2013

NATIONAL AUDIT OFFICE
ANNUAL REPORT

When performing its functions, the National Audit Office conducts:

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

Vision

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

Mission

To promote efficient management of the public property.

Values

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

CONTENTS

FOREWORD BY THE AUDITOR GENERAL

At the close of the twenty-fourth year of the National Audit Office, we review the work completed during 2013 that had been planned in accordance with the duties assigned to us, as well as the risks provided for in preliminary studies and the remarks made by public authorities and the general public, which require public auditors' attention. Demanding attention based on knowledge, professional skills and experience. So that public funds are used lawfully and correctly and taxpayers bringing in these funds receive services committed by the State.

Everything that was audited and identified has been reported in 37 financial (regularity) and 27 performance audit reports. Another nine reports provide the results of the audits of the EU financial assistance funds. In addition, last year for the first time the National Audit Office provided an opinion on the national set of consolidated statements for 2012 and conducted audit procedures in all 60 municipalities.

The fact that we are still forced to provide qualified or adverse opinions, or even a disclaimer of opinion, on the performance of public sector institutions shows that there are persistent irregularities in the accounting, management, use and disposal of the public property and funds. The number of qualified and adverse opinions and disclaimers of opinion in financial (regularity) audits carried out last year was the same as that of unqualified opinions where auditors had no remarks for the audited entities.

On the other hand, a positive trend has been observed – errors are corrected promptly. Nearly 85 per cent of legislative violations were corrected during the audits and 89 per cent of the recommendations were implemented by the end of the year. This is the result of close cooperation with the audited entities and active follow-up. In addition, we made a certain "methodical investment" into the future – we analysed the results of the financial (regularity) audits carried out during the last two years and afterwards published the most common accounting errors made in the public sector. This is a great opportunity for entities to gain knowledge so that they do not repeat their own or other entities' mistakes in the future.

Cost-effectiveness, efficiency, effectiveness of services provided to the population in the public sector was addressed in performance audits. We identified problem areas, manifestations of mismanagement, and issued recommendations which, if implemented, would make people feel more secure, the system of services more convenient, and services – better accessible.

Continuous follow-up of the recommendations made by the National Audit Office allows us to maintain, with a high degree of confidence, that the package of changes in the audited areas is not less than that of the problems identified during the audits – only the echo of the problems is much stronger than the information of the order brought in the areas in need by public auditors.

The results of effective, productive and efficient public auditors' work encompass contribution of the entire staff of the National Audit Office. Training, improvement of qualification, exchange of expertise, innovation, methodological work, participation in the activities of international organisations and international expert working groups – all these are areas where the National Audit Office staff are continuously improving their competence, accumulating experience and knowledge and applying their skills in everyday activities.

I thank the staff of the National Audit Office for their wok and aspiration for the prevalence of thrifty approach in the public sector.

STRATEGIC GOALS FOR 2011–2015

TO INCREASE THE IMPACT OF PUBLIC AUDIT

- Pursuing changes in the public sector, we provide recommendations the implementation of which requires legislative amendments and often depends not only on the efforts of the audited entity. To this end, in 2013 we introduced additional measures in the follow-up process, such as clearer identification of the impact of implemented recommendations, closer co-operation with audited entities, etc. Such measures will help audited entities to implement public audit recommendations more consistently and to create positive changes in the public sector.
- Evaluation of the management of the public sector finances has been demonstrating recurrent errors of the public sector institutions. To reduce the number of errors, we prepared a summary report on the errors and published it on the website of the National Audit Office (NAO). Audited entities can see the most frequent mistakes in the public sector that were identified during financial (regularity) audits and so try to avoid them in future.
- In 2013, cooperation agreements were signed with control and audit services of 59 municipalities. This cooperation is vital in preparing and submitting opinions of the National Audit Office on the national set of statements to the Seimas (Parliament) of the Republic of Lithuania. It is important that the National Audit Office evaluates the results of audits of municipal consolidated financial statements and summarises the scope of errors and that municipal controllers are able to use NAO experience in auditing consolidated statements. This helps to share audit experience and professional knowledge and to enhance the impact of public audit on both the national and municipal levels.

TO USE THE AVAILABLE RESOURCES MORE EFFICIENTLY

- Enhancement of the audit quality is a continuous process influenced by both internal and external factors. The current environment of public auditing encourages the use of all possible means to ensure the quality of audit, hence in 2013 we updated the Rules for organising public audits, quality assurance and control providing for additional measures for supervision and review of public audits as well as instruments for ensuring auditors' impartiality and independence.
- In order to have comprehensive and objective information on the time allocated to performance processes of the institution, in 2013 an information system was introduced to manage all information related to our activity planning, execution and monitoring. This system is also a project management tool for administering and documenting public audits. Information collected in the system allows not only to perform a detailed analysis of the performance processes of the institution but also to respond to a changing situation in a prompt manner.
- In 2013, we launched a project to implement an internationally recognised quality management model LST EN ISO 9001:2008. With the assistance of international experts (representatives of the European Court of Auditors, audit institutions of Norway and Finland), we have been evaluating whether the public audits carried out by the National Audit Office comply with the International

Standards on Auditing. We believe that the results of this project will make a significant contribution to the improvement of the NAO performance not only in the nearest future but in the long term as well.

TO DEVELOP PROFESSIONAL COMPETENCE OF THE STAFF PROMOTING TEAM WORK

- Smooth work of audit teams creates value added, hence in 2013 the National Audit Office focused on the development of professional competence of its staff promoting teamwork and developing relevant skills, such as those of leadership, stress and conflict management, business communication, and self-motivation at work. Other areas of interest included personnel management and internal communication, governance, organising, and strategic thinking.
- An important means of professional development for a supreme audit institution is international cooperation. In 2013, we took part in an international cooperative audit of national parks, which was carried out together with auditors of Bulgaria, Denmark, Croatia, Poland, Norway, and the Ukraine. The National Audit Office was entrusted with the role of the coordinator of this audit. By participating in such projects, auditors gain invaluable experience learning from the good practice of other countries and sharing their own know-how.

PLANNED AND ACHIEVED PERFORMANCE RESULTS

The goal of the performance of the National Audit Office provided for in the Strategic Plan for 2013–2015 is to promote accountability of public sector institutions as well as result- and people-oriented management.

The criterion used for evaluating the goal achievement is evaluation of the finance management and control systems of the public sector. The evaluation criterion is calculated as the weighted arithmetic mean of financial (regularity) audit results (types of opinions) expressed in quantitative terms (the criterion calculation method is given in Annex 3).

	2013	2012	2011
Planned value of the effect criterion (score)	2.6	2.5[1]	3.31
Achieved value of the effect criterion (score)	3.35	3.04	3.29

Pursuing the strategic goal of the institution, the National Audit Office has been carrying out the programme "Control over the use of the public property and budget execution".

The objective of the programme is to promote accountability of public sector institutions, progress of financial management and control systems, and the target is to monitor the regularity and efficiency of the management and use of the public property and execution of the state budget.

All planned indicators of the objective and target of the programme were achieved in 2013, and the share of the implemented recommendations exceeded the one planned.

	2013 achieved	2013 planned
Share of implemented recommendations (%)	88	81
Implementation of the Public Audit Programme (%)	100	100
Number of drafted mandatory reports (unit)	8	8

All major work planned by the institution for 2013 was completed, and the achieved evaluation criteria indicate that the institution has been choosing appropriate tools for attaining the expected results promoting the public sector progress in the field of financial management and control systems.

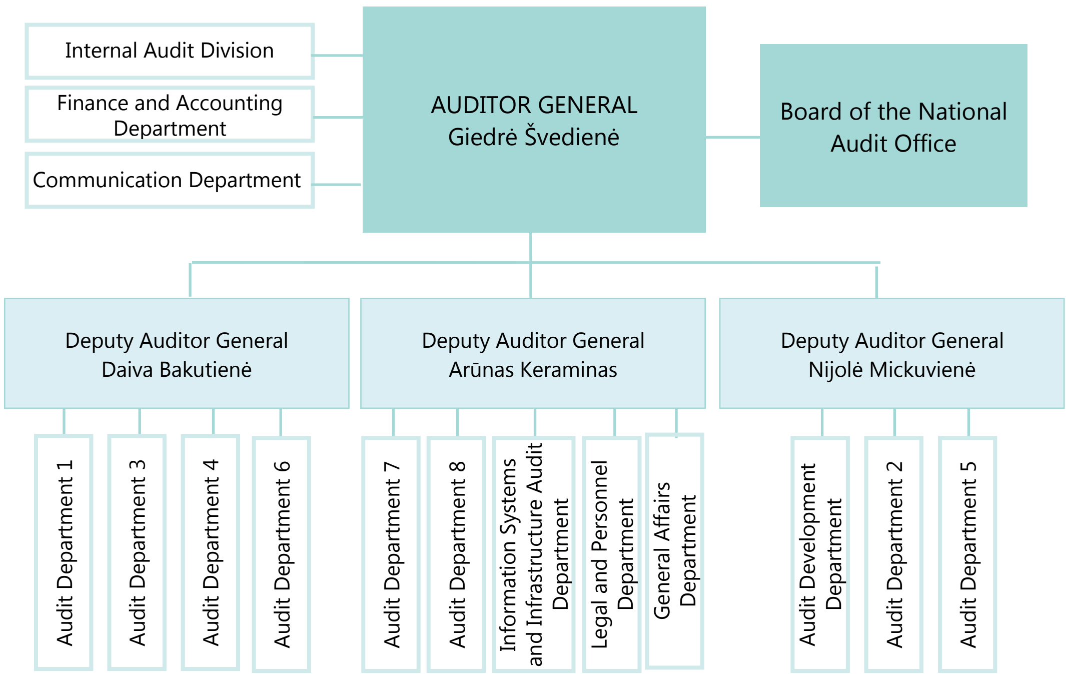
[1] Decreased value of the effect criterion is related to the undergoing public sector accounting reform.

