VALSTYBĖS KONTROLĖ

NATIONAL AUDIT OFFICE OF LITHUANIA

• BRINGING BENEFITS •

2020

ANNUAL REPORT

Auditor General's word

Impact, quality and dissemination are the directions chosen by our institution five years ago. The journey was full of discoveries and changes. Improvement of performance quality and targeted dissemination of results has created the highest ever public confidence in the National Audit Office.

We have received international evaluations that our audit practice is in line with the highest standards of auditing, and we have become a team leader of external audit of the global organisation uniting supreme audit institutions (INTOSAI). Our quality management system has become a part of the organisation's culture and allowed us to successfully overcome the challenges of 2020. We are putting more effort into ensuring appropriate public sector follow up developments so that audit recommendations are implemented in a timely manner. In performing the tasks assigned to us by laws and regulations, we responsibly choose the topics of audits and assessments each year, in areas where change is most needed. I invite you to familiarise yourself with the most important works and changes in the institution during the five-year period in the report section "Strategy 2020".

In the report, we present the audits and assessments carried out in 2020 and the impact of previous audit recommendations achieved in the public sector. The year 2020 is a year of important developments for us: five-year self-assessment of the institution's results, changes in its legal environment, and the COVID-19 pandemic.

After evaluating our experience, we are determined to make professional changes to become an added value creating organisation. Creative and professional team test and apply innovations dictated by the audit profession and technological development in anticipation of future challenges.

I would like to conclude by discussing last year's events that were critical for our institution. At the end of December, the Seimas of the Republic of Lithuania adopted a new version of the Law on National Audit Office creating preconditions for the progressive activities of the institution, establishing a system for monitoring the implementation of recommendations and their parliamentary scrutiny. Upon the entry into force of the Law, the activities of auditors of the National Audit Office will be regulated by the Law on National Audit Office rather than the Law on Civil Service. This is an important event that has matured for two decades, when the legal regulation of the activities of the National Audit Office as the supreme audit institution was substantially renewed.

These important changes in the life of the institution enable us to become a centre of excellence, to ensure innovative and sustainable management of the institution, and high quality of audits for the maximum benefit of the state.

I invite you to evaluate the work performed by the National Audit Office in 2020, to get acquainted with the initiated and already achieved changes in the public sector after implementation of the recommendations made by auditors.

Mindaugas Macijauskas

Figures and facts for 2020

PUBLIC AUDIT

21 audits

3 assessments

BUDGET MONITORING

7 budget monitoring opinions

1 assessments

EU INVESTMENT AUDIT

1 audit

51 audited projects

RECOMMENDATIONS

83%

of the recommendations have been implemented, creating positive impacts

TRUST

37%

of the society trust in the National Audit Office

EMPLOYEES

291

staff of the institution

BUDGET

9.2 MILLION EUR

budget funds used

COVID 19 – challenges and solutions

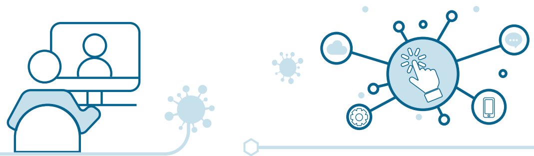
The pandemic caused by coronavirus (COVID-19) disease, which started in 2020, affected the lives of all of us, limited our activities and disrupted normal work processes.

In our activity we have constantly searched for innovative solutions, developed the concepts of virtual office, e-audit and, after an unexpected announcement of quarantine, consistently implemented strategic measures were successfully applied within half a day of smooth transition to work in the virtual office.

With the quarantine continuing, the role of the National Audit Office has become even more relevant in monitoring emergency management, maintaining public finance management discipline, ensuring transparency and accountability. Continuing our work remotely, we included an overview of COVID-19 crisis and emergency management into the annual activity plan, adjusted audit performance deadlines, and updated the content. After reviewing the recommendations of previous public audits, we drew the attention of the Seimas Committee on Audit to those whose implementation could and may still facilitate timely response to the emergency affecting the country.

As the coronavirus (COVID-19) disease situation continued, the auditors moved the usual work to e-space and had to change communication and cooperation with auditees in view of the challenges they face. Remote working has also revealed many technological possibilities to continue the started works effectively and to take on the new ones and has led to the search for opportunities to improve professional skills.

The international audit community has focused on tackling the challenges posed by the pandemic. As the events moved to the virtual space, there was an opportunity to increase the exchange of experience and professional knowledge. Institutions have opened access to audit methodology documents, the role of supreme audit institutions and specific work during the pandemic were discussed in remote seminars, cooperative audits and methodological projects were initiated dealing with the global situation of a pandemic caused by the coronavirus (COVID-19).



We carried out an overview of the management of the crisis and emergency caused by COVID-19.

Together with the heads of the European supreme audit institutions we discussed the opportunities of the audit community response to the COVID-19 pandemic. We joined the EUROSAI Project Group on Auditing the Response to the COVID-19 Pandemic, aiming to reduce the consequences of the pandemic, sharing audit methods, results, and lessons learned.

We specified recommendations, the timely implementation of which could facilitate response to the pandemic caused by coronavirus (COVID-19) disease.

We set up the coordination group in the institution dedicated to the monitoring of coronavirus (COVID-19) disease situation in the country and assessment of operational risks.

We shared an emergency management experience in 10 international INTOSAI remote seminars.

PUBLIC AUDIT

Addressing long-term public sector challenges becomes more relevant to combatting the consequences of the COVID-19 pandemic

When drawing up the annual plan, we carry out a comprehensive analysis of the activities of the Lithuanian public sector, evaluate the problems arising in it, take into account the risks and expectations identified by the stakeholders and residents in this sector. The public audit planning system helps to respond to the risks arising during the year, to be where changes are most needed.

In 2020, following a dramatic change in the situation in the country and the world as a result of the pandemic, we updated our annual plan: we supplemented it with assessment of the risk management of COVID-19 disease in public sector areas, reviewed the deadlines for already ongoing audits and assessments, included in the plan an overview of the management of COVID-19 crisis and emergency.

When presenting the results of the monitoring of the implementation of the public audit recommendations, we drew the attention of public sector institutions to those whose timely implementation could have helped to manage the risks posed by the pandemic, and encouraged to take active action in planning future investments needed to manage the consequences of the pandemic.

The status of implementation of the recommendations, actions, deadlines, and results of the audited entities are published on our website in open data section.

21 audits completed

12 performance audits

9 financial (regularity) audits

241 recommendations submitted

83 % of the planned to be implemented in 2020 recommendations have been implemented (Target ≥ 80 %)

30 % implemented at agreed time (Target ≥ 25 %)

50 % of audits have been linked to SAI strategic objectives (Target ≥ 40 %)

70 % of audits and assessments have been linked with COVID-19

5 priority areas are: budgetary governance, education, public administration, management of state assets, and information society development

IMPACT

We observed progress for the implementation of recommendations in the area of strategic management after adoption amendments to the Law on Education.

The implementation of the recommendations has resulted in the creation of legal preconditions for improving the system of public administration, municipality rights have been expanded in the area of provision of social services.

Budgetary governance

Reform of strategic planning system would make a positive effect on public sector areas

The Law on the Budget Structure and the Laws on Financial Indicators for the corresponding years entitle the Government to finance with the funds borrowed on behalf of the state the expenditure of the state budget which has not been approved by the Seimas. This was particularly evident in 2020, the year of the outbreak of coronavirus (COVID-19) when, without changing the amounts of appropriations authorised in the 2020 budget, the limit on net change in Government debt obligations was increased and additional public budget expenditure was foreseen for the Economic Stimulus and Coronavirus Mitigation Action Plan. Already in 2016, we submitted a recommendation to initiate amendments to legal acts in relation to decisions, what financial indicators and how many must be approved by the Seimas and what rights the Government to be granted in the implementation of the budget.

