation (measurement) | | | | | |
| State | 17 | 73 | 10 | 0 | 100 |
| Municipalities | 37 | 61 | 2 | 0 | 100 |
| SSIF and CHIF | 48 | 52 | 0 | 0 | 100 |

Source - National Audit Office of Lithuania based on audits and evaluations conducted in 2015 – 1st half 2018

International practice shows that improper performance evaluation (measurement) may lead to various negative outcomes:

- Unnecessary or improper quality information is collected, which is later most often is ignored and not used[30]. We see such examples when analysing audit results.

Examples of the collection of not used and / or poor-quality information

- Appropriation managers plan and calculate management expenses since 2010, however, this information is not used to adopt management decisions[31].
- The inaccurate and incomplete information located in the Monitoring Information System on the implementation results of strategic plans of ministries and Government Programme measures also needs to be noted - such data is not useful for either the monitoring of performance results or for the reporting[32].

In this way, the public sector resources are used ineffectively and the idea of performance budget is discredited[33].

- It is even worse when the poor-quality information is used and improper decisions are made based on it[34]. Thus, the results of activity planning and future periods budgeting directly depend on the quality of performance evaluation (measurement).

## 2.3. Shortcomings in Incorporation of Performance Information

Simple performance evaluation (measurement) is not enough in order for the information to be used (so that information could be used) when planning activity and shaping and executing budgets. A link between the performance evaluation (measurement) and the use of performance information is the incorporation of information.

[30] Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010, p. 71.

[31] "Programme Budget System: Setting up Strategic Action Plans and Monitoring Their Implementation, No. VA-P-60-2-17 of 10 October 2016.

[32] Program Budget System: Creation of Strategic Activity Plans and Monitoring of Implementation, 10-10-2016, No. VA-P-60-2-17.

[33] OECD, The metamorphoses of performance budgeting, 2014, p. 11.

[34] Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010, p. 71.

In Lithuania, the information is incorporated using such means as: budget negotiations between the Prime Minister, Minister of Finance and the minister of a respective area regarding the most important performance results and appropriations necessary to achieve them; programme evaluation[35], the review of functions of the institutions accountable to the Government[36], evaluation of the impact of decisions[37], determination of maximum appropriation limits for the appropriation managers, etc. The processes of information incorporation, which encompass the monitoring of the implementation of the planned goals, evaluation (audit) of results, accounting and use in other cycles of policy, budgeting and performance planning, are regulated in the Law on the Budget Structure[38], Strategic Planning Methodology[39] and in other legal acts.

Observations regarding the shortcomings of budgetary governance made in audits show that the incorporation of performance information in Lithuania has achieved a solid first maturity level - almost in all cases, the compulsory procedures of budget formulation and implementation, and activity planning, and reporting for the results are envisaged. Audit results reveal that these procedures and methodologies are incomplete or need amendment, they do not link performance and budget execution results with adoption of decisions (see Table 2 and Annex 3).

Examples of incomplete procedures related to the incorporation of budget and performance information

- In 2016, ministries implemented 90 planning documents adopted by resolutions of the Parliament and Government, however, their link with strategic activity plans of ministries is not fully clear. Strategic Planning Methodology clearly states how to ensure the links of only a couple of planning documents - Government activity priorities and inter-institutional activity plans[40].
- The current procedure and practice whereby using the rights granted in the law on respective year's indicators, the Government or appropriation manager amend the financial indicators adopted by a respective Parliament law, creates preconditions for the Parliament to approve one financial indicators of the budget and for the Government or appropriation manager to amend them when implementing the budget. This way, accounting is made for other financial indicators than the ones that the Parliament adopted. It needs to be in essence discussed which financial indicators and how many of them must the Parliament adopt in order to ensure the adherence to the Constitution and, by following the criterion of reasonableness, grant the rights to the Government to execute the budget[41].

We observe that there are cases when there are no procedures and/or methodologies necessary for the performance evaluation (measurement).

Examples of missing procedures related to the incorporation of budget and performance information

[35] Resolution of the Government of the Republic of Lithuania No. 827 "Regarding the Adoption of the Strategic Planning Methodology" of 6 June 2002.

