2012

NATIONAL AUDIT OFFICE
ANNUAL REPORT

NATIONAL AUDIT OFFICE

The National Audit Office ensures that public finances and other assets are used legally and effectively, monitors execution of the state budget, and promotes a positive and effective impact of public audit on the management and control system of public finances and public governance.

VISION

We are a competent and independent supreme audit institution which is trusted.

MISSION

To promote efficient management of the state assets.

VALUES

We value independent, professional and honest team work. Our relationship with audited entities is based on respect and confidence.

When performing its functions, the National Audit Office conducts:

- ✓ Financial (regularity) audit – evaluating data of sets of financial statements and budget implementation reports, sets of annual consolidated statements, a national set of statements and reports and/or other reports and statements of the audited entity, as well as legality of the management, use and disposal of the state funds and property and their use for the purposes set by the law, and giving an independent opinion.
- ✓ Performance audit – evaluating public and internal administration performance of the audited entity in terms of the economy, efficiency, and effectiveness.

CONTENTS

FOREWORD BY THE AUDITOR GENERAL

Our permanent aspiration is to carry out professional and object evaluation of the management of the state assets and finances, to notice performance problems in the public sector, and to inform the public of whether the state resources are used efficiently, effectively and with economy.

Last year audit opinions were issued not only on sets of budget implementation reports but – for the first time – on sets of (consolidated) financial statements and on a set of consolidated financial statements of the State. We audited 92 per cent of all state budget appropriations used in 2011 and issued over a thousand recommendations on how to properly manage the state assets and finances. The financial audits started in 2012 are carried out in accordance with the International Standards on Auditing.

Performance audits revealed a number of unresolved problems in the public sector related to the provision of services to citizens in state bodies and institutions, therefore performance audits in 2013 will also address the provision of services to the public and other socially sensitive activity areas.

One of the most important objectives of public audit is to help audited entities solve the performance problems identified during the audit. Recommendations are issued during every audit, their implementation in 2012 increased and reached 92 per cent.

We continue successful cooperation with the Committee on Audit of the Seimas (Parliament) of the Republic of Lithuania, municipal control and audit services, colleagues conducting audit of the public sector, authorities carrying out control and supervision of the public sector, and academic community. During various joint events held in 2012 together with our partners, we looked for ways to increase the impact of public audit, shared insights on Lithuania's Progress Strategy "Lithuania 2030", and promoted public auditor's profession.

The year 2012 was important for international cooperation. At the meeting of the Contact Committee of the Supreme Audit Institutions of the European Union held last year in Portugal, Lithuania officially took over the responsibilities of the Acting Chair of the Contact Committee in 2013. This trust shown to us is a great honour and obligation and, moreover, proves once again that the international audit community highly appreciates the work and competence of our institution.

The financial audit of the National Audit Office conducted in 2011 by independent financial auditors confirmed the fact that our institution justifies the name of the supreme audit institution of the country, since no irregularities or errors were identified.

It is gratifying that we consistently pursued our goals when implementing the Public Audit Programme 2012 and so entered into the year 2013 ready for new challenges: we are planning an audit of the national set of statements and reports and will look further into problems related to the provision of public sector services to the public.

I am grateful to all the staff of the National Audit Office because this work would not have been accomplished without a competent, proactive and friendly team.

Auditor General Giedrė Švedienė

KEY PERFORMANCE INDICATORS

You cannot manage what you cannot measure

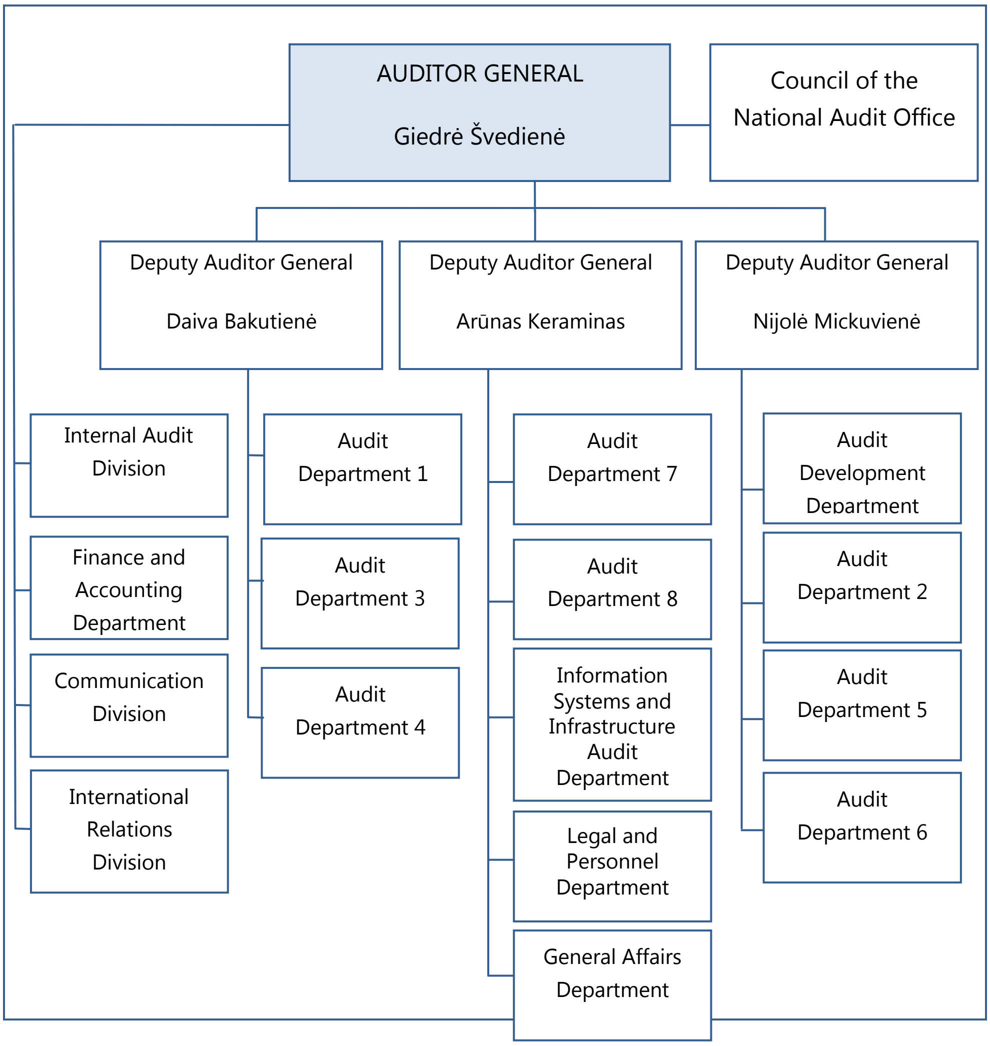
3.5	is the mark (out of 4) given to us by audited entities
5.9	per cent was the staff turnover ratio in 2012
7.7	million litas were returned to the state budget upon the completion of the public audits conducted in 2012
17	public audit reports were discussed in the Seimas Committee on Audit
17	decisions were taken upon completion of financial (regularity) audits
18	audits produced results which were forwarded to law enforcement and other institutions performing supervision and control of public administration
23	billion litas of the state budget appropriations for 2011 were audited in 2012
25.1	million litas were spent by the National Audit Office for the performance of its functions in 2012
61	per cent of identified law infringements were corrected during audits
83	public audits were conducted (completed) in 2012: 50 financial (regularity) audits, 11 audits of EU structural assistance and 22 performance audits
92	per cent of the recommendations the implementation deadline of which expired in 2012 were carried out
101	million litas is the value of the state assets restored after public audits
210	is the number of training events where the staff of the National Audit Office took part
432	is the number of entities where audit procedures were carried out
1116	infringements of law were identified during audits
1322	recommendations were issued to entities