High-quality, result-oriented budgetary governance is a guarantee of rational and transparent allocation and use of state resources, however the practice of expenditure funding shows not only weaknesses in planning, but also increases the risk of violating the requirements of fiscal discipline.

At the end of the economic downturn caused by the pandemic, reserves will have to be recovered in an even more difficult situation

When assessing the public debt, we see no reduction in debt in absolute terms. It grew by almost a billion during 2019. Over the last five years, the size of the general government debt remained similar in nominal terms, only its relative size, the debt-to-GDP ratio, decreased as GDP grew.

The debt-to-GDP ratio is projected to exceed 50 % GDP threshold in 2020 in implementing the measures of the economic stimulus plan as a result of the COVID-19 disease pandemic. At the end of the economic downturn caused by the pandemic, reserves will have to be recovered in an effort to return the public debt to the pre-crisis levels.

In response to repeated proposals on the determination of the fiscal space for Lithuania, the Ministry of Finance started to analyse and assess what level of general government debt would be appropriate not to exceed in the long term in order to maintain the sustainability of general government finances in the long term, taking into account demographic changes and other factors.

2020 audit, Assessment of 2019 set of national financial statements and data of public debt and its management

2020 audit, Assessment of regularity of 2019 sets of state consolidated financial and budget execution reports and legality of management, use and disposal of state budget funds and property

22.6
EUR billion
public debt amounted in the 3rd quarter 2020

84.4
EUR million
less than planned accumulated in reserves (2019)

178.2
EUR million
expenditure financed from borrowed funds, not approved in the state budget (2019)

IMPACT

LEGAL PRECONDITIONS CREATED FOR LINKING THE GOVERNMENT'S OPERATIONAL OBJECTIVES TO FINANCIAL INDICATORS FOR THE CORRESPONDING YEAR

New version of the Law on Public Sector Accountability adopted

New model of strategic management system approved

Law on the Budget Structure supplemented

2016 audit, Programme budget system: setting up strategic action plans and monitoring their implementation

2016 audit, Regularity of 2015 set of consolidated statements of the state and assessment of state budget execution

2018 audit, Assessment of 2017 set of national financial statements and data of public debt and its management

Accountability

Reducing the extent of misstatements detected in the financial statements we would have a set of national financial statements based on reliable data

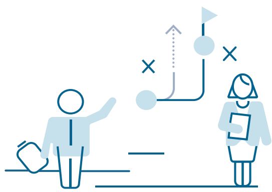
We have assessed the data of the 2019 national set of financial statements and the sets of financial and budget execution reports of six resources funds. The national set of financial statements combines financial data of 3645 entities, covers assets amounting to EUR 56.3 billion, EUR 24.2 billion of liabilities of the public sector. Unfortunately, since the introduction of this set, i.e., over the last eight years, we cannot confirm the accuracy of a significant part of this data, because the entities' accounting contains repeated material misstatements:

- a significant proportion of tax revenue (98 %) cannot be confirmed due to shortcomings in tax accounting;
- institutions within the management area of the Ministry of Culture have assessed 40 % of the movable cultural (museum) property managed by them at symbolic value of one euro rather than the actual value;
- biological assets and cultural property, economic operations and economic events related to public-private partnership agreements, roads and streets of local importance are improperly accounted in municipalities: their inventory has not been drawn up yet, they are not legally registered, and are accounted for at symbolic value. For these reasons, the balance of fixed assets is lower and does not show a fair value.

Financial (regularity) audits in 2020.

Qualified opinions

- on the 2019 national set of financial statements
- on the 2019 set of the state consolidated financial statements
- on the set of consolidated financial statements and budget execution reports of the State Social Insurance Fund



43 (of 56)

audited entities were provided observations and/or minor recommendations on eliminating accounting deficiencies and strengthening internal control

IMPACT

POSSIBILITY TO HAVE A COMPREHENSIVE SET OF REPORTS

Legislation adopted allowing to have a comprehensive set of reports for 2023

2018 audit, Assessment of 2017 national set of financial statements and data of public debt and its management

Management of state assets

State real estate must be transferred to municipalities only upon assessment of its necessity for the performance of state functions

More than half (53 %) of the state real estate managed by the right of trust is not used by municipalities or used for performing the functions for which it was not assigned. A third of the municipalities managing it do not have precise information about the state real estate managed by the right of trust.

We urge the Government to establish an assessment of the necessity of the state real estate planned to be transferred to municipalities for the performance of state functions, as well as to establish procedures for monitoring and control of the use of the transferred real estate and the obligation for municipalities to report on the actual use and condition of the real estate.

2020 audit, Management of state real estate transferred in trust to municipalities

More efficient management of municipal real estate would bring greater benefits to society

Together with municipal control and audit services, we carried out a joint audit of real estate managed by municipalities.

The results show that municipal real estate management in Lithuania is not efficient, targeted and complex, therefore, the potential benefit to society is not ensured. We found cases in which municipalities did not have precise information about the real estate managed by them, had no decision on what to do with the unused real estate, and the state-owned land parcels used for the exploitation of the real estate were not formed. The results of this audit not only introduced general real estate management practice in municipalities, but also revealed good experiences in real estate management and enabled to make informed decisions on real estate management.

2020 assessment, Management of municipal real estate

19.9 thous. sq. m

of 50.6 thous. sq. m. of state real estate managed by the right of trust was not used by 32 (of 47) municipalities or used for the functions for which it was not assigned

7 thous. sq. m

of 50.6 thous. sq. m of state real estate managed by the right of trust in 10 (of 47) municipalities are abandoned and impaired

9 thous. sq. m

of 50.6 thous. sq. m. of state real estate managed by the right of trust in 6 (of 47) municipalities were used by natural and legal persons not performing municipal functions

IMPACT

LEGAL PRECONDITIONS CREATED FOR BETTER MANAGEMENT OF STATE ASSETS

Approved Description of the procedure for transferring state assets by the right of trust and into the ownership of municipalities

2018 audit, Management of state real estate

Upon amendment of the Law on Higher Education and Studies, criteria for investment established

2017 audit, Are the assets of state universities managed and used in a targeted manner – for research activity and studies

Health care

Calculating the price of personal health care services requires correct data

The data for calculating the price of health care services is not in all cases correct and comparable. This affects the amount of costs, which is applied when calculating the price of personal health care services. The lists of paid medical services for the inclusion of new services have not been changed for more than 10 years, so health care institutions are faced with a dilemma: whether to provide paid medical services which are not approved by the Ministry, but often highly needed or provide only those services which are approved and not to infringe legislation.

We recommended that the Ministry of Health develop a system of data provision ensuring that the data provided by medical institutions to calculate the cost of health care services are correct and comparable.

2020 audit Assessment of regularity of 2019 sets of consolidated financial and budget execution reports of the Compulsory Health Insurance Fund and legality of management, use and disposal of its funds and property

Management of the Coronavirus (COVID-19) disease situation requires complex measures and timely decisions

The pandemic caused by Coronavirus (COVID-19) disease and its management in 2020 amounted to EUR 0.5 billion more than the planned expenditure of the state, State Social Insurance and Compulsory Health Insurance Funds, and almost EUR 0.9 billion of planned revenue was not collected in the budgets. The Government borrowed more than EUR 7 billion to reduce the consequences of the pandemic, to balance public cash flows and to finance budgetary expenditure. In the short term, to contain the pandemic and to prepare for its new waves, the Government has adopted the COVID-19 management strategy, but in 2020 the implementation of 28 % of its actions was delayed. The scale of Government response and its timely delivery have a decisive role to play in reducing the negative consequences of the pandemic, both for economic sustainability and for meeting societal needs.