[36] Resolution of the Government of the Republic of Lithuania No. 968 "Regarding the Adoption of the Methodology for the Review of Functions of the Institutions Accountable to the Government of the Republic of Lithuania" of 17 August 2011.

[37] Resolution of the Government of the Republic of Lithuania No. 276 "Regarding the Adoption and Implementation of the Evaluation Methodology of the Impact of Decision Projects" of 26 February 2003.

[38] Law on the Budget Structure of the Republic of Lithuania, No. I-430 of 30 July 1990.

[39] Resolution of the Government of the Republic of Lithuania No. 827 "Regarding the Adoption of the Strategic Planning Methodology" of 6 June 2002.

[40] Programme Budget System: Creation of Strategic Activity Plans and Monitoring of Implementation, 2016.

[41] "Regularity of the Lithuanian Republic 2015 State Consolidated Financial and Budget Performance Reports' Compendiums and the Evaluation of the State Budget Performance", No. FA-P-60-6-10-1 of 3 October 2016.

- The Government still does not have the forecasting methodology for average and long-term government sector debt. The Fiscal Institution stated on numerous occasions that the debt level, which does not pose a threat to the sustainability of Lithuanian finances should be evaluated and established in the legislation, as well as the pursued fiscal space[42].
- The budgeting system of Lithuania does not conform to the essential features of performance budget: there are no methodical guidance on how to account the expenses of the delivered result, product, process and show the price of the delivered result; the accounting of the result price is not done[43].

As it was mentioned, the incorporation of performance information is the connecting link between the evaluation of activity (measurement) and the use of activity's information. Thus, without the determined mechanism, on the one hand, the continuous flow of information of the necessary activity and budget performance will not be ensured, but on the other hand, even sufficient quality information received on time will not be used in the development of activity and budget formation, and performance.

## 2.4. Shortcomings in Use of Performance Information

Experts identify various possibilities of using the information: planning of changes, training, reporting, etc. The final result, which is to be achieved, is a more efficient performance[44].

By following the valid procedure, appropriation managers' report for the annual performance results and use of resources by submitting specific form reports on performance and budget implementation, as well as sets of financial accounts; Ministry of Finance performs the comparison of the efficiency of general functions of the State institutions based on the established criteria; budget project is formally linked with results; along with the draft budget law, information about the evaluation criteria of appropriation managers' performance and the pursued values is submitted to the Parliament while the information about the performance results is added to budget execution report; when preparing activity plans for future periods  the achieved results and used resources are taken into account, etc.

Audit results show that the use of performance information in the public sector is to be evaluated as conforming to the first maturity level - reporting for the performance and budget execution is formal, most often numerical information about the completed works, their results and used financial resources is provided, and this information not in all cases is suitable for the adoption of decisions:

- The reasons determining the results are not analysed, not all the required information is submitted, the submitted information is incomplete, not user-friendly, the publication of results does not ensure the information for the public and decision-makers, etc. These observations comprise 92% of all observations concerning the shortcomings of the use of performance information.

Examples of submitting the information on performance and budget implementation that is not suitable for decision-making

[42] "Evaluation of 2018 Government Financial Indicators", No. BP-5-1 of 15 November 2017.

[43] Ibid.

[44] Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010, pp. 97-99.

- Reporting to the Government for the performance of the entire 2015 State Investment Programme, the Ministry of Finance, submitted the report about the amounts of funds planned in accordance to the financing sources, the amounts of money spent and redistributed, about the reasons for not using the funds and what amounts of funds were invested in each area. The report does not indicate what results were achieved on a national scale and by each area having used EUR 1.2 billion, and how usefully the funds were spent. Furthermore, information about the funds used for all State investments, their impact and benefit is not submitted. Therefore, the society, the Government and Members of Parliament do not receive complete information about the results of all State investments[45].
- Having evaluated the information of the Ministry of Finance regarding the 2016 public debt, it can be stated that the State finance borrowing and debt management area policy determined in the 2015-2017 Borrowing And Debt Management Guidelines (hereinafter – Guidelines) is being adhered to, the planned tasks are not being deviated from, however, the reporting to the Government and Parliament is formal: in many cases, the 2016 results achieved when implementing the 2015-2017 tasks are provided, however, the result dynamic during the implementation period of the Guidelines is unclear; the most significant factors that impacted the 2015-2017 task performance, their reasons and possible impact on final results are not identified; there is no information about the envisaged debt management risks/problems and their possible management methods[46].
- The values of performance criteria associated with direct foreign investments are calculated based on the forecasted results. When the true data becomes apparent after a while, especially, when the indicators are not achieved, the explanatory information about the possible impact on the implementation of the Government activity priorities and the envisaged additional measures is not submitted to the higher institution[47].

