

**Standard Summary Project Fiche**  
**Project Number LT 01.09.01**  
**Twining Number LT 2001/IB/FI/01**

**1. Basic Information**

- 1.1 Désirée Number:
- 1.2 Title: Public External Audit
- 1.3 Sector: Administrative and Judicial Capacity
- 1.4 Location: State Control of the Republic of Lithuania (*Valstybes Kontrole*), Vilnius, Lithuania

**2. Objectives**

2.1 Overall Objective:

The overall objective of this **1.5 MEUR** institution building project, of which 0.2 MEUR are provided as national co-financing, is to enable the State Control of the Republic of Lithuania to operate in full accordance with the public audit Acquis.

2.2. Project Purposes

The State Control performs the public external audit function in line with the international standards demanded by EU Accession.

2.3 Accession Partnership and NPAA Priority

The project will help implementing both short and medium-term priorities of the 1999 Accession Partnership. In the short term, Lithuania is required to complete the legislative framework for external financial control in line with Acquis. In the medium term, the public financial control functions are to be strengthened through the provision of adequate staff, training, and equipment.

Similarly, the project will carry out relevant priorities defined in the May 2000 NPAA, especially those concerned with raising the status of the State Control in the Lithuanian control system, and the training of State Control staff.

**3. Description**

3.1 Background and Justification

A crucial element in the reform of the Lithuanian public administration is the need to improve public financial control, accountability and probity. Efficiency and effectiveness of the Lithuanian economy is to increase and the waste of public resources and the possibilities for fraud and corruption are to be limited. This is also important in the perspective of the accession to the European Union. The State Control of the Republic of Lithuania like all similar Supreme Audit Institutions has a key role to play in that reform process.

The need to complete the legislative framework for internal and external audit had been identified in the 1999 Accession Partnership. In relation to this, the internal audit in the public sector was introduced by a Government resolution of 7 February 2000. In April 2000, Lithuania amended its Law on State Control, according to which the State Control while performing its functions shall control the usage of the EU funds in the State institutions and perform external audit of it if necessary.

Finally, a new legislative framework was enacted with the organic budget law of 11 July 2000, and a Government resolution of 4 October 2000 established the *Approval of the Basis of Preparation of Lithuania for the Membership in the European Union*.

As concerns the administrative capacity of the State Control, in February 2000, two regional departments were established and two divisions were reorganised. Throughout 2000, a significant number of training courses were carried out covering areas of performance audit, internal audit, accounting and financial crime.

The project will reinforce these activities enabling the State Control to provide the Lithuanian Parliament, Government and society as well as the Authorities of the European Union with quality information on the performance of the public administration.

### 3.2 Linked Activities

A Phare-funded *peer review* of the Lithuanian State Control was carried out by SIGMA-experts during February-March 2000. Their report of 5 October 2000 is the main basis of the strategic development plan of the State Control, which is currently being completed with the help of SIGMA experts. The strategic decisions concerning external audit work have been made. The present project will help carrying them out.

In addition, the State Control has established close working relations with sister institutions in the Member States and with the European Court of Auditors. This led to a number of joint training activities in different audit areas involving mainly partners from Sweden and the UK. The European Court of Auditors will arrange a long-term practical training course for one auditor from the State Control. In connection with assistance from the Norwegian Supreme Audit Institution (Riksrevisjonen) a Computer Assisted Audit Tool (CAAT) – the audit software package IDEA – was delivered to the State Control.

With a view to the future, a bilateral co-operation programme with the Swedish National Audit Office is currently under discussion. It is to take place during 2001 - 2002, and will most likely focus on audit management, and IT strategy development. No equipment purchases are foreseen, and no overlap with the Phare twinning will occur. The IT strategy will be finalised prior to the start of this project. The Agreement between the State Control and Swedish NAO will be attached to this project as an Appendix and sent as soon as it is settled.

### 3.3 Results

*Legal basis, organisational structure, and management capacity brought into line with the requirements defined by the Acquis*

- Legal acts related to external audit work reconciled according New Law on the State Control
- New institutional structure developed and the State Control restructured accordingly;
- All resources necessary for daily work of the institution inventoried and regulations of use and application of them developed;
- Seminars in the field of management and strategic decision making for the management and senior officers of the State Control carried out;
- Management control system and procedures established

### *Staff training and human resources development system in place*

- Assessment of training needs carried out and training strategy developed, adopted, and implemented
- Staff trained in relevant areas of audit, use of IT system and computer assisted audit tools;
- Training centre equipped (two training rooms), information centre/library modernised
- Improved public external audit methodology developed and introduced including new public audit planning mechanisms and routines, documentation of the work done during an audit, and audit supervision procedures
- Seminars on applying the European Guidelines for the implementation of INTOSAI auditing standards and on the EU legislation on audit and control carried out for some 150 to 200 of the expert staff of the State Control
- Seminars on audit planning, documentation and supervision carried out for some 150 to 200 of the expert staff of the State Control
- Manuals for financial audit and performance audit, and a special manual for the audit of EU structural funds operations developed and introduced;
- Pilot audits in different audit areas especially audit of EU structural funds carried out

### *Data processing system upgraded and fully installed in line with the SIGMA peer review recommendations*

- IT strategy implemented
- General computerisation of the State Control finalised according the IT strategy. (Details on the system are presented in Annex 5).

## 3.4 Activities

The project will be carried out in the framework of a twinning arrangement with one or two sister organisation(s) from EU-Member State(s) and one supply contract. It will be based on the State Control development strategy that is currently being put in place with the help of the SIGMA expert team. The twinning arrangement will help the implementation of the overall strategic development plan of the State Control.

The soft institution building measures of the twinning arrangement will be supplemented by the purchase of data processing and training equipment.

A formal impact assessment study will be carried out during the last month of implementation of the project. The impact assessment report will be presented on 1 October 2003.