2020 assessment, COVID-19 crisis and emergency management

15 of 20
medical institutions assessed provided not only those paid services which were approved by the Ministry but also other services

In 70 %
of medical institutions assessed costs for service price were calculated incorrectly, in all the assessed institutions these costs are not comparable

Up to 75 %
of fixed assets used in medical institutions are completely worn out

IMPACT

MORE HEALTH CARE SERVICES TO SOCIALLY VULNERABLE GROUPS

Amendments to the Law on Health Insurance ensure that social assistance is not financed only by the compulsory health insurance contributions

2017 audit, Regularity of 2016 set of accounts of the Compulsory Health Insurance Fund and legality of the management, use and disposal of its funds and property

REDUCTION OF ADMINISTRATIVE COSTS FOR MEDICAL SERVICES

Medical institutions conclude one agreement with Territorial Health Insurance Funds concerning the provision of inpatient services beginning with 2021

2018 audit, Assessment of regularity of 2017 sets of consolidated financial and budget execution reports of the Compulsory Health Insurance Fund and legality of the management, use and disposal of its funds and property

IMPROVING THE PLANNING OF DEMAND FOR DOCTORS AND NURSES AND QUALITY OF SERVICES

Improved model for planning of personal health care professionals and service quality assessment

2018 audit, The accessibility of personal health care services and the orientation towards the patient

2018 audit: Quality of personal health services: security and effectiveness

EFFORTS TAKEN FOR TIMELY PROVISION OF ASSISTANCE TO PERSONS AT RISK OF SUICIDE

Specific measures and actions envisaged in the National Suicide Prevention Action Plan 2020-2024

2017 audit, Suicide prevention and aid to individuals related to the risk of suicides

Education

Lack of systemic measures to improve the quality of education, to bridge the gap between pupils' achievements and increase the attractiveness of the teaching profession

Changes in education are taking place, but there is not yet sufficient progress in improving its quality. The number of pupils and educational institutions is decreasing, funding for education is growing ahead of inflation; however, the gap in achievement of pupils growing in a favourable and unfavourable social, economic, and cultural environment and attending small and big schools is not narrowing significantly, and provision of modern education aids to schools is still not adequate.

Existing regulation at both national and school level does not yet ensure transparent and equitable remuneration for all teachers – national legislation does not lay down principles for the structure of the workload of teachers when working below or above the full workload.

We recommended to initiate changes at national level that would improve the quality of education and pupils' achievements, eventually reduce social exclusion and ensure transparent and equitable remuneration for teachers.

2020 audit, Do the changes in education determine pupils' better achievements

Better vocational training would be ensured by a more efficient use of modern equipment, improving the quality of training leading to the reduced number of early school leavers

There is a lack of efficiency in organising vocational training in the country. Only one third of students are learning with modern equipment, with a decrease in the number of students, schools are reluctant to refuse of unused facilities, training quality assurance is insufficient.

Apprenticeships are an effective tool for a smooth transition from school to work, but the target of 2020 (20 % of those enrolled in this type of training) was not achieved. Between 2018 and 2019, it reached only around 2 %.

We recommended taking decisions on the allocation of state funded places for vocational training institutions, providing for measures to increase the number of students to complete education and gain qualifications, reduce the unused area and increase the use of the equipment of sectoral practical training centres.

2020 audit "Is vocational training organised efficiently

65 %
of teachers working in the country with less than full time workload, however principles for setting part-time workload are not regulated

In 45 %
of audited schools, criteria required for objective decision-making on teachers' salaries have not been established

44 %
decrease in the number of students in initial vocational training in state vocational training institutions in 2016-2020

17 %
of students discontinued studies in state vocational training institutions each year in 2016-2018

IMPACT

LEGAL PRECONDITIONS CREATED TO STRENGTHEN INCLUSION IN EDUCATION

The Law on Education refused discriminatory provisions concerning learners with special educational needs

2017 audit, Could achievements of Lithuanian students improve

BUILDING CONFIDENCE IN PRE-SCHOOL EDUCATION SPECIALISTS

Increasing pay for teachers in pre-school education

2018 audit, Do we use the pre-school education to ensure a more successful future for children

Information society development

We must pay more attention to combatting the cybercrime

In 2020, the pandemic triggered even more active digitalisation of society: the use of electronic services, remote working, online commerce, financial transactions, thus increasing the risk of cybercrime.

The extent of cybercrime threats is large and growing – cyber incidents have almost doubled in recent years, the number of residents affected by cybercrime and data theft is increasing, but the effectiveness of activity of specialised cybercrime investigation units is insufficient.

Solutions are needed to ensure a more effective prevention of cybercrime by reducing opportunities for the residents to fall victim to these crimes, and to provide for measures enabling the removal of illegal and harmful content on the Internet. We recommended to ensure inter-institutional planning, coordination and impact measurement of preventive actions in combatting cybercrime at national level.

2020 audit, Is cybercrime combatted effectively

1288

recorded criminal acts committed in cyberspace. This accounts for 2.5 % of the total recorded criminal acts (51.4 thousand)

40 %

of cybercrime pre-trail investigations lasted more than 9 months

62 %

of cybercrime pre-trial investigations in 2016-2019 were carried out by officers specialising in other areas. Out of which, on average 11 % of crimes are attributable to Articles 196-198 of the Criminal Code, which fall under a competence of specialised units

IMPACT

CONDITIONS CREATED FOR MORE EFFICIENT USE OF E-COMMUNICATIONS NETWORKS BY THE STATE AND STATE-OWNED COMPANIES

Requirements on common use of state e-communications network infrastructure supplemented

2017 audit, Development of the state electronic communications infrastructure

Social security and labour

Individual complex assistance and tailored environments for persons with disabilities would increase their autonomy and integration into the labour market

Lithuania does not ensure adequate opportunities for people with disabilities to access services according to their needs, working in the open labour market is not increasing, and there is a lack of public buildings, transport, websites and mobile applications tailored to special needs.

Providing adequate conditions and assistance have become particularly relevant in the context of the crisis caused by COVID-19 disease.

We recommended the creation of an integral system for assessing individual needs and responding to them, introducing the most effective measures regarding the involvement of persons with disabilities in the open labour market and greater involvement of employers in their employment, improving access to information.

2020 audit, Social integration of persons with disabilities

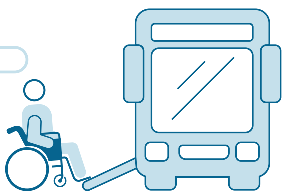
With a defined social security system, it would be clear what benefits are to be paid from the funds of Social Insurance Fund and what from other sources

We lack action to ensure a common social security system financed from the state and social insurance budgets. General principles of state social insurance are not defined, therefore benefits having the characteristics of social assistance are paid from the part of the funds of the State Social Insurance Fund. When drawing up the budget of the State Social Insurance Fund, the amounts of contributions which would ensure adequate funding for the implementation of all types of social insurance are still not planned, while the accumulated results of different types of insurance required for taking decisions are not calculated.