- The available information is not used (little used) for decision-making. These observations comprise 8% of all observations made in relation to the shortcomings of performance information use.

Examples of not using the information about the performance and budget implementation for decision-making

- The 2013-2022 National Education Strategy highlights that during the last decade the culture of collecting the education data has been nurtured, however, due to the lack of skills and insufficient management culture, the data is rarely used. The conclusions of research are rarely used when making practical decisions regarding the improvement of formal, informal education, self-education and performance of education institutions[48].
- It is important to not only perform the research on time *(qualitative research helping to analyse the changes and trends of culture area)*, but also to use its results. The ministry indicated that it did not take account of or partially took account of 27% of research recommendations (for the performance of which, EUR 72 thousand were allocated)[49].

According to the experts, proper reporting today - having the analytical and complete information about the results of performance and budget implementation - creates preconditions for minimizing the probability of improper decisions in the future [50]. For this, information needs to be collected and used, and its availability increased.

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[45] “Management of the Programme for Investment in 2015”, No. VA-P-60-9-16 of 10 October 2016.

[46] “Assessment of 2016 National Set of Financial Reports and Public Debt, No. FA-2017-P-60-6-8-1 of 29 September 2017.

[47] “Actions Taken by Public Establishments and Institutions in Attracting Direct Foreign Investments”, No. VA-2017-P-20-6-16 of 27 September 2017.

[48] “Monitoring of Education”, No. VA-P-50-4-26 of 30 November 2016.

[49] “How the Ministry of Culture Forms Culture Policy and Organises and Manages Its Implementation”, No. VA-P-50-2-3 of 28 February 2017.

[50] Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010, pages 145-146.

The non-use or improper use of performance information negatively affects the public sector efficiency: insufficiently justified decisions regarding the priority areas of public sector and the necessary changes are adopted, financial resources are allocated not for the areas and activities, which need them the most at the time, public sector performance is not developed, basis for gaining a higher trust of society is not laid.

# ANNEXES

Annex 1 of the Report
“Assessment of Maturity of
Budgetary Governance”

## Scope and Methods of Assessment

### Scope of Assessment

The goal of the assessment was to evaluate the maturity level of Lithuanian budgetary governance.

The period from which the data of public audits were used to evaluate the maturity of the budgetary governance was 2015 – 1st half 2018. Performance and financial (regularity) audits conducted by the National Audit Office of Lithuania; assessments of fiscal and budget policy targets implementation as well as opinions on the approval of the economic development scenario, carried out by the National Audit Office of Lithuania when performing the functions of budget policy monitoring institution.

When selecting observations for the assessment, we included the same observations that had been made for several years in a row only once, using the data of the last audit. If the same observation was made for several institutions and separate recommendations were made to them, then such observation was included for as many times as there were institutions to which recommendations were made.

If observations for groups of entities in several sectors were made in one audit, such audit, when calculating the number of audits, was attributed to the sector by the key audited entity while observations, when calculating their number, were allocated to the sector, on which performance shortcomings they were made. There were four audits, in which observations for groups of entities in several sectors were made.

### Data Collection and Evaluation Methods

| Report chapter/ sub-chapter | Applied data collection and evaluation | Target |
|---|---|---|
| Introduction. Maturity Levels of Budgetary Governance. | Document review. Legal acts regulating:<br>• the shaping and implementation of the State, municipal, State Social Insurance Fund, Compulsory Health Insurance Fund budgets,<br>• strategic planning and reporting for performance results,<br>• performance management tools.<br><br>Literature analysis:<br>• Bouckaert G., Halligan J., Managing Performance, 2008.<br>• Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010.<br>• Pollitt C., Bouckaert G., Public Management Reform. A comparative analysis – New Public Management, Governance and the Neo–Weberian State, 2011.<br>• Demeulenaere E., Corvo L., Bouckaert G., Meneguzoo M., Measuring performance based budgeting in Flemish and Italian municipalities, 2013.<br>• Rimkutė E., Kirstukaitė I., Šiugždinienė J., Viešojo sektoriaus veiklos valdymas Lietuvoje: pažanga ir iššūkiai diegiant į rezultatus orientuotą valdymą, 2015. | To define budgetary governance and its importance. To determine links between budget and performance management.<br>To analyse the framework for comparative analysis of performance management and supplement it with budgetary governance elements. |

