VALSTYBĖS KONTROLĖ

NATIONAL AUDIT
OFFICE OF LITHUANIA

• BRINGING BENEFITS •

ANNUAL REPORT 2017

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ANNUAL REPORT 2017

SUPREME AUDIT INSTITUTION

EUROPEAN UNION INVESTMENT AUDIT INSTITUTION

FISCAL INSTITUTION

A WORD FROM THE AUDITOR GENERAL

What is our role?

To help our state manage finances and assets wisely.

The most important thing in our work is to choose whether to deal with the consequences, or to look for deeper causes and address the primary focus of the problems. Public sector institutions must be able to respond to the public in an honest manner as to why they exist and what added value they create. The essence of the National Audit Office activities is to help our state manage finances and assets wisely, that is, to horizontally monitor the public-sector risks, to evaluate systematically the issues of activity and to propose measures for its improvement and efficiency. It is important to see not individual stained-glass colours, but to cover the whole picture, to be able to assess the long-term effects of the activity. At one and the same time, we are performing the functions of three independent institutions - the Supreme Audit Institution, the European Union Investment Audit Institution and the Fiscal Institution - and we have planned the work in such a way as to reveal the areas where changes are most needed in order to use our performance results in making the most important decisions for the state.

In 2017, budget governance, management of public sector enterprises, education and the efficiency of internal control system were among the priorities. Our efforts have helped to answer the question of whether the current model of budget governance helped us in making the right decisions. The executive branch has taken into account our proposals - budget governance and strategic planning changes are expected in the future. Even today, we need to make decisions regarding the state budget with a view of an indicator of net assets, which is customary for business and OECD governments. We also have the first positive changes in the state investment programme, but new projects are still being created every year without systematically assessing the abundance of already started, suspended or terminated projects.

Until 2017, no institution had analysed financial indicators of municipality-owned enterprises with a total equity value of about 1.3 billion EUR. Since 1991, we have been counting how much public land precisely we have. It seems that this task will be taken over by historians of the next generation from the current generation of civil servants. An audit of general education revealed that up to 40% per cent with children of school age use the services of a tutor. Having trusted our taxes to the state education system, we should be sure that the quality of children's knowledge will not be required to be secured in a shadow school.

This is only a small part of public audit findings. There are many of them in this report. Do we hope that someone will solve the problems for us or that they will resolve themselves?

The results of our work require decision-makers to focus on the topics that are especially relevant to our future. We selected the following priority areas in 2018-2019: budget governance, education, public administration, management of public land and information society development.

What is important for us?

Professionalism. Responsibility. Cooperation. Innovation.

These are the values embodied in our strategy. Their meaning and emitted energy is an important performance quality standard for positive change in public administration. I will admit that it is not always simple, but we try to measure each step of our institution first by these values. Otherwise, an unprofessional discussion about the state and its governance is a good medium for negative stereotypes, while a continuous escalation of the negative opinion about the public sector begins to act as a self-fulfilling prophecy.

In 2017, we called professionals of their fields for discussion on open data, sustainable energy, sustainability of public finances, etc. We initiated the first public sector conference "SIGNALS 2017" aimed at developing a sustainable approach to the future of the state, in which we discussed the most important issues of the state budget governance and education with the heads of Lithuanian and European public-sector institutions, academics, business people, OECD representatives, experts from Finland, the United Kingdom and the USA. This conference is becoming an annual event of the National Audit Office, which will aim to unite the initiatives of public sector representatives. “SIGNALS 2018” will invite to discuss budget for citizens, to look at the prospects of the EU Multiannual Financial Framework post-2020, TO HEAR signals from the health system, and TO ACT.

What do we want to be?

Beneficial. Valued. Visible.

We are talking about the need to improve the public sector, to lean organisational structures, and abandon unusual, unnecessary and overlapping functions. The tips that are tailor-made for our own activities are morally appropriate. In recent years, the National Audit Office has not had a shorter list of functions and tasks, but we met all planned activities with 8% lower number of staff. By declaring an obligation to be an example in the public sector, we have abandoned the leisure premises, we do not rent our own premises for companies rendering catering services, we no longer use other state premises on terms of gratuitous use, we reduced the total area of the managed immovable property by 15 percent (office space – by 25 percent). Not everything was simple, but the lean effect is illustrated by figures: the car fleet has been reduced by 2.5 times, transport costs have fallen by more than 40 percent, asset maintenance costs have fallen by almost 14 percent. Meanwhile, the quality score of public audits evaluated by audit clients remained stable at 8.6, and the ethical communication and cooperation of auditors was estimated at 9.5 points. I am proud that the team has taken the steps towards efficiency, including the internal rotation of auditors, of their free will, without waiting for any legislative changes.

It does not help to attract and retain employees of high qualification. We have become an expert forge of private sector experts or of the public-sector higher-level specialists. We need to tackle this problem immediately if we want to attract professionals with special knowledge and certified expertise to analyse and evaluate exclusive topics to the field of public audit.

As compared to almost all equivalent institutions in the EU, the quality performance of the National Audit Office requires full functional and organisational autonomy. This would allow to react accordingly to changes in the labour market, globalisation of risks and problems, and to establish a permanent independent assessment of the institution's performance efficiency.

Thus, the need for the new edition of the Law on National Audit Office has come. I have been working for this institution for ten years, I know its true condition perfectly well; therefore, I assume the responsibility and guarantee that the new quality law is the best taxpayer's investment in the future of public audit, the impartial, true and fair supervision of the public sector.

What are we striving for?

To increase public sector efficiency and its benefits to society.

The public sector, a part of which the National Audit Office also is, is efficient in terms of the benefits to the society and to the extent the society can feel it in real life. The era in which threats and hazards accumulate in the face of world of common problems verifies our values. It requires us to be innovative at work, it evaluates our professionalism constantly, punishes us if we are not responsible enough and leaves one on the road if we lack determination to cooperate.

Growing public confidence in the work of the National Audit Office is encouraging, but external expectations often go beyond the mandate of the auditor's profession. Lithuania is not an exception: according to internationally recognised division of roles in the state life, the Supreme Audit Institutions perform a watchdog role, but not executive functions. Even if the goodwill of the National Audit Office leads to assuming atypical responsibilities, then the development of other state institutions and society as a whole would be undermined. Thousands of executives in the public sector are personally and directly responsible for the effectiveness of internal control in their areas of activity. It is not just my personal opinion - this is stated in the laws of the Republic of Lithuania.

When too little time and attention are focused on discussing the facts and conceptual state issues, there is a growing threat that mistakes will be made when making strategic decisions. Mistakes are accompanied by huge bills. Yes, the facts are boring, unattractive and threatening. They are threatening because they require concentration and responsibility. Only awereness and trust bring a shared responsibility.

I would like to thank the heads and staff members of our audited institutions for listening to the suggestions made by auditors. Thank you for your advice on how we should improve. I thank the whole team of the National Audit Office for its work, focus and a positive approach. I wish all of us to acquire the necessary new professional skills, to increase confidence in municipal controllers, public sector internal auditors, and to be a motivated auditing community.

Arūnas Dulkys, PhD

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FINANCIAL DATA

Our values

The individual approach of each staff member to the common values of our institution allows us to pursue high-quality results creatively and purposefully, to foster and build a value-based corporate culture.

Cooperation

We work together towards a common goal and foster relationships with stakeholders based on respect and trust.

Professionalism

We apply best practices and are committed to continuous development so that we can make objective decisions and produce quality results.