STRUCTURE OF THE NATIONAL AUDIT OFFICE

Two key elements which ensure accomplishment of our vision and mission are a competent team and proper allocation of the available financial resources

- ✓ The National Audit Office of Lithuania (NAOL) is headed by the Auditor General who is appointed for a five-year term of office by the Seimas on the recommendation of the President of the Republic of Lithuania.
- ✓ The Council of the National Audit Office, which consists of the management and heads of subdivisions, is an advisory body to the Auditor General helping consider the main and strategic issues of the NAOL performance and service within the NAOL and giving a collegial opinion.
- ✓ The public audit function in the National Audit Office is performed by ten departments.
- ✓ Proper performance of the public audit function is facilitated by six administrative subdivisions.

Figure 1. Structure of the National Audit Office in 2012



FINANCING

The amount of appropriations allocated for the implementation of the Programme on the Use of the State Assets and Budget Implementation Control of the National Audit Office in 2012 totalled LTL 26.1 million. LTL 5.2 million of this amount were EU technical assistance funds 2007–2013, including co-financing funds.

For the performance of the functions delegated thereto, the National Audit Office used **LTL 25.1 million**, of which LTL 4.3 million were EU technical assistance funds 2007–2013, including co-financing funds.

25.1

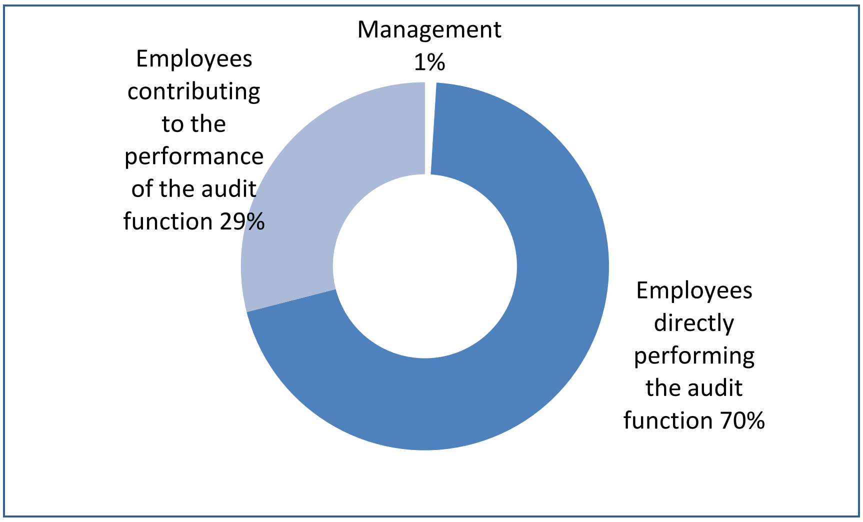
STAFF

The success of the organisation which seeks optimal performance level, quality, performance results, and expertise of its employees, largely depends on the staff and on flexible and modern personnel management.

- ✓ There were 365 employees working at the National Audit Office at the end of 2012, 70 per cent of them conduct performance audits (Figure 2);
- ✓ 47 new employees joined our team (45 per cent of those are officers of the National Audit Office) and 23 left the NAOL in 2012. The staff turnover in 2012 was **5.9 per cent**;
- ✓ The largest number of the employees (37 per cent) at the NAOL are those working from 1 to 5 years; 28 per cent of the staff have over ten years working experience at the NAOL;
- ✓ The majority (84 per cent) of the NAOL staff have higher university education, with most of them (82 per cent) having a master's degree;
- ✓ In 2012, there were 26 per cent of men and 74 per cent of women working at the National Audit Office, the average age of the staff was 42 years.

5.9

Figure 2. Distribution of the NAOL staff by job positions (per cent)



FINANCIAL (REGULARITY) AUDIT

Financial (regularity) audits started in 2012 have been conducted following the International Standards on Auditing.

Deputy Auditor General   Daiva Bakutienė

In 2012, we completed 50 financial (regularity) audits and audited almost **92 per cent** of all funds of the state budget, which makes up over LTL 23 billion, including the most important funds of the state resources and tax funds. Particular attention was devoted to the legality of the management, use and disposal of the state funds and assets as well as their use for purposes defined in the law – significant irregularities were identified in this area. In addition, for the first time audit opinions were issued not only on sets of budget implementation reports, but also on sets of (consolidated) financial statements and a set of consolidated financial statements of the State. Based on the results of the financial (regularity) audits which were started in 2012 and will be completed in 2013, we will also issue an opinion on a national set of statements and reports.

92

With a view to improving the quality of financial (regularity) audits and confidence in audit conclusions, in 2011 and in the first half of 2012 we made consistent and intensive efforts to get ready to conduct financial (regularity) audits according to the International Standards on Auditing developed by the Auditing and Assurance Standards Board of the International Federation of Accountants. These standards are already applied in all currently conducted financial (regularity) audits. Public audit conforming to the International Standards on Auditing not only obligates to maintain high quality of public audit but also encourages increasing the impact of public audit.

We hope that financial (regularity) audit findings will be adequately evaluated not only by audited entities but also by legislative and executive authorities when making important management decisions, meanwhile confidence of the audited entities and the public in the public audit findings will facilitate major changes in the public sector.

SCOPE OF 2011–2012 FINANCIAL (REGULARITY) AUDITS

50 audits were conducted in 2012: audits of all ministries, nearly one-third of municipalities, audits of the budgets of the State Treasury, State Social Insurance Fund, Compulsory Health Insurance Fund, Privatisation Fund, and Reserve (Stabilisation) Fund, as well as audits of the tax funds of the State Tax Inspectorate under the Ministry of Finance and of the Customs Department under the Ministry of Finance (Figure 3). As every year, we submitted the following opinions to the Seimas:

50

- ✓ opinion on the sets of financial statements and budget implementation reports, on public debt reports and on the evaluation of the implementation of the state budget for the year 2011,
- ✓ opinion on the 2011 Report on the State Owned-Property.

We also provided comments on the draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2013.

All opinions are available on the NAOL website www.vkontrole.lt.

In addition, in 2012 we prepared an overview of public procurement of construction works audited in 2006–2011 and an assessment of the planning and use of the pupil's basket.

Audit procedures were performed in **325** entities (which is 90 entities more than in the previous year).

