VALSTYBĖS KONTROLĖ

SUMMARY REPORT OF EXTERNAL REVIEWS

RESULTS OF EXTERNAL REVIEWS OF THE AUDITS CARRIED OUT BY THE MUNICIPAL CONTROL AND AUDIT SERVICES

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SUMMARY

Professionally and qualitatively performed independent audits are a value-adding activity that enables municipalities to identify systemic problems in a timely manner and improve operational efficiency.

An external review allows for an independent and objective assessment of the compliance of audits with auditing standards and other relevant legislation, helps improve the quality of audits, reduces the risk of errors, creates added value by enhancing the audit process, and promotes the continuous development of auditors' competencies. Such an assessment increases operational transparency and strengthens trust in the organization by independently verifying and providing the public and the parties to whom the organization is accountable with reliable information about its activities.

In order to improve the quality of audits conducted by municipal control and audit services and to strengthen the competencies of auditors, the National Audit Office not only conducts an annual external review of the audits performed by these services but also provides training to their staff on various topics relevant to auditing, shares best practices in conducting audits, and, when necessary, provides consultation on the application of audit standards and methodologies.

Objective and scope of the review

The objective of the external review is to assess whether the Municipal Control and Audit Service conducted the audit in accordance with the international standards of supreme audit institutions and other laws and regulations governing auditing.[1]

The 2025 review covered the financial and/or performance audits conducted by Municipal Control and Audit Services in 2024–2025. Twelve audits conducted by the Municipal Control and Audit Services of 11 municipalities were selected for the review. The audits assessed are presented in the annex "Audits assessed during the review" (Annex 2, p. 20).

5 financial audits

Audits of the 2024 consolidated financial statements and of the management, use, and disposal of municipal funds and assets, completed in 2025

- ● Jonava District SKAT
- ◒ Šilutė District SKAT
- ◒ Tauragė District SKAT
- ◒ Vilnius City SKAT
- ● Vilnius District SKAT

7 performance audits

completed in 2024–2025, prior to the preparation of the external review plan

- ◒ Kėdainiai District SKAT
- ○ Molėtai District SKAT
- ◒ Palanga City SKAT
- ◒ Rokiškis District SKAT
- ◒ Šiauliai District SKAT
- ◒ Vilnius City SKAT
- Kazlų Rūda SKAT (unaudited; for more details, see Annex 2, p. 20)

● No significant shortcomings ◒ Significant shortcomings identified
○ Significant shortcomings identified, and adequate and sufficient audit evidence not obtained

[1] Description of the procedure for external reviews of audits conducted by Municipal Control and Audit Services, approved by Order No. V-248 of the Auditor General on 7 December 2015 (as amended by Order No. VE-85 of August 22, 2025, and Order No. VE-99 of November 14, 2023), para. 2

A report on the results of the external review was submitted to each municipal control and audit service that was assessed. The summary report presents a systematic overview of the review results and insights aimed at strengthening the quality and impact of municipal audits.

Key findings of the review

The results of the review show that, in most cases, the quality assurance procedures applied by municipal control and audit services are not sufficiently effective—significant shortcomings were identified in 9 out of 11 audits, and in one of them, appropriate and sufficient audit evidence was not obtained in material respects. The identified non-conformities relate to the improper planning and execution of financial audit procedures, the failure to gather sufficient and appropriate audit evidence in all material areas of accounting, the improper selection of performance audit objectives and focus areas, insufficient assessment of efficiency and economy, and the causes of problems not always being identified and clearly stated. Due to the identified shortcomings, in some cases we were unable to confirm that, had all necessary procedures been performed, no additional material circumstances would have been identified that should have been disclosed in the audit reports and opinions.

Financial audit

Two (out of the five services assessed)[2] conducted their financial audits in compliance with legal requirements; however, the audits of three services[3] revealed significant shortcomings in the planning and performance of audit procedures (Sub-section 1.1, pp. 9–11).

Performance audit

Performance audits of five[4] (out of six assessed) services revealed significant shortcomings. In some cases, the collection of sufficient and appropriate audit evidence was not ensured, agencies find it difficult to properly select and maintain the audit focus (assessment of efficiency or economy), and the causes of problems are not always identified and addressed, which limits the justification and impact of recommendations. One service[5] did not plan and perform the audit in a manner that would achieve the audit objective, gather sufficient and appropriate audit evidence, and ensure that all conclusions were supported by audit evidence (Sub-section 2.1, pp. 12–16).

Good audit practice

Best practices in auditing have revealed that an external review was conducted during the audit, with another SKAT agency brought in to perform it. This practice helps to identify and correct shortcomings in a timely manner, strengthens audit quality risk management and professional cooperation, therefore, this preventive measure could be applied more widely, particularly in services facing a lack of resources, competencies, or experience (Sub-section 1.2, p. 11).

[2] Jonava District, Vilnius District

[3] Tauragė District, Šilutė District, Vilnius City

[4] Kėdainiai District, Palanga City, Rokiškis District, Šiauliai District, Vilnius City

[5] Molėtai District

Also noteworthy is the comprehensive discussion and documentation within the audit team of the facts, conclusions, and recommendations identified during the audit, as well as the stratified sampling of components deemed irrelevant to the team, the assessment of audit fraud (corruption) risk factors in performance audits, and the collection of feedback from audited entities aimed at improving the audit and communication (Sub-section 1.2, p. 11, Sub-section 2.2, p. 16).

Insights and directions for improving audit quality and impact

The results of the review show that the heads of municipal control and audit services, in order to consistently improve the quality and impact of audits and prevent the recurrence of identified shortcomings, must plan an appropriate response to the identified shortcomings and ensure that appropriate corrective and preventive actions are developed and implemented, and that their efficiency is evaluated. It is also necessary to strengthen the audit quality management system by implementing preventive measures during the audit process, developing competencies, organizing targeted training, and promoting the sharing of audit practices among services, particularly by strengthening smaller services, and to implement measures for monitoring and evaluating progress in audit quality. It would also be beneficial to more actively initiate joint, multi-municipality systemic performance audits, which would allow for the identification of common problems and best practices, increase the soundness of decision-making, and strengthen the potential of the network of auditors by creating a greater impact of audits at the national and municipal levels.

For more details on the National Audit Office’s insights and directions for improving audit quality and impact, see pages 17–18.