STRUCTURE OF THE NATIONAL AUDIT OFFICE

The National Audit Office 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 Board 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 issues of the NAO performance and service within the NAO and giving a collegial opinion.

The public audit function in the National Audit Office is carried out by nine departments. The performance of this function and implementation of other goals of the institutions is facilitated by six administrative subdivisions (Figure 1).

Figure 1. Structure of the National Audit Office in 2013



STAFF

	2013	2012	2011
Number of employees (unit)	391	399	374
Staff taking part in audits (%)	74	70	65

The expertise and skills of the staff are among the key indicators of their competence. 57 per cent of the NAO employees have over five years working experience, 28 per cent of the staff have been working here for more than ten years. The majority (84 per cent) of the NAO staff have higher university education, with most of them (82 per cent) having a master's degree. There were 75 per cent of women and 25 per cent of men working at the National Audit Office in 2013, the average age of the staff was 42 years.

A recent tendency has been observed that people have been leaving the public sector for the private one due to the improving economic situation in the country. As a result, we have been losing highly skilled professionals. The staff turnover in 2013 was 8.4 per cent. 29 new employees joined our team and 38 left the NAO in 2013. 16 per cent of those who left the office did so because of retirement, meanwhile 45 per cent opted to work in the private sector.

FINANCES

	2013	2012	2011
Budget appropriations allocated* (LTL million)	27.4	26.1	24.4
Budget appropriations used* (LTL million)	25.6	25.1	23.5

** including the EU technical assistance funds*

The amount of appropriations allocated for the Programme on the control over the use of the public property and budget execution carried out by the National Audit Office in 2013 totalled LTL 27.4 million. LTL 6.7 million of this amount were the EU technical assistance funds for 2007–2013 for the project "EU technical assistance for the National Audit Office of Lithuania" (85 per cent financed from EU technical assistance funds 2007–2013 and 15 per cent – from co-financing funds).

For the performance of the functions delegated thereto, the National Audit Office used LTL 25.6 million, of which LTL 4.9 million[2] were the EU technical assistance funds 2007–2013, including co-financing funds.

[2] Public procurement of audit services for conducting audits of the EU financial assistance enabled to save about LTL 1.5 million of the EU technical assistance funds.

Share of implemented recommendations

89%

Share of legislative irregularities corrected during the audits

85%

FINANCIAL (REGULARITY) AUDIT

Financial (regularity) audits carried out in 2013 addressed annual sets of statements of institutions headed by managers of appropriations from the state budget, the State Social Insurance Fund, the Compulsory Health Insurance Funds, other resource and tax funds, the set of statements of the State and the national set of statements, as well as the regularity of the management, use and disposal of funds and property by the audited entities.

When making recommendations, auditors focused on the correctness of the annual statements of the audited entities and the regularity of the management, use and disposal of funds, and promoted reliable management of finances and property.

SCOPE OF FINANCIAL (REGULARITY) AUDIT

37 financial (regularity) audits provided for in the Public Audit Programme were completed in 2013. The audits carried out included audits of the national set of statements and the set of consolidated statements of the State, public authorities (state institutions), resource and tax funds, and municipalities.

	2013	2012	2011
Number of audits completed	37	50	59

OPINIONS PRESENTED TO THE SEIMAS

The Constitution of the Republic of Lithuania requires that the National Audit Office monitors the regularity of the management and use of the public property and execution of the state budget. Pursuant to the Constitution and legislative provisions, the Auditor General submitted three opinions to the Seimas in 2013:

- opinion on the national set of statements;
- opinion on the set of financial statements and budget execution reports of the Republic of Lithuania, on the reports on public debt and on the evaluation of the execution of the state budget for the year 2012,
- opinion on the draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2014.

The opinion on the national set of statements for 2012, which was drawn up by consolidating financial statements of 4030 public sector entities, was submitted for the first time. For preparing this opinion, the National Audit Office had planned and carried out audit of the whole public sector:

- the State (public sector entities, four resource funds of the State),
- State Social Insurance Fund,
- Compulsory Health Insurance Fund,
- 60 municipalities (auditing the use of state budget funds, using the results of audits carried out by municipal controllers, and, if necessary, performing independent audit procedures).

A qualified opinion was issued on the national set of financial statements. The main reason is significant uncorrected misstatements in the financial statements of public sector entities. When performing their accounting and consolidation operations in accordance with the Public sector accounting and financial reporting standards, entities are still making a lot of errors. As to the budget execution, there were a number of infringements of legislation on the allocation and use of funds and of the Law on Public Procurement. In the audit opinion, we made observations on following up the execution of the state budget, as well as deficit of the public sector and public debt. Particular attention was paid to the compliance with municipal borrowing limits – we recommended to revise the reporting rules ensuring that municipalities provide all information on the budget indicator revisions approved during the year and to oblige municipalities to provide information on the adherence to these limits.

Qualified opinions were issued in the audit opinion on the set of financial statements and budget execution reports of the Republic of Lithuania, on the reports on public debt and on the evaluation of the execution of the state budget for the year 2012. The main reason is errors and mismatches in the budget execution reports and financial statements of the audited institutions/agencies, which form the basis for the sets of state budget execution reports and financial statements. A qualified opinion was also expressed on the regularity of the execution of the state budget. In order to prevent recurring errors in the public sector which affect correctness of statements and reports and regularity of the use of funds, we recommended to enhance the methodological management function, to deal with the issue of the funding of other entities in depth, to review the recommendations in the area of revenue of budgetary institutions which have not been implemented, and to take measures for their implementation. We proposed to the Ministry of Finance to coordinate the accounting of the commitments taken on by the State.

The opinion on the draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2014 was prepared pursuant to the Statute of the Seimas of the Republic of Lithuania, which sets forth that the Auditor General shall submit the opinion on the draft state budget to the Seimas Committee on Budget and Finance and the Committee on Audit. With a view to providing information necessary for the consideration of the said draft Law and revealing potential problems in the field of public financial management, we presented fourteen conclusions on the general provisions of the draft Law, the expected revenue and expected costs/appropriations, and proposed to take account of these conclusions when revising the draft Law for 2014. Particular attention was given to the implementation of new EU law requirements for fiscal discipline.

RESULTS AND IMPACT OF FINANCIAL (REGULARITY) AUDIT

For the purpose of ensuring that the opinions presented to the Seimas are supported with sufficient and appropriate audit evidence, taking into account the Public Audit Requirements, International Standards on Auditing, and International Standards of Supreme Audit Institutions, after conducting financial (regularity) audits in 2013, public auditors issued their opinions on whether the audited institution/fund had drawn up correct budget execution reports and financial statements and/or managed, used and disposed of public funds and property in a legal manner (Table 2).

Table 2. Auditor's opinions issued in public financial (regularity) audit opinions

	Type of auditor's opinion				Total
	Unqualified	Qualified	Adverse	Disclaimer of opinion	
Opinions on the set of (consolidated) budget execution reports, including opinions on the funds estimate execution report and accountancy of other contributions to the budgets, as well as on the regularity of the execution of the state budget	23	10	–	1	34
Opinions on the set of (consolidated) financial	17	13	3	2	35

statements					
Opinions on the regularity of the management, use and disposal of funds and property of the state/funds	10	22	–	–	32
Total	50	45	3	3	101

A complete list of the auditor's opinions given in public audit opinions is provided in Annex 1.

Auditors' concern in financial (regularity) audits is that they still have to express an adverse opinion, or a disclaimer of opinion when it is not possible to make sure of the reliability and correctness of the data.

The audit results demonstrated a persistent problem related to the major part of the state budget revenue, namely, accounting of taxes and other payments administered by the State – as in 2011, we were not able to verify that the data given in the financial statements of the Tax Fund for 2012 is true and correct.

The type of irregularities in the management of funds and property is basically the same. Auditors identified similar misstatements in the budget execution reports of both the State and municipalities and similar violations of the regularity of the use of funds. The legislation breached includes laws governing the allocation and use of funds, public procurement, state capital investment, payment of salaries and other allowances. In some cases, cost-effectiveness of the use of funds is not ensured. There is still a formal approach to the management of the public property, failing to pursue maximum benefit for the society. There are cases when private persons are using the public property free of charge, assets are written off improperly and liquidated, property is leased out at a price lower than the market value (not through a public tender). It should be noted that institutions have a lot of unused real estate. Since the waiving process takes a long time, such property is maintained using state budget funds.

When performing accounting and consolidation operations in accordance with the Public sector accounting and financial reporting standards, entities makes a lot of errors, especially in the accounting of assets and liabilities accounted.

We informed the audited entities about the irregularities already during the audits, so that the situation is remedied as soon as possible and measures are taken to prevent such irregularities in the future or at least to minimize the possibility of their occurrence. These measures have been effective, since 85 per cent of the legislative violations were eliminated during the audits.

	2013	2012	2011
Legislative violations identified (unit)	1198	1116	922
Legislative violations eliminated during the audits (%)	85	72	83

The Auditor General passed six decisions concerning personal responsibility for the identified irregularities. The main reason underlying these decisions was related to violations of the Law on Public Procurement.