325

Figure 3. Scope of 2012 financial (regularity) audits (units)

NUMBER OF AUDITS – 86

AUDITS COMPLETED IN 2012 Number of audits – 50	AUDITS STARTED IN 2012 Number of audits – 36
Audits of the set of statements and reports of the State Number of audits – 1	Audits of the set of statements and reports of the State Number of audits – 1
Audits of state bodies and institutions Number of audits – 23	Audits of state bodies and institutions Number of audits – 25
Audits of resource funds Number of audits – 5	Audits of resource funds Number of audits – 7
Audits of tax funds Number of audits – 2	Audits of tax funds Number of audits – 2
Audits of municipalities Number of audits – 19	Audits of municipalities Number of audits – 1*

* An integrated audit of a group of municipalities conducted in 2012

FINDINGS OF FINANCIAL (REGULARITY) AUDITS

One of the most important goals of public audit is to promote a positive impact on the management and control system of public finances and to affect solution of systematic problems. We believe that performance of financial (regularity) audits, assessment of the state of internal control of the public sector entities, and provision of performance improvement recommendations not only help address problems still persisting in relation to the legality of the management, use and disposal of the state funds and assets and their use for the purposes established in the law, but also encourage the entities not to repeat the mistakes in future.

In 2012, public auditors identified **1 116** law infringements (which is 17 per cent more than in the last year). When assessing the use of the state budget funds, we established that LTL 472 million were used in violation of law. The correctness of the set of the state budget implementation reports was affected by errors in the reports of appropriation managers; such errors amount to LTL 792 million.

1116

The largest number of non-compliance cases was identified in bodies subordinate to ministries (383) and in municipal budgetary institutions (202). There were 86 infringements of the Law on Public Procurement more than in the previous year. **1 063** recommendations were issued to audited entities (which is 23 per cent more than in 2011), state bodies (institutions) were recommended to return LTL 9.9 million back to the state budget. **17** decisions were taken on significant law infringements which were identified and not remedied during public audits.

1063

17

A positive thing to be mentioned in relation to financial (regularity) audits which encourages financial management progress is the fact that a large number of the recommendations were implemented already by the end of 2012 (Figure 4).

Figure 4. Findings and impacts of financial (regularity) audits

	AUDITORS:	BY THE END OF 2012:
LEGISLATION	identified 1116 infringements	61 per cent were remedied
STATE BUDGET	proposed to pay back LTL 9.9 million	78 per cent were implemented
MUNICIPAL BUDGETS	proposed to pay back LTL 157 thousand	12 per cent were implemented
FUNDS	proposed to pay back LTL 132 thousand	–
STATE ASSETS	proposed to renew property the value of which totals LTL 104 million	97 per cent were implemented
	proposed to reduce property the value of which totals LTL 76.6	100 per cent were implemented

Upon the performance of a financial (regularity) audit, a public audit opinion is issued on the following[1]:

- ✓ whether all financial statements and other reports of the audited entity have been prepared, in all material respects, and submitted in accordance with the Lithuanian legislation on accounting and financial reporting;
- ✓ whether any significant non-compliance with the requirements of the Lithuanian legislation has been identified in the audited entity in relation to the management, use and disposal of the funds and assets of the State or a fund.

Taking into account significance of errors identified during the audits, most of the public audit opinions issued in 2012 on the sets of (consolidated) budget implementation reports and/or on the sets of (consolidated) financial statements or on the reports on the implementation of budget programme estimates were unqualified (which is 13 per cent more than in the previous year). As to the legality of the management, use and disposal of the budget funds and assets of the State or funds, most of the opinions issued were qualified (Figure 5).

Figure 5. Opinions issued during the financial (regularity) audits in

Opinion	Unqualified	Qualified	Adverse	Disclaimer of opinion	In total
On sets of (consolidated) budget implementation reports and/or on sets of (consolidated) financial statements or on reports on the implementation of budget programme estimates	26	17	1	6	50
On the legality of the management, use and disposal of the budget funds and assets of the State (fund)	11	34	1	1	47*

* Disclaimers were issued in audits of the Customs Tax Fund, Tax Fund of the State Tax Inspectorate and in limited scope audits.

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[1] **Unqualified opinion** is issued when the auditor has no significant comments on financial statements and/or other reports, accounting system and law infringements which would change the auditor's opinion.
Qualified opinion is issued when the auditor determines misstatements and law infringements and/or cannot issue an unqualified opinion without certain comments.
Adverse opinion is issued when the auditor determines material misstatements and material law infringements.
Disclaimer of opinion is issued when the auditor could not obtain sufficient reliable and appropriate evidence during the audit and also when there are significant scope limitations of the auditor's work.

PERFORMANCE AUDIT

The difference between public performance audit and other types of audit lies in the fact that performance audit findings enable not only to identify clear performance problems of audited entities but also to demonstrate systemic weaknesses in the public sector.

Deputy Auditor General   Nijolė Mickuvienė

During performance audits we identify problematic areas in the public sector and causes of the problems, evaluate their impact on the audited activity, and encourage audited entities to improve their performance results. We provide information on the efficiency and effectiveness of the management of the state assets and funds to public authorities, the general public, and taxpayers.

41 performance audits were conducted as part of the implementation of the Public Audit Programme in 2012.

41

Last year auditors of the National Audit Office, together with Danish, Norwegian, Finnish, Latvian, and Polish auditors, participated in an international cooperative environmental audit conducted to assess the effectiveness of the Emissions Trading System: allocation, use, trading and registry of greenhouse gas allowances. In the area of health care, auditors focused on issues related to medicine supply in hospitals, the issues addressed in the field of social security and labour included determination of the level of disability and capacity for work, which pose a major concern in the society. The audit "Development of Free Economic Zones and Industrial Parks" identified that there is no clearly regulated distribution of investment risks, obligations and responsibilities between the State and the management companies of free economic zones in the economic sector of the State. The audit in the system of internal affairs revealed that the development of the infrastructure of the Emergency Response Centre was delayed due to lack of planning and inter-institutional coordination, and that the area which needs to be improved in the justice system is pre-trial investigation process.

The problems identified in the overview of the public procurement system carried out during the previous years encouraged to continue evaluating the public procurement area, therefore public auditors placed particular emphasis on public procurement. Last year auditors addressed problems related to simplified public procurement procedures and pointed out that the current public procurement system focuses on the process rather than on the result.

SCOPE OF PERFORMANCE AUDITS

22 performance audits were completed in 2012, one of them – assessment of information systems. 19 audits started in 2012 will be completed in 2013. Audit procedures during the performance audits were used in **72** entities (in 2011 – in 65 entities) (Figure 6).