### 3.4.1 Twinning

#### ***Guaranteed results/expected outputs***

- Proposal concerning operational rules of public external audits by the State Control and the required manuals drafted corresponding to best practice, and covering, *inter alia*, principles of activity, working principles and other related EU documents.
- Training programmes prepared concerning the use of all new systems including a train-the-trainer component.

#### ***Scope of the twinning (task of the PAA)***

The PAA will be responsible for co-ordination of the activities on-site and the inputs of the STAs. The PAA will work closely with the State Control management, the auditors of State Control, and the State Control experts assigned to manage the project. The PAA will also be requested to deliver a significant input of training activities, particularly with regard to planning and management functions.

### ***Required inputs***

One PAA with project management skills and good knowledge of written and spoken English for 18 months and a group of 3 to 4 STAs.

### ***Profile of the PAA***

- Broad working experience in external audit at management and/or senior professional level(s) preferably from the supreme audit institution of a Member State.
- Excellent inter-personal skills.

### ***Profile of STAs***

Other members of the team (between 3 and 4 STAs) should have experience at a senior management level in the supreme audit institution of a Member State in the areas relevant to this Twinning Arrangement: the STAs on financial and performance audit should be able to assist in preparing and implementing procedures and manuals based on the EC requirements and standards for the both types of audit. As a significant part of the training with regard to audit should be on-the-job training. The STAs should have excellent communication skills and experience in development and implementation of training programmes. The STAs in the specific area of the audit of EU Structural Funds should be able to provide guidance and assistance in the implementation of the methodology of this kind of audit. The STA should have experience in audit planning and mechanisms to monitor the audit process. As much emphasis in the area of the audit of the EU Funds will be put on the transfer of skills in relation to the daily work of external audit, the STAs must have experience in training of staff. All the STAs should be fluent in English and should be capable of providing training covering workshops, classroom training, on-the-job training, as well as personal advice at a high level in the institutions involved. The emphasis will be on the transfer of skills and knowledge so that the results of the project are sustainable.

### ***Operating environment of the twinning***

The State Control of the Republic of Lithuania will be the counterpart for the twinning project. To ensure smooth operations, the State Control will provide office accommodation and the usual office equipment to the project. It will also contribute to covering the expenses of seminars in Lithuania and of local travel. All required training will be conducted on the premises of the State Control.

### **3.4.2 Equipment Supplies**

The project will provide the necessary equipment to modernise and expand the IT system of the State Control. Identified hardware gaps will be eliminated and outdated data processing equipment will be replaced.

In addition, new application software like IDEA will be acquired and adapted to the Lithuanian audit requirements. It will allow choosing auditees for the State Control's annual audit plan according to different criteria and using information of previous audits.

Finally, all concerned staff will receive training in the professional operation of the new equipment.

Annex 5 is providing a summary of the equipment needs over the next three years together with a cost estimate.

#### 4. Institutional Framework

The beneficiary institution for the project is the State Control of the Republic of Lithuania, Lithuania's supreme audit institution. State Control will be responsible for the technical and administrative project management. Concerning the supply component of the project, State Control will be the Employer. The Engineer for the project will be the Head of the IT division of State Control. Owner of the equipment provided by the project will be the Lithuanian State.

State Control will establish a *Project Steering Group* for the Twinning Arrangement that will include the general management and senior representatives of the concerned divisions<sup>1</sup>. It will be in charge of overall project policies emphasising, in particular, the smooth transfer of experience with regard to the external audit function to the technical and administrative levels. The Project Steering Group will be responsible for policy decisions on the technical and methodological issues relating to the management of the IT system installation.

#### 5. Detailed Budget (in MEUR)

Project Components	Investment Support	Institution Building	Total Phare (I + IB)	National Co-financing	IFI	TOTAL
Twinning		0.85	0.85		0	0.85
Procurement	0.45		0.45	0.2	0	0.65
<b>TOTAL</b>	<b>0.45</b>	<b>0.85</b>	<b>1.3</b>	<b>0.2</b>	<b>0</b>	<b>1.5</b>

The national co-financing contribution for the purchase of new hardware, software and peripherals as well as for the hiring experts for training of staff of the State Control will be included in the budget of the State Control for the year 2002.

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

An amount not exceeding 5 percent of the total project budget can be used for supervision activities concerning the investment components of the project

#### 6. Implementation Arrangements

##### 6.1 Implementing Agency

**PAO:** Zilvinas Pajarskas, Director of CFCU, Ministry of Finance  
**Address:** J. Tumo-Vaizganto 8A/2, room 241, Vilnius, Lithuania  
**Telephone:** +370 2 22 66 21  
**Fax:** +370 2 22 53 35

<sup>1</sup> Now there are four audit divisions in the Headquarters on the State Control, and six regional audit departments. In addition, the Law Division, Inquiry Division, IT Division, Division of Staff, Division of International Relations, and the Maintenance Division are located at the Headquarters.

## 6.2 Twinning

The beneficiary of the twinning component of the project is the State Control of the Republic of Lithuania. The State Control will be responsible for the co-ordination of the twinning project. The contact person will be Mr. Darius Žalalis, Official for International Relations, State Control, Pamenkalnio 27, Vilnius 2669, Lithuania, Tel. +370 2 622418; e-mail: dz@vkontrole.lt.

## 6.3 Non-standard aspects

All tendering and twinning activities will follow standard Phare procedures. The PRAG and the Twinning Manual will be strictly followed.

## 6.4 Contracts

The project has two components: twinning and procurement, which are covered by one contract each. The value of the Twinning Covenant is 0.85 MEUR, and the value of the supply contract is 0.65 MEUR.

## 7. Implementation Schedule

Contract	Start Of Tendering	Start Of Project Activity	Project Completion
Twinning	4Q/01	2Q/02	3Q/03
Supply	3Q/02	1Q/03	2Q/03

## 8. Equal Opportunity

The State Control guarantees that equal opportunity principles and practices will be applied ensuring equitable gender participation in the project and during the subsequent operations of the State Control of the Republic of Lithuania.