Innovation

We are inquisitive and daring as we search, discover, try and apply.

Responsibility

We work honestly, we take responsibility for our own results, the results of our team and our institution.

In 2017 for 8.7 million EUR

22 performance audits

8 financial (compliance) audits

3 EU investment audits

5 opinions of the Fiscal Institution

2 reports on the implementation of recommendations submitted to the Parliamentary Committee on Audit

1 INTOSAI external financial audit

15 external reviews of municipal control and audit services

16% decrease in the area of administrative premises

36% decrease in the number of units of the managed immovable property

9 m² office area per staff member

14% savings in the maintenance of immovable property

41% decrease in transport expenses

8% less staff due to structural changes

8.4 (out of 10) public audit quality index

9.5 (out of 10 possible) assessment rating for communication and cooperation

2 Office's public assessments

12 place (public trust “Lietuvos rytas“/”Vilmorus“ surveys)

14 presentations in foreign partner events

33% increase in positive SAI's mentions in media

PERFORMANCE RESULTS

National Audit Office of Lithuania is the Supreme Audit Institution accountable to the Seimas, which performs the tasks entrusted to it and conducts the functions of the Supreme Audit Institution, European Union Investment Audit Institution, and Fiscal Institution simultaneously.

Supreme Audit Institution

In our financial (compliance) audits, we assess the regularity of the sets of annual consolidated financial and budget execution statements as well as the lawfulness of the management, use and disposal of funds and property of an audited entity.

In performance audits, we assess the activities of an audited entity related to public and internal administration in terms of economy, efficiency and effectiveness.

European Union Investment Audit Institution

Our audits evaluate the Management and Control System Established for the Implementation of Operational Programme for the EU Funds Investments for 2014-2020 as well as the eligibility of expenditure declared to the European Commission.

Fiscal Institution

We carry out the monitoring of adherence to the rules of fiscal discipline and fulfilment of the tasks set forth in the Constitutional Law on the Implementation of the Fiscal Treaty.

Results of 2017

The National Audit Office of Lithuania seeks to promote the accountability in the public sector, efficient use of the state property and funds, and to make the results of our work to be used in taking the key decisions for Lithuania that change the life of the society. In 2017, when implementing our activities, we focused on the priority areas identified by the institution: budgetary governance and education system.

42 key performance results of 2017:

- 30 SAI audits: 22 performance and 8 financial (compliance) audits,
- 3 EU investment audits,
- 5 Opinions when carrying out the functions of the Fiscal Institution,
- 15 External rewiews of municipal control and audit services,
- 2 Reports on the implementation of recommendations submitted to the Committee on Audit of the Seimas of the Republic of Lithuania,
- 1 External financial audit of the International Organization of Supreme Audit Institutions (INTOSAI),

4.2 benefits delivered by audit to the public-sector efficiency (planned 6.1.)

Priorities 2018

The Activity Plan of the NAOL is designed in such a way that all the functions mandated by laws and other legal acts are implemented and the riskiest sectors of the public sector are covered

We constantly monitor the impact of our recommendations on improving the public sector, how Lithuania's indicators are changing as compared to the EU; we analyse the fulfilment of strategic goals as well as trends of use of the state-owned property and funds. Such an overview of the changes and indicators makes it possible to detect the highest risks. In order to combat the causes, and not the consequences, of existing problems, we are determined to audit systemic problems relevant to a large part of society.

Using the data of the ongoing public-sector risk monitoring and having evaluated the results of audits in 2017, we have selected five priority areas where we will pay particular attention when performing audits and evaluations.

Priority areas of the National Audit Office of Lithuania in 2018

Budgetary Governance

- Strategic planning and reporting
- Public investments
- Financial indicators approved by the Seimas
- State budget execution

Education

- Pre-school and general education
- Vocational training
- Higher education

Public Administration

- Management of functions implemented and services delivered by the State
- Civil service system
- Public Sector Internal Control

Management of Public Land

- Administration of public land
- Construction supervision
- Territory planning

Information Society Development

- Information Society
- Electronic Government
- Cyber and Electronic Security

SUPREME AUDIT INSTITUTION

30 completed public audits including:

- 22 performance audits
- 8 financial (compliance) audits

14 audit opinions, including:

- 9 unqualified opinions
- 5 qualified opinions

In 2017 165 recommendations were provided

In total 726 recommendations had to be implemented in 2017

54 per cent of those were implemented

The main results of public audits in 2017

The budget should be formed in compliance with the strategic objectives

Given the limited financial resources, it is very important to use budget funds to reach the most important goals of the state and to provide the necessary services. Unfortunately, multi-year results show that decision-making on funds often results in a lack of economic justification, inertia, lack of clear orientation towards the desired result.

The creation of a performance management system combining results-based budgeting and assessment of legislation impact will lead towards more accountable, transparent and more sustainable governance.

The reform of the Strategic Planning and Budgeting should focus not on the spending of budget appropriations, but on the desired outcomes and the necessary resources for achieving these outcomes

In order to bring about changes in the budget governance, it is necessary to reform the budgeting system by creating the right conditions for structural or sectorial reforms. The Government has to review the areas of public sector activity and establish a mechanism obliging institutions not just to spend their planned funds, but to perform efficiently and effectively and focus on strengthening internal control of the institutions.

> In implementing our constitutional duty, we annually submit to the Seimas seven public audit opinions on the execution of the national, state, Compulsory Health Insurance Fund, State Social Insurance Fund and other resources funds budgets, and on the regularity of the sets of their reports. By presenting an assessment of the general government finances, we provide guidance on what changes should be taken.

From the Fiscal Institution's point of view, there are improvements in the draft budget for 2018: the appropriation managers no longer present an intermediate outcome but effect outcome criteria. Although those effect criteria require improvement and some of the goals sought could be more ambitious, an overall progress is observed.

In the state budget negotiations for 2018 the Government applied a certain method for the expenditure review, however this process requires further development and improvement. It is recommended to use the technical support of external experts in developing an appropriate expenditure review process. The outcome of the detailed expenditure review should be transparent and publicly available.

> Today, it is not enough to only change the individual elements of the system, it is important to decisively improve the entire budgeting and budget management mechanism and to find the right form of reporting the achieved outcomes to the public.

We have to specify the purpose of health insurance contributions and clearly define the scope of the compulsory health insurance guaranteed by the healthcare sector

Health insurance contribution funds are used in the course of performance of obligations assumed by the state in the case of uninsured events or events having features of social assistance. We expect changes to be made by establishing the scope of healthcare services for people who are paid out of health insurance contributions and providing for health insurance contributions to cover only those costs that are in line with the purpose of the insurance.

Reliable and correct data are necessary for responsible decisions on state finances

When drawing up the draft budget for the coming year and taking decisions important for the state, we should refer to the figures in the set of the national financial statements, however we notice significant distortions; the set of the national financial statements does not yet reflect the fair value of the state property, liabilities and income, that is, the net assets value.

12 October 2017 Audit Report "The Progress of Implementing the Recommendations of Audits "Programme Budget System: Setting up Action Plans and Monitoring their Implementation" and "Management of the Programme for Investment in 2015""

15 November 2017 Opinion on the Structural Impetus Target

29 September 2017 Audit Reports:

Assessment of 2016 national set of financial reports and public debt

Regularity of the Republic of Lithuania 2016 consolidated financial reports and budget implementation reports and assessment of budget implementation

Regularity of 2016 set of reports and use and disposal of funds and property of Compulsory Health Insurance

Regularity of 2016 set of reports and use and disposal of funds and property of the State Social Insurance Fund

Better achievements of Lithuanian students - mission possible

Education expenditures are growing and amount to over a half of a billion EUR, however learning results do not improve, while the improving student achievement in Lithuania remains a "paper" indicator in the country's strategic document. Based on OECD estimates, we are below the OECD average in this area.

The audit findings in the field of education show that due to the demographic processes, the number of pupils decreases, classes are not completed, and in most smaller schools, especially those in rural areas, pupils' education results are lower not only in the EU but also at the national level.

It is necessary to establish clear goals, objectives and criteria for the transformation of the school network to achieve that reorganization of the school network in municipalities ensured better achievements of students and economic and efficient maintenance of the infrastructure. Monitoring in the field of education is one of the main tools for education policy-making, and only systematic and coordinated monitoring can help to identify and solve the problems of the entire education system in a timely manner.

Experts at the conference "SIGNALS 2017" drew attention to the promotion of creativity at schools and pointed out that the potential of educational innovation and the ability of students to be active accelerated the progress in education in particular.

28 November 2017 Audit Report "Could Lithuanian Students Perform Better?"

The OECD studies have shown that if the achievements of the Lithuanian pupils were in line with the OECD average and have remained uniform for 10 years, then all the education expenditure would pay off during that period.

State property management should create benefits to the public

The maintenance of the immovable property of the state costs about 180 million EUR annually, but its planning remains inert. The management policy of immovable property of the state should provide for how much and what property will be required for the performance of the state functions in the long-term and how much of it can be leased or sold in order to obtain maximum benefit. It is advisable to decide whether to abandon the transfer of the immovable property of the state on the basis of lending right, and to limit maximally the possibilities of transferring state-owned buildings to municipal ownership in the legislation. As a result, the state would get about 7.5 million EUR revenue per year from the lease of the public-sector property transferred on the basis of lending right.

We propose to lay down these and other requirements in the long-term state property management guidelines that would be binding for all property managers.

24 January 2018 Audit Report "The Management of State Real Estate"

30 June 2017 Audit Report "Are the Assets of State Universities Managed and Used in a Targeted Manner – for Research Activities and Studies?"

20 April 2017 Audit Report "The Management of State Assets Transferred to Public Health Care Institutions"

Effective internal control can help managers to achieve their goals, ensure economic, efficient, responsible and transparent institutional performance

Many of the audited ministries and the internal control systems of municipalities selected for audits do not focus on the proper organization and quality of performance; it indicates an irresponsible approach to the entire internal control system. We draw attention to the importance of performance risk assessment and to the selection of effective control measures. We propose defining the key processes for internal control activities improving internal and external communication and ensuring continuous monitoring of the system. Managers should be required to select the internal control system policy tailored to the specific institution, to carry out a system analysis covering all elements, and to declare the assumed responsibility for designing and improving the system. In addition, it is necessary to amend the Law on Internal Control and Internal Audit, which currently does not provide the proper basis for creating, maintaining and evaluating an effective internal control system. A properly functioning internal control system and internal audit are essential tools for effective management and quality public service delivery.

To help the managers and employees to manage risks, to develop a consistent and strategic approach to delivery of results and be beneficial to the society; together with colleagues from the Ministry of Finance, we visited Government Chancellery, ministries, municipal and internal audit associations to discuss the importance of internal control.

29 March 2017 Audit Report "Are There Conditions in Place for the Effective Functioning of the Internal Control System in the Public Sector"

It is necessary to establish a clear vision and priority business sectors for attracting foreign investors

There is a lack of a clear, sustainable and integrated approach to attracting direct foreign investment and its implementation vision, development of business sectors, as well as the objectives and priorities of using the potential of the investment environment. Public sector institutions should carry out public selection and oversight of projects, cooperate in attracting investment in the regions, and their activities in the exercise of their functions related to direct foreign investment attraction should be properly coordinated. This would stimulate faster economic and export growth, job creation and create a competitive environment for the state.

27 September 2017 Audit Report "Actions Taken by Public Establishments and State Institutions in Attracting Direct Foreign Investments"

State-owned enterprises and public sector entities should create added value

Some enterprises and entities operating in the public sector do not create any added value to the state and, in some cases, only the enterprises themselves, public entities or even groups of private individuals have benefit.

Taking into account the priorities and financial results of the enterprises and entities, it is expedient to optimize enterprises and entities of all forms to create a clear and consistent system of evaluation of the goals and performance indicators of the enterprises and entities. It is also important to ensure effective institutional care and its management separated from policy-making. The criteria for choosing the legal form of the entities should be established within the state. These measures would encourage the reduction of the administrative burden on the public administration, while generating greater added value for the public or ensuring a better quality of public services.

25 April 2017 Audit Report "Does the Involvement of the State and Municipalities in the Management of Public Institutions Ensure the Benefit to the Society?"

25 April 2017 Audit Report "Return of the State-owned Enterprises to the State"

25 April 2017 Audit Report "Does the Governance of Municipality-owned Companies Ensure the Effective and Transparent Activities of the Enterprises?"

The purpose of the electronic health system is high-quality health care

The e-health system should allow medical and other related institutions to exchange digital health data of patients, however the use of this system remains passive, the problem of IT infra-structure is not resolved, there is no e-health system interconnection between the institutions that is necessary for the health system developed, the use of electronic signature is impeded, the process of incident management and removal is unclear, and not all critical personal data security measures are implemented, besides questions arise as to the maintenance of the system in the future. In 2015 Electronic Health System Development Program for 2015-2025 was approved, planned investments amount makes about 28 million EUR . On its basis, it is planned to further develop e-health system, however, if this program is not improved, the same problems with development of this system will appear.

In order to provide e-health services of high quality it is important to envisage measures ensuring that the mistakes of previous stages of development of this system are not repeated in the new stage. The implementation of these recommendations would ensure creation of a sustainable e-health system management model, which would provide for a more efficient use of the system in a new stage of its development.

26 April 2017 Audit Report "Creation of an electronic-health system"

A more coordinated prevention and assistance to people in difficulty would reduce the scale of suicides in Lithuania

Lithuania has neither suicide prevention strategy nor an appropriate level body that coordinated suicide prevention at the national level. There is no approved algorithm (scheme) for provision of assistance to suicide risk related individuals. In order to achieve the goals, set by the Lithuanian Health Strategy and to reduce the high number of suicides, the involvement of all sectors - health, education, social security and labour, internal affairs, non-governmental organizations - is essential for the organization of assistance and sharing of information among the institutions providing assistance. Health care institutions should provide psychological and psychiatric assistance to people who have tried to commit suicide, provide primary outpatient care and develop qualifications of those providing such services.

23 February 2017 Audit Report "Suicide Prevention and Aid to Individuals Related to the Risk of Suicide"

Investing in the development of social housing and an appropriate action plan would help to provide the most vulnerable people with social housing more quickly

Population groups that need state support for social housing as well as their selection criteria should be established, as all the low-income people are waiting in the general line: young families, disabled people without parental care, families with three or more children, employable people, and they may have to wait in the queue for social housing for 20 up to 30 years. It is necessary to change the current system, which does not encourage young families and employable persons who have received temporary housing to seek higher income because as soon as they exceed the planned annual wealth and income limits, they will no longer receive support and housing.

Municipalities, when selecting social housing development fund projects financed by EU funds, often choose the most expensive way of housing acquisition - construction of new housing or reconstruction of unused buildings. As a result, social housing is provided to fewer individuals and families using the same financial resources than it would be possible if other measures were employed – housing rent or lease.

3 of March 2017 Audit Report "Is Housing Accessibility assured to Low-Income Residents"

Changes after implementation of the recommendations

As independent advisers to the decision makers, along with audited public-sector institutions, we are constantly looking for ways to eliminate the shortcomings and their causes identified in the audits.

Ensuring greater objectivity of regulated pricing in the whole energy sector

The adopted amendments to the Law on Energy gave the National Commission for Energy Control and Prices the right to receive information from natural and legal persons on costs, income, contractual obligations and pricing, which have an impact on regulated prices of the state. These changes provide an opportunity to evaluate the rates of electricity transmission and distribution services, to create a competitive environment for purchases of electricity companies and increase the overall profitability of signed contracts.

Recognition of the status of the economic projects of state significance becomes clearer

A Description of the Procedure for the Recognition of the Status of the Economic Projects of State Significance was approved, which defines precise project selection criteria, conditions for the recognition, suspension and cancellation of projects, as well as control over their implementation. This will reduce the possibility for a status of the economic project of state significance to be given to less significant projects and will ensure control of the implementation of projects upon their delivery.

Compensation for damage to the state caused by the illegal actions of public authorities

The Law on Compensation of the Damage Caused by Illegal Actions of Public Authorities and Representation of the State and the Government of the Republic of Lithuania stipulates that the state, having compensated for damage caused by deliberate actions (acts) of a pre-trial investigation official, prosecutor's office or court official, judge's deliberate actions (acts), receives a recourse (recourse claim) to obtain legal redress from these persons in so far as it has paid damages. This increases the civil liability of pre-trial investigation officers and prosecutors when their actions have caused damage and eliminates restrictions on the recovery of damage caused by unlawful actions.

Strict requirements to avoid public and private conflicts of interest

The amendment to the Law on the Adjustment of Public and Private Interests in Civil Service was adopted establishing the obligation to declare public and private interests to members of the boards of directors and supervisory boards of state-owned companies. Thus, the risk of coordinating the public and private interests of independent members of collegial bodies is managed. After approval of the Description of the Procedure for Granting Support to State-Owned Companies, which establishes a detailed procedure for granting assistance, covering the general principles and procedures for awarding assistance, the conditions for rendering assistance to state-owned companies in an irrational and non-transparent manner are removed.

Increasing public safety and state interest protection in the event of emergencies

Strengthening public safety and increasing protection of the public and state interests from threatening events, the decisions were adopted on the need for shelters and their preparation in case of natural, technical, ecological, social and other events that endanger the people's life or health, their social conditions, property and (or) the environment. The evaluation criteria have been established according to which the Government's Emergency Commission will be able to assess the state institutions' readiness to respond to emergencies, to plan emergency measures and measure achievement of the goals.

Strengthened protection of the rights of the child

Having adopted the Law amending the Law on the Protection Fundamentals of the Rights of the Child, the possibility to receive quicker assistance increase for people who have suffered from violence in the near environment: as soon as the relevant services receive a report on possible use of violence against the child, they must meet with the child not later than within 6 hours. In the beginning of 2017 as compared to 2016, the number of police officers responding to the incidents was almost doubled, allowing automated transmission of data on victims of violence to specialist help centres and child rights departments.

The law also establishes the principles for organizing preventive and other assistance for a child and family, organizing joint work of families with education, health care and law enforcement personnel. Legal assumptions are the first step for a successful child rights protection system. In 2018, the Ministry of Social Security and Labour is planning to implement a reform of the system management, that will require proper preparation while bringing together the state and municipal institutions.

Children's custody conditions are improving

In addition to the custodial care allowance for a child who has been guarded in a family, a guardian (caregiver) will receive a targeted supplement to the custody (welfare) benefit that increased from 1 basic social benefit (38 EUR) in 2016 up to 4 basic social benefits (152 EUR) in 2017. In such a way economic factors (the child care allowance has remained unchanged for 15 years) were taken into account and a higher number of carers is promoted.

The changes to the provisions of the Childcare Custody approved by the Civil Code of the Republic of Lithuania and approved by the Government Resolution regulating the custody (care) of a child were adopted, ensuring not only the care of a guardian, but also the assessment of the suitability of the whole family to care for a child. Until then, the legislation had established the guardian eligibility requirements for one person only who was appointed as the child's guardian, therefore, there have been cases when alcohol-dependent persons lived together with the child's guardian, the family was included into the list of social risk families and other.

The availability and quality of social services is increasing

In the absence of qualified staff providing social services in the municipality, as an alternative to long-term institutional care, integrated (integral) home help is being developed. Recommendations concerning functions and responsibilities of individual supervisory staff - nurse assistants who provide assistance at the individual's home, are drawn up and made publicly available to the municipalities, training is provided for these employees. These measures will help to achieve higher quality of social services, provide professional assistance, and apply new working methods

Conditions have been created in the country to better assess and predict the situation of oncological diseases

After the Government has established the Cancer Registry, detailed data on the diagnosis of oncological diseases, ill patients, the spread of the disease, the stage of the disease, the results of the treatment, and others are processed. The health institutions have a duty to provide data to the Cancer Registry. This will help to ensure the accumulation and monitoring of data in a single database and, in the management of the details, to make informed decisions to improve the diagnosis and treatment of oncological diseases.

In the country, more consistent policies are being developed for generic medicines

The Ministry of Health Care has stipulated measures that will improve the availability of medicines for patients, reduce the prices of generic medicines, save Compulsory Health Insurance Fund expenses, and compensate for new medicines of high therapeutic value. In order to improve the pricing of reimbursable medicines, the pricing of these medicines is subject to more strict restrictions on declared prices in order not to prescribe medicinal products with prices more than 10% higher than in other (reference) countries. This will help to reduce the prices of generic medicines and, at the same time, reduce patient benefits for these medicines.

Young people are focused on career choices more effectively

Amendments to the Law on Education have been adopted. A legal basis for the introduction of career-related posts in general education schools and vocational education institutions is established. It will help to develop student career competencies, enable all students to receive career development, vocational information and counselling services.

Auditor's Day, Professional Awards
Vilnius, May 2017

EU INVESTMENT AUDIT INSTITUTION

Assessment of EU Structural Assistance of 2007-2013 and EU Fund Investments for 2014 -2020

Closure of the programming period 2007–2013

1.4 billion EUR (16 per cent) expenditures declared to the EC verified

17 recommendations

Programming period 2014–2020

440 million EUR (54 per cent) expenditures declared to the EC verified

59 recommendations were presented

30 recommendations with the implementation term in 2107

50 per cent of them were implemented

We carried out an audit of the closure of the EU structural assistance operational programmes of 2007-2013, providing an unqualified opinion on the basis of which the EC can carry out further work for the completion of the programming period 2007-2013.

Programming period 2007-2013

Procedures for the audit of the closure of EU Structural Funds Operational Programmes for 2007-2013 completed. On 28 March 2017, Final Control Report and Closure Declaration were submitted to the EC.

More than 8 thousand projects were implemented in the programming period 2007-2013, and until 2016. By the end of the year over 8 billion EUR were declared to the EC, out of which approximately 1.4 billion EUR, i.e. 16 per cent of all expenditure declared to the EC, were randomly selected and verified.

In our audit procedures, we assessed the efficiency of the whole system and the eligibility of expenditure declared to the EC. In identifying problem areas, the management and control authorities (MCA) of the EU structural assistance operational programme have been given the opportunity to effectively address the deficiencies identified during the audit (in cooperation with audited entities, 99 per cent of identified deficiencies were eliminated during the audit), in preparation for the successful closure of the operational programmes.

After evaluating the functioning of the MCA and the eligibility of expenditure declared to the EC, the Closure Declaration contains an unqualified opinion that allows the EC to carry out further actions for the completion of operational programmes.

Programming period 2014-2020

In compliance with EU requirements, we have to perform annually the audit of functioning of the management and control system for the Implementation of Operational Programme for EU funds investment for 2014-2020, expenditure declared to the EC as well as annual accounts declared to the EC.

In 2015-2016 expenditures were not declared to the EC

No expenditures were declared to the EC within the period from 1 July 2015 to 30 June 2016.The management and control system for EU fund investments of 2014-2020 was not in place within the mentioned period, therefore we were not able to give an opinion on the functioning of the management and control system and the legality of expenditure. EC was submitted a limited audit report.

9 February 2017 Audit Report "Management and Control System Created for the Implementation of Operational Programme for European Union Funds Investments for 2014-2020, Expenditure Declared in the Accounts and Expenditure Declared for the Period from 1 July 2015 to 30 June 2016 for which Reimbursement has been Requested from the European Commission"

Management and control system for the EU funds investment for the programming period 2014-2020 functions well

The EU Structural Funds investment management and control system for the period of 2014-2020 became operational only in 2016, and as a result, in 2017, the first-ever full-scale audit procedures were implemented. We evaluated the third financial period (from 1 July 2016 to 30 June 2017), during which more than 812 million EUR were declared to the EC, we have verified over 440 million EUR, i.e. even 54 per cent.

In accordance with the provisions of the EC approved guidelines, in the overall audit opinion, we took into account the corrective actions and control measures carried out by the institutions during the audit, which audited entities implemented or improved in accordance with the recommendations made during the audit.

The effective implementation of the recommendations made by the audit before submitting the accounts to the European Commission allowed to reduce the level of residual error so that it did not exceed the materiality level applicable to the audit opinion (2 per cent).

Having assessed the impact of risk-mitigation actions (implemented recommendations) by audited entities on the functioning of an MCA, it was concluded that the system was functioning and needs to be improved only slightly in the reporting period. The annual audit report also provides an unqualified opinion. Audit report and opinion were submitted to the EC on 13 February 2018.

The audit for the programming period 2017-2018 commenced

In 2017, we began to assess the fourth financial period (1 July 2017 – 30 June 2018). The audit report will be submitted to the EC before 15 February 2019.

The 26th annual meeting of the European Financial Control Authorities of Structural Actions (The Homologues Group), Tallinn, September 2007

FISCAL INSTITUTION

The rules of fiscal discipline aim at the long-term sustainability of public finances, that is, the welfare would be evenly distributed across generations.

Compliance with the rules of fiscal discipline benefit the citizens – reducing the impact of economic (business) cycles with a view to securing the income from work and containing inflation. Rainy day funds accumulated during economic growth would help to ensure stable quality of life at the time of economic downturn.

The negative effect of ageing on economic development will be particularly strong beginning with 2023, therefore today it is necessary to create the fiscal space for future needs.

The economic development scenario for 2017-2020 is approved; the balance of risks remains negative

Every year Fiscal institution endorses the macroeconomic development scenario prepared by the Government and this allows to ensure that the Stability Programme of Lithuania and general government draft budgets are prepared on the basis of the most likely or a more prudent scenario.

In the first half of 2017, the economic growth was more balanced. It has been driven not only by the growing household consumption but also by a recovery of investments and exports. It is projected that in 2018-2019 the contribution of net exports to GDP growth will be negative, and in the medium term, the household consumption will be slowed down by the rising inflation. In the medium term, investments will greatly contribute to the growth of the aggregate demand, however there is still a lack of productive investment. The first signs of demographic change will emerge on the labour market – unemployment rate will decrease. The shortage of workers will increase their negotiating power, consequently, the rapid wage growth is expected.

20 September 2017 Opinion on the Endorsement of the Economic Development Scenario

Long-term general government finances are sustainable, but social sustainability remains at threat

In 2017, Fiscal institution assessed the impact on fiscal sustainability of a social model adopted in Lithuania in 2016, one part of which is related to changes in the pension system. The assessment period covered 30 years. Changes of the pension system adopted in 2016 have a positive impact on the sustainability of general government finances: the projected level of public debt in 2047 will reach 45.7 per cent of GDP and will meet the financial sustainability criterion – the projected debt will not exceed 60 per cent of GDP.

Compared to 2016, improvements in fiscal sustainability have been noted, which are largely due to changes in the pension system. However, the current and projected situation in the labour market and the growing number of elderly people at no policy change scenario will lead to very low, from 35 per cent in 2018 up to 27 per cent in 2047, income replacement rates. It will have a negative impact on social sustainability and will, therefore, require additional policy decisions to ensure social sustainability without adversely affecting the sustainability of the general government finances.

20 June 2017 Report on Sustainability of the General Government Finances

The 9th annual meeting of OECD Parliamentary Budget Officers and Independent Fiscal Institutions, Edinburgh, 2017 April

The general government budget should be understandable for citizens as well

In the view of the fiscal institution, in preparation of general government draft budgets for 2018, the structural adjustment target was not determined reasonably, as the structural general government deficit in 2017 will amount to 0.2 per cent of GDP and will be below the medium-term objective of 1 per cent of GDP. However, there is a risk that the Surplus general government sector rule will not be observed.

The fiscal institution welcomes the determination of the Government to reform budget governance. In order to develop and continuously apply an appropriate expenditure review procedure, the fiscal institution recommends the use of technical support from outside experts.

The general government surplus for 2018 will not reduce nominal public debt, which will continue to grow for as long as at least one budget of the general government remains in deficit.