| Report chapter/ sub-chapter | Applied data collection and evaluation | Target |
|---|---|---|
| | • International Monetary Fund, From Program to Performance Budgeting: The Challenge for Emerging Market Economies, 2003.<br>• Moynihan D., & Beazley, I., Toward Next-Generation Performance Budgeting: Lessons from the Experiences of Seven Reforming Countries. World Bank Publications, 2016.<br>• OECD, Recommendation of The Council on Budgetary Governance, 2015.<br><br>Data analysis: 2015 - 2017 Eurostat's data (government sector revenues). | |
| Public audit results send signals that budgetary governance did not exceed the rule-based classic bureaucracy | Review of audits, assessments and opinions issued by the National Audit Office of Lithuania in 2015 – 1st half 2018. 146 audits, assessments and opinions were analysed, 495 observations were selected out of 94 of them:<br>• 73 audits of group of entities in the State sector, 380 observations;<br>• 11 audits of group of entities in the municipal sector, 86 observations;<br>• 2 audits of State Social Insurance Fund, 10 observations;<br>• 4 audits of Compulsory Health Insurance Fund, 15 observations;<br>• 4 audits of Resource Funds, 4 observations (regarding different Resource Funds).<br><br>Literature analysis:<br>• Bouckaert G., Halligan J., Managing Performance, 2008.<br>• Van Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010.<br>• OECD, The metamorphoses of performance budgeting, 2014.<br><br>Data analysis: Data of 2017 National Financial Reports Compendium, data of Public Sector Accounting and Consolidating Information System's Reports. | To analyse public audit reports, assessments and opinions, and to select the observations made regarding the shortcomings of budgetary governance.<br>To assess the maturity level of budgetary governance, by distinguishing groups of entities of the public sector and individual components of budgetary governance system. |

Annex 2 of the Report
“Assessment of Maturity of
Budgetary Governance”

## Four Ideal Types of Performance Management

In order to determine the performance management type, each component of performance management system - performance evaluation (measurement), incorporation and use of performance information - is assessed based on certain criteria: e.g., assessment type, width, depth, etc., level and degree of incorporation of information, purpose of the use of performance information, possible added value, etc. (Table 1).

**Table 1.** Four ideal types of performance management and their components

| | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Performance evaluation (measurement) | | | | |
| *Type of evaluation* | Mechanical and closed. | Internal interactive and closed. | Internal interactive and open. | Internal and external interactive. |
| *Model of evaluation system* | Individual unlinked evaluation schemes, developed with one’s means. | Standard schemes for specific purpose developed with one’s means and with the help of consultants. | Imported standard models (providing the possibility of benchmarking). | Standard models developed especially by stakeholders, consultants and with one’s means. |
| *Width of evaluation* | Limited and selective: productivity and efficiency are evaluated: resources used, performance, result (mostly quantity). | Meant for the needs of an organisation: productivity, efficiency and effectiveness are evaluated: resources used, performance, result, impact. | Organisational and policy results are evaluated: economy, efficiency and effectiveness: resources used, performance, result, impact. Intangible items are also evaluated. A member of society is a client. | All of width: economy, efficiency and effectiveness, trust: resources used, performance, result, impact, trust. Members of society become not only clients, but also partners. |
| *Depth of evaluation* | Micro (one organisation). | Micro and meso (organisation and public policy in one area). | Micro and meso (organisation(s) and public policy in several areas). | Full depth: micro, meso, macro (institutions, public policy in several areas and the goals of the State and the society). |
| *Characteristics of indicators* | Technical indicators (reliable and substantiated). | Technical and functional indicators. Less tangible issues are started to be measured, e.g., services provided by the State, however, often the easiest to measure issues are measured. | Technical and functional, internal legitimised indicators. | Technical, functional, internal, and externally legitimised indicators. |