2020 audit, Assessment of the regularity of 2019 sets of consolidated financial statements and budget execution reports of the State Social Insurance Fund, and legality of the management, use and disposal of its funds and assets

29 %

of persons with disabilities of working age were employed, and part of employed persons did not increase over 5 years (2019)



30–35 %

of municipal public vehicles and managed buildings are adapted to persons with disabilities

3.4 %

of state and municipal websites are accessible to persons with disabilities (target in 2020 is 100 % under the Directive 2016/2102 on the accessibility of the websites and mobile applications of public sector bodies)

IMPACT

CONDITIONS FOR ACCESS TO ASSISTANCE FOR LOW-INCOME RESIDENTS ARE IMPROVING

Law on Cash Social Assistance for the Low-Income Residents extended the principles of assistance and post-employment benefits

2019 audit, "Does social assistance ensure minimum consumption needs of people living in poverty and promote the labour market integration

MORE EFFECTIVE CONTROL OF UNDECLARED WORK

System for selection of illegal work inspections improved and control impact assessment started

2019 audit, How the State Labour Inspectorate ensures safe and legal participation in the labour market

OPTIMISATION OF THE STRUCTURE OF THE STATE SOCIAL INSURANCE FUND BOARD

Two territorial divisions were reorganised in 2020

2018 audit, Regularity of 2017 sets of consolidated financial and budget execution reports of the State Social Insurance Fund and legality of the management, use and disposal of its funds and property

Environmental protection

Without increasing the pace, the modernisation of multi-apartment buildings would be completed after 100 years

The implementation of the programme of modernisation of multi-apartment buildings does not ensure the modernisation of all multi-apartment buildings that use the most thermal energy. Due to shortcomings in the preparation of investment plans, 78 % of applications are returned for correction, if not corrected, on average around a third of applications are rejected each year.

We recommended providing for measures and conditions for the continuity of the modernisation process of multi-apartment buildings, faster thermal energy saving and greater involvement of owners of apartments and other premises. It is important to make use of the monitoring data for the modernisation process of multi-apartment buildings, which would enable informed decisions to be made on improving this process.

2020 audit, Multi-apartment building renovation (modernisation)

Environmental protection system should contribute more to reducing the environmental impact of pollution

The existing process of environmental impact assessment and issuance of permits and state control of environmental protection are still not conducive to avoiding negative consequences for the environment. For a long time, some contaminated sites have not been managed, and some of them have not been managed for decades.

In order to achieve the efficiency of state control of environmental protection, we proposed to develop and implement measures that would ensure effective monitoring of efficiency assessment of state control of environmental protection to ensure the management of sites contaminated with hazardous chemical substances and the elimination of higher than permissible pollution.

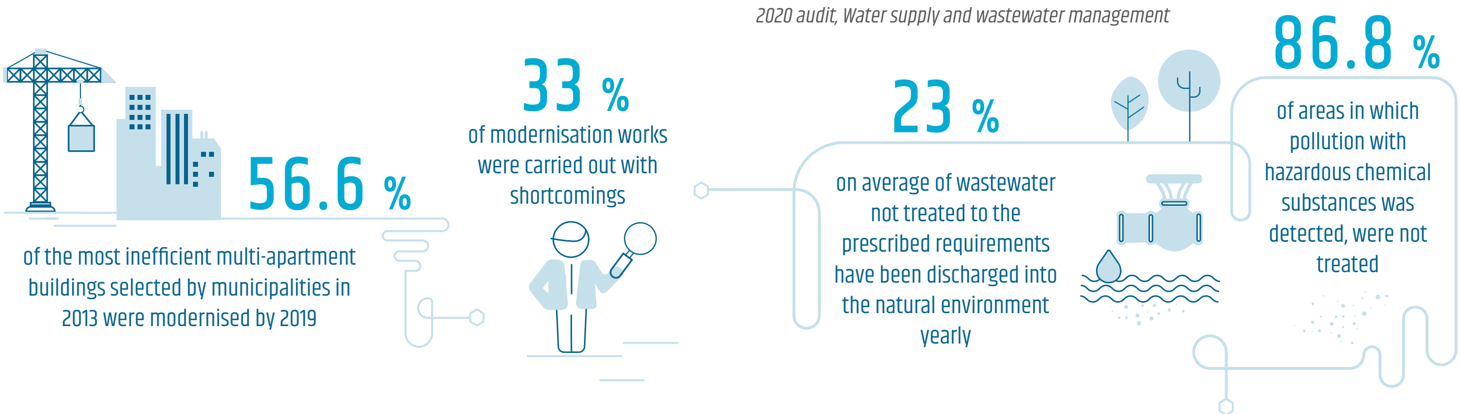
2020 audit, Efficiency and effectiveness of environmental protection and pollution prevention activities

Through a rational use of funds and a focus on water quality, more residents would be able to use centralised drinking water and waste water treatment facilities

In Lithuania, the centrally provided drinking water supply and wastewater treatment infrastructure is insufficiently developed, while not all of the generated wastewater in densely populated areas (agglomerations) is collected centrally, not all suppliers supplying drinking water have a license, less inhabitants than planned connect to the networks, and the required quality of drinking water and proper wastewater treatment is not ensured.

We recommended to develop measures to promote the installation or modernisation of wastewater treatment plants in municipalities, so that wastewater is discharged into the natural environment only after treatment to the prescribed requirements. In order to avoid negative consequences for human health, it is important to ensure uninterrupted provision of services and quality of drinking water supplied.

2020 audit, Water supply and wastewater management



IMPACT

THE PROCESS OF MODERNISATION OF MULTI-APARTMENT BUILDINGS IS IMPROVING

The revised Description of the procedure for monitoring the implementation of the Programme of modernisation (renovation) of multi-apartment buildings will help to make informed decisions on the improvement of this process

2020 audit, Multi-apartment building renovation (modernisation)

Justice

Improvement of the conditions in the judicial system could ensure that cases are dealt with in the highest possible quality and in the shortest possible time

Despite the fact that the number of cases pending in courts and the average workload of judges decreased by 14 % over three years, the average length of civil proceedings in district courts increased by 4.4 %. Within 12 years, there is no agreement on what functions should be attributed only to the court, as an exclusive body for the administration of justice. The number of vacant judicial posts increases year on year, increasing the workload of other judges and hence the length of proceedings.

30 % of the judges working in district courts do not specialise in hearing cases. For this reason, in courts where no specialisation was established, about 16 % more civil cases were dismissed or returned to first instance than in courts where specialisation was established.

The state should ensure the creation of legal and organisational preconditions for the implementation of justice. We recommended to provide for long-term priority directions and goals for the improvement of the judicial system, to abandon functions that are not specific to the courts and to create appropriate conditions for the specialisation of judges.

2020 audit, Judicial system

Justified price of bailiffs and notaries services and supervision of their activities would ensure equal access to the services provided by bailiffs and notaries to residents of Lithuania

Measures to effectively perform state functions delegated to bailiffs and notaries are insufficient. The price of their services is not justified, it is not possible to determine economically justified amounts of bailiffs' execution costs and notaries' remuneration fees.

We recommended to fundamentally reform the mechanism for determining the bailiff's execution costs and notaries' remuneration fees, to provide for measures to improve the availability of their services, to improve supervision and control of their activities.

2020 audit, Is it ensured that functions delegated to bailiffs and notaries are performed effectively

1.4 times
difference in judges' workload in district courts

Up to 10 times
larger amount should be paid by residents as bailiff's execution costs than the amount enforced in the case if the enforced amount does not exceed EUR 60

Up to 3.5 times
may vary the price per identical notarial act as this is the difference in the notarial remuneration fees established at minimum and maximum intervals

IMPACT

THE ROLE OF CONSUMER ASSOCIATIONS IN DEFENDING CONSUMER RIGHTS IS INCREASING

The Law amending the Law on Consumer Rights Protection adopted

2019 audit, Protection of consumer rights

LEGAL PRECONDITIONS CREATED FOR REDUCING THE QUEES TO CARRY OUT FORENSIC EXPERTISE

New legal regulation enables the provision of expert services meeting customer needs under equal competitive conditions

2016 audit, Organising performance of forensic examinations

THE NEED FOR STATE BUDGET FUNDS TO COMPENSATE DAMAGE TO THE VICTIMS OF CRIME IS DECREASING

The amendments made to the Criminal Code provide for a possibility to impose a contribution to the fund of the victims of crimes together with a penalty

2016 audit, Securing the funds of the national budget after the compensation of damage caused by other parties in the cases provided for in the laws

Public administration

Effective supervision of economic operators requires evaluation of the current situation, clear target result and measurement indicators

Having assessed the implementation of the recommendations made in 2018 when consolidating the supervisory institutions of economic entities, we found that the supervisory burden on economic entities was not assessed, it is not clear whether the supervisory functions performed by these authorities remain relevant and whether it is expedient that they continue to be performed by state institutions. It is still not being evaluated which functions, in terms of benefit, should be transferred to the private sector, other organisations or municipalities and which could be left to self-regulation.