Figure 6. Scope of performance audits

NUMBER OF AUDITS – 41

AUDITS COMPLETED IN 2012 Number of audits – 22	AUDITS STARTED IN 2012 Number of audits – 19
Audits of entities funded from the state and municipal budgets, other international financial assistance funds and own resources, and from the state funds Number of audits – 21	Audits of entities funded from the state and municipal budgets, other international financial assistance funds and own resources, and from the state funds Number of audits – 16
Audits of information systems Number of audits – 1	Audits of information systems Number of audits – 3

FINDINGS OF PERFORMANCE AUDITS

Upon assessment of the information provided by the Seimas committees, public sector bodies, non-governmental and other organisations, the priority area chosen for performance audits in 2012 was public sector services provided to citizens, i.e. more than half of the performance audits conducted by the National Audit Office in 2012 were related to this area. The summary findings of some audits are as follows:

- ✓ Supply and use of medicines in hospitals is not rational. The share of funds allocated for medicines and the number of treatment schemes used in hospitals was found to be highly different, medicine acquisition by way of public procurement takes more than 100 days;
- ✓ Pensions for incapacity for work are insufficiently linked to the person's income lost and being received, calculation of additional costs has not been established, and determination of the incapacity for work level lacks objectivity;
- ✓ Child's legal representation and protection of child rights in legal proceedings are organised improperly and work with social risk families and children of such families is insufficiently effective;

- ✓ Due to lack of planning and inter-institutional coordination, the infrastructure of emergency call number 112 is being developed for more than ten years already;
- ✓ No favourable conditions have been provided to protect people's health and the environment from adverse impacts of noise;
- ✓ Pre-trial investigations are carried out and criminal offences are disclosed insufficiently quickly, there is lack of human resources for pre-trial investigations;
- ✓ Universities fail to plan the development and revision of study programmes in a systematic way, some study programmes have been developed without sufficient justification for their demand and availability of necessary resources for the implementation of the programme goals.

When planning performance audits, we continuously monitor performance-related problems, and strive to include as many public sector activity areas as possible. While implementing the 2012 Public Audit Programme, we conducted audits in 13 public sector areas and assessed problems existing therein as well as performance deficiencies in the audited entities:

- ✓ The Law on Public Procurement is complicated and difficult to understand for the staff of contracting authorities and its continuous amendment prevents establishment of consistent public procurement practices;
- ✓ The declaration of assets and income fails to prevent illegal enrichment and conflict of interests, to increase transparency of public administration and to strengthen public confidence in the public sector, declarations do not reflect changes in the assets and income of the persons subject to declaration;
- ✓ No conditions have been created for initiating privatisation procedures for more than half of the objects subject to privatisation, renewal of state-owned real estate has not been effective;
- ✓ There is no clearly regulated distribution of investment risks, obligations and responsibilities between the State and the management companies of free economic zones, no appropriate results and accountability are required from the management companies of free economic zones;
- ✓ Organisation of the education and training of statutory officers is not always effective, state budget funds are used insufficiently effectively and without economy;
- ✓ About 80 per cent of chemical preparations registered in Lithuania are hazardous for the aquatic environment but the potential to protect it against these hazards has been untapped;
- ✓ Restoration of fish resources fails to observe stocking plans and norms, to follow scientists' recommendations, and to ensure protection of stocked water bodies;
- ✓ Control of the activities of 24 institutions accountable to the Seimas is insufficient, no criteria for their establishment have been set, their accountability to the Seimas and control of their activities are insufficiently regulated;
- ✓ The Museum Modernisation Programme 2007-2015 does not provide for pre-conditions for achieving concrete results.

The findings of all performance audits are available on the NAOL website www.vkontrole.lt.

IMPACTS OF PERFORMANCE AUDITS

One of the most important indicators of the results achieved by audits is the level of the implementation of public audit recommendations. In order to assess the impact of public performance audit, public auditors regularly monitor and analyse the implementation of the recommendations provided in audit reports. Their content and implementation deadlines are discussed with the audited entities.

162 recommendations were issued to the audited entities in 2012 (Figure 7).

162

Figure 7. Implementation of performance audit recommendations

	DURING THE AUDITS	BY THE END OF 2012
RECOMMENDATIONS ISSUED IN 2012	162	14 per cent were implemented *
RECOMMENDATIONS ISSUED IN 2008–2011	5852	94 per cent were implemented

* The term of the implementation of other recommendations has not expired yet.

Public auditors monitor and analyse the implementation of the recommendations. Two years after the audit, reports on the implementation of the audit recommendations are prepared describing what has been made to carry out the recommendations and what the impact of the public audit is. Every year the data on the implementation of recommendations is analysed in the annual report summarising the implementation of recommendations, which determines the implementation level, informs about the impacts of public performance audit, and identifies causes of the failure to carry out the recommendations. The summary report on the implementation of the public audit recommendations 2012 is available on the NAOL website www.vkontrole.lt.

AUDIT OF EU STRUCTURAL FUNDS ASSISTANCE

The goal of audits of EU Structural Funds assistance is to provide an opinion to the European Commission on veracity and completeness of reports on the financial assistance granted to Lithuania.

Deputy Auditor General Arūnas Keraminas

When implementing resolutions of the Seimas, the National Audit Office[2] conducts the following audits:

- ✓ winding-up audits of activity areas and entities which manage, monitor or receive financial assistance from the European Union Structural Funds and Cohesion Fund (ISPA) for the period 2004–2006;
- ✓ public financial (regularity) audits as part of the performance of the functions of the audit authority for the achievement of the convergence objective of the EU structural assistance for the period 2007–2013.

SCOPE OF AUDITS OF EU STRUCTURAL FUNDS ASSISTANCE

In 2012 we completed **11** audits of EU Structural Funds assistance, 5 audits started in 2012 will be completed in 2013 (Figure 8). Audit procedures were carried out in **35** entities.

11

35

In performing the functions of the authority which prepares a winding-up declaration upon closure of Structural Funds assistance 2004-2006:

- ✓ audits of 36 Cohesion Fund (ISPA) projects were conducted by the end of 2012, which accounts for 71 per cent of the projects provided for in the 2004–2006 Cohesion Fund Programme;
- ✓ audits of remaining 15 projects are planned to be completed by the middle of 2014.

The following public audit reports and winding-up declarations (public audit opinions) were prepared and submitted to the Directorate-General for Regional Policy of the European Commission in 2012:

[2] Resolution No. IX-1667 of the Seimas of the Republic of Lithuania of 1 July 2003 on mandating the National Audit Office of the Republic of Lithuania to conduct audits of EU Structural Funds assistance received in the Republic of Lithuania (Žin., 2003, No. 70-3171; 2007, No. 108-4402; 2008, No. 126-4795).

- ✓ report on the evaluation of public procurements which were conducted during completed limited-scope projects using the European Regional Development Fund assistance provided pursuant to the Single Programming Document of Lithuania for 2004–2006;
- ✓ nine reports of audits of the Cohesion Fund (ISPA) projects and winding-up declarations (public audit reports).

In performing the functions of the audit authority for 2007-2013 Structural Funds assistance, an annual public audit was completed in 2012. Auditors evaluated expenditure in the amount of LTL 4.64 billion declared to the European Commission and the functioning of the management and control system (MCS) made up of 17 institutions. When assessing the effectiveness of the MCS, auditors evaluated adequacy of the control measures developed by all MCS institutions and the functioning of the control measures in a number of the MCS institutions. When assessing eligibility of expenditure declared to the European Commission in 2011, auditors verified 87 applications for payment related to the assistance measures administered by all implementing agencies, which had been selected using a statistical sampling procedure.