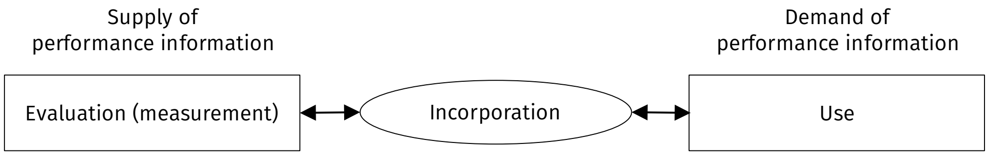
| | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| *Specific dimension of evaluation* | Quality is accepted as a constant (e.g., the indicators do not change with changing circumstances and conditions). | Importance of quality evaluation is appreciated. | Attention is paid to quality. | Quality becomes systematic. |
| *Disturbances of evaluation* | Information about pathologies is not managed. | Beginning to take care of pathologies. | Systematic response to pathologies. | Systematic proactive focus on pathologies. |
| Incorporation of performance information | | | | |
| *Level of incorporation** | Incorporation is static. | Incorporation is rather static. | Incorporation is dynamic. | Incorporation is hyper dynamic. |
| *Degree of incorporation** | Not interlinked, isolated. | Linked via management functions, not consolidated. | Internally consolidated. | Externally consolidated. |
| Use of performance information | | | | |
| *Common use* | Limited and technical. | Policy and management cycles are not linked. | Policy and management goals are integrated. | For the benefit of the society. |
| *Main purpose of reporting (focus)** | Internal hierarchy. | Internal management functions. | Internal management, external policy goals. | Management, political and societal goals. |
| *Training using information (standards)* | Training in one process cycle (the best possible result is the determination of a standard, training on how to achieve it). | Training in one process cycle and several cycles (possible result is a review of a standard and setting up of a new standard). Standards are set systematically. | Training in one process cycle and several integrated cycles (standard is not only achieved and changed, but the problems are identified, institutional and individual behaviour is forecasted). | Training between many mutually linked process cycles. |
| *Reporting for performance* | For administrative purposes. | For management purposes. | For management and political purposes. | For management, political and society purposes. |
| *Possible added value for performance* | Limited. | Individual improvements. | Integrated improvements. | Systematic. |
| *Possible disturbances* | Failure to understand the key shortcomings. | Sporadic and sub-optimal use of information. | Negative cost-benefit analysis. | Uncontrolled and not managed system. |

* G. Bouckaert and J. Halligan thoroughly describe and disclose the use of not all criteria meant for evaluating the components.

Source - National Audit Office of Lithuania based on G.Bouckaert, J.Halligan, Managing Performance, 2008.

All performance management components are tightly linked. Incorporation of performance information is the link between the performance evaluation (measurement) and the use of performance information (see Picture).

The link between performance evaluation (measurement), incorporation and use of performance information




Source - National Audit Office of Lithuania based on Dooren W., Bouckaert G., Halligan J., Performance Management in the Public Sector, 2010.

G. Bouckaert and J. Halligan, the creators of the framework for comparative analysis of performance management conducted an evaluation of public sectors performance management system in several OECD member states[51]. As it can be seen in Table 2, the maturity of performance management systems varies from Traditional Performance to Performance Management. None of the analysed countries had achieved the most mature - Performance Governance level at the time of the evaluation. According to the authors, the Performance Administration Maturity Stage, during which it is learnt to properly administer performance and resources, is necessary to move to more mature performance management levels[52].

**Table 2.** Maturity of performance management systems in the public sector of 9 OECD member states

| Traditional performance | Performance administration | Managements of performances | Performance management | Performance governance |
|---|---|---|---|---|
| 0 | 1 | 2 | 3 | 4 |
| Greece | France, Germany | Netherlands, Sweden | Australia, United Kingdom, USA, Canada | – |

Source - National Audit Office of Lithuania based on G.Bouckaert, J.Halligan, Managing Performance, 2008.