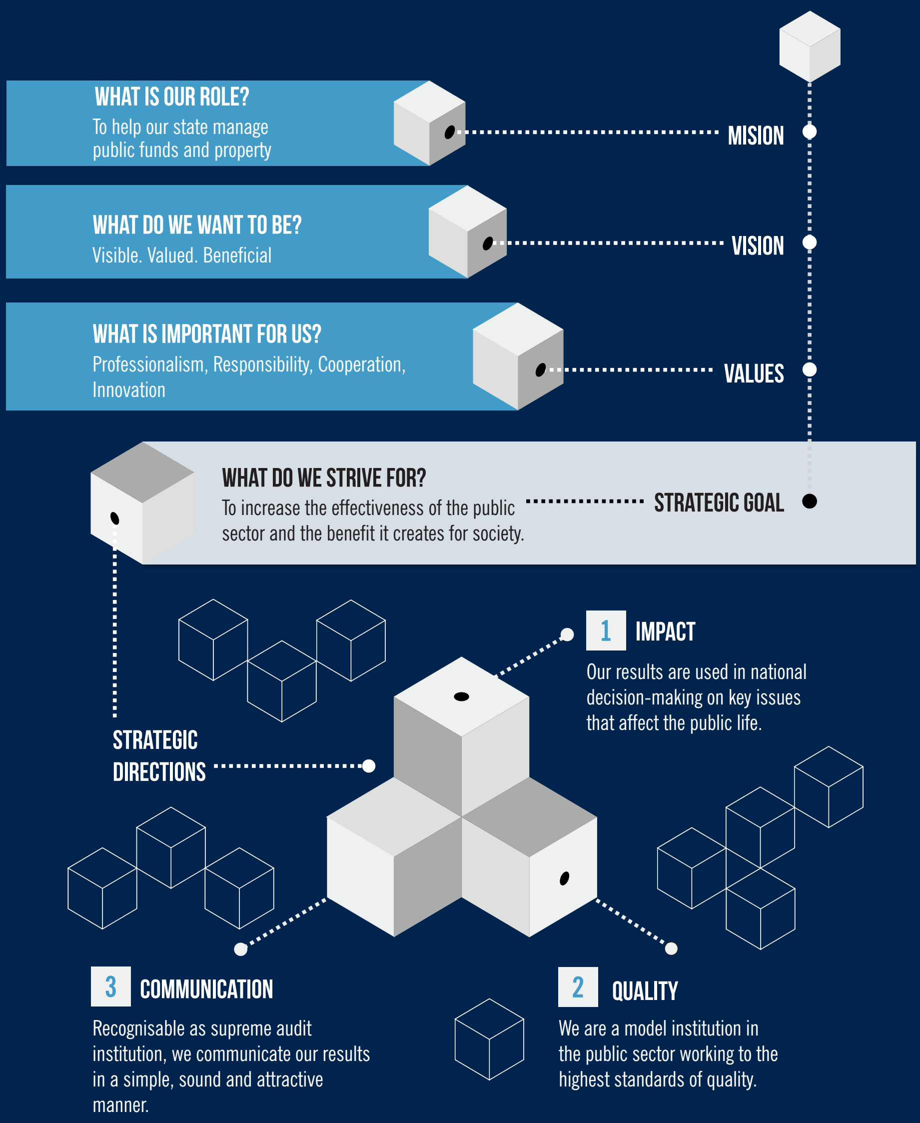
Public debt will be reduced by a favourable difference between economic growth and low interest rates – an automatic debt dynamic.

15 November 2017 Opinion on the Structural Adjustment Target

15 November 2017 Report on the Assessment of the General Government Financial Indicators for 2018

PERFORMANCE IMPROVEMENT

THE SUPREME AUDIT INSTITUTION STRATEGY 2020



SAI strategy indicators

During the second year of implementation of the Strategy of the National Audit Institution for 2016-2020, we made progress in increasing the impact of the institution, ensuring the quality of performance and strengthening internal and external communication. The high involvement of employees in the implementation of planned strategic measures has made it possible to improve the quality of audits and make more efficient use of resources in the first year of implementation of the strategy.

6 public events in search of new decisions

14 presentations delivered in the events of foreign partners

7 audit findings handed over to law enforcement and other public administration institutions

8.4 (out of 10) audit quality index

9.5 (out of 10) the audited entities evaluate our cooperation and ethic communication

2.7 (out of 5) maturity of performance processes

66% engagement of employees

136 employees used the possibility of rotation

7.6 index encouraging the quality of the organizational environment

14% reduction of costs for immovable property maintenance

41% reduction of transport costs

16% reduction of the area of administration premises

52% of documents processed electronically

We implemented 80 per cent of the institution improvement measures planned for 2017. While implementing the goals set in the Strategy of the National Audit Office 2016-2020, we have added other measures and we continue to make changes.

BENEFICIAL

Conferences help to achieve timely preventive effect on public finances and public administration

In cooperation with non-governmental and public-sector institutions, the academic community and foreign experts, we monitor changes in public sector processes and are prepared to respond to incoming signals. In our opinion, it is very important to talk about it with the best professionals, bringing them together in one place to communicate and share ideas and insights. In 2017, we convened peers to discuss the issues of budget government and education, the benefits of open data and sustainable energy, demographic issues and other relevant topics.

Sustainable Development Conference SIGNALS 2017

SIGNALS 2017 is the first annual public-sector conference to support and develop a coherent approach to the future of the country. In order to draw attention to the real signals, at the conference, together with international organizations, EU and national institutions, the academic community, business and public organizations and the wider public we discussed the issues of budgetary governance and general education. Why is the budget still formed dissociated from strategic goals and why do we regard as investments purchases aimed at improving the daily environment? Why do the achievements of Lithuanian schoolchildren signal about a non-improving situation in the field of education? What are we doing wrong?

The representatives of the Lithuanian public sector, representatives of the European Cooperation and Development Organization, foreign experts from Finland, the United Kingdom and the USA and 450 conference participants helped to find answers to the main question of SIGNALS 2017 (Do we recognize the real signals?).

The topics of the 2018 conference are dictated by the public-sector risk assessment and the highlights of this year's SIGNALS: EU funding after 2020 and health.

International Sustainable Development Conference SIGNALS 2017, Vilnius, November 2017

At the conference SIGNALS 2018 of 28 November, we will invite to not only listen to the signals sent, but also to take the necessary steps for positive changes.

Conference "Can we disclose up to 2 per cent GDP?"

Our audits show that institutions today are still lacking knowledge about the ways and the benefits of data disclosure; they are afraid to disclose non-public or false information, although the accessible and actively used open data in Lithuania could create benefits equivalent to almost 2 per cent of GDP, which would amount to around 800 million EUR. We organized a conference with the Seimas Committee on Audit discussing the added value and the positive impact of open data on public sector efficiency, daily life, development of innovations and the economy.

Conference “How much energy do we spend on developing sustainable energy?”

At the conference "How much energy do we spend on developing sustainable energy?" organized together with the Seimas Committee on Economics, energy efficiency measures in the European Union, the main energy policies and actions of the Government of Lithuania were presented, and the measures with the greatest potential for energy efficiency were discussed. The National Audit Office pointed out that until so far, we do not have a clear strategy for energy development in our country; therefore, we cannot wait more: without solving initial, causal problems, our later works, as well as public audits, become meaningless.

Conference "Demographic Challenges, Sustainability of Public Finances and Economic Growth”

Increasing numbers of older people will increase the cost of pensions, health care and long-term care, which will put the sustainability of public finances at risk. Lithuanian and foreign experts who have spoken about the biggest challenges facing demographic processes for sustainable public finances and economic growth have noted that effective management of public finances will be possible when we have comprehensive and wide information on fiscal risks and contingent liabilities of the state. In the face of demographic problems, it is important to think not only about fiscal but also about social sustainability; the country's economic policy should be focused on increasing people's incomes. As they grow, emigration would decrease, which would, accordingly, help ensure the sustainability of the pension system. The conference was organized by the National Audit Office of Lithuania together with the Seimas Committee on Audit.

It is important for us what benefit we create to the state

We started to implement the project "Improvement of the Public Audit Impact", funded by the European Union Structural Funds. Its goal is to increase the impact of public audits on public funds and property management and the efficiency of public sector management. In the course of the project, a methodology for assessing the impact of public audit was established: key elements affecting the audit impact were identified, the criteria (indicators) were determined, methodology of its calculation and assessment was developed. After the pilot assessment of audit impact, recommendations on how to improve the Office's activities in order to increase the impact of audits will be prepared in 2018.

Having assessed the best practices of foreign countries, we have developed guidelines for formulating recommendations defining the importance of identifying these recommendations; we emphasized the importance of proper cooperation with audited entities both during the formulation and implementation of recommendations, i.e. in order to achieve the common goal - actual audit impact on the audited area.

We optimize the resources by evaluating ongoing activities

In 2017, as one of the priority areas for optimizing public administration, we have made recommendations in several audits that encouraged public sector bodies to review their functions and make decisions that would ensure less costly public management.

With a view to a more flexible allocation of resources, applying modern management methods and best practices, we have developed a new model for the staff structure of the National Audit Office. After reviewing the activities carried out by the Office, evaluating the resources needed for them and taken into consideration proposals made by international experts, we decided to increase the number of audit areas per audit division, to carry out rotation of staff and reduce the number of executives. In 2017, 136 employees used the internal rotation possibility. Having made structural changes and reducing the maximum permissible number of posts, the staff decreased by 8 per cent compared to 2016. We have implemented the reorganization in stages and we plan to complete it in 2018. These changes encourage institutional maturity and efficient use of resources.

The audited entities have repeatedly received calls from the National Audit Office to assess how much and what assets are needed to perform their functions in order to maximize the benefits in the long run. To be an example, we have taken the following actions: we reduced the managed immovable property by 36 per cent and administrative premises by 16 per cent, we carried out the current repair of the premises. In this way, in 2017, we reduced the cost of maintaining this property by 14 per cent. As compared to 2015, we reduced immovable property by half, while the administrative area by 26 per cent by refusing regional audit departments and optimizing the audit process, we reduced the Office's car fleet and its maintenance in 2017 by 30.9 thousand EUR. To optimize other managed assets, in 2017, we sold non-used tangible assets and materials at auctions and returned 21.1 thousand EUR to the state budget.

In order to maintain the high quality of the provided services, we digitize individual business processes. Having implemented an electronic joint management of resources (deficiencies in the process of operation, reservation of the meeting rooms and transport, and visitors registration system), we not only accelerated the organization of the activity, but also provided a great deal of efficiency gains and initiate changes in business processes. The National Audit Office quality control system complies with the internationally recognized standard (ISO 9001), which allows for further optimization of processes.

VISIBLE

EUROSAI
EUROPEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS

INTOSAI
EXPERIENTIA MUTUA OMNIBUS PRODEST

Our experience is useful for other institutions in Lithuania and abroad

Activities of the EUROSAI Task Force on Municipality Audit

In 2017, the Task Force on Municipality Audit of the European Organization of Supreme Audit Institutions (EUROSAI), established at the initiative of our Office, was launched. In order to continuously monitor developments in the entire public sector and to exchange the best practices of municipality audit together with the supreme audit institutions from 27 European countries, the members of the Task Force, at the kick-off meeting in Vilnius, we agreed on the basis of what principles and objectives the Task Force will develop a platform for sharing best practices and experiences of municipality audit.

The first Seminar on Municipality Audit and the first Annual Meeting of the Task Force was organized in Riga together with the Latvian State Audit Office, which approved the Working Programme for 2017-2019.

In the implementation of the measures of the Task Force Action Plan for 2017, our Office have started an overview of external audit system of municipalities in the EUROSAI countries, the Austrian Court of Audit assesses how municipal data is used in audits, the municipal audit database and the platform for consulting on the most relevant issues have been created.

External Audit of the International Organization of Supreme Audit Institutions (INTOSAI)

At the INTOSAI XXII Congress, our Office was elected to carry out an external audit of this organization, which has 194 members, for the three-year budget period. In 2017, together with colleagues from Ghana, we conducted external audit of INTOSAI´s financial statements at the headquarters of the INTOSAI General Secretariat at the Austrian Court of Auditors.

Cooperation with the Supreme Audit Institutions of other countries

We presented the results of the public audit "Cyber Security Environment in Lithuania" in Israel at the Special Seminar on Cyber Security for Heads of Supreme Audit Institutions. The issues of cyber security are no longer in the traditional borders and are becoming more and more difficult to manage, therefore the Heads of SAIs once again pointed out how important it was to clearly define the responsibilities of individual institutions, synchronizing their actions and coordinating distributed activities in a centralized manner, devoting sufficient resources to educating people on this issue and encouraging institutions to innovate.

When participating in the Symposium of the United Nations and the International Organization of Supreme Audit Institutions (INTOSAI) "Digitization, Open Data and Data Production - their Relevance and Impact on the Work of Supreme Audit Institutions and the Follow-up to the Sustainable Development Objectives", we shared the example of our data opening while presenting the findings and foresights of the performed public audit "Whether disclosure of the Public sector data is ensured?"

In cooperation with the German Court of Audit, we exchanged professional experience and practical issues in the area of audit of defence system. At workshops, Lithuanian auditors and German colleagues have analysed in greater detail the systemic problems of national defence, their causes in the context of ongoing public audits, and presented the results of the audits carried out in this system.

As part of the public audit of the quality general education, we have come up with the best practices in the area of education from the National Audit Institution of Finland. In cooperation with our Finnish colleagues, we discussed the performance audits and planned activities of both SAIs in the area of education, became acquainted with the activities of the the Finnish Education Evaluation Centre and educational evaluation tools, and exchanged professional information on specific audit issues.

During the official visits of professional experience exchange, we introduced our experience to the State Audit Office of Latvia in reducing the scope of financial audits and performing systemic performance audits, we discussed audit methodologies and practices, introduced changes and initiatives, optimizing resources and streamlining the Office's activities.

With a view to strengthening the execution and effectiveness of functions of fiscal institution assigned to the National Audit Office, to ensure that the issued opinions, reports, analyses and methodology used are in line with best practice, an external Advisory Panel of foreign experts is established at the initiative of our Office. During the meeting with the members of this Advisory Panel we discussed the functioning of the fiscal discipline system, the rules of fiscal discipline, analytical methods and tools used by the fiscal institution at work, fiscal risks and fiscal sustainability, as well as the improvement of the work of the fiscal institution.

Advisory Panel will analyse methodological issues and promote best practices of other independent fiscal institutions.

A new initiative to strengthen the community of auditors

An Auditor's Week was organized for the first time to celebrate the auditor's profession. The activities of this week involved all the institutions belonging to Cooperation Committee, which unites all the public-sector auditors. During this week, professional conferences and seminars, discussions, meetings with students, open door days were held in Vilnius, Kaunas and Palanga. An online audit exam was arranged which could be passed by everyone who wanted to test their knowledge on audit and auditor's profession.

Kick-off Meeting of the EUROSAI Task Force on Municipality Audit, Vilnius, April 2017

VALUED

We expect greater effect when working with partners

Upon signature and renewal of cooperation agreements with the Prosecutor General's Office, the Competition Council, and the Special Investigation Service, it was agreed to share expert opinions and assessments of the identified signs of infringement of the public interest. We provide business support to each other and strengthen the professional co-operation between the staff of the institutions. Enhanced communication between the institutions and their specialists helps to use the public sector's competences and knowledge as efficiently as possible and is useful for the activities of all institutions. This is also one of the tools for the National Audit Office to better target public sector changes and prevent recurrence of problems.

Due to possible infringements of the public interest in 2017, two meetings were held with the Prosecutor General's Office, one case was handed over to the investigation. In 2017, we passed to the law enforcement institutions the findings of four public audits. The Public Prosecutor's Office appealed to the court with a claim on the defence of the allegedly damaged public interest according to the findings of the public audit and the Special Investigation Service initiated a pre-trial investigation.

We strengthen the audit and effective control in the self-government

An annual review of the audits carried out by Municipal Control and Audit Services has shown that some Services are able to maintain a relatively high quality of ongoing financial audits, are more active in carrying out performance audits that can best help to assess the management and use of municipal funds and property effectively, efficiently and economically. In total, we evaluated 15 (out of 60) Municipal Control and Audit Services. Comparing the results of review of these and previous years, it can be seen that the quality of financial audits of some Services has been improving: even 8 out of 15 evaluated Services ensured a high quality of audits. Significant deficiencies in 2017 were identified in five Services.

We develop institutional values by strengthening our ethics and anti-corruption environment

Following the revised International Standards of Supreme Audit Institutions, we have updated the Code of Institutional Ethics of the National Audit Office. It defines the basic values of professional ethics, general and special ethical requirements for the officials of the National Audit Office. Continuous attention to the observance of ethical standards and the promotion of employees to observe generally accepted norms of morality has been appreciated by audited entities. The ethical communication and collaboration of the auditors was estimated at 9.5 points (out of 10) in surveys conducted after each audit.

In order to maintain a corrupt resistant environment, in 2017, the National Audit Corruption Prevention Commission carried out a complex study and submitted assessments that there was no real possibility of high corruption occurrence in all areas of the Office's activities.

Trust in our work is a recognition of the quality of the Office activity

We strive to perform better, so that our activities and results would have a greater impact on the state and citizens, and it is important for us to be seen as we are. Each employee of the National Audit Office as its "ambassador" by his/her everyday performance shapes the opinion of the stakeholders about him(her)self, the audit profession, performance results and the whole Office. The policy of reputation management created in 2017 brings together the values, professional practices and stakeholder expectations of our Office. The planned works when implementing the policy will contribute to a better understanding of the purpose and activities of our Office, the higher quality of the work performed and the management of the expectations of the stakeholders.

Every year, when implementing surveys of audited entities, we have an opportunity to assess how our clients value the quality of the audits performed. In 2017, the overall audit quality rating score, remained unchanged at 8.6 (out of a possible 10) as compared to the last year. Audited entities noted that cooperation with auditors has improved over the past year.

By actively cooperating with stakeholders, building on value-based relationships and analysing the results of our audit quality assessment, we make decisions about how to improve the quality of the Office performance, which is an essential element in building our reputation.

Our achievements are visible

The Partnership Leader Prize created by the Lithuanian Confederation of Business is given out for exceptional achievements in strengthening the economic and political powers of Lithuania. This year it was awarded to the National Audit Office in recognition of its professional systemic audits and their opinions, and the contribution of its recommendations, competence and efforts to set an example to others in encouraging the public sector to improve and implement positive changes to its management and increasing the transparency and effectiveness of the functioning of institutions.

The National Audit Office at the annual Investors Forum Award Ceremony has been awarded for the targeted activities in improving the efficiency of the State budget governance and to make supreme audit institution an open, responsible and professional partner in improving public sector efficiency. This voluntary, independent business association uniting the biggest investors in Lithuania annually awards the best companies, public institutions, education and media representatives for their contributions to improving investment climate in Lithuania.

FINANCIAL DATA

	APPROPRIATIONS
9,225.3 thousand EUR	**Allocated annual appropriations**
8,673.9 thousand EUR	**Used appropriations**
88 per cent of them	Payroll and social inurance
2.1 per cent	Current repairs of long-term assets (161.9 thousand EUR more than in 2016)
1.3 per cent	Utilities (23.9 thousand EUR less than in 2016)
1 per cent	Business trips
0.4 per cent	Transport maintenance (30.9 thousand EUR less than in 2016)
0.3 per cent	Aquisition of long-term and curent assets (114.7 thousand EUR less than in 2016)
	ASSETS AND LIABILITIES
2,501.8 thousand EUR	**Long-term assets**
	By 24 per cent less than at the end of the previous reference period (31/12/2016) mainly due to the completely worn out assets that were transferred to the other public sector entities (432 thousand EUR) and long-term financial assets transferred into accumulated receivables (current year's part of identified non-current liabilities) - the payroll that was disproportionately reduced during the economic crisis that should be repayable to staff members (425 thousand EUR)
57 per cent of them	Buildings
33 per cent	Long-term financial assets (the payroll that was disproportionately reduced during the economic crisis that should be repayable to staff members)
685.0 thousand EUR	This amount of completely worn out assets we use in our activity (procurement prime cost value provided)
1,203.8 thousand EUR	**Current assets**
95 per cent of them	Entitled appropriations from the state budget for issued but unsettled suppliers' invoices and accumulated employee holiday allowance expenditures in 2017
1, 968.4 thousand EUR	**Liabilities**
67 per cent of them	Regarding the payroll that was disproportionately reduced during the economic crisis that should be repayable to staff members (45 per cent long-term liabilities, 22 per cent current year's part)

Financial statements and audit report of 2017 Budget performance statements of 2017

IMPLEMENTATION OF THE STRATEGIC ACTIVITY PLAN OF THE NATIONAL AUDIT OFFICE OF THE REPUBLIC OF LITHUANIA (06.900.0006)

National Audit Office Strategic Goal - to increase public sector efficiency and the benefit it creates for society.

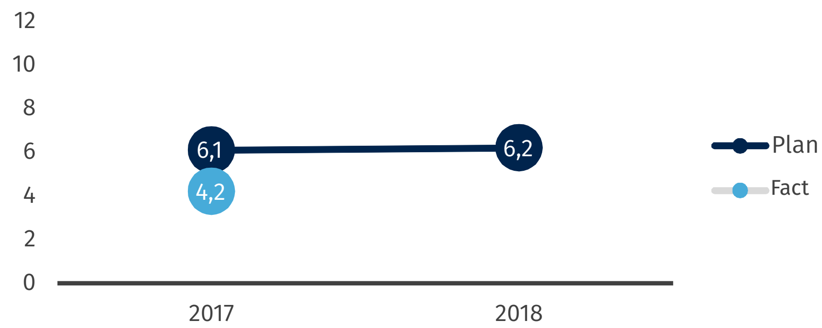
Table 1 Use of appropriations approved by the Law implementing the strategic objective and approving the financial indicators of the state budget of the Republic of Lithuania and municipal budgets for the accounting year

		Use of appropriations (thousand EUR)			
Program code	**Program name**	**Approved appropriation plan**	**Revised appropriation plan**	**Actual use of appropriations**	**Appropriations from appropriations used, specified in the revised plan (per cent)***
01 003	Public sector supervision and promotion of efficiency	9206	9225	8674	94 %
Of these, the EU and other international financial assistance		1648	1648	1101	67 %*

* The funds are saved due to the unused appropriations for payroll and social insurance - 314.0 thousand EUR due to the fact that the staff changes did not fully cover all the approved posts and a part of the employees were on maternity and parental leave. Saved funds for other services – 208.5 thousand EUR and 24.8 EUR thousand for the acquisition of long-term assets. These European Union and Co-financing funds will be saved to a successful completion of the project by 2022.

Criteria for assessment of strategic goal effect

Chart 1. The audit benefits to public sector efficiency, scores



The index of the audit benefits outlined in Chart 1 is calculated as quantified arithmetic weighted average and reported changes in legality violations (percentage reduction) of a composite of the level of implementation of recommendations (per cent), of the results of financial (compliance) audits (types of opinions), which best reflect the impact of public audits:

- The increasing level of implementation of recommendations shows whether sufficient recommendations have been taken into account to promote positive changes in the public sector;
- The improved financial (compliance) audit opinion indicator shows the positive impact of past audits on the implementation of the recommendations of the previous year;
- The decreasing number of the legislation violations revealed a positive change in the activities of the audited entity.

Having strengthened the monitoring of the implementation of the recommendations in 2017, this audit benefit index was lower than we planned.

we are
stronger
together