Figure 8. Scope of audits of EU Structural Funds assistance

NUMBER OF AUDITS – 16

AUDITS COMPLETED IN 2012 Number of audits – 11	AUDITS STARTED IN 2012 Number of audits – 5
Winding-up audits of the financial assistance from Structural Funds and Cohesion Fund (ISPA) for 2004–2006 Number of audits – 10	Winding-up audits of projects financed from the Cohesion Fund (ISPA) for 2004–2006 Number of audits – 4
Audits conducted while performing functions of the audit authority for 2007–2013 structural assistance Number of audits – 1*	Audits conducted while performing functions of the audit authority for 2007–2013 structural assistance Number of audits – 1

* Audit of the efficiency of 17 legal entities of the MCS; also, with a view to evaluating the expenditure in the amount of LTL 4.6 billion declared to the EC in 2011, audit procedures were performed in 85 projects (87 applications for payment), including assessment of 210 public procurements carried out by project implementers.

FINDINGS OF AUDITS OF EU STRUCTURAL FUNDS ASSISTANCE

In performing the functions of the audit authority which prepares winding-up declarations upon closure of Structural Funds assistance 2007-2013, public auditors evaluated the functioning of the management and control system and the veracity of project final expenditure reports and applications for payment of the balance of the assistance: whether the information contained therein is true and whether the costs were incurred observing the requirements of the regulations and decisions of the Council of Europe and European Commission. Auditors found the following:

- ✓ failure to observe the principles of the Law on Public Procurement, therefore financial corrections were made;
- ✓ failure to meet the requirements of the eligibility of expenditure pursuant to the European Commission Regulation during the implementation of the projects;
- ✓ failure to achieve the objectives or physical indicators set in the Financial Memoranda/Commission decisions of some projects.

In performing the functions of the audit authority intended to achieve the convergence objective of the EU structural assistance for 2007–2013, auditors:

- ✓ provided 119 remarks and **92** recommendations on the improvement of the management and control system and remedying irregularities related to the declared expenditure to the MCS institutions;
- ✓ found that ineligible expenditure identified during the verification of applications for payment which had been selected using a statistical sampling procedure totalled LTL 4.6 million, meanwhile the most likely error in the declared expenditure accounts for 1.17 per cent of all expenditure declared to the European Commission in 2011 (Lithuania declared over LTL 4.6 billion) and does not exceed the tolerable 2% error level established in the EU legislation;
- ✓ having regard to the fact that the management and control system met the requirements laid down in EU legislation and functioned effectively and that no material errors were identified in the expenditure declared to the European Commission, public auditors issued an unqualified opinion.

92

PERFORMANCE IMPROVEMENT

We aim to increase the impact of public audit, effectively use the available resources and enhance professional competence of our staff.

Striving to become a model for other public sector institutions, we are constantly looking for ways to increase our performance efficiency and implement performance enhancement measures:

- ✓ Last year particular attention was paid to the transition to the application of the International Standards on Auditing in public audit and improvement of the organisation of strategic analysis in performance audits;
- ✓ With a view to better evaluate and to improve the quality of public audits, for the second year we have been conducting a survey of audited entities on the benefits and quality of the financial (regularity) and performance audits completed, on the public audit process, and on auditors' cooperation;
- ✓ As part of the implementation of a project co-financed with EU and state budget funds, we started introducing a system for planning and monitoring activities of the National Audit Office based on project management principles;
- ✓ An integral part of the institution performance enhancement is improvement of auditors' professional competence.

TRANSITION TO INTERNATIONAL STANDARDS ON AUDITING

With a view to switching to the application of the International Standards on Auditing and INTOSAI standards, a new version of the Public Audit Requirements and a Financial and Regularity Audit Manual were prepared pursuant to an order of the Auditor General. Training on the International Standards on Auditing was arranged for all auditors and heads of divisions.

STRATEGIC ANALYSIS IN PERFORMANCE AUDIT

Improvement of the strategic analysis process in performance audits in 2012 included revision of the strategic analysis stages and their deadlines, supplementing criteria for the selection of audit objects and their values, improvement of the forms of the list of preliminary justification of the audit object and risks. In June 2012, a new version of the Methodology for the organisation and implementation of the strategic analysis in performance audit was approved.

IMPROVEMENT OF PERFORMANCE AUDIT REPORTS

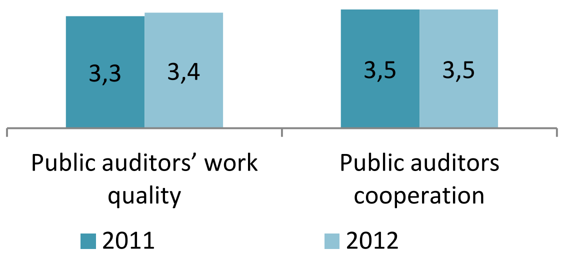
When implementing the Public Audit Strategy 2011-2015, the structure of the public performance audit report was improved. With a view to improving the presentation of public audit findings, we evaluated the practices of the supreme audit institutions of other EU countries, opinions of audit entities, and in 2012 switched to a new form of the public performance audit report. From now on the title of the report allows to clearly indicate the audit objective, the most important results of the audit - audit conclusions and recommendations are presented in the summary of the report, the titles of the chapters help identify the problem addressed, the evaluation criteria provided in the text enable to understand the evaluation aspect of the issues. These changes allow the reader to get more exhaustive information on the audit findings, to find information more quickly, and help increase the impact of public audit.

PUBLIC AUDIT QUALITY ANALYSIS

The key factors affecting the quality of public audits include the efficiency of the audit process and auditors' competence. Seeking to improve, we constantly analyse the audit process and interview audited entities in order to get their opinion about the quality, benefits and results of the audit completed.

In 2012, we interviewed 129 entities and received 102 completed questionnaires. The survey results showed that the respondents mostly appreciated discussions of the irregularities identified during financial (regularity) audits, comprehension of the specifics of the activity addressed, and significance of recommendations for the enhancement of the performance of the institution. Assessing the quality of public performance audits, the audited entities gave the highest scores to the relevance of the selected audit topic, validity of the public performance audit conclusions and discussion of possibilities to implement the recommendations. The respondents could assess the quality of the auditors' work and their cooperation during the audit giving a score from 1 to 4. The evaluation score for the quality of work was 3.4 (in 2011 – 3.3) and for cooperation, like last year, was **3.5** (out of 4) (Figure 9).

Figure 9. Evaluation of the auditors' work quality and cooperation
(4=highest score, 1=lowest score)



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In surveys we also ask the audited entities to put forward proposals on the public audit process being performed and on improvement of certain procedures. Having assessed the proposals, next year we are planning the following:

- ✓ to put a greater effort to organise discussion of issues addressed during the audit and audit findings at all audit stages;
- ✓ to provide for a longer period for getting access to the report and making comments;
- ✓ to improve the information request/provision mechanism.

ENHANCEMENT OF PLANNING AND MONITORING ACTIVITIES

With a view to enhancing the performance of the institution and implementing project activities of the Measure "Improvement of the system of public administration institutions" under Priority 4 "Strengthening of institutional and administrative capacities" of 2007-2013 Human Resources Development Operational Programme, in 2012 we developed design documentation for the activity planning and monitoring system and started preparing to install a trial version. The new planning and monitoring system will include the system of planning, implementation and monitoring of the activities of the National Audit Office, a project management tool, improved sub-systems of the accounting of audit findings, personnel data management and document management. The project co-financed with EU and state budget funds will be implemented until July 2014. The estimated project value is about LTL 500 thousand.