Findings of seven public audits were forwarded to the law enforcement authorities, including four cases referred to the General Prosecutor's Office in order to defend the public interest. The General Prosecutor's Office has already brought actions before the court to recover the damage. Information about the irregularities was also forwarded to the Financial Crime Investigation Service and the Special Investigation Service.

	2013	2012	2011
Audit findings referred to law enforcement authorities (unit)	7	10	4
Audit findings referred to other public administration authorities (unit)	9	8	10

Findings of nine audits were forwarded to other public administration authorities: Chief Official Ethics Commission, Public Procurement Office, State Energy Inspectorate under the Ministry of Energy, State Labour Inspectorate under the Ministry of Social Security and Labour, Department of Cultural Heritage under the Ministry of Culture, Information Society Development Committee under the Ministry of Transport and Communications, and Government Representative Office in Vilnius County.

898 recommendations were issued to entities during financial audits in 2013. Most (45 per cent) of them concerned violations of the regularity of the management, use and disposal of funds and property. 89 per cent of the recommendations due to be implemented in 2013 were carried out by the end of the year.

	2013	2012	2011
Number of recommendations issued (unit)	898	1063	815
Share of recommendations implemented* (per cent)	89	92	79

* of the number of the recommendation due to be implemented in 2013

Following the audit findings, recommendations were issued to 27 entities to include the public property valued at LTL 20.4 million in property records, ten entities were recommended to reduce the value of property by LTL 8.7 million. By the end of 2013, state institutions revised the balance of the public property raising the value by LTL 10.8 million and reducing the value by LTL 6.7 million.

	2013	2012	2011
Property recommended to be registered (LTL million)	20.4	104.26	35.6
Property registered by the end of the year (LTL million)	10.8	101.4	19.2
Property recommended to be reduced (LTL million)	8.7	76.6	
Property reduced by the end of the year (LTL million)	6.7	76.6	

Recommendations were made to 40 entities to repay LTL 6.7 million to the state budget. The amount repaid by public institutions to the state budget by the end of 2013 totalled LTL 1.8 million. 23 entities returned the whole recommended amount.

	2013	2012	2011
Funds recommended to be repaid to the state budget (LTL million)	6.7	9.9	14.4
Funds repaid by the end of the year (LTL million)	1.8	7.7	11.2

Expenditure declared to the European Commission on which an opinion was issued[3]

LTL **3.64** billion

Ineligible expenditure identified

1.64%

AUDIT OF THE EU STRUCTURAL FUNDS ASSISTANCE

The National Audit Office carries out audits of the European Union Structural Funds assistance which have to be performed by Lithuania following the requirements of the EU legislation. The purpose of these public financial (regularity) audits is to provide an opinion to the European Commission on the correctness, veracity and completeness of reports on the financial assistance granted to Lithuania. Audit opinions and reports are submitted to the European Commission.

When implementing resolutions of the Seimas, the National Audit Office[4] carries out the functions of:

- the institution which draws up a winding-up declaration upon closure of the assistance from the Cohesion Fund (ISPA) granted for the period 2004–2006;
- the audit institution which checks the EU structural assistance granted for the period 2007–2013 for achieving the convergence objective;
- the audit institution which checks the Operational Programme for investment of the EU Structural Funds for the period 2014–2020;
- the audit institution which checks compliance of the institutions of the management and control system of the EU Structural Funds assistance to their designation criteria.

[3] In performing the functions of the audit institution for achieving the convergence goal of the 2007–2013 Structural Funds assistance/

[4] 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 assistance granted to the Republic of Lithuania (Žin., 2003, No. 70-3171; 2007, No. 108-4402).

Eight winding-up audits of activity areas and entities which manage, receive or monitor financial assistance from the Cohesion (ISPA) Fund for the period 2004–2006 and one audit of the EU structural assistance granted for the period 2007–2013 for achieving the convergence objective were completed in 2013. Audit procedures were performed in 56 entities.

	2013	2012	2011
Number of audits completed	9	11	8
Number of audited entities	56	35	28

WINDING-UP AUDITS OF ACTIVITY AREAS AND ENTITIES WHICH MANAGE, RECEIVE OR MONITOR FINANCIAL ASSISTANCE FROM THE COHESION FUND (ISPA) FOR THE PERIOD 2004–2006

In performing the functions of the audit institution which prepares winding-up declarations upon closure of the assistance from the Cohesion Fund (ISPA) granted for the period 2004–2006, 46 audits of the Cohesion Fund (ISPA) projects were carried out by the end of 2013, which is 87 per cent of the projects provided for in the Cohesion Fund (ISPA) Programme 2004–2006. Audits of the remaining seven Cohesion Fund (ISPA) projects are planned to be completed during the first half of 2014.

Eight public audit reports and winding-up declarations (public audit opinions) were prepared and submitted to the Regional and Urban Policy Directorate-General of the European Commission in 2013.

	2013	2012	2011
Observations made (unit)	90	219	170
Recommendations issued (unit)	2	2	1

In performing the functions of the audit institution which prepares winding-up declarations upon closure of the assistance from the Cohesion Fund (ISPA) granted for the period 2004–2006, 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 Community 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 certain objectives or physical indicators set in the Financial Memoranda/Commission decisions of some projects.

AUDIT OF THE EU STRUCTURAL ASSISTANCE GRANTED FOR THE PERIOD 2007–2013 FOR ACHIEVING THE CONVERGENCE OBJECTIVE

As the audit institution designated to check the EU structural assistance granted for the period 2007–2013, the National Audit Office carried out a relevant annual public audit, issuing an opinion on expenditure in the amount of LTL 3.64 billion declared to the European Commission in 2012 and on the operation of the Management and Control System (MCS) of 28 institutions. The evaluation of the efficiency of the MCS covered the adequacy of control measures developed by the implementing authorities and the Agency for Science, Innovation and Technology (manager of overall grants) as well as the operation of the measures in a number of MCS bodies, taking into account the results of the risk analysis of certain institutions. As to the verification of the eligibility of funds declared to the European Commission in 2012, the NAO checked 61 applications for payment related to the support measures administered by all implementing authorities, which were selected using a statistical sampling procedure.

	2013	2012	2011
Observations made (unit)	143	338	350
Recommendations issued (unit)	46	94	111

When performing the functions of the audit institution which checks the EU structural assistance granted for the period 2007–2013 for achieving the convergence objective, auditors:

- provided 48 observations of moderate importance and 5 observations of minor importance to the MCS institutions. Also, 27 recommendations were issued on the improvement of the management and control system and remedying irregularities related to the declared expenditure to the MCS institutions; 17 more recommendations were implemented during the audit;
- found that ineligible expenditure identified during the verification of applications for payment which had been selected using a statistical sampling procedure totalled almost LTL 1.6 million, meanwhile the most likely extrapolation error in the population of the expenditure declared during the reporting period amounted to LTL 59 million, which accounts for 1.64 per cent of all expenditure declared to the European Commission in 2012 (Lithuania declared over LTL 3.64 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, an unqualified opinion was issued.

AUDIT OF THE EU STRUCTURAL ASSISTANCE FOR 2014–2020

Last year we started to prepare for carrying out the functions of the audit institution which checks the EU structural assistance for 2014–2020 delegated to the NAO by the Seimas, namely:

- for auditing compliance of the institutions of the Management and Control System of the EU Structural Funds assistance for 2014–2020 to their designation criteria;
- for auditing the Operational Programme for investment of the EU Structural Funds for the period 2014–2020.

The National Audit Office:

- contributed to the drafting of an amendment of Resolution No. IX-1667 of the Seimas of the Republic of Lithuania on mandating the National Audit Office to carry out audit of the EU structural assistance, pursuant to which the National Audit Office shall audit compliance of the institutions of the Management and Control System of the EU Structural Funds assistance for 2014–2020 to their designation criteria and perform the functions of the audit institution for the Operational Programme of the EU Structural Funds for the period 2014–2020;
- took part in the harmonisation of draft EU legislation related to the EU structural assistance for 2014–2020 (including the activities of the EC expert working group), such as provisions of EU regulations for the structural assistance period 2014–2020, provisions of legislation implementing these regulations, other EC methodological documents.

The NAO presented its position to the Ministry of Finance on the draft national legislation for the new programming period (on the composition, responsibilities and functions of the MCS for the period 2014–2020, Operational Programme Administration Rules, Project Administration and Funding Rules).

Number of recommendations issued in 2013

218

Share of recommendations implemented

86%

PERFORMANCE AUDIT

The objective of performance audit is to evaluate whether the audited entity operates in accordance with the principles of economy, efficiency and effectiveness, as well as to show performance improvement opportunities. Performance audit is a tool that helps to reveal whether state institutions and organisations arrange and carry out their activities and perform tasks delegated thereto in a proper manner.

Performance audit addresses the performance of one or several institutions, individual parts of the performance, or programmes implemented by the institution.

The performance audits carried out in 2013 focused on the priority area of the public sector, namely, public sector services provided to the public. We analysed and evaluated the availability, efficiency and effectiveness of these services. A number of socially sensitive areas were audited, such as services provided by family doctors, acquisition and use of expensive medical equipment, performance of children’s socialisation centres, prevention of corruption, supervision of movable cultural values.

SCOPE OF PERFORMANCE AUDIT

	2013	2012	2011
Number of completed audits	27	22	22
Number of audited entities	79	72	65

27 performance audits were completed in 2013, 14 audits started in 2013 will be completed in 2014.

The 2013 audits were carried out in 13 areas of the public sector. Most of them addressed the areas of the management of the public property and finances and information resources (the list of performance audits carried out in 2013 is provided in Annex 2).

RESULTS AND IMPACT OF PERFORMANCE AUDIT

	2013	2012	2011
Number of recommendations issued (unit)	218	162	131
Share of recommendations implemented* (%)	86	83	83

** of the number of the recommendation due to be implemented in 2013*

There were 218 recommendations issued to the audited entities in the performance audits completed in 2013. Most of the recommendations (45.2 per cent) were related to improving performance efficiency. About 15 per cent of these recommendations were fully or partly implemented by the end of 2013.

Data on the implementation of recommendations has been continuously analysed evaluating the work done. However, the measures applied pursuant to auditors' recommendations can be evaluated only two three years after they have been implemented. Monitoring of the recommendations issued over 2011–2013 showed that their implementation in 2013 totalled 86 per cent.

Below is the information on the performance problems identified in the public sector in 2013 and the impact of audit when implementing the recommendations made in previous years in individual areas.

ENVIRONMENTAL PROTECTION

A public performance audit carried out in 2013 to evaluate the performance of the regional waste management system revealed that municipal waste disposed of in regional landfills is sorted improperly, municipalities do not have fully functioning systems for the collection of secondary raw materials, there are no biodegradable waste separation and recycling systems, regional waste management centres have different functions and responsibilities, municipalities apply different waste management and billing systems.

Implementing the recommendations of the audit of the scheme for allocation, use and trading of greenhouse gas emission allowances carried out in 2012, the Ministry of Environment revised the legal acts on the implementation of the Law on Financial Instruments for Climate Change Management which are related to the use of operators' funds obtained from the transfer of allowances and the procedure, supervision and control of reporting on the allocation and use Kyoto units. The Ministry provided for and has been carrying out measures ensuring more prompt allocation and use of the funds of the Special Programme for Climate Change. These measures will help reduce greenhouse gas emissions.

HEALTH CARE

The audit of the efficiency of family doctors' work completed in February 2013 demonstrated that there is a sufficient number of family doctors in the country, however, their services are not equally accessible to all people, so recommendations were made on how to ensure that the number of family doctors in municipalities meets the population's demand and to improve professional competence of family doctors.

The audit of the procedure for organising examination with expensive medical equipment showed that there is no system in place for managing the flows of patients waiting for examination with expensive medical equipment, the capacities of the equipment are not fully used and there are no clear indications for their use. Auditors recommended ensuring accessibility to diagnostic health care services for targeted and grounded examination with expensive medical equipment.

Implementing the recommendations of the audit of medicine supply in hospitals carried out in 2012, the List of Reimbursed Medicines was supplemented with new expensive medicines which were previously purchased by the National Health Insurance Fund in a centralised manner only for hospitals. Now treatment with these medicines is available not only in hospitals but also for outpatient patients, thus ensuring continuity of the treatment started in hospitals.

SOCIAL SECURITY AND LABOUR

Implementing the recommendations of the audit which addressed the efficiency of organising the protection of children's rights and seeking to ensure the interests of the child and adequate protection of children's right in municipalities, control of biomedical research involving children was enhanced, methodological guidelines on the assessment of the demand for social services and planning of social work with families were developed for child rights protection divisions, the maximum number of social risk families per one social worker was determined, and criteria for assessing the needs of the child were developed.

Taking into account the recommendations of performance audits carried out in 2012 and aiming at more objective determination of the level of disability and incapacity and more efficient organisation of vocational rehabilitation, the day rate of participation in a vocational rehabilitation programme was reduced, the Disability and Working Capacity Evaluation Office started to use the data provided by the State Social Insurance Fund Board, the vocational rehabilitation programme is now open to persons whose working capacity is 0-45 per cent, meanwhile others will be involved in formal vocational training programmes.

SCIENCE AND EDUCATION

Last year's audit of the effectiveness of children socialisation centres found that there are no prerequisites for effective socialisation of children, there is a lack of cooperation between responsible institutions, statistical data on repeated engagement of children in criminal behaviour after they leave socialisation centres is not collected. Auditors made recommendations on how to ensure effectiveness of the average child care measure, to personalise help for the child, to promote better juvenile re-socialisation process when the child is at the socialisation centre and after leaving the centre.

The audit of the development of non-formal adult education carried out in 2013 revealed that organisation and coordination of non-formal adult education is carried out without having any priority directions, funding is allocated without having established the training needs. After completing the audit, we recommended to pursue efficient development of non-formal adult education, to harmonise competence recognition systems in schools of higher education, and to improve the register of training programmes and events.

CULTURE

Evaluation of the management and maintenance of movable cultural property performed in 2013 identified failure to organise and implement accounting and maintenance of movable cultural property in a proper manner due to gaps in legal regulation. It is necessary to improve conservation of property and to ensure that the true value of the protected property is obtained and that this property is protected against deterioration or loss.

The establishment of the Lithuanian Council for Culture and commencement of its activities in 2013 completed the implementation of the NAO recommendations issued to the Ministry of Culture in 2009. As a result, culture policy formation and implementation functions have been separated, which ensures more transparent allocation of funds and more efficient performance of the Ministry of Culture.

MANAGEMENT OF INFORMATION RESOURCES

The Law on Management of State Information Resources consolidated the reform in this field in 2012, which significantly improved the management of state information resources. However, the audit carried out in this area in 2013 showed that the reform is still lacking impetus, the management is not sufficiently effective yet, and it is difficult to reconcile the interests of institutions in the absence of one policymaker in this area.

The audit of the protection of automatically processed personal data found a failure to fully ensure individual’s right to privacy in Lithuania. Not all requirements set for personal data protection in the Law have been implemented and the regulation of this area is lagging behind the progress in information and communication technology. Auditors recommended to properly address the issues of legal regulation of personal data protection and to ensure the protection of personal data, to improve electronic service quality and availability to users.

Having assessed control of applications of the Public sector accounting and reports consolidation information system, auditors saw that the control is sufficient, there are effective data processing controls in place. However, a number of data entry management deficiencies were identified which increase the risk of erroneous primary data entry. Also, the automated data entry tools have not been used to full capacity.

A public performance audit at the Ministry of Agriculture showed that the Ministry does not comply with legislative requirements in managing and developing information resources and does not have information on development and maintenance costs of individual registers or information systems.

Also, a number of deficiencies in managing security of information resources and electronic information were identified.

The Ministry of Foreign Affairs achieved considerable progress in the management of its information systems, however, there are areas where the management still needs improvement. There are certain deficiencies in the management and security of the information systems of the Ministry, the management of restricted classified information is not sufficiently secure. The Ministry is insufficiently prepared to ensure continuity of information systems in case of emergency or unforeseen situations.

In 2013, requirements for the management of information resources were revised and supplemented and missing provisions were identified in order to implement public audit recommendations in the area of information systems, including revision of legislation on the security and development of state information systems and registers and approval of Rules for establishing and validating automated data processing systems and networks which store, process or transmit classified information. These measures help managers of all types of information resources to seek management of information resources based in common principles.

In 2013, the Ministry of Finance provided for requirements for public entities to introduce measures for automated data provision to the Public sector accounting and report consolidation information system when the entities develop and/or upgrade their information systems intended to handle information related to the management of material and financial resources. These measures will help to reduce the risk of erroneous primary data entry.

ENERGY

A study on the feasibility of the cost of natural gas for consumers was conducted in 2013 at the request of the Financial Crime Investigation Service in 2013. The specialist opinion and the study results are not publicly available.

When issuing recommendations on the use of the potential of renewable energy resources in Lithuania, auditors aimed at facilitating development of the use of renewable energy resources in order to ensure energy security, substantial reduction of the demand of fossil fuel and achievement of the EU targets. As part of the implementation of the recommendations, relevant provisions on the development of renewable energy resources were provided for in the National Energy Independence Strategy in 2013. The actual use of renewable resources for energy production has been increasing and there are preconditions in place for achieving the target of generating 23 and more per cent of electricity from renewables by 2020.

INTERNAL AFFAIRS

In 2013, the NAO checked whether fire and rescue forces are adequately prepared to fight fires. The audit results showed that proper help is not always provided because there is a failure to ensure that all fire and rescue forces are adequately prepared to fight fires, rescue people and property. Auditors issued recommendations on how to ensure more efficient use state budget funds allocated for the performance of the fire safety function and more efficient performance of the state fire safety functions transferred to municipalities.

TRANSPORT AND COMMUNICATIONS

An audit carried out to evaluate whether conditions have been ensured for the effective use of state budget funds allocated for maintaining and upgrading local roads and streets found that there is no comprehensive and reliable information on the condition, and changes in the condition, of streets and roads of local significance, inventory and legal registration of these roads have not been completed, there is no road condition monitoring system. Auditors recommended to develop and implement a common database for collecting information on the condition of streets and roads of local significance and system for monitoring road condition, and to provide for measures encouraging municipalities to allocate more municipal funds for the maintenance of local roads and streets.

MANAGEMENT OF THE PUBLIC PROPERTY AND FINANCES

A performance audit of tax incentives carried out in 2013 revealed that monitoring of the application of tax incentives in Lithuania has been ineffective, so auditors recommended to approve a procedure for the monitoring of the application of tax incentives and to publish annual information on the loss of budget revenue due to the application of the incentives.

Lithuanian tax legislation does not provide for adequate administration of agricultural tax concessions, information on persons engaged in agricultural activities is gathered in three registers, which are owned and managed by different institutions. Therefore, recommendations were made to ensure correct declaration of income by agricultural entities and monitoring actions of persons who submit financial statements to the National Paying Agency and have to declare their agricultural income.

An audit conducted to evaluate the management of the public property subject to renewal and privatisation showed that half of the public assets offered for privatisation are actually objects not prepared for sale, often of limited use and therefore not attractive to a potential buyer, property necessary for the State is not renewed in due time. The NAO proposed to the Government of the Republic of Lithuania to revise and evaluate appropriateness and possibilities of privatising objects included in the List of Privatisation Objects and to provide for more rational renewal of public immovable property in relevant legislation.

A public performance audit carried out in 2013 found that concession projects have not always been prepared in a way to ensure their social and economic benefits to the public, and contracts have not always been carried out and supervised in a proper and effective manner. Auditors made recommendations to improve evaluation of the appropriateness of concession and its benefits to the public, to enhance control of the execution and supervision of concession contracts, and to have reliable information on concession projects implemented in Lithuania and on long-term financial commitment of public sector entities.

The practice of public-private partnership projects in Lithuania is still in a nascent stage, so institutions lack necessary skills and experience to develop partnership project documentation and to carry out such projects. A public performance audit carried out in 2013 found that feasibility studies do not assess financial possibilities of institutions to implement a project, institutions fail to ensure validity of the data of feasibility studies and partnership projects, there is a shortage of methodological public-private partnership documents.

NATIONAL ECONOMY AND MARKET CONTROL

Evaluation of centralised public procurement in 2013 showed failure to always ensure the quality and lower price of goods, services and works purchased through the Central Purchasing Organization. Auditors recommended to avoid consequences of suspending public procurement procedures, to determine a demand for centralising goods, services and works, and to ensure that the second-generation electronic catalogue CPO.lt is convenient and useful for all users.

JUSTICE

Last year performance auditors checked how state institutions carry out corruption prevention. It was established that state institutions fail to properly identify the likelihood of corruption, so not all causes of and conditions for corruptions are revealed, state institutions do not always develop and implement anti-corruption programmes in a proper manner, which results in a failure to ensure the management of risk factors. Auditors made recommendations to improve corruption prevention in state institutions and to ensure transparent provision of services to the public.

As part of the implementation of the recommendations issued by the audit "Secondary legal aid guaranteed by the State", the Law on the Amendment of the Law on State-Guaranteed Legal Aid and Laws on the Amendment of the Criminal Procedure Code and the Code of Administrative Violations were drafted and adopted. The amendments provide for liability for persons for the provision of wrong data in order to receive State-guaranteed legal aid, modification of the procedure of payment to lawyers and the procedure of the provision of legal aid in criminal proceedings. These amendments will enable to manage risks arising from the abuse of the right to receive State-guaranteed legal aid and to use state budget funds more efficiently.

FOREIGN AFFAIRS

Evaluation of the management of the representation of the Republic of Lithuania in international organisations showed that there is no accurate and detailed information on the international organisations which Lithuania belongs to and on the status of the implementation of Lithuania's financial obligations to international organisations. Auditors pointed out the importance of managing accurate information at the national level, coordinating participation of Lithuania's representatives in activities of international organisations and implementation of Lithuania's financial obligations to international organisations.

AGRICULTURE

When implementing the 2012 recommendations to ensure rational and sustainable use and restoration of fish resources in inland water bodies, to protect fish resources, in 2013 the Minister of Environment passed orders laying down criteria for including water bodies in the national stocking plan, providing for measures to enhance fish stock protection control, introducing a stricter procedure for trade in netting gear, and providing for restrictions.

OTHER (BODIES ACCOUNTABLE TO THE SEIMAS AND GOVERNMENT OF THE REPUBLIC OF LITHUANIA AND OTHER INSTITUTIONS)

An audit of the implementation of the principles of the European Statistics Code of Practice Code in Lithuania found that Statistics Lithuania basically complies with all ten principles applicable to the development, production and dissemination of European statistics. However, other institutions preparing statistics fail to meet all principles of the European Statistics Code of Practice, so the statistical information produced and provided by these institutions only partially complies with the requirements of the statistical process.

Evaluation of the organisation and implementation of elections in Lithuania demonstrated that the time limit for the formation of the Central Electoral Commission was not rational, a varying number in constituencies determine a different value of votes, members of polling district committees are not fully trained for elections, provision of information to voters is not sufficiently cost-effective.

All public audit reports are published on the NAO website www.vkontrole.lt.

Evaluation of the audit quality (maximum 4 points)

3.6

Reduction of time allocated for audit in working days

53

ENHANCING NAO PERFORMANCE

Striving to become a model for other public sector institutions, the National Audit Office makes every effort to ensure efficient use of the available resources and to increase the quality of audits. We have been continually evaluating the quality of the public audit and its results, improving individual phases of the NAO performance process, which enables more effective audits and more cost-effective use of the available resources. The improvement of individual phases of public audit allowed reducing the time designated for audit by 53 working days in 2013, without loss of quality.

Another integral part of enhancing NAO performance is improvement of audit methodologies, development of communication and cooperation, professional training of the staff, optimisation of performance processes. We are certain that development of professional skills, smooth implementation of institutional performance processes, and professional growth encourage development of new behaviour, values and attitudes not only in the National Audit Office but also beyond the institution.

IMPROVING PUBLIC AUDIT METHODOLOGY

Public audits are conducted in accordance with the International Standards on Auditing, standards of the International Organization of Supreme Audit Institutions (INTOSAI), and other standards. Application of internationally recognised auditing standards in public audits is a big challenge not only for the National Audit Office, but also for many supreme audit institutions of other countries. To be able to apply these standards properly, methodological guidance documents explaining their application in practice are required. To this end:

- A new version of the Rules for organising public audits, quality assurance and control was drafted and approved. The Rules provide for additional responsibility for audit coordinators, updated measures for audit supervision and review, and the obligation for auditors to fill out an impartiality and independence declaration before starting an audit. These changes were made seeking to improve organisation, quality and control of audits in order to guarantee consistent assessment, supervision and review of public audits, quality of reports and opinions/conclusions, and compliance with applicable standards.

- We were one of the first audit institutions to draft an Information Systems Audit Manual, which was prepared after reviewing and revising Methodological Guidelines for Information Systems Audit used since 2006. The rapid development of information technologies required supplementing and updating the approach to auditing information systems (IS) according to the best practices of foreign countries, IS audit standards, and our experience in IS audit. The importance of IS significantly went up in recent years, since many public sector institutions use not only accounting software, but also complex information systems designed for business processes of the institution. Each year, public sector institutions spend millions of litas for the development and maintenance of information systems, so the procedures provided for in the IS Audi Manual will facilitate evaluation of the status of IS control and reliability of electronic data during audits.

- The Performance Audit Manual was updated. Taking into consideration the practice of previous years, performance audit planning and audit quality assurance procedures were supplemented in the Manual.

- Performance Audit Reporting Guidelines were drafted to facilitate preparation of clear, concise and accurate reports which are easily understandable to the reader who does not have professional knowledge of the audit subject matter. We also developed new electronic templates of the public audit report and opinion, which simplified the form and structure of the presentation of audit results.

COMPLIANCE WITH AND APPLICATION OF INTERNATIONAL STANDARDS ON AUDITING

In 2013, the National Audit Office translated the standards of the International Organization of Supreme Audit Institutions (INTOSAI) to the Lithuanian language. So far, the Lithuanian Chamber of Auditors has translated the International Standards on Auditing which are used for auditing financial statements. Supreme audit institutions carry out regularity and performance audits according to the INTOSAI standards, so it was important to translate them into Lithuanian.

The Lithuanian version of the INTOSAI auditing standards will facilitate the work not only for public auditors, but also for municipal control and audit services.

At the end of 2012, the INTOSAI Development Initiative (IDI) launched a capacity development programme called ISSAI Implementation Initiative and prepared ISSAI Compliance Assessment Tools (questionnaires). In order to determine whether the NAO performance and its financial, regularity and performance audits comply with the INTOSAI standards, assessment of the compliance was conducted using the questionnaires. The assessment showed that the NAO performance and public audits are basically in line with the requirements of the INTOSAI standards – only two cases of non-compliance (out of 111) were found, which are planned to be remedied in 2014.

PUBLIC AUDIT QUALITY EVALUATION

	2013	2012	2011
Surveyed entities (unit)	142	102	43
Evaluation of auditors' work quality (score)	3.6	3.4	3.3
Evaluation of cooperation (score)	3.6	3.5	3.5

Evaluation of public audit quality is carried out upon completion of audits in order to receive feedback from the audited entities, which are asked to give their opinion on the benefits and quality of the audit, the public audit process, and auditors' cooperation. With a view to evaluating the quality of audits carried out in 2013, questionnaires were sent to 184 entities, 142 questionnaires were filled out (77 per cent).

Summary data of the survey showed that the audited entities were of a better opinion about the quality of public audits in 2013 than in 2012 under eight (out of ten) questionnaire items. The highest scores were given to the understanding of the specific features of the activity, the relevance of the chosen audit topic, and the validity of public audit results.

Along with feedbacks on public audits, audited entities also make observations and put forward proposals for improving the audit process. The proposals on the provision of information during the audit, problem identification, cooperation have been taken into account in planning and organising audits for 2014.