## 9. Environment

All machinery and equipment acquired under the project will be meet the relevant environmental standards applicable in the European Union.

## 10. Rates of Return

The investment components of the project are closely related to the institution building concerns of a supreme audit institution. Such investment is not the subject of rate of return calculations.

## 11. Investment Criteria

The investment components of the project all relate to Institution Building activities. Yet, the project meets the relevant Investment criteria

## 12. Conditionality and Sequencing

State Control development strategy completed and adopted.

Finalisation by the State Control Office of an IT Strategy.

The New Draft Law on the State Control corresponding to the EC Acquis regulating audit and control function of external auditor in the Country is finalised.

## **Annexes to Project Fiche**

1. Logframe Matrix
2. Detailed Implementation Chart
3. Contracting and disbursement schedule
4. Reference to feasibility / pre-feasibility studies
5. Summary of the investment part of the Project

<p>LOGFRAME PLANNING MATRIX FOR Project:</p> <p style="text-align: center;"><b>Institutional Strengthening of the State Control of Lithuania</b></p>		Programme Name: PHARE AP 2001 Number: LT 01 09 01	State Control
		Contracting Period Expires: 3Q/2003	Disbursement Period Expires: 3Q/2004
		Total Budget: 1.5 MEUR	Phare Contribution: 1.3 MEUR
<b>Overall Objective:</b> State Control of the Republic of Lithuania is operating in full accordance with the public audit Acquis	<b>Objectively Verifiable Indicators:</b>	<b>Source of Verification:</b> <ul style="list-style-type: none"> <li>Peer reviews</li> <li>Commission Regular Reports</li> </ul>	
<b>Project Purpose:</b> The State Control performs the external audit function in line with the international standards demanded by EU Accession.	<b>Objectively Verifiable Indicators:</b> Standards and yardsticks of the International Organisation of Supreme Audit Institutions (INTOSAI) Auditing Standards are fully met	<b>Source of Verification</b> <ul style="list-style-type: none"> <li>Annual Reports on the activity of the State Control;</li> <li>Evaluation report on the implementation of the Strategic Plan</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Continued political commitment to meet the EU accession requirements</li> <li>Overall commitment to the process of reform in, the pre-accession period</li> <li>Remainder of the public audit Acquis adopted</li> </ul>
<b>Results</b> <ul style="list-style-type: none"> <li>Legal acts related to external audit work in line with New Law on the State Control</li> <li>New institutional structure developed and State Control restructured accordingly; daily work resources inventoried and user regulations in place</li> <li>Seminars in management and strategic decision making carried out</li> <li>Management control system and procedures established</li> <li>Training needs assessed, training strategy implemented; staff trained in relevant areas of audit, use of IT system and computer assisted audit tools; training centre equipped, and information centre/library set up;</li> <li>External audit methodology for the public sector introduced; seminars on European Guidelines for the implementation of INTOSAI auditing standards, on audit planning, documentation and supervision carried out;</li> <li>Audit manuals developed and introduced; pilot audits in different audit areas especially audit of EU structural funds carried out</li> <li>IT strategy implemented, and general computerisation of the State Control finalised according the IT strategy</li> </ul>	<b>Objectively Verifiable Indicators</b> <ul style="list-style-type: none"> <li>All services and supplies delivered at the required quality and on time, as planned.</li> <li>All participants of the training programme have successfully completed their studies</li> </ul>	<b>Source of Verification</b> <ul style="list-style-type: none"> <li>Physical inspection</li> <li>Course evaluation reports.</li> </ul>	<b>Assumptions.</b> <ul style="list-style-type: none"> <li>Trained officers are retained in the system</li> <li>Funds for the operation of the equipment available when required</li> </ul>
<b>Activities</b> <ul style="list-style-type: none"> <li>Twinning arrangement providing advice on organisational reforms, systems development and training of State Control staff</li> <li>Supply contract for the purchase of the State Control informatics system prepared, concluded, and carried out</li> </ul>	<b>Means:</b> 1.3 MEUR of Phare support to be matched by a co-finance contribution of 0.2 MEUR from the State Control budget	<b>Source of Verification</b>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>High-quality project management by State Control</li> <li>Local co-financing available when required</li> </ul>
		<b>Preconditions</b> <ul style="list-style-type: none"> <li>Strategic Development plan adopted by September 2001</li> <li>State Control IT strategy adopted by September 2001</li> <li>Steering Committee and project implementation structure in place</li> </ul>	

### Detailed Implementation Chart for the Project

#### Strengthening the capacity of Lithuanian's External Control

Year	2001				2002												2003									
	9	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	
Twinning																										
Supply																										

Legend:

- design
- tendering
- implementation

Cumulative Contracting and Disbursement Schedule for the Project (Euro Million)

Annex 3

	Date								Total
	2002				2003				
	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	
<b><i>Contracting</i></b>									
Twinning	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	<b>0.85</b>
Procurement					0.45	0.45	0.45	0.45	<b>0.45</b>
<b>Total contracting (cumulative)</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
<b><i>Disbursement</i></b>									
Twinning	0.1	0.25	0.35	0.45	0.55	0.65	0.75	0.85	<b>0.85</b>
Procurement					0.27	0.27	0.45	0.45	<b>0.45</b>
<b>Total disbursement (cumulative)</b>	<b>0.1</b>	<b>0.25</b>	<b>0.35</b>	<b>0.45</b>	<b>0.82</b>	<b>0.92</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>

**Reference to feasibility / pre-feasibility studies**

1. The Peer review carried out by SIGMA (see Appendix 6);
- 2.1. The Strategic Development Plan (SDP) of the State Control will be adopted in August 2001,
- 2.2. The Project Plan for the development of SDP (see Appendix 7),
- 2.3. The agreement with SIGMA (see Appendix 8);
3. Refer to the IT-strategy which will be finalised prior to the start of the project;
4. Bridging activity in co-operation with the Swedish National Audit Office.