It should be noted that some countries that achieved the most mature performance management have a history of managing the public sector performance for several decades[53]: USA - since late 1940s (some of performance management elements were applied earlier as well, e.g., measurement of performance results – since 1910s); Sweden – since late 1960s; Canada - since 1960s-1970s; the Netherlands - since 1970s; United Kingdom - since 1970s; Australia - since 1980s.

[51] Selected Australian, United Kingdom, USA, Canadian, the Netherlands and Swedish performance management models and some of their practical implementation aspects were thoroughly analysed.

[52] G.Bouckaert, J.Halligan, Managing Performance, 2008.

[53] Ibid.

Annex 3 of the Report
“Assessment of Maturity of
Budgetary Governance”

## Observations Made in Audits Conducted in 2015 – 1st Half 2018 Regarding the Budgetary Governance Shortcomings by Budgetary Governance Components, Cases

| Component | Observations regarding the budgetary governance shortcomings | Budgetary governance maturity level | | | | In total, cases |
|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | |
| 1. Performance evaluation (measurement) | Determination of performance evaluation criteria, performance results, etc. | 34 | 60 | 17 | 0 | 111 |
| | Ensuring the links between planning documents, shaping of policy, strategy, priorities, setting up of performance plans programmes, etc. | 18 | 70 | 10 | 0 | 98 |
| | Carrying out of assessments, research | 20 | 58 | 2 | 0 | 80 |
| | Monitoring and data collection | 12 | 52 | 3 | 0 | 67 |
| | Other (distribution of functions and resources, internal control, performance coordination, etc.) | 8 | 43 | 1 | 0 | 52 |
| | In total | 92 | 283 | 33 | 0 | 408 |
| 2. Incorporation of performance information | Existence and suitability of procedures, methodologies, etc. | 4 | 18 | 2 | 0 | 24 |
| 3. Use of performance information | Quality of reporting | 1 | 28 | 0 | 0 | 29 |
| | Use of information for budgeting and/or planning performance changes | 0 | 5 | 0 | 0 | 5 |
| | Ensuring of proper publicity | 1 | 5 | 23 | 0 | 29 |
| | In total | 2 | 38 | 23 | 0 | 63 |
| | In total (1+2+3) | 98 | 339 | 58 | 0 | 495 |

Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

Annex 4 of the Report
"Assessment of Maturity of
Budgetary Governance"

## Observations Made in Audits Conducted in 2015 – 1st Half 2018 Regarding the Budgetary Governance Shortcomings by Groups of Entities of the Public Sector, Cases

| Component | Groups of entities of the public sector | Budgetary governance maturity level | | | | In total, cases |
|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | |
| 1. Performance evaluation (measurement) | State | 50 | 220 | 31 | 0 | 301 |
| | Municipalities | 30 | 50 | 2 | 0 | 82 |
| | Compulsory Health Insurance Fund | 5 | 9 | 0 | 0 | 14 |
| | State Social Insurance Fund | 6 | 3 | 0 | 0 | 9 |
| | Resources Funds | 1 | 1 | 0 | 0 | 2 |
| | In total | 92 | 283 | 33 | 0 | 408 |
| 2. Incorporation of performance information | State | 4 | 11 | 2 | 0 | 17 |
| | Municipalities | 0 | 3 | 0 | 0 | 3 |
| | Compulsory Health Insurance Fund | 0 | 1 | 0 | 0 | 1 |
| | State Social Insurance Fund | 0 | 1 | 0 | 0 | 1 |
| | Resources Funds | 0 | 2 | 0 | 0 | 2 |
| | In total | 4 | 18 | 2 | 0 | 24 |
| 3. Use of performance information | State | 2 | 37 | 23 | 0 | 62 |
| | Municipalities | *0* | 1 | *0* | *0* | 1 |
| | Compulsory Health Insurance Fund | *0* | 0 | *0* | *0* | 0 |
| | State Social Insurance Fund | 0 | 0 | 0 | 0 | 0 |
| | Resources Funds | 0 | 0 | 0 | 0 | 0 |
| | In total | 2 | 38 | 23 | 0 | 63 |
| | In total (1+2+3) | 98 | 339 | 58 | 0 | 495 |

Source - National Audit Office of Lithuania based on audits and assessments conducted in 2015 – 1st half 2018.

BRINGING BENEFITS