IMPROVING PERFORMANCE PLANNING, MONITORING AND QUALITY

In 2013 we were improving the NAO performance and increasing its efficiency:

- We continued implementing the measure "Improving the system of public administration" under Priority 4 "Fostering administrative competences and increasing efficiency of public administration" of the Operational Programme for the Development of Human Resources 2007–2013 and installed a trial version of the Information System for Performance Planning and Monitoring (ISPPM). This system comprises planning, implementation and monitoring performance of the National Audit Office and is a project management tool for managing and documenting audits. The project also includes improvement of other sub-systems of the Information System, such as those designed for managing audit recording results, personnel data and documents. The project is co-financed by EU and state budget funds and will be implemented until July 2014. The planned value of the project is LTL 500 thousand.

- A project "Introduction of a quality management model complying with ISO 9001 quality standard, at the National Audit Office" was prepared. The project will also cover introduction and certification of a quality management system. The total value of the project is LTL 410 thousand. The project will be implemented according to the measure "Public service quality initiatives" under Priority 4 "Fostering administrative competences and increasing efficiency of public administration" of the Operational Programme for the Development of Human Resources 2007–2013. The project is co-financed by EU and state budget funds and will be implemented until July 2015. Consultation on the introduction of the quality management system will be provided by the private company Bankines konsultacijos. The project will also include peer review of the NAO performance carried out by experts of the European Court of Auditors and supreme audit institutions of Norway and Finland.

PROFESSIONAL TRAINING

	2013	2012	2011
Number of training events (unit)	233	210	205
Funds allocated for training (LTL thousand)	200	495	350
Including EU funds (%)	75	88	92

Changing technological, economic, and organisational environment of the institution triggers a demand for higher professional competence of the staff. Public auditors' work requires especially strong skills, so ongoing professional training both at the national and international levels is an integral condition of quality work.

There were 233 training events organised for NAO staff in 2013. The average number of academic hours for training per employee totalled 60, 58 per cent of this time was intended for professional training of auditors. 352 employees took part in NAO in-house training courses and courses held in Lithuania, 35 ones received training abroad.

The amount spent for the training in 2013 totalled about LTL 200 thousand, of which ca. 75 per cent was funded by EU assistance funds.

Last year, using EU assistance and internal resources, we managed to ensure professional training, development of administrative skills, and good training results with less funding than in previous years.

Audit results presented to the Seimas

31

Cooperation agreements signed with municipal control and audit services

59

COOPERATION

With a view to increasing the impact of public audit, sharing audit know-how and auditors' work experience and practices, and adequately addressing public audit performance problems, the National Audit Office has been developing cooperation with other institutions. This helps take joint decisions to enhance public sector management, external and internal audit quality, and increase public confidence in institutions conducting audit.

When cooperating with the Seimas of the Republic of Lithuania, we aim at increasing the impact of public audit and enhancing control of the implementation of public audit recommendations. We share professional audit experience and good auditing practice with municipal control and audit services and auditors conducting audit in the public sector. When providing assistance in defending the public interest, disclosing and analysing criminal offences, we cooperate with law enforcement and other public administration authorities. We maintain relationships with the academic community encouraging universities and other educational institutions to show interest in public sector performance and in public audit.

SEIMAS OF THE REPUBLIC OF LITHUANIA

	2013	2012	2011
Reports presented to Seimas committees (unit)	31	47	40

As an institution accountable to the Seimas, the National Audit Office continuously provides information to Seimas committees on public audit results, implementation of audit recommendations, takes part in Seimas committee meetings, and cooperates in drafting annual public audit programmes.

In 2013, representatives of the National Audit Office attended 23 meetings of the Seimas Committee on Audit, where 20 public audit reports were presented. Results of 21 public audits were presented at the meetings of other Seimas committees and commissions. Also, a summary report on the external review of audits carried out by 15 municipal control and audit services was presented to the Committee on Audit, and a draft Law on the Amendment of the Law on National Audit Office was considered.

Last year, a meeting with Deputy Speaker of the Seimas, Mr Kęstas Komskis, was held at the NAO to discuss amendments of the Law on National Audit Office submitted to the Seimas, problems related to the examination of audit material forwarded to pre-trial institutions, possibilities of the National Audit Office to evaluate the scope and effectiveness of municipal borrowing, and other issues. Mr K. Komskis also participated in the annual conference of the National Audit Office held to review the topics of the Public Audit Programme for 2014. The conference title was "The role of the State in protecting human rights".

When implementing the requirements of paragraph 1 of Resolution No. XII-35 of the Seimas of the Republic of Lithuania "On the Annual Report 2012 of the National Audit Office of Lithuania", a Procedure for a prompt response to risks arising from potential illegal and inefficient management, use and disposal of the public property was drawn up in 2012. The following assessments were carried out last year as a prompt response to the identified risks:

- At the request of the Committee on Budget and Finance, the National Audit Office conducted an operational investigation of limited scope into possibly illegal actions of the temporary administrator of the joint-stock company bank SNORAS by allowing depositors and other creditors to withdraw deposits or other funds, conducting offsets, or carrying out other financial obligations. The investigation material was forwarded to the Committee on Budget and Finance.
- An assessment of gratuitous transfer of state-owned real estate to the ownership of the Vice-Province of Our Lady of Lourdes of Lithuanian capuchin monks was carried out. The results were forwarded to the Seimas Committee on Audit and Prosecutor General's Office with a request to defend the public interest.
- Upon receipt of information about a liver transplant performed at the Hospital of Lithuanian University of Health Sciences Kauno klinikos, possibly breaching the law, an assessment of the use of human organ and tissue transplantation costs was carried out. After completing audit procedures, we stated that the costs of human organ and tissue transplantation (LTL 137.5

thousand) were paid without having verified the validity of the invoices for the services provided. Recommendations were made to Kaunas Territorial Patient Fund to verify the service provided and to make sure whether no loss was incurred to the budget of the Compulsory Health Insurance Fund.

- In summer 2012, the Public Procurement Office suspended public procurement of iodine I-125 used in the treatment of prostate cancer carried out by the National Health Insurance Fund, which disturbed supply of this medicinal product to health care institutions. Consequently, the National Health Insurance Fund delegated the procurement of the said medicinal product to medical establishments. We performed audit procedures and found that the medical establishments carried out their procurement of the product failing to comply with the Law on Public Procurement as well. More audit procedures were performed due to primary information provided in the media, therefore we were able to present more detailed findings in the public audit report and to relate our recommendations to the improvement of the entire system of purchasing centrally-paid medicines.
- Performance auditors promptly responded to the request of the Financial Crime Investigation Service under the Ministry of Interior to check the feasibility of pricing of natural gas for household and other consumers carrying out an investigation of the performance, accounting and other documents of the joint-stock company Lietuvos dujos (Lithuanian Gas) and providing a specialist opinion.
- Taking into consideration the request of the Seimas Interim Commission "On assessing the implementation of the goals formulated in the National Energy Strategy 2007 and clarification of the situation in the energy sector" to provide an assessment of the purchase/rent and operation of the liquefied natural gas floating storage and regasification unit by the joint-stock company Klaipėdos Nafta in terms of economy, efficiency and effectiveness, we collected information and drew up a conclusion. We provided responses to four inquiries of the Commission and took part in the meetings where results of the audits in the energy sector carried out in previous years were presented.

When implementing paragraph 2 of Seimas Resolution No. XII-356 of 11 June 2013 "On the Annual Report of the National Audit Office for 2012", we analyse the results of the financial (regularity) audits completed in 2012–2013 and identified the most frequently recurring errors in the public sector in the areas of budget planning, use of budget allocations, management, use and disposal of property, etc. With a view to ensuring that all audited entities have access to this information and do not repeat these errors in future, we published the information on our website www.vkontrole.lt.

MUNICIPAL CONTROL AND AUDIT SERVICES

	2013	2012	2011
Cooperation agreements signed (unit)	59	36	20

The National Audit Office has been actively cooperating with the municipal control and audit services for a number of years already. Such cooperation helps to share professional experience in audit, good audit practice, and to develop cooperation on external audit issues.

A new task has been given to the National Audit Office – to assess each municipality as a whole and the whole of municipalities as a unit in terms of the inclusion of sets of financial statements in the national set of statements and reports. This means that, in addition to the traditional assessment of the management of state budget funds and the public property, we had to provide an assessment of the correctness of the data given in the sets of consolidated reports of each municipality for 2013 and also to evaluate the impact of the sets of municipal reports in the entirety on the national set of financial statement.

The said goal was achieved by working together with municipal control and audit services. This goal requires greater coordination of actions, sharing and use of work results. To this end, in continuation of the cooperation traditions, the Auditor General signed cooperation agreements with audit and control services of 59 municipalities. These agreements discussed cooperation between the audit and control services and the National Audit Office, exchange of information for the purpose of drawing up a conclusion on the national set of financial statements to be presented to the Seimas, developing an audit strategy, and performing other audit procedures. In addition, we carried out educational activities in municipalities presenting the objectives and strategy of public audit, audit results, importance of cooperation with municipal controllers, and other important information to municipal councils, mayors, administrative staff, and control committees.

LAW ENFORCEMENT AND OTHER PUBLIC ADMINISTRATION AUTHORITIES

With a view to providing mutual assistance in the areas of public audit, defence of public interest and investigation of alleged criminal offences, the National Audit Office has been 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 based on harmonisation of the principles of independence, professionalism, legality, transparency and confidentiality helps to ensure prompt provision of audit results.

Pursuant to the cooperation agreements signed in 2010–2011, meetings and consultations were held with law enforcement authorities after performing financial (regularity) audits in 2013.

When performing public audit procedures, consultations were carried out with the Public Procurement Office in cases of suspecting violations of public procurement legislation and with a view to obtaining conclusions of the Public Procurement Office. Documents collected during public audits were forwarded to the Public Procurement Office, information on irregularities identified in 2012 in the area of public procurement during public audits was classified, and, upon the request of the Public Procurement Office, material of nine public audits on potential application of possible administrative liability for breaching the Law of the Republic of Lithuania on Public Procurement was forwarded thereto.

AUDITORS OF THE PUBLIC SECTOR

When cooperating with internal auditors of the public sector, municipal controllers, certified auditors performing audit in the public sector, the National Audit Office has been implementing the Cooperation Programme 2011–2015, the main objective of which is to help improve the public sector management and the quality of external and internal audit.

A new window for auditors and everyone interested in auditors' work was opened last year as part of the implementation of the cooperation programme measures – a website (www.vkontrole.lt/vsa) was created to provide professional information about audit carried out in the public sector.

The parties to the cooperation shared their experiences and methodology of information systems audit and presented audit information systems at the seminar "IT Management and audit methods and practices, audit management information systems" held at the National Audit Office in 2013. Another seminar was arranged by the National Audit Office to discuss financial audit results for 2012–2013 with representatives of the Ministry of Finance, Lithuanian Chamber of Auditors, Association of Municipal Controllers and the Association of Internal Auditors.

When implementing the agreement on exchange of methodological and practical experience, seventeen representatives of the parties to the cooperation took part in introductory training courses for public auditors organised by the National Audit Office and in a seminar for internal auditors of the public sector arranged by the Ministry of Finance. The representatives of the National Audit Office gave presentations on the use of COBIT methodology for the management and audit of information systems and shared practical experience on audits of information systems carried out at the National Audit Office.

This joint activity helps auditors to share their professional experiences and work results and to improve professional competence.

ACADEMIC COMMUNITY

The National Audit Office has been actively cooperating with universities, colleges and other research institutions interested in public audit and performance of the National Audit Office since 2008. In support of such relations, we aim to establish conditions for the academic youth to become more familiar with the activities of the National Audit Office and auditors' work, so that those students who decide to work in the public sector are ready for this and do not lacking motivation.

In 2013, we continued the traditions of cooperation with Lithuanian institutions of higher education:

- As every year, 12 students were offered traineeship at the National Audit Office. Seven employees who had received training in our institutions have been working here since 2012.
- Representatives of the National Audit Office took part in the Master Theses Defence Committee at the Faculty of Economics of Vilnius University.
- For the second consecutive year, our employees gave a number of lectures for master degree students of the Faculty of Economics of Vilnius University on the audit process, planning and other audit procedures.

Finance study programme students of Vilniaus kolegija/University of Applied Sciences (VIKO), Faculty of Economics, and members of the Financiers Club of VIKO, participants of the project “Students to the Government” visited the National Audit Office last year. Representatives of Vilnius University and Mykolas Romeris University took part in the conference held by the National Audit Office “The role of state institutions in defending human rights”.

Number of international organisations, working groups, and committees of which the National Audit Office is a member

15

Number of foreign countries representatives of which visited the National Audit Office

64

INTERNATIONAL RELATIONS

The National Audit Office of Lithuania 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). It is involved in the activities of these organisations, has its representatives in committees, subcommittees, working groups, and organises and takes part in the annual meetings of divisions of these organisations.

The National Audit Office has been continuously maintaining and developing international relations on various public audit issues with the supreme audit institution (SAI) of the European Union and actively cooperating with the European Court of Auditors. By taking part in the international activities, the staff of the National Audit Office both take over the experience of other countries and share their own know-how.

CHAIRING THE CONTACT COMMITTEE

In 2013, the National Audit Office was entrusted with an important task – to chair the Contact Committee, which is an assembly of the Heads of the Supreme Audit Institutions in the EU Member States and of the European Court of Auditors. This is the main independent and non-political framework for cooperation of the Heads of the EU Supreme Audit Institutions.

In May 2013, an extraordinary meeting of the Contact Committee chaired by the Auditor General of the National Audit Office was held in Luxembourg. The meeting adopted a joint Statement of the EU Supreme Audit Institutions addressed to the President of the European Council, Mr Herman Van Rompuy, aiming to draw attention to the strengthening of external audit of the public sector in the European Council discussions on the European Economic and Monetary Union and EU economic governance.

During the chairmanship of the Contact Committee by the National Audit Office, a common position paper was prepared on the role and tasks of the supreme audit institutions, and the Contact Committee as well, in the light of recent developments in the EU related to the new economic, fiscal and financial framework, excessive deficit procedures, and national statistics. The results of this work were presented at the final annual meeting of the Contact Committee chaired by Lithuania which took place in Vilnius. This was the first event of representatives of the Supreme Audit Institutions of this scale and importance held in Lithuania.

The main topic of the meeting was the new Financial Framework for 2014-2020 and the new Financial Regulation, new economic governance arrangements of the European Union and the resulting new role and tasks for the Supreme Audit Institutions and the European Court of Auditors.

Heads of the delegations of the Contact Committee members, Vilnius.

Presentations on the said issued we made by an EC member and the European Commissioner responsible for Taxation and Customs Union, Audit and Anti-fraud, Mr Algirdas Šemeta, and an EP member and the Chair of the Budget Control Committee, Mr Michael Theurer. The speakers emphasised the importance of independence and technical expertise of audit bodies in the new Financial Framework.

The meeting adopted five resolutions on the implementation of future strategies and challenges of the supreme audit institutions in the light of changes in EU economic governance.

INTERNATIONAL COOPERATION

- In April 22-23, Vilnius hosted the 22nd meeting of the Working Group on Information Technology Audit of INTOSAI, which consists of representatives of the supreme audit institutions of 43 countries. This meeting was intended to exchange professional knowledge and experience, methodology and practices in the field of IT audit. At the same time, the 7th Performance Auditing Seminar of the Working Group on Information Technology Audit was held and attended by nearly 100 participants from 48 countries all over the world. The representatives of the supreme audit institutions discussed the issues of audit control, more effective IT management in the public sector and cyber security and presented some of more interesting IT technology audits.

- At the invitation of the Chamber of Accounts of Azerbaijan, Auditor General Giedrė Švedienė took part in the IV Joint Conference of EUROSAI and ARABOSAI and made a presentation "The role of SAIs in achieving national development goals".

- At the invitation of the Supreme Audit Office of the Republic of Slovakia, the NAO delegation paid an official visit to Bratislava (Slovak Republic). The Auditor General participated in the international conference and made a presentation "The role of SAIs in the environment of changing socio-economic conditions." The National Audit Office and the Supreme Audit Office of the Republic of Slovakia have close international cooperation relations. In 2013, public auditors of the two institutions focused on sharing their expertise in the area of financial (regularity) audit of municipalities.

- A meeting of the participants of an international cooperative audit of national parks from Denmark, Croatia, Poland, Lithuania, and Norway was held in Vilnius. This is an audit of the protection of nature and biodiversity in national parks and the management and public funding of national parks. At the meeting, auditors presented the national audits already started in individual countries, agreed on contributions of each country to the joint report of the cooperative audit, and approved common audit criteria.

- The National Audit Office hosted a visit of the newly appointed Head of the State Audit Office of the Republic of Latvia, Ms Elita Krumina, and the Head of the National Audit Office of Estonia, Mr Alar Karis, who met in Lithuania on an invitation of the Auditor General. At the meeting, the Auditors General reviewed the development of public audit in the three Baltic States, cooperation with their national parliaments and law enforcement authorities, potential application of information technologies in audits, and audit of municipalities.

- A delegation of the National Audit Office took part in the XXI Congress of the International Organisation of Supreme Audit Institutions (INTOSAI) held in Beijing, which was devoted to the following topics: National Audit and National Governance and The Role of Supreme Audit Institutions on Safeguarding Long-Term Sustainability of Finance Policies. The Congress approved amendments of the International Standards on Auditing and adopted the key document of the Congress, the Beijing Declaration.

DISSEMINATION OF PROFESSIONAL EXPERTISE

Participation in international activities allows not only to take over the know-how of other supreme audit institutions, but also to disseminate our own expertise. Recently, the National Audit Office has been increasingly becoming an attractive partner to countries that are willing to learn, to implement International Standards on Auditing, and to seek the status of an independent and competent supreme audit institution.

- Representatives of the National Audit Office, as independent experts, paid a visit to the Accounts Chamber of the Kyrgyz Republic (Bishkek). The purpose of the visit was to identify institutional development problems of the Kyrgyz Chamber of Accounts and to make recommendations on how to address them, as well as to share the experience of National Audit Office in activity planning and organisation of work. The Kyrgyz colleagues were briefed on the practice of human resource management and application of information technology in audits followed at the NAO.

- A representative of the National Audit Office, together with colleagues from Denmark, Austria and the Netherlands, took part in an international working group which conducted a peer review of the performance of the Polish Supreme Audit Office. The objective of the peer review was to asses how the Polish SAI performs audit sampling, plans and conducts audits, prepares reports, and follows up the implementation of audit recommendations.

- The National Audit Office shared its expertise in the areas of the adjustment and control of public and private interests with a delegation of the Moldovan National Integrity Commission, which was invited to Lithuania by the Chief Official Ethics Commission.

- A delegation of the Congress of Municipalities of Moldova paid a visit to the National Audit Office of Lithuania to discuss assessment of the finance planning and control system of municipalities and municipal audit issues.

- An Agreement on Cooperation was signed with the Accounting Chamber of Ukraine in order to further develop bilateral cooperation. The Agreement provides for sharing audit expertise and conducting audits according to the agreed working programmes on the basis of mutual consensus.

ANNEXES

FINANCIAL (REGULARITY) AUDITS COMPLETED IN 2013 AND AUDITOR'S OPINIONS

No.	Audited entity	Opinion subject matters audited in 2012				
		set of consolidated reports on budget execution	set of consolidated financial statements	accountancy of taxes and other payments to the budgets	regularity of the budget execution	regularity of the use, management, and disposal of public funds and property
AUDITS OF THE NATIONAL SET AND SETS OF CONSOLIDATED STATEMENTS OF THE STATE						
1.	State, municipalities, State Social Insurance Fund, Compulsory Health Insurance Fund		Qualified	–		
2.	State	Qualified	Qualified	–	Qualified	
AUDITS OF MINISTRIES AND INSTITUTIONS SUBORDINATE THERETO						
1.	Ministry of Social Security and Labour	Qualified	Unqualified	–		Qualified
2.	Ministry of Health	Unqualified	Qualified	–		Qualified
3.	Ministry of Agriculture	Unqualified	Adverse	–		Qualified
4.	Ministry of Environment	Qualified	Qualified	–		Qualified
5.	Ministry of Energy	Unqualified	Unqualified	–		Unqualified
6.	Ministry of Transport and Communications	Qualified	Qualified	–		Qualified
7.	Ministry of Economy	Unqualified	Unqualified	–		Qualified
8.	Ministry of the Interior	Unqualified	Unqualified	–		Qualified
9.	Department of Physical Education and Sports under the Government of the Republic of Lithuania	Qualified	Unqualified	–		Qualified
10.	Ministry of National Defence	Qualified	Unqualified	–		Qualified
11.	Ministry of Justice	Unqualified	Qualified	–		Qualified
12.	Ministry of Foreign Affairs	Qualified	Qualified	–		Qualified
13.	Ministry of Education and Science	Unqualified	Disclaimer of opinion	–		Qualified
14.	Ministry of Culture	Unqualified	Qualified	–		Qualified
15.	Ministry of Finance	Unqualified	Qualified	–		Qualified
AUDITS OF RESEARCH AND STUDY INSTITUTIONS						
1.	Vilnius university	Unqualified	Unqualified	–		Qualified
2.	Kaunas University of Technology	Unqualified	Unqualified	–		Qualified

No.	Audited entity	Opinion subject matters audited in 2012				
		set of consolidated reports on budget execution	set of consolidated financial statements	accountancy of taxes and other payments to the budgets	regularity of the budget execution	regularity of the use, management, and disposal of public funds and property
3.	State research institute Centre For Innovative Medicine	Unqualified	Unqualified	–		Qualified
4.	State research institute Centre for Physical Sciences and Technologies	Unqualified	Unqualified	–		Qualified
AUDITS OF OTHER STATE INSTITUTIONS						
1.	Supreme Court of Lithuania	Unqualified	Unqualified	–		Unqualified
2.	Kaunas City District Court	Unqualified	Unqualified	–		Unqualified
3.	Kaunas Regional Court	Unqualified	Qualified	–		Unqualified
4.	Šilutė District Court	Unqualified	Unqualified	–		Unqualified
5.	Panevėžys City District Court	Unqualified	Unqualified	–		Unqualified
6.	Office of the Prime Minister Regularity of the disposal of the State budget funds allocated to public institution Foundation for Disposal of Goodwill Compensations for Jewish Religious Community Immovable Property	–	–	–		Unqualified
AUDITS OF RESOURCE AND TAX FUNDS						
1.	State Treasury	–	Qualified	–		Qualified
2.	State Social Insurance Fund	Qualified	Adverse	–		Qualified
3.	Compulsory Health Insurance Fund	Unqualified	Unqualified	–		Qualified
4.	Privatisation Fund	Unqualified	Adverse	–		Qualified
5.	Reserve (Stabilisation) Fund	Unqualified	Qualified	–		Unqualified
6.	Ignalina Nuclear Power Plant Decommissioning Fund	Unqualified	Unqualified	–		Unqualified
7.	Guarantee Fund	Qualified	Qualified	–		Unqualified
8.	Customs Tax Fund	–	Unqualified	Unqualified		–
9.	Tax Fund of the State Tax Inspectorate	–	Disclaimer of opinion	Disclaimer of opinion		–

- Unqualified opinion means that the sets of financial statements and/or budget execution reports are free from any material misstatements and no material irregularities were identified in the management, use and disposal of public funds and property.
- Qualified opinion means that material misstatements were identified in the sets of financial statements and/or budget execution reports or material irregularities were identified in the management, use and disposal of public funds and property, however, these misstatements and irregularities are not widespread; or the auditor is unable to obtain audit evidence, however, potential misstatements in the sets of financial statements and/or budget execution reports or potential irregularities in the management, use and disposal of public funds and property are material but not widespread.
- Adverse opinion means that material misstatements were identified in the sets of financial statements and/or budget execution reports or material irregularities were identified in the management, use and disposal of public funds and property, and these misstatements and irregularities are widespread.
- Disclaimer of opinion means that the auditor was unable to obtain audit evidence, however, potential misstatements in the sets of financial statements and/or budget execution reports or potential irregularities in the management, use and disposal of public funds and property are material and widespread.

MANAGEMENT, USE AND DISPOSAL OF STATE BUDGET FUNDS AND PUBLIC PROPERTY IN MUNICIPALITIES

1. Municipalities (60 municipalities)

AUDITS OF EUROPEAN UNION AND OTHER INTERNATIONAL FINANCIAL ASSISTANCE

1. Cohesion Fund (ISPA) project No 2002/LT/16/P/PT/008 Upgrading of Railway on Pan-European Transport Corridor IX: modernisation of power supply and signalling on Šiauliai-Klaipėda section, rehabilitation of railway structures, track renewal
2. Cohesion Fund Project No 2005/LT/16/C/PT/001 Modernisation of the Lithuanian Railway Communication System with GSM-R
3. Cohesion Fund (ISPA) project No 2002/LT/16/P/PE/012 Vilnius Regional Waste Management System Development
4. Cohesion Fund (ISPA) project No 2001/LT/16/P/PA/002 Support to Project Preparation Activities for Cohesion Fund Environment Projects
5. Cohesion Fund (ISPA) project No 2002/LT/16/P/PE/010 Klaipėda Region Waste Management System Development
6. Cohesion Fund (ISPA) project No 2001/LT/16/P/PE/004 Tauragė Regional Waste Management System Development
7. Cohesion Fund Project No 2005/LT/16/C/PE/001 Neris River Basin Investment Programme (Zarasai, Visaginas, Utena, Ignalina, Molėtai, Ukmergė, Širvintos, Švenčionys municipalities), 1st package
8. Cohesion Fund Project No 2005/LT/16/C/PA/001 Technical Assistance for Cohesion Fund Management in the Republic of Lithuania
9. 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 2013

PERFORMANCE AUDITS COMPLETED IN 2013

ENVIRONMENTAL PROTECTION

1. Performance of regional waste management centres

CULTURE

2. Management and maintenance of movable cultural property

MANAGEMENT OF THE PUBLIC PROPERTY AND FINANCES

3. Performance of the Lithuanian Radio and Television Centre
4. Management of the public property subject to renewal and privatisation
5. Implementation of concession contracts
6. Tax incentives
7. Company "Insurance of Housing Loans": doubts about business continuity
8. Public-private partnership
9. Agricultural concessions
10. Assessment of the draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 201

INTERNAL AFFAIRS

11. Are fire and rescue forces adequately prepared to fight fires?

HEALTH CARE

12. Availability of examination with expensive medical equipment
13. Efficiency of the family doctor's work

MANAGEMENT OF INFORMATION RESOURCES

14. Protection of automatically processed personal data
15. General and creation control of information systems of the Ministry of Foreign Affairs
16. Management of state information resources
17. Control of the applications of the Public sector accounting and reports consolidation information system
18. Management of information resources of the Ministry of Agriculture

EDUCATION AND SCIENCE

19. Development of non-formal adult education
20. Effectiveness of children socialisation centres

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

21. Implementation of the European Statistics Code of Practice in Lithuania
22. Organisation and implementation of elections

JUSTICE

23. How do public bodies carry out corruption prevention?

FOREIGN AFFAIRS

24. Management of the representation of the Republic of Lithuania in international organisations

NATIONAL ECONOMY AND MARKET CONTROL

25. Centralised public procurement

ENERGY

26. Feasibility of the pricing of natural gas for consumers (specialist opinion at the request of the Financial Crime Investigation Service)

TRANSPORT AND COMMUNICATIONS

27. Are there conditions for the efficient use of public funds allocated for maintaining and upgrading streets and roads of local significance?

METHODOLOGY FOR CALCULATING THE INDICATOR FOR THE EFFECT CRITERION

The indicator for the public sector financial management and control systems is calculated as the weighted arithmetic mean of financial (regularity) audit results (types of opinions) expressed in quantitative terms.

Constituents:		Score	Weight	Product
On the set of (consolidated) budget execution reports	Example 1	2.2	0.5	1,1
On the set of (consolidated) financial statements	Example 2	3.4	1	3,4
On the regularity of the management, use and disposal of state (fund) budget funds and property	Example 3	3	1.5	4,5
	Criterion			3.00*
*(1.1+3.4+4.5) / 3 = 3.00				
Type of opinion	Score			
Unqualified	4			
Qualified	3			
Adverse	2			
Disclaimer of opinion	1