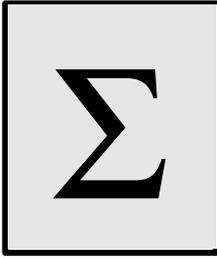
## Annex 5

## Summary of the investment part of the Project

(Figures in €1,000)

No.	Assignment	Unit price	2001		2002		2003		Total
			Quantity	Subtotal	Quantity	Subtotal	Quantity	Subtotal	
<b>1.</b>	<b>Adjustment of the technical task of IT system of the State Control</b>	-	-	<b>3.89</b>	-	-	-	-	<b>3,89</b>
<b>2.</b>	<b>Modern hardware assurance</b>	-	-	<b>303.66</b>	-	<b>75.77</b>	-	<b>66.69</b>	<b>446,11</b>
2.1.	Purchase of missing PCs	1.82	62.00	112.62	-	-	-	-	112,62
2.2.	Changing old PCs on to modern ones	1.82	53.00	96.27	35	63.58	30	54.49	214,34
2.3.	Changing old laptops on to modern ones	2.59	11.00	28.54					28,54
2.4.	Changing old server on to modern one in the Headquarters	10.38	1.00	10.38	-	-	-	-	10,38
2.5.	Purchase of missing servers for the regional departments	2.34	6.00	14.01	-	-	-	-	14,01
2.6.	Reviewing and adding of other hardware: peripherals etc.	-	-	41.83		12.19		12.20	66,22
<b>Total hardware costs (1 + 2)</b>				<b>307.55</b>		<b>75.77</b>		<b>66.69</b>	<b>450.00</b>
<b>3.</b>	<b>Purchase, application and development of new software which lets:</b>	-	-	<b>57.58</b>		<b>24.26</b>		<b>18.16</b>	<b>100,00</b>
3.1.	To choose auditees for annual audit plan according to different criteria and using information of previous audits	-	-	-	-	5.19	-	5.19	10,38
3.2.	To adapt the program IDEA for different audit types	-	-	-	-	7.91	-	7.78	15,70
3.3.	To receive and work up the data from other IT systems of other institutions for audit purposes	-	-	2.83	-	3.89	-	3.89	10,61
3.4.	Purchase of Office software	-	-	54.75	-	7.27	-	1.30	63,32
<b>4</b>	<b>Training and improvement of qualification of employees of the State Control in IT field</b>	-	-	<b>21.63</b>		<b>39.18</b>		<b>39.18</b>	<b>100,00</b>
<b>Total (1 + 2 + 3 + 4)</b>				<b>386.76</b>		<b>139.21</b>		<b>124.04</b>	<b>650.00</b>

Remark: Calculated according to the December 2000 exchange rate of the Euro in Lithuania (Vilnius Bank): 1 Euro = 3,8537 Litass as of 12 January 2001)



# **SIGMA**

**Support for Improvement in Governance and Management  
in Central and Eastern European Countries**

A joint initiative of the Organisation for Economic Co-operation and Development and the European Union, principally financed by the European Union's Phare Programme.

**PEER REVIEW**

**OF THE**

**STATE CONTROL OF LITHUANIA**

**5 October 2000**

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1. *Introduction and Executive summary.*

1. A crucial element in the reform of the Lithuanian public administration is the need to improve public financial control, accountability and probity. This is particularly important in the perspective of the accession to the European Union in order to increase the overall efficiency and effectiveness of the Lithuanian economy and to limit the waste of public resources and the possibilities for fraud and corruption. The State Control of the Republic of Lithuania (*Valstybes Kontrole*) like all similar Supreme Audit Institutions, in particular in Central and Eastern European Countries, has a key role to play in that reform process.
2. Many challenges, both external and internal, are facing the Lithuanian State Control and this in a context of political and legal instability. Important changes are taking place in Lithuania in particular in the area of public financial control, such as the reform of the budget structure and the new definition of budget management responsibilities, as well as the general introduction of internal audit in the public sector and its consequences on the internal control system. Internally, the State Control, still a new institution, has to evolve towards a modern and performing Supreme Audit Institution (SAI).
3. In order to help the State Control to meet these challenges, the State Controller of Lithuania asked SIGMA to carry out a peer review of this institution. A peer team was established, consisting of Mr. Edward Fennessy, Head of Unit in the European Court of Auditors, Mr. Rolf Elm-Larsen, Head of Division in the National Audit Office of Denmark, Mr. Henri Paul, Conseiller Maître, French Cour des Comptes and Mr. François-Roger Cazala, Conseiller Maître, French Cour des Comptes seconded to SIGMA as Principal Administrator. This review was performed during February-March 2000 (see Appendix: Interview schedule of the Peer Review). As in other exercises of this kind, the purpose was to provide this SAI with recommendations for changes and improvements in order for it to develop in line with international standards and good practices amongst sister institutions of other democratic countries, while taking into account the country's specific circumstances. This would constitute an important contribution to the strengthening of the Lithuanian financial control system and public accountability, as well as to meeting the requirements of accession to the European Union.
4. The peer review first addressed the issue of the compliance of the State Control's institutional position with the basic prerequisites of independence as laid down in the Lima Declaration of INTOSAI<sup>2</sup>. The assessment was generally positive except that there is a need for ensuring a better financial independence vis-à-vis the Executive branch. The most important shortcoming regarding independence is the significant interference of other public institutions or even individuals in the programming of the audit work.
5. The audit work as such is characterised by an approach closer to investigation or inspection work than to audit proper. Whereas some good results were obtained by the State Control in its short recent history, it does not seem possible in the long-term to continue with the audit approach in use for most assignments to date, i.e. a very law-driven, quasi-judicial process focussing on individual irregularities, with a view to chase all types of fraud and mismanagement.
6. There is a need for a renewed audit strategy aiming at ensuring better accountability in the Lithuanian public sector by strengthening internal control systems and procedures, and in a more medium-term perspective, assess the general cost/effectiveness of the public policies (performance auditing).
7. In order to go in that direction, the State Control can make use of a wide range of possible tools, but only of course if provided with adequate resources.