PROFESSIONAL DEVELOPMENT

The growing demand for knowledge is important both for the institution and for its employees who seek to get established in the constantly changing environment. Rapid technological changes also require continuous learning and acquiring new knowledge.

The National Audit Office is rated as a mature supreme public audit institution; however, only continuous improvement makes it possible to increase the quality of public audit and confidence in public audit results:

210

- ✓ **210** training events were organised and 67 public procurements of training services were carried out in 2012;
- ✓ 354 employees took part in internal trainings and in trainings held elsewhere in Lithuania and 30 people participated in trainings abroad;
- ✓ The amount spent for arranging the training events totalled about LTL 495 thousand, 88 per cent of which were structural assistance funds;
- ✓ 5 employees participated in the competition Europe Exam arranged by the European Commission Representation on the occasion of the Day of Europe;
- ✓ 22 officers of the National Audit Office voluntarily checked their knowledge at the exam of the NAOL officers' code of professional ethics arranged at the National Audit Office.

As part of the implementation of Priority 4 Measure "Training of the staff of state institutions" of 2007-2013 Human Resources Development Programme, practical training on the International Standards on Auditing, Public Sector Accounting and Financial Reporting Standards, financial and performance audits were organised in 2012, as well as trainings for auditors of information systems and coaching trainings – in total 94 training events with participation of 240 employees of the National Audit Office. The estimated value of the project co-financed with EU and state budget funds was over LTL 1 million.

COOPERATION

We regularly keep in touch with our partners and our extensive knowledge and experience enables us to share it with other institutions and provide suggestions for overall performance improvement.

When cooperating with Lithuanian authorities, we aim to increase the impact of public audit, we also share our knowledge and experience with other public sector institutions and provide suggestions for overall performance improvement. In this way, we seek to improve public sector management, external and internal audit quality and to increase public confidence in institutions conducting audits. To strengthen the dialogue with the academic community, we encourage representatives of universities and other educational institutions to be interested in public sector activities and in public audit. In the field of education and training of specialists, we keep expanding the application of the knowledge acquired during studies and ensure professional development of civil servants.

SEIMAS OF THE REPUBLIC OF LITHUANIA

The National Audit Office is an institution accountable to the Seimas. When cooperating with the Seimas, we seek to increase the impact of public audit and, using parliamentary control measures, to contribute to the implementation of the recommendations provided in public audit reports.

At the end of 2012, we discussed the functions, regulation and planning of the activities, mandates of the National Audit Office, principles of the development of the public audit programme and organisation of public audits with member of the Committee on Audit of the newly elected Seimas.

- ✓ In 2012, findings of **17** public audits were discussed at the Seimas Committee on Audit: 8 financial (regularity) and 9 performance audits;
- ✓ 10 public audit reports were discussed at other Seimas committees last year: 9 performance audits and 1 financial (regularity) audit;

17

- ✓ The Opinion on the sets of financial statements and budget implementation reports of the Republic of Lithuania for 2011, on public debt reports and on the assessment of the implementation of the state budget was discussed in all Seimas committees.

MUNICIPAL CONTROL AND AUDIT SERVICES

Last year we continued cooperation with municipal control and audit services. Auditors of the National Audit Office put forward recommendations to municipal control and audit services on the development and implementation of the audit strategy, shared information about audit results, the services undertook to perform audit procedures on the pupil's basket in municipalities.

- ✓ Upon commencement of the audit of the management, use and disposal of the state budget funds and assets, cooperation agreements were signed with 36 municipal control and audit services;
- ✓ A summary report on the 2011 external review of the audits performed by municipal control and audit services was presented at a conference of municipal controllers;
- ✓ The 2012 Audit Strategy of Local Authorities was presented to 53 municipal heads (mayors, administrative directors, council members and other employees) and 33 municipal controllers;
- ✓ On the invitation of the Association of Municipal Controllers, representatives of the National Audit Office took part and made presentations at the international EURORAI conference "Quality of audits conducted by public sector institutions in regions and municipalities in EURORAI member countries" held in Vilnius.

ACADEMIC COMMUNITY

With a view to contributing to better education of specialists, last year the National Audit Office continued to execute cooperation agreements with Vilnius University and Mykolas Romeris University.

The National Audit Office needs competent specialists, so joint projects with universities give students an opportunity to gain both theoretical and practical knowledge of public audit which may be useful when choosing a career in future. Direct dialogue between the academic community and professionals with extensive practical experience contributes to the promotion of public audit and makes the auditor's profession more attractive. Maybe this will be another incentive for the youth to live and work in Lithuania.

- ✓ In 2012, eight lectures were organised for students (at Vilnius University, Mykolas Romeris University, Klaipėda University, Lithuanian Maritime Academy, and University of Applied Social Sciences), 22 employees of the National Audit Office participated in events organised by universities;
- ✓ A survey of our staff was carried out and 26 topics for master degree theses were proposed to universities, our employees consulted students and participated in a Master Thesis Defence Committee;
- ✓ In 2012, 18 students were offered traineeship at the National Audit Office under a tripartite education agreement, 3 students - under a voluntary activity agreement, two of them are now studying in foreign universities;
- ✓ Representatives of Vilnius University, Mykolas Romeris University and ISM University of Management and Economics attended our conference "Strategic planning of Lithuania's development".

AUDITORS OF THE PUBLIC SECTOR

We continue successful implementation of the 2011–2015 Action Plan of multilateral cooperation with the Ministry of Finance, Lithuanian Chamber of Auditors, Institute of Internal Auditors, and Association of Municipal Controllers revised in 2010.

The most important direction of the cooperation is exchange of expertise, therefore in the events held in 2012 we shared our knowledge and experience of certain theory of audit:

- ✓ A working group has been reviewing methodologies of assessing internal control of public sector entities used in various audit chains; also, there is a plan to develop internal control assessment principles in 2013 and to present them to the Cooperation Committee;

- ✓ Representatives of the cooperation parties took part in the discussion "Challenges of the preparation for the period 2014–2020: integrated approach to the management and control";
- ✓ An event was organised at the National Audit Office where representatives of the cooperation parties presented audit quality assurance systems and shared best practices;
- ✓ A website Audit in the Public Sector was launched to inform the public and all those interested in public sector auditing.

LAW ENFORCEMENT AND OTHER PUBLIC ADMINISTRATION INSTITUTIONS

When strengthening professional cooperation, providing assistance on issues of public interest defence, detection and investigation of criminal offences, and applying preventive measures, the National Audit Office has been actively cooperating with the General Prosecutor's Office, Special Investigation Service, Public Procurement Office, Financial Crime Investigation Service, and other authorities which carry out supervision and control of public administration. Institutional cooperation is based on harmonisation of the principles of independence, professionalism, legality, transparency and confidentiality.