When continuing the restructuring, it is important that decisions be based on cost-benefit analysis and periodically assessed, whereas the results and achievement of the objectives of consolidation of supervisory institutions of economic entities and/or their functions be supervised.

2020 audit, Consolidation of institutions responsible for supervision of activities of economic operators

1 of 10

supervisory institutions consolidated envisaged in the plan of consolidation of institutions responsible for supervision of economic operators approved in 2018

10 of 10

cases of consolidation envisaged in the plan of consolidation of institutions responsible for supervision of economic operators no evaluation of the burden of supervision of economic operators was carried out

299.2
Eur million

(30 %) is the increase in the price of supervision of economic operators in 2019 compared to 2016, i.e, 3 % of the total state budget appropriations

IMPACT

UNIFICATION OF REQUIREMENTS FOR PERSONS IN CHARGE OF PUBLIC ADMINISTRATION

Law amending Law on Public Administration and related bylaws adopted

2017 audit, Human resource management in public administration institutions

SEPARATION OF PUBLIC AND ADMINISTRATIVE SERVICES

Definition of a public service revised in the Law amending Law on Public Administration

2017 audit, On preparedness for making decisions regarding the restructuring of the provision of administrative and public services

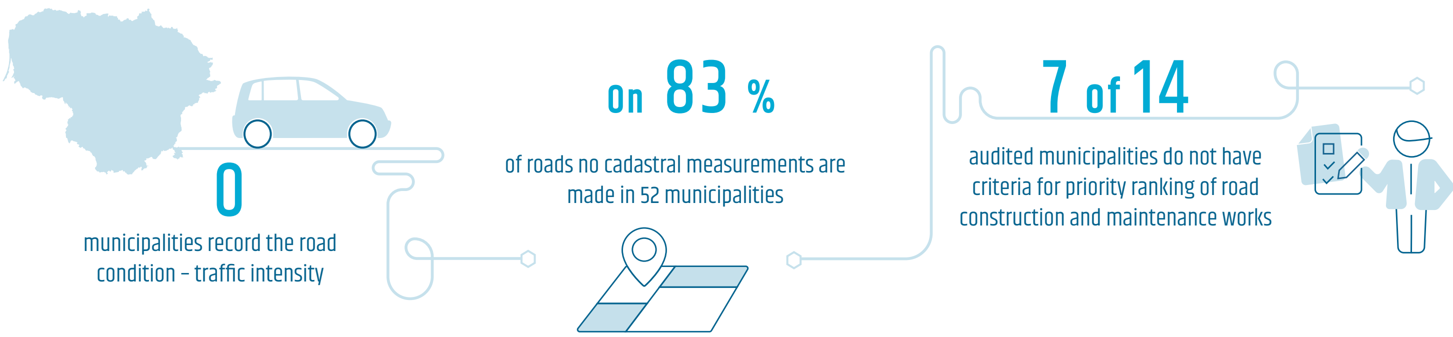
Transport and communications

Development of road infrastructure should be oriented towards long-term objectives, with funds allocated on the basis of clear, measurable criteria

In 2019, as many as 60 % of asphalt roads of state importance were in poor or very poor condition. The intensity of these main roads in Lithuania amounted to about 12 thousand cars per day. As much as 39 % of all the funds earmarked for repairing roads were used to asphalt the gravel roads with the average traffic intensity of 500 vehicles per day. There have been cases when works were also carried out on the sections of roads of state importance which were in good condition or where the condition was not even assessed.

It is necessary to provide for directions and measures to improve the current state of the road infrastructure of state importance. Investment in road infrastructure needs to be channelled where it is most needed, ensuring consistency in the execution of works and strengthening road quality control.

2020 audit, Management of road infrastructure



IMPACT

HARMONISATION OF THE PRINCIPLES OF THE RAIL BALTICA MANAGEMENT, PLANNING, REPORTING AND RISK MANAGEMENT SYSTEM HAS BEEN ACHIEVED

Integrated risk management system for the Rail Baltica project implementation introduced

2019 audit, Implementation of the Rail Baltica Project

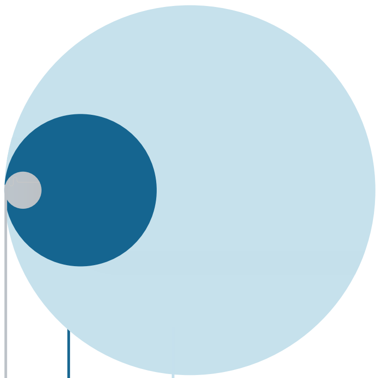
LAND UNDER ROADS OF STATE IMPORTANCE IS ACCOUNTED FOR

Revised Description of the procedure for valuation of roads of state Importance, calculation of its change and accounting for the land under roads

2020 audit, Assessment of regularity of 2019 sets of state consolidated financial statements and budget execution reports and legality of management, use and disposal of state budget funds and assets

EU INVESTMENT AUDIT

AT THE BEGINNING OF 2020, THE EUROPEAN COURT OF AUDITORS ISSUED AN AUDIT OPINION ON FINANCIAL INSTRUMENTS, WHICH DID NOT CONTAIN ANY OBSERVATIONS AND RECOMMENDATIONS TO THE NATIONAL AUDIT OFFICE IMPLEMENTING FUNCTIONS OF THE EU INVESTMENT AUDIT AUTHORITY, THUS CONFIRMING THAT WE CARRY OUT PROPER AND HIGH-QUALITY EVALUATIONS OF FINANCIAL INSTRUMENTS PROJECTS.



EUR 945 million
declared to the European Commission

EUR 157 million
audited

EUR 8.2 million
ineligible expenditure in the projects audited

The investment management and control system of EU funds investments still needs some improvements

We completed the audit procedures for the fifth reporting period (1 July 2018 – 30 June 2019) and submitted the annual control report and audit opinion to the European Commission (EC). In the 51 audited projects we found EUR 8.2 million of ineligible expenditure.

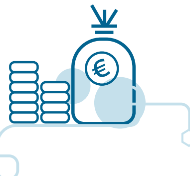
2020 audit, Assessment of functioning of management and control system created for the implementation of the 2014-2020 Operational Programme of the European Union Funds Investments, expenditure declared in the accounts, and expenditure declared for the period from 1 July 2018 to 30 June 2019 for which reimbursement has been requested from the European Commission (Control Report of the Audit Authority pursuant to Regulation (EU) of the European Parliament and the Council No 1303/2013 Article 127

During the assessment of the institutions' internal control and the verification of the eligibility of expenditure declared to the EC, we identified systemic inconsistencies, including failure to ensure supervision of the functions assigned to intermediate bodies, unjustified imposition of simplified fees, failure to comply with the procedure of publication of procurement by non-contracting authorities, etc. We have identified systemic weaknesses in the functioning of the management and control system, however, having assessed the actions performed by the audited entities in mitigating the risks and eliminating the shortcomings (we made 60 recommendations, 60% of which were implemented during the audit) at the end of the audit, we concluded that the management and control system of the EU Funds Investment Programme was in place during the reporting period and that some improvements were still needed.