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<sup>2</sup> International Organisation of Supreme Audit Institutions

8. It is highly recommended though to group into a Strategic Development Plan the instruments needed to introduce the necessary changes, This plan should enshrine clear objectives and define the steps to achieve them. This programmatic document of e.g. 3-year duration should contain an estimate of the financial and human resources needed and could be submitted to the Seimas.
9. The main issues to address are :
  - changes to the legal framework in order to simplify the definition of the current State Control mandate, to cover all types of audits and to broaden its scope thereof ; a streamlining of the communication lines with the Seimas and of the audit follow-up should be included ;
  - changes to the audit process by adopting and implementing audit policies and standards and an audit manual in line with international good practice, while ensuring full ownership of these instruments by the institution ;
  - acquisition or development of modern auditing and management tools and techniques, including IT instruments ;
  - internal reorganisation in order to set up a more coherent and flexible structure for resources management ;
  - development of staff professionalism by reviewing the recruitment procedures, improving the training policy and the staff management ;
  - definition and development of a communication policy, both external and internal.
10. Within its mandate and resources, SIGMA is willing to assist the State Control to implement changes and help in the further development of this institution either by further direct interventions or by helping to find other assistance. SIGMA considers that there are three priority areas for action. These are:
  - The State Control work on a Strategic Development Plan and a possible request for Phare funds ;
  - The review of the legal framework with the above-mentioned objectives in mind ;
  - The SAO strategies and Parliament procedures for a better follow up of audit findings and recommendations.

## 2. *Legal framework.*

11. The Lithuanian Constitution and the 1995 law on State Control provide a good basis for the independence of the State Controller. But some crucial elements of independence for an SAI are lacking. For example there is no specific provision to protect the independence of the deputies, of the head of divisions or of officials.
12. The current law provides that the funding level of State Control shall be determined by the Seimas on the proposal of the Committee on Budget and Finance. This provision may look in complete accordance with the most demanding standards in this area but has not in fact been fully complied with, since the budget of State Control was actually until now always determined by the Ministry of Finance.
13. But the main problem related to the independence of the State Control consists in the decisive role played by external partners in its programming of audit work, since many institutions, including individual Seimas members or law enforcement bodies, are entitled to request the State Control to perform specific audits.
14. The Law of 1995 is both precise and exhaustive, but sometimes at the expense of clarity. It assigns a great number of missions to the State Control or to the State Controller. These extra or non-audit tasks, such as the participation of the State Controller in the cabinet's sittings or the Parliament's sessions are time- and resource-consuming, and can run the risk of impinging on independence.
15. The current law describes the audit mandate in a quite detailed manner. It is currently unclear to what extent the long list of various entities likely to be subject to audits from State

Control and the different wording used to define the type of work are relevant to the actual work performed by State Control. This type of definition appears to be rigid and paves the way for legal disputes. The draft law does not improve matters in that regard since the same list is mentioned with some additions (draft article 15) and defines the exact competence of State Control with different wording, depending on the type of institution. It would be more practical and useful to use a broad and flexible definition of the audit remit so as to be able to face new situations. A specific definition or mention is normally only requested for “marginal” or sensitive areas (e.g. Central Bank, local entities, state-owned enterprises, NGOs).

**Recommendations:**

- Adequate provisions securing the independence of State Control officials other than the State Controller should be introduced into the audit act.
  - The State Control budget should be discussed with and voted by the Seimas without any interference from the Executive, in particular from the Ministry of Finance.
  - Any external interference in the programming and planning and planning of the audit work by the State Control should be eliminated, or at least significantly controlled by the State Control.
  - The audit coverage of the State Control should be defined in more general but more extensive terms.
3. *Focus and objectives.*

*16. The current audit vision of the State Control is still restricted to legality and regularity aspects, with a strong intention to “check, find and punish” all cases of mismanagement - whether intentional or not - economic crime, fraud and corruption. This conception is understandable in the “control culture” still prevailing in Lithuania and also taking into account today’s Lithuanian context. It is less defensible in the medium term perspective, where the Lithuanian public sector needs a different type of audit, focussing more on the ability of the internal control systems and procedures to prevent irregularities, and on the general cost/effectiveness of the public policies. This reorientation of audit conception, which has to be defined in, and endorsed by, an audit strategy, would also help the Lithuanian authorities to meet the general EU-requirements in the field of financial control.*

*17. Whereas the focus of the audit work tends to be restricted, the number of "stakeholders" and "clients" of the State Control is more important than in similar institutions. The State Control is accountable to the Lithuanian Parliament, the Seimas. But at least three bodies of the Seimas are entitled either to order or to receive audit reports from State Control (commission on economic crime investigation, State Control Parliamentary supervision commission, Budget and Finance committee); and yet there are no clearly defined procedures when it comes to the follow-up on the reports. The most specialised body, the supervision commission, is not a proper audit committee and appears to be more oriented towards monitoring the activity of the State Control rather than to take action on audit reports and ensuring effective follow-up*

*18. Of the other stakeholders, the State Prosecutor's Office is the most important. The peers questioned the continuation of a strong linkage between the Prosecutor's Office and the State Control. This situation, which to a certain extent justifies the existence of a specific enquiry division within the State Control, is a strong contributory factor maintaining the focus of the audit work on legal violations of various kind, including those of a criminal nature like fraud and corruption.*