As part of the implementation of the cooperation agreements, 14 meetings and consultations with law enforcement and other institutions were organised last year, documents of **18** public audits were forwarded thereto. Also, in 2012:

18

- ✓ A round-table discussion "Application of substantive liability and indemnity of damages in the public sector" was initiated and held at the Supreme Administrative Court of Lithuania;
- ✓ Possibilities to claim damages when defending the public interest in court were discussed in a meeting with representatives of the General Prosecutor's Office;
- ✓ Information about breaches of the Law on Public Procurement detected in municipalities and systematic violations of public procurement identified in ministries and institutions subordinate thereto was presented and discussed in meetings with the Public Procurement Office.

INTERNATIONAL RELATIONS

The National Audit Office is an active member of the International Organization of Supreme Audit Institutions (INTOSAI) and its regional working group, European Organization of Supreme Audit Institutions (EUROSAI).

The National Audit Office has been actively cooperating with the supreme audit institution (SAI) of the European Union, the European Court of Auditors. The main structure of this cooperation is the Contact Committee.

Bilateral cooperation with the supreme audit institutions of various countries is developed by exchanging official and working visits, participating in joint events, conferences, trainings and workshops, conducting joint audits and sharing professional information.

The National Audit Office has been taking an active part in the activities of the committees and working groups of the International Organization of Supreme Audit Institutions (INTOSAI) and its regional working group, European Organization of Supreme Audit Institutions (EUROSAI).

We are pleased to note considerable expansion of regional and bilateral cooperation with the supreme audit institutions of foreign states in 2012 as well as successful participation in the Nordic-Baltic Mobility Programme and in the annual meeting of representatives of the SAIs of the Baltic and Nordic countries and Poland held in Tallinn.

The most important international cooperation events in 2012 included the following:

- ✓ Last year the annual meeting of the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union was held in Portugal. Its agenda included a seminar "Challenges for SAIs in preparing for the next EU financial framework period", an overview of the 2012 results of working groups on a number of audit areas, presentation of reports and information on audits of the use of EU funds in the Member states. At the meeting, Lithuania officially took over the responsibilities of the Acting Chair of the Contact Committee in 2013. Lithuania will also coordinate the work of the tasks force, which will prepare a common position on the tasks and roles of the supreme audit institutions in the light of recent developments in the European Union economic governance.

- ✓ A delegation of the National Audit Office participated in the VII EUROSAI-OLACEFS conference "Good Governance in Public Sector: Role of SAIs" held in Tbilisi, where two topics were discussed: enhancing stakeholder confidence in public audit and public finance management reform, trends and lessons learned.

- ✓ A delegation of the Supreme Audit Institution of Poland (NIK) led by the President of NIK, Mr Jacek Jezierski, paid an official visit to the National Audit Office. The parties discussed audit planning and audit quality assurance, introduction of international standards, public interest defence, and other important issues;

- ✓ Last year we hosted the 10th meeting of the INTOSAI Compliance Audit Subcommittee here in Vilnius. The meeting was attended by 23 representatives of the Supreme Audit Institutions of 12 countries, European Court of Auditors, and INTOSAI Development Initiative, who aligned guidelines establishing the Fundamental Auditing Principles and discussed draft guidelines on compliance auditing in SAIs of the court type.

- ✓ We also provided expert support to the Accounts Chamber of Kyrgyzstan. A Kyrgyz delegation paid a visit to the National Audit Office last year, during which NAOL officers shared their expertise and experience in public audit issues.

- ✓ In 2012, the National Audit Office hosted the 21st Annual Meeting of European Financial Control Authorities of Structural Actions (The Homologues Group). The meeting was attended by 170 representatives of 2007-2013 EU Structural Funds Audit Authorities of all EU Member States and Croatia, European Commission Services, European Court of Auditors, and European Anti-Fraud Office (OLAF), who discussed major issues of audit of 2007-2013 Structural Funds assistance, activities and problems related to the functions performed by audit authorities, cooperation with the EC, as well as preparation of audit authorities for the 2014-2020 financial perspective;

- ✓ A delegation of the National Audit Office of Lithuania paid an official visit to the Supreme Audit Office of the Slovak Republic and its Regional Office in Banská Bystrica. The delegation received information on a peer review of the Supreme Audit Office of the Slovak Republic performed by representatives of the Supreme Audit Institutions of the United Kingdom, Estonia, Poland and Slovenia as well as on the work time accounting system applied at the SAO of Slovakia and activities of the Legal Division;
- ✓ We participated in two cooperative environmental audits on emissions trading and on national parks. The National Audit Office has been appointed the coordinator of the audit on national parks;
- ✓ A representative of the National Audit Office, together with colleagues from Denmark, Austria and the Netherlands, participated in conducting an international peer review of the activities of the Polish Supreme Audit Office (NIK).

ANNEXES

PUBLIC AUDITS COMPLETED IN 2012

FINANCIAL (REGULARITY) AUDITS

OPINIONS ON THE STATE REPORTS

Opinion on the 2011 Report on the State Assets

Opinion on the sets of financial statements and budget implementation reports of the Republic of Lithuania, on the public debt reports and on the evaluation of the implementation of the state budget for the year 2011

Opinion on the draft Law on the Approval of the Financial Indicators of the State Budget of the Republic of Lithuania and Municipal Budgets for the year 2013

AUDITS OF EU AND OTHER INTERNATIONAL FINANCIAL ASSISTANCE FUNDS

Cohesion Fund project No 2004/LT/16/16/C/PT/006 Modernisation of Marshalling Yards on Crete Corridor IX

Cohesion Fund project No 2004/LT/16/C/PT/003 Development of Transport Corridor IXB in the Years 2004-2006

Cohesion Fund (ISPA) project No 2004/LT/16/C/PT/008 Construction of the Missing Link for the IXB Transport Corridor – Vilnius Southern Bypass

Cohesion Fund project No 2004/LT/16/C/PE/001 Kaunas: Development of regional waste management system

Evaluation of public procurement in limited scope completed projects which were implemented from the ERDF assistance granted under the Single Programming Document 2004-2006 of Lithuania

Cohesion Fund (ISPA) project No 2001/LT/16/P/PE/006 Neringa: Wastewater treatment plant reconstruction, sewer network extension and potable water network rehabilitation

Cohesion Fund (ISPA) project No 2001/LT/16/P/PE/007 Kaunas: extension of wastewater treatment plant for biological treatment and network

Cohesion Fund (ISPA) project No 2003/LT/16/P/PA/006 Technical Assistance for Construction of Missing Links on Corridor IXB in Lithuania

Cohesion Fund Project No 2005/LT/16/C/PT/002 Extension of Station Tracks on Corridor IX

Cohesion Fund (ISPA) project No 2002/LT/16/P/PE/011 Marijampolė: Development of Regional Solid Waste Management System

Management and control system of Operational Programmes Implementing Lithuanian Strategy for the Use of European Union Structural Assistance for 2007-2013 Towards Achieving the Convergence Objective, and expenditure declared to the European Commission in 2011