Following the assessment of the eligibility of expenditure declared to the EC, we found ineligible expenditure and the overall error rate in the reporting period in the expenditure declared to the EC exceeded the tolerable threshold of 2 %. In order to reduce the residual overall error rate to the 2 % threshold, Lithuania had to apply a financial correction of over EUR 7 million to the declared EC expenditure for the period between 1 July 2018 and 30 June 2019. Due to the systemic nature of the weaknesses in the functioning of the management and control system and the overall level of error, we issued a qualified audit opinion.

As part of the audit procedures of the sixth reporting period (1 July 2019 – 30 June 2020), we have assessed in detail the eligibility of expenditure amounting to EUR 158 million. In total, over EUR 1.8 billion was declared to the EC during this reporting period.

60 recommendations
made on systemic functioning of the management and control system



BUDGET MONITORING

Exceptional circumstances announced in March 2020

During the period of exceptional circumstances, some of the deviations in fiscal indicators can be disregarded, as the application of the fiscal discipline rules has been temporarily narrowed down. The Ministry of Finance must, at least once per quarter (until the lifting of exceptional circumstances), publicly announce the updated economic development scenario in respect of which the National Audit Office performing the functions of the fiscal institution must submit its opinion to the Seimas. For this reason, in 2020, we endorsed four updated economic development scenarios for 2020-2023 instead of the two endorsed each year.

Economic recovery is projected in medium-term, however internal and external risks remain

In September, after carrying out the assessment of the economic development scenario for 2020-2023 prepared by the Ministry of Finance, we indicated in the opinion that it was suitable for the preparation of budgets attributable to the general government. We confirmed that the economic development scenario was determined by the assumptions identified and based on the statistical data available at the time.

Final consumption expenditure will be the main driver of economic growth in 2021-2022. Average gross monthly wages are projected to continue to grow faster than prices. However, there is a risk that the fall in private consumption expenditure may be higher in 2020. The risk of a slowdown in Lithuania's export growth in the medium term also remains due to deteriorating economic indicators of foreign trade partners.

Under the conditions of uncertainty, fiscal indicators in 2020 showed a high level of risk

In order to mitigate the contraction of the economy, measures were put in place in 2020 to mitigate the effects of the spread of COVID-19. Pro-cyclical fiscal policy prevailed in Lithuania in 2007-2019, however, as the economy contracted in 2020 and the general government deficit increased, anti-cyclical policies were pursued.

In the assessment of the draft budget for 2021, we indicated that the general government deficit could reach 8.9 % and 5.7 % of GDP in 2020 and 2021 respectively. Taking into account the narrowed application of the rules on fiscal discipline, based on ex-ante assessment, the 2021 general government budgets are prepared in line with the rules of fiscal discipline laid down in the Constitutional Law.

With the rapid growth of general government debt, it is important to set the direction of its reduction in the future

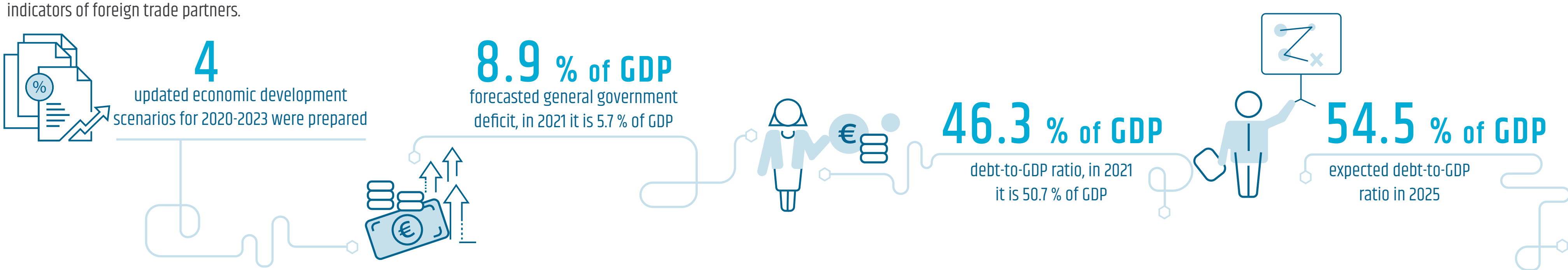
In 2020, the government rapidly increased the level of government debt by implementing the COVID-19 plan and other measures. We have projected that the debt will increase compared to 2019 and may reach 47.2 % of GDP in 2020 and will grow further in 2021 accounting of 50.7 % of GDP. According to the data of the first quarter of 2020, the debt-to-GDP ratio is 46.3 %. According to the most likely (or baseline) scenario, with the economic recovery projected in 2021, general government debt will continue to grow and may reach 54.5 % of GDP in 2025.

We carried out an *ex-post* assessment of compliance with fiscal discipline rules by municipalities for the first time

Following an *ex-post* assessment in 2019 and *ex-ante* assessment in 2020 of compliance with the fiscal discipline rules by municipalities, we found that all municipalities complied with the general government budget rules. Actual compliance with the fiscal discipline rules is important for municipalities in order to maintain grants for co-financed projects from the EU structural funds and to implement investment projects with borrowed funds. We reminded municipalities which indicators are the most important in panning the balance estimate and subsequent implementation of the budget.

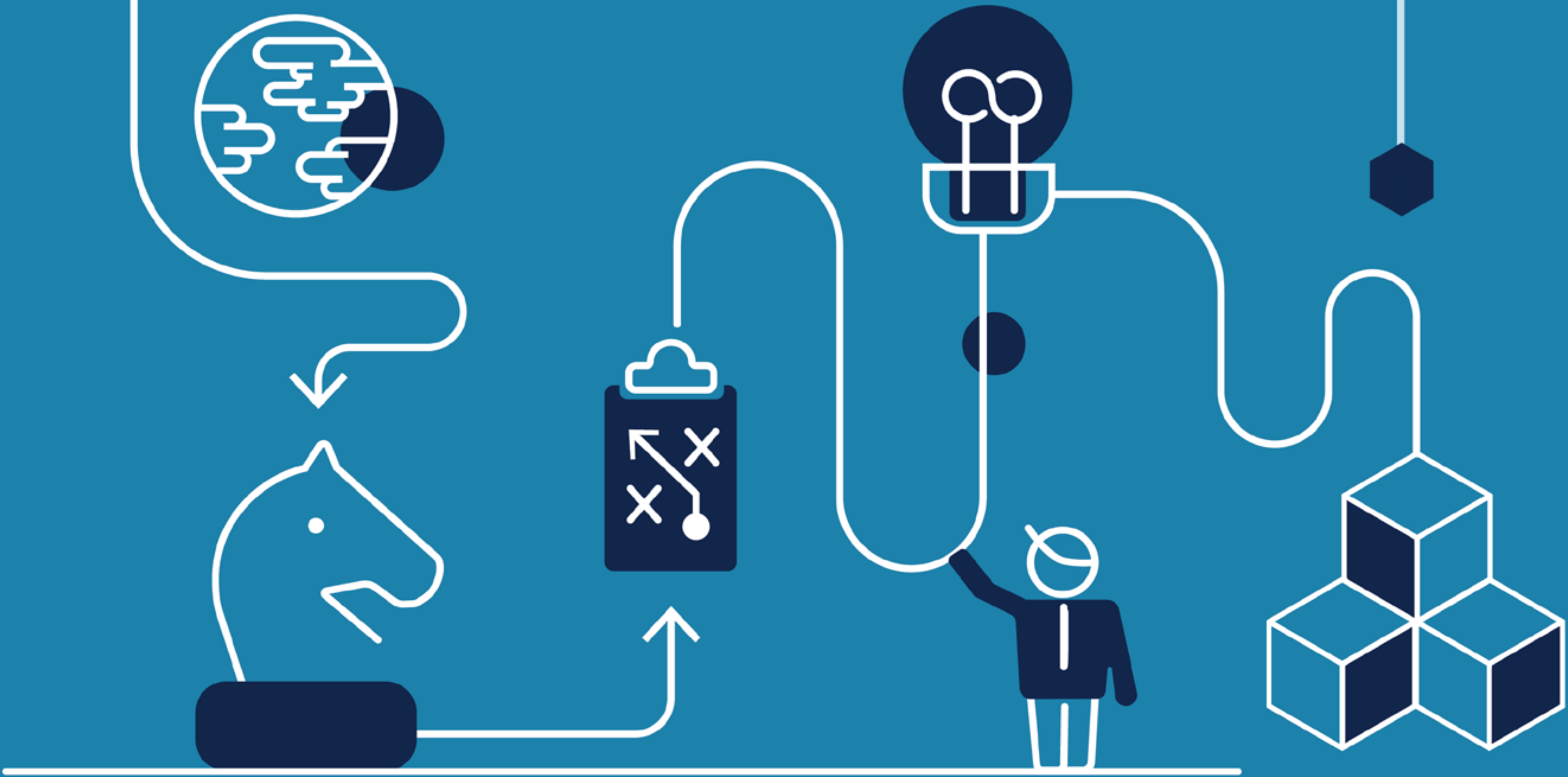
We assessed the Lithuania's general government fiscal multiplier in the medium-term