*Recommendations:*

- *The mandate of the State Control should be reviewed and should be expressed in a more simple and flexible way so to encompass all relevant cases and to make sure that both financial audit and performance audit are appropriately covered.*
- *An audit strategy has to be defined, mainly focussed on ensuring and strengthening the accountability of the Lithuanian public administration, on improving its internal control systems and procedures and on assessing its performance in the different areas of activity. Recommendations of a specific as well as general nature should become more prominent as a result of the newly defined audit strategy.*
- *The main stakeholder should be clearly identified. The State Control should be active in helping the Seimas to redefine the mandate of the Supervision Commission in order for this body to act as a public account or audit committee. The working relationship with the commission on economic crime investigation should be limited to an information exchange function. The relationship with the Budget and Finance committee should also be improved in the framework of the audit work of the State Control on the execution of the State budget.*

4. *Organisation and management.*

19. *The number of staff appears to be enough to cope with the audit work if the latter is properly defined and if there is less external interference in the audit program. It is intended that a survey be carried out to assess the real needs of individual units and divisions. The peers consider that it is very important to complete this survey at an early stage.*
20. *Apart from the Vilnius headquarters, the Lithuanian State Control is composed by regional offices, some of them having been recently created or re-established. Considering the relatively small size of the country, and the fact that State Control has no direct mandate to audit the municipalities, the necessity of maintaining so many branches is questionable. The existence of a high number of regional offices, in relation to the size of the country, is perhaps adapted to the current audit work performed by State Control and to a certain level of decentralisation. But it implies a standing need for co-ordinating the programming and performing of the audits between the centre and the regional departments. The division of work between the central divisions and the regional offices is fixed, in large part, by way of negotiation at present. The number of small state-owned enterprises still operating in Lithuania may justify to some extent the existence of regional offices. However, it is likely that many such enterprises will either have to be privatised or to close down, so that the audit remit of the regional offices will consequently decrease. It is also possible that the nature of the work of regional offices concentrating on individual entities may not easily comply with the trend towards more modern forms of audit, in particular performance audits.*
21. *The State Control headquarters has recently been reorganised but the current set-up is not regarded as definitive. In the case of State Control there is a number of small units, sometimes individuals, assigned to specific horizontal tasks (personnel and international relations, public relations, accounting, maintenance etc.) reporting either directly to the State Controller or to one of the deputies. Although the State Control is still a relatively small institution, this situation creates the risk of a lack of co-ordination and difficulties*

*of communication. It was apparent to the peers that the disparate management functions, without a clear co-ordinating structure and the combining of audit functions and support units under the responsibility of each of the three deputy State Controllers, would not prove a viable solution in the long run.*

- 22. An internal audit function has been introduced in the State Control by order of 30 May 1997. The present organisational chart does not indicate the existence of this function, currently performed by the deputy head of the budget audit division. The common standard is to assign this task to a person not involved in any other operational work and who should report directly to the top management.*
- 23. Improvement of the human resources management is crucial for the development of the State Control. Continuous professional training in particular is one of the most urgent issues to address by the State Control. The peers identified a series of measures that the State Control could envisage in that regard but limited progress could be envisaged as long as the funding for training will remain at a very low level.*
- 24. The use of Information Technologies is still in an embryo phase, and the improvements of the recent period were introduced in a piecemeal manner. There is a need for a strategic and integrated approach, addressing both management needs and audit work issues.*

*Recommendations:*

- The need for regional offices and to what extent the existence thereof is compatible with the introduction of changes in the work and methods of State Control, should be reassessed by the State Control in the near future*
- The State Control should consider the development of a more rational organisational structure through the regrouping of the divisions along functional/geographical lines. For instance, such a restructuring could be envisaged by allocating to a Deputy acting as Secretary General all support or “horizontal” divisions. It could also be envisaged to distribute the legal functions within the audit divisions instead of having them operating independently, thereby allowing for legal considerations to be dealt with in real time, thus avoiding duplication of work*
- In future developments, and as this is a common feature to most modern SAIs, the State Control should consider establishing a real training unit and a methodological unit, perhaps also entrusted with quality assurance functions. The library should be developed towards becoming a performing documentation centre.*
- The internal audit function needs to be strengthened. In particular the internal auditor(s) should be freed from any involvement in other operational work and should report directly to the State Controller.*
- As far as staff management and procedures are concerned, the State Control should take steps :*
  - To define a recruitment plan and to revise the recruitment procedures in order to broaden the reserve of competencies needed for the audit work*
  - To introduce a formal job rotation policy in order to help auditors to develop their*

*knowledge and audit capabilities and to prevent unduly long assignments in the same geographic or thematic audit fields ;*

- To introduce a performance appraisal system adapted to the circumstances of the State Control and linked to the further development of the audit work. This could encompass the introduction of a specific certification process ;*
- A collective and individual training needs assessment should be carried out, with a view to identifying the gaps to be eliminated, and to developing a strategic corporate training programme to address how to remedy those gaps in a medium term perspective. Any training programme should contain elements that would improve the general understanding of the Lithuanian administrative preoccupations among the audit staff.*
- The State Control should deal with Information Technology issues in the framework of an overall strategy, supporting the general audit objectives, improving the quality of the audit work and establishing a budget with a horizon of two or three years.*

*5. Audit work, procedures, methodologies and outputs.*

*25. The adoption and implementation of audit standards in line with international and EU standards is still at an embryo stage. Work on the development of the audit manual, which has recently commenced, is an important step in the development of a standardised audit methodology. But this progress, as well as the adoption of audit standards, will prove less profitable and effective than it ought to be in the absence of a clear audit strategy, setting the necessary priorities, is still missing.*

*26. In this regard, while it is important to build up a performance audit competence in State Control, it will be done on a more solid foundation if this body commences by improving its financial audit work, drawing experience and competencies from it to evolve towards audit of sound financial management and then to performance audit. The standard audit approach currently adopted for the audit of budgetary execution forms a solid basis for the development of a comprehensive methodology for financial audit that can be further developed to incorporate the essential features of performance auditing methodology.*