AUDITS OF STATE BODIES AND MUNICIPALITIES

Financial (regularity) audit entities	Opinion on 2011	
	data of sets of financial statements and budget implementation reports	legality of the management, use and disposal of funds and assets of the State (fund)
Ministry of Environment	Qualified	Qualified
Ministry of Social Security and Labour	Qualified	Qualified
Ministry of Energy	Unqualified	Unqualified
Ministry of Health	Qualified	Qualified
Ministry of National Defence	Qualified	Qualified
Ministry of Education and Science	Qualified	Qualified
Vilnius Gediminas Technical University	Qualified	Qualified
Vilnius University	Qualified	Qualified
Lithuanian University of Educational Sciences	Unqualified	Qualified
Vilnius Academy of Arts	Unqualified	Qualified
Research Council of Lithuania	Unqualified	Qualified
Ministry of Culture	Qualified	Qualified
Martynas Mažvydas National Library of Lithuania	Unqualified	Qualified
Ministry of Justice	Qualified	Qualified
Ministry of Transport and Communications	Qualified	Qualified
Ministry of Foreign Affairs	Qualified	Qualified
Ministry of Economy	Unqualified	Qualified
Ministry of the Interior	Qualified	Adverse
Police Department under the Ministry of the Interior	Qualified	Qualified
Ministry of Agriculture	Adverse	Qualified
Ministry of Finance	Qualified	Qualified
Vilnius City Municipality	Qualified	Qualified
Ukmergė District Municipality	Unqualified	Qualified
Širvintos District Municipality	Unqualified	Qualified
Elektrėnai Municipality	Unqualified	Unqualified
Šiauliai City Municipality	Unqualified	Unqualified
Kelmė District Municipality	Unqualified	Qualified
Radviliškis District Municipality	Unqualified	Qualified
Panevėžys City Municipality	Unqualified	Unqualified
Kaunas City Municipality	Unqualified	Qualified
Kaunas District Municipality	Unqualified	Qualified
Alytus City Municipality	Unqualified	Unqualified
Marijampolė Municipality	Unqualified	Unqualified
Kėdainiai District Municipality	Unqualified	Unqualified
Druskininkai Municipality	Unqualified	Unqualified
Prienai District Municipality	Unqualified	Qualified
Klaipėda City Municipality	Unqualified	Unqualified
Mažeikiai District Municipality	Unqualified	Qualified
Plungė District Municipality	Unqualified	Qualified
Telšiai District Municipality	Unqualified	Qualified

AUDITS OF RESOURCE AND TAX FUNDS

Financial (regularity) audit entities	Opinion on 2011			
	data of sets of financial statements and budget implementation reports	set of financial statements	set of budget implementation reports	legality of the management, use and disposal of funds and assets of the State (fund)
State Treasury	x	Disclaimer of opinion	x	Unqualified
State Social Insurance Fund	x	Disclaimer of opinion	Qualified	Qualified
Compulsory Health Insurance Fund	Unqualified	x	x	Qualified
Privatisation Fund	Disclaimer of opinion	x	x	Qualified
Reserve (Stabilisation) Fund	Disclaimer of opinion	x	x	Unqualified
Customs Tax Fund	x	Unqualified	x	x
Tax Fund of the State Tax Inspectorate	x	Disclaimer of opinion	x	x

LIMITED SCOPE AUDIT

Assessment of the planning and use of the pupil’s basket.

PERFORMANCE AUDITS

ENVIRONMENTAL PROTECTION

Untapped Potential to Reduce the Area Damaged by Quarrying

Untapped Potential to Protect the Aquatic Environment from Contamination by Dangerous Chemical Substances

The Scheme for Allocation, Use and Trading of Greenhouse Gas Emission Allowances

SOCIAL SECURITY AND LABOUR

Objective Determination of Disability and the Capacity for Work Level and Effective Vocational Rehabilitation is Still a Desirable Goal

Effectiveness of Organisation of Child Rights Protection

HEALTH CARE

Supply of Medicines in Hospitals

Noise Management in Lithuania

EDUCATION AND SCIENCE

Organisation of the Development and Assessment of Study Programmes

CULTURE

Is the Programme of Museum Modernisation 2007-2015 Implemented Effectively?

Performance of Institutions Accountable to the Seimas which are Engaged in Cultural Activities

Activity of the State Archives

MANAGEMENT OF THE STATE ASSETS AND FUNDS

Declaration of the Property and Income of the Residents

NATIONAL ECONOMY, MARKET CONTROL

Development of Free Economic Zones and Industrial Parks

JUSTICE

Are there Preconditions in Place for Efficient Organisation of the Pre-trial Investigation Process?

INTERNAL AFFAIRS

Activity of the Emergency Response Centre

Organisation of Education and Training of Statutory Officers

FOREIGN AFFAIRS

Preparations for the Presidency of the Council of the European Union

AGRICULTURE

Ensuring Restoration and Protection of Fish Resources in Inland Water Bodies

MANAGEMENT OF INFORMATION RESOURCES

General and Creation Control of the Information Systems of the Ministry of Finance

INFRASTRUCTURE

Public Procurement of Construction Works

OTHER (BODIES ACCOUNTABLE TO THE SEIMAS AND GOVERNMENT AND OTHER INSTITUTIONS)

Performance of Simplified Public Procurements

CRITERIA FOR EVALUATION OF PLANNED AND ACHIEVED PERFORMANCE RESULTS OF THE NATIONAL AUDIT OFFICE

IMPLEMENTATION OF THE STRATEGIC GOAL

The strategic goal of the institution is to promote accountability of public sector institutions and management oriented towards results and people' needs.

The criterion for the evaluation of the effectiveness of the implementation of the strategic goal is evaluation of the systems of management and control of public sector finances.

Information about the implementation of the strategic goal	
Planned value of the evaluation criterion	Achieved value of the evaluation criterion
2.5	3.0
In performing its functions, the National Audit Office conducts financial (regularity) and performance audits. The criterion for the evaluation of the systems of management and control of public sector finances consists of three elements: - improvement of the internal control evaluation as compared to the previous year, - improvement of the opinion on financial (regularity) audit on financial statements and other reports as compared to the previous year, - improvement of the opinion on financial (regularity) audit on the legality of the management, use and disposal of the state funds and assets and their use for purposes established in the law as compared to the previous year. Evaluation of internal control as compared to the previous year audit results improved in 4 audited entities, the opinion of financial (regularity) audit on financial statements and other reports improved in 2 audited entities, and the audit opinion on the legality of the management, use and disposal of the state funds and assets and their use for purposes established in the law improved in 6 audited entities. Having regard to the on-going reform of the accounting of the public sector accounting reform and the afore-said positive developments, the evaluation criterion is deemed to be implemented, i.e. we can maintain that progress has been achieved in the implementation of the finance management and control system in the public sector.	

IMPLEMENTATION OF THE PROGRAMME GOAL AND TARGET

Criteria for the evaluation of the goal and target:

- ✓ To promote accountability of public sector institutions and progress of the finance management and control system;
- ✓ To monitor legality and efficiency of the management and use of the state assets and implementation of the state budget.

Product criterion	Planned results for 2012	Achieved results in 2012	Implementation of the criterion
Share of implemented recommendations (%)	80	91	implemented
Implementation of the Public Audit Programme (%)	100	100	implemented
Number of prepared mandatory reports	6	6	implemented
Implementation of the Public Audit Programme (audits of EU financial assistance) (%)	100	100	implemented