The analysis showed that the fiscal multiplier of the Lithuania's general government may be less than 1. This shows that a 1 % increase in government consumption expenditure and investment could lead to less than 1 % of GDP growth. Responsible planning of government consumption expenditure and investment is therefore important in order to stimulate the economy.



Impact
Quality
Dissemination

STRATEGY 2020



Impact

We are aiming at increasing the institution's added value to society

In order to evaluate problems in the public sector systematically, we have updated the system of planning and selection of public audits. We have developed a system (map) of indicators to assess risks in public sector areas. We choose to audit areas that require a significant change in the public sector.

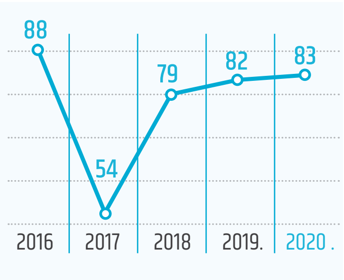
We improved the monitoring of the implementation of recommendations, refused to extend the implementation deadlines, opened the results of the monitoring to the public, and started submitting reports on the implementation of recommendations every six months to the Seimas Committee on Audit. We cooperate more actively with audited entities during formulation and implementation of recommendations, as we aim for a common goal – timely decisions that create measurable impact on the audited area.

We started to assess the impact of audits on changes in the public sector according to the approved public audit impact assessment methodology. We recognise the audit recommendations as being implemented only when they result in a real indicator-measurable change.

In order to provide relevant and objective insights into public sector problems, we have included in our plans new and faster products - assessments. This allows us to provide the necessary data and possible solutions to decision making at the relevant time.

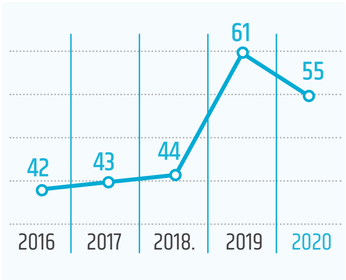
PERCENTAGE OF RECOMMENDATIONS WHOSE IMPLEMENTATION CONTRIBUTED TO POSITIVE DEVELOPMENTS IN THE PUBLIC SECTOR

≥80 %.



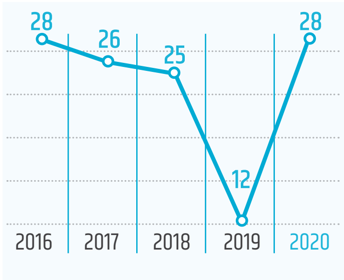
PERCENTAGE OF PUBLIC AUDITS DIRECTLY RELATED TO THE STRATEGIC OBJECTIVES OF SAI

≥40 %.



PERCENTAGE OF RECOMMENDATIONS IMPLEMENTED WITHIN THE TIME LIMIT AGREED WITH THE AUDITED ENTITY

≥25 %



BENEFICIAL

WE ASSESS THE CHANGE AND BENEFITS, DIRECT AND INDIRECT, CREATED BY AUDIT RECOMMENDATIONS, IN ALL AREAS OF THE PUBLIC SECTOR

Over five years, 1610 recommendations made by the National Audit Office implemented

WE CONTRIBUTE TO THE POSITIVE DEVELOPMENTS NOT ONLY IN LITHUANIA, BUT ALSO IN OTHER EUROPEAN COUNTRIES

We chair the EUROSAI Task Force on Municipality Audit

WE CONTRIBUTE TO THE AUDIT QUALITY ASSURANCE SYSTEM IN THE COUNTRY

Every year we carry out external review of audits carried out by municipal control and audit services (SCAT)

WE IMPLEMENT MEASURES AIMED AT IMPROVING PUBLIC SECTOR MANAGEMENT AND QUALITY OF EXTERNAL AND INTERNAL AUDIT

We continue cooperation with auditors performing audits in the public sector

Quality

We hold ourselves to the highest quality requirements

In order for the public audit quality assurance system to be effective, we have improved the quality assurance process and developed a new Public Audit Quality Assurance Handbook. The procedures in place help to ensure the quality and compliance of the public audits with the applicable standards and best practices of the supreme audit institutions.

Having introduced a quality management system, every year we assessed the maturity of the institution's business processes in accordance with ISO9001:2015 requirements. The effectiveness of the measures taken over five years has been confirmed by the annual increase in the level of maturity of the processes. The ISO auditors carried out a supervisory audit which stated that since 2015 the institution's quality management system has become part of the organisation's culture.

In order to maintain the quality of public audits, we have defined a list of services and products to be created, which is used in specifying the scope of work and directions of activities, and updated the format of the audit report and the auditor's report to make them easier to understand for readers.

The success of effective working and management methods is demonstrated by the results of surveys carried out after each audit – public audit quality score assessed by audited entities remains consistently high (8.5 out of 10) for the fifth year and the auditors' ethical communication and cooperation is annually rated above 9 points (out of 10).

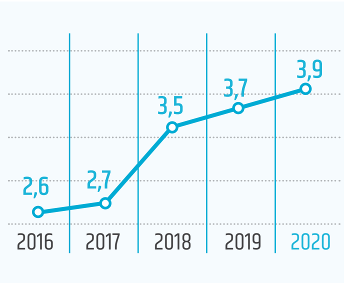
This shows that the cherished values of professionalism, responsibility, innovation and cooperation contribute to better results.

When we started to evaluate the involvement of employees, we saw that the attention devoted to organizational culture, improvement of employees' environment and working conditions, professional development of people, improved the emotional well-being of staff.

Our work and collected evidence are used to evaluate the country's economic and social aspects and Lithuania's progress. The European Commission Country Report for Lithuania quotes the results of the audits carried out by the National Audit Office: reports on smart tax administration system (i.MAS), Rail Baltica project, opening public sector data and other audits. The review prepared by the Organisation for Economic Co-operation and Development (OECD) presents the role of supreme audit institution in assessing municipal debt and its impact on public finances.

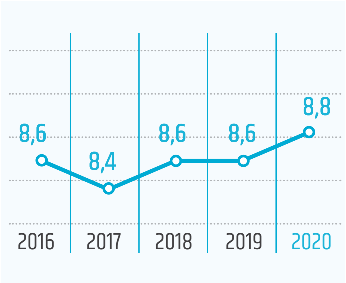
PROCESS MATURITY LEVEL

≥4



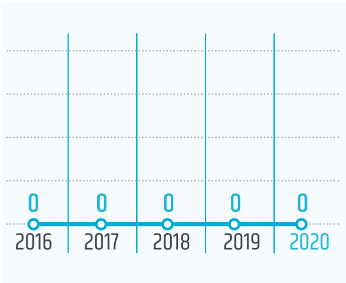
QUALITY INDEX OF PUBLIC AUDITS

≥8,8



VIOLATIONS OF OFFICIAL ETHICS

0



VALUED

INTERNATIONAL ASSESSMENTS SHOW THE QUALITY OF THE INSTITUTION'S WORK

The audit process was evaluated by foreign experts as complying with international standards

LITHUANIAN AUDITORS WERE ELECTED TO PERFORM EXTERNAL AUDIT OF THE INTERNATIONAL ORGANISATION OF SUPREME AUDIT INSTITUTIONS (INTOSAI)

Lithuanian auditors' experience is recognized by international audit community

OUR COMPETENCE IS ALSO ACKNOWLEDGED BY FOREIGN COLLEAGUES

Lithuanian SAI is invited to assess the Finland's SAI audit planning and processes, and its cooperation with stakeholders

Dissemination

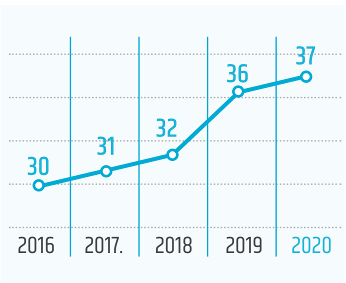
The desire to be recognisable, to present results in a simple, solid and attractive way has worked

Understanding the importance of consistent and targeted communication, we have developed a reputation management policy that combines our institution's values, professional practice and management of the stakeholder expectations. Attention to internal and external communication, use of modern methods of communication helped to ensure the visibility of the National Audit Office as the supreme audit institution, while trust in the National Audit Office increased by 6 percentage points during the period of implementation of the strategy.To draw attention to the most important problems observed during the audit, since 2017 we have held a conference SIGNALS. This is the space where we discussed with international organisations, EU and national institutions, academia, business and public organisations and the general public on the major challenges facing the public sector that facing the public sector that need to be addressed. Having started the first SIGNALSs conference with 450 participants, in 2020 we enjoyed over 1000 attenders.

On the website of the National Audit Office, we opened the data on the implementation of recommendations of public audits and created an opportunity for the public to monitor how specific institutions implement the recommendations made to them, whether or not they implement the selected measures properly and in a timely manner.

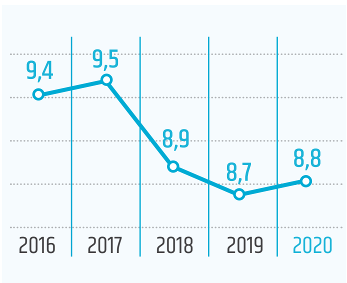
TRUST IN THE NATIONAL AUDIT OFFICE, PERCENTAGE

≥40 %



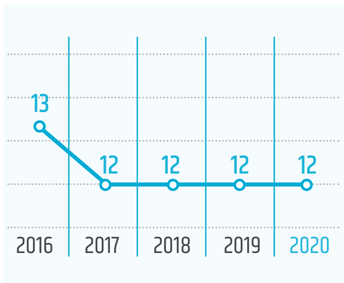
COMMUNICATION AND COOPERATION WITH AUDITED ENTITIES, SCORES

≥9



VISIBILITY RATING OF THE NATIONAL AUDIT OFFICE

<10 place



RECOGNISABLE

VISUAL IDENTITY OF THE NATIONAL AUDIT OFFICE HAS BECOME RECOGNISABLE

The style manual of the National Audit Office has been created

CONFIDENCE IN THE INSTITUTION IS BEING STRENGTHENED

Reputation management officer has been appointed

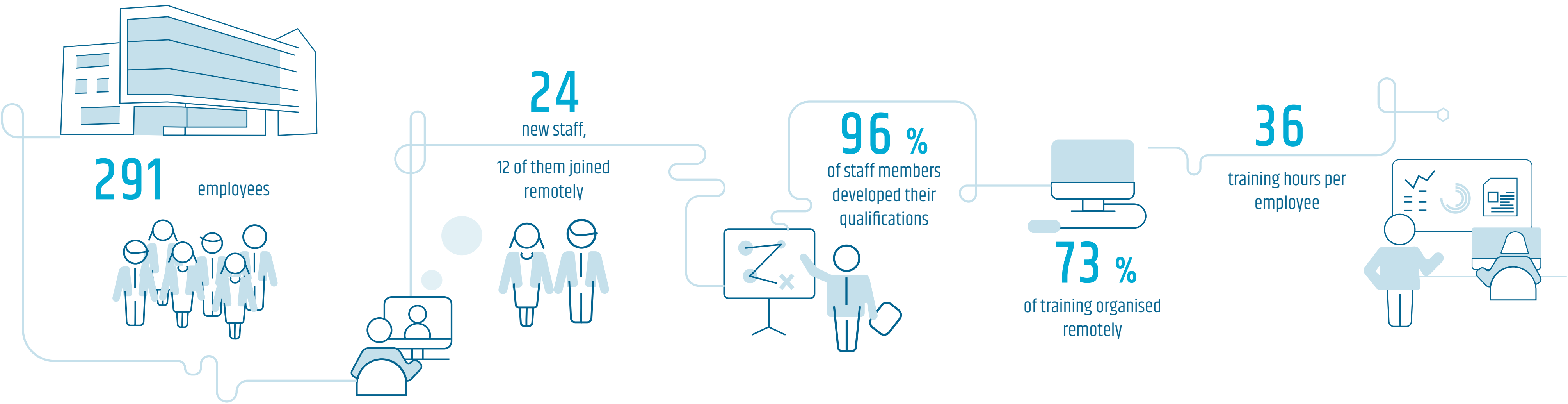
WE ENCOURAGE PUBLIC SECTOR INSTITUTIONS AND CITIZENS TO TAKE INTEREST IN THE RESULTS OF PERFORMED AUDITS

Publicity guidelines prepared for publication of results of public audits, products or activities and their stages

SAI team

The pandemic caused by Coronavirus (COVID-19) disease showed that our team was able to maintain and ensure communication between all working groups, to gather staff and to light up a working mood, to see opportunities in this non-standard situation. During the pandemic period, we managed not only to continue the planned work, but also to invite new, talented and proactive employees to the team. We have improved the methods of evaluation and selection of candidates; we have enabled students who have performed well in the institution during their practical training to continue their work in our team. In 2020, new staff joined the supreme audit institution team remotely. Distance learning and international events gained momentum in the second half of the year. We could watch the lectures not only directly, but also later, at a convenient time for everyone. This encouraged employees to improve their qualifications more actively.

Under difficult conditions for the state and the world, the value of our team's responsibility has been revealed in the employees' personal initiatives: when the quarantine began, many of us joined in volunteering. With the safety measures envisaged, we have been able to work, regardless of the circumstances.



FINANCIAL DATA

Financial data

BUDGET ALLOCATED	EUR 9.6 million
APPROPRIATIONS USED	EUR 9.2 million
OF WHICH	
WAGES AND SOCIAL INSURANCE	90.89%
FIXED ASSETS	1.30%
UTILITIES	0.86%
MAINTENANCE OF TRANSPORT	0.12%
MISSIONS	0.09%

THE AUDITOR'S REPORT: FINANCIAL STATEMENTS FOR 2020 OF THE NATIONAL AUDIT OFFICE PRESENT FAIRLY IN ALL MATERIAL RESPECTS FINANCIAL POSITION OF THE INSTITUTION OF 31 DECEMBER 2020 AND RESULTS OF OPERATION AND CASH FLOWS FOR THE YEAR THEN ENDING IN CONFORMITY WITH THE VSAFAS.