*27. In this respect, it has been noted that, while the narrative report, currently used by the State Control for the compulsory annual report on the execution of the budget, is the most appropriate format in the current circumstances, the State Control should consider the possibilities for evolving the audit approach towards an attestation or certification-type audit. Such an audit would provide the budgetary authorities with a better framework for granting discharge to the executors of state budgetary resources, in a context of enhanced public accountability.*

*28. The resources devoted to the planning process, in particular time budget and preliminary study, are quite inadequate at present and this is likely to have negative consequences for the efficiency and effectiveness of how the audit tasks are carried out. The supervision of the audit work, including review of working papers by hierarchical superiors, needs to be improved and properly documented.*

*29. More generally, audit outputs and decision-making take at present the form of a quasi-judicial process whose effectiveness is judged on the basis of the sanctions imposed. The*

*peers consider that there is a need for improved dialogue with the auditees and less rigidity in the entire audit process. This implies both an on-going dialogue between auditor and auditee during the audit process as well as a more inclusive contradictory procedure before final decisions are taken; they also consider that, in the interests of openness, more time should be allowed for sanctions to be appealed;*

**Recommendations:**

- The State Control should first devise an audit strategy on which an audit manual can be progressively constructed, so as to allow modern audit standards to be adopted and implemented in line with international and EU standards ;
- The general perspective should be to improve the current financial audit work and to progressively build up the State Control performance audit competencies and capacities.
- In the medium term, State Control should consider the possibilities for evolving the audit approach towards an attestation or certification-type audit.
- Regarding the development and implementation of standards, the State Control should now start to give more emphasis to the audit planning mechanisms, to the documentation of the work done during an audit as well as of the audit supervision procedures.
- The State control should renounce its quasi-police approach to the audit work. To adopt modern audit practices also means to create, when it is justified, a relationship of confidence with the auditee. In particular, the State Control should :
  - *build a long-term relationship with auditees, to better understand the auditee’s business but also to improve the monitoring of the audit follow-up ;*
  - *avoid surprise inspections, except for detecting a suspected fraud or in specific risk areas ;*
  - *give enough time to auditees to familiarise themselves with the audit task, and also to understand and comment on the reports ;*
  - *exercise its right of imposing sanctions in a fully fair and transparent manner in particular by, at the reporting stage, informing the persons involved about sanctions likely to be decided upon by the State Control authorities ;*
  - *give more room and time for internal appeal to the Head of Division, Deputies and State Controller, in order to avoid appeals to the courts ;*
  - *whenever possible, highlight existing good practices amongst auditees in order to favour their dissemination as appropriate.*

6. *Communication policy.*

30. *The State Control communication policy seems to be at the early stages of development. A first issue to address is the publication of audit reports.*

31. *There is no constitutional or legal obstacle in Lithuania to the publication of audit reports by the State Control. The annual report on the budget execution is made public. However the peers found that the current legal basis lacked specificity as far as the publication of reports is concerned. The 1995 act only states vaguely and without sufficient clarity that “the mass media shall have the right to obtain information about the activities of the State Control”. This provision does not imply per se that audit reports should be published. The draft law is somewhat more precise in that regard since it provides for the*

*publishing of information from and about the State Control, including reports, in a special publication issued by this body.*

*32. Nevertheless, it does not provide clearly for the fact that the publication and publicity of some reports represent a major contribution of the SAIs to the enhancement of public accountability and a primary output of the audit work. To publish reports is not seen as a crucial instrument to help the effectiveness of the audit work.*

**Recommendations:**

- The right to publish audit reports should be clearly stated in the law in order to comply with the INTOSAI Lima declaration which establishes that the Supreme Audit Institution shall be empowered to report its findings annually and independently to Parliament or any other responsible public body.
- The Supreme Audit Institution shall also be empowered to report publicly on particularly important and significant findings during the year.
- In addition, the State Control should endeavour to report on the follow-up of its audit work and try to identify the impact of its activity, less in terms of amounts of money retrieved than in terms of implementation of former recommendations, improvement of management and control systems and procedures, and changes introduced in laws and regulations.

**SIGMA team:**

**Francois-Roger Cazala**  
**Principal Administrator**

**Henri Paul**

**Rolf Elm-Larsen**

**Edward Fennessy**

## **Annex**

### **List of the representatives of the Lithuanian Government and other representatives met during the Peer Review process**

#### **I: State Control:**

Mr. Jonas Liaucius, State Controller  
Mr. Juozas Jacevicius, Deputy State Controller  
Mr. Aaudrys Varnele, Deputy State Controller  
Mr. Steponas Tamošiunas, Deputy State Controller

Mr. Darius Žalalis, Official for International Relations  
Mrs. Rita Janceviciene, Official for International Relations  
Mr. Robertas-Dainius Blažys, Public Relations

#### **General and support staff:**

Mrs. Aldona Meiluvienė, Internal Auditor of State Control and Head of Audit Subdivision of State Budget Execution;  
Mr. Antanas Tiškevičius, Chief Controller for Protection of Information;  
Mrs. Dangira Grakauskienė, Head of Division of Accounting;  
Mr. Ildefonsas Kareniauskas, Head of IT Division;  
Mrs. Danguolė Subacienė, Head of Personnel and International Relations Division;  
Mr. Jonas Petruškevičius, The Head of Office Maintenance Division;

#### **Legal Division**

Mrs. Danutė Kazlauskienė, Head of Legal Division  
Mrs. Dainora Venckevičienė, Legal Advisor  
Mrs. Rita Vadapaliene, Legal Advisor

#### **Heads of Audit divisions:**

Mr. Remigijus Pužauskas, Division of State Budget;  
Mr. Viktoras Švedas, Division of State Property;  
Mr. Mindaugas Rimkus, Division of Order and Law and Defence;  
Mr. Vytautas Budriunas, Division of Enterprises;  
Mr. Albertas-Juozapas Maciekus, Division of Budgetary Organizations;  
Mr. Gediminas Spudys, Division of Land and Forestry;  
Mrs. Birutė Puzienė, Head of Inquiry Division

#### **Audit staff:**

Mrs. Irena Stankevičienė, Senior Controller;  
Mrs. Jolanta Spaiciene, Senior Controller;  
Mrs. Romualda Masiulionienė, Senior Controller;  
Mr. Vytautas Gailiušas, Chief Controller;  
Mrs. Jolita Korzunienė, Controller;  
Mrs. Zita Valatkiene, Deputy the Head of Audit Division of Enterprises;  
Mrs. Ina Janulienė, Senior Controller;  
Mrs. Gražina Blaškevičienė, Senior Controller;  
Mr. Audrius Surgelas, Inquirer;

Mrs. Nijole Mickuviene, Chief Controller (Utena);  
Mrs Birute Žileniene, Senior Controller (Utena);  
Ms. Danute Sidabraite, Chief Controller-Expert (Group of Examination and Prevention);  
Mrs. Aldona Daujotiene, Chief Controller-Expert( Group of Examination and Prevention);  
Mrs. Birute Borkauskiene, Chief Controller-Expert ( Group of Examination and Prevention);

**Heads of Regional units:**

Mrs. Aldona Dragašiene, Alytus;  
Mr. Ramunas Brokevicius, Kaunas;  
Mr. Vaidotas Šukys, Panevežys;  
Mr. Algimantas Puklevicius, Šiauliai;  
Mr. Vytautas Rinkevicius, Klaipeda;  
Mr. Mecislovas Šmatavicius, Utena

Mr. Vidas Kundrotas, Former State controller

**II: Other persons met:**

**Presidential Office:**

Mrs. Skirma Kondratas, Advisor to the President on social policy,

**Prime Minister's office:**

Mr. Robertas Martinkus, State Counsellor, Advisor to the Prime Minister

**Parliament:**

• **Commission for the Investigation of Economic Crimes**

Mr. Sigitas Slavickas, Chairman  
Mr. Ignacas Stasys Uždavins, Deputy Chairman of the Commission  
Ms. Jolita Sinkeviciute, Counsellor of the Commission  
Mr. Algimantas Sejunas, Member of the Commission  
Mr. Sigitas Urbonas, Member of the Commission  
Dr Juozas Listavicius, Member

• **Commission on the Parliamentary Supervision of State Control**

Mr. Alfredas Henrikas Stasiulevicius, Chairman

• **Committee on Budget and Finance**

Dr. Juozas Listavicius; Chairman  
Mrs. Dalia Tregiene, Representative of the International Monetary Fund

**Government:**

**Ministry of Finance:**

Edmundas Žilevicius, Viceminister

Mr. Rimantas Veckys, Director of Budget Department of the Ministry  
Mr. Vytautas Uziela, Director of Treasury Department of the Ministry  
Mrs. Daiva Kamarauskiene, Deputy of the Head of Public Debt Department of the Ministry  
Mr. Aleksandras Grodzinskas, Head of Audit Division of the Ministry

**Ministry of Agriculture:**

Mr. Juozas Rusteika, Head of the Board of Internal Audit and Control  
Mr. Algimantas Markelis, Chief Specialist

**Ministry of Economy:**

Mr Anicetas Ignotas, Adviser to the Minister

**Ministry of Environment:**

Mr Gintautas Navikas, State Secretary  
Mr. Petras Lomsargis, Head of the Audit Division

**Ministry of Defense:**

Mr. Povilas Malakauskas, Viceminister  
Mrs. Lina Lajauskiene, Director of the Department of Finance and Budget

**Ministry of Transportation:**

Mr. A.Šakalys, Viceminister  
Mrs. Gelena Viduto, The Head of the Accounting Division, Chief Accountant

**Ministry of Internal Affairs:**

Mr. Anatolijus Rimkevicius, Director of the Department of Economy and Finance of the Ministry  
Mr. Bronius Deveikis, Deputy Director of the Department of Economy and Finance  
Mr. Julius Jasaitis, Inspector General of the Ministry  
Mr. Kestutis Pileckas, The Head of the Control and Analysis Division  
Ms. Simona Radikaite, Chief Specialist of the Executive Department

**Ministry of Culture:**

Ms. Diana Paknyté, State Secretary

**Ministry of Public Administration Reform and Local Authorities:**

Ms. Viktorija Beatrice Danileviciene, State Secretary  
Mr. Kestutis Rekerta, Head of the Public Administration Reforms Division

**Prosecutor General's office:**

Mr. Kestutis Betingis, Deputy Prosecutor General  
Mr. Kestutis Gudžiunas, Prosecutor

**Ministry of Social Security and Labour:**

Mr. Valdas Rupšys, Secretary of the Ministry  
Mrs. Marija Ramanovska, The Head of the Accounting and Finance Division  
Mr. Aividas Keršulis, Director of the Department of Supervision and Audit of the Social Institutions

**State Tax Inspection:**

Mr. Arturas Bakšinskas, Head of the State Tax Inspection  
Mr. Jurgis Gurauskas, Deputy Head of the State Tax Inspection

**Tax Police Department:**

Mr. Darius Samuolis, Chief Commissar of the Department

**Municipality of Vilnius:**

Mr. Olegas Anapolskis, Adviser to the Mayor on Economical and Finance Issues  
Mrs. Zita Švobiene, Municipality Controller

**University of Vilnius:**

Mr. Romualdas Bartaška, Associate Professor  
Mr. Jonas Mackevicius, Professor

**Institute of Accounting and Audit:**

Ms. Jolita Šakyte, Deputy Head

# STATE CONTROL OF THE REPUBLIC OF LITHUANIA

## THE DRAFT OF ELABORATION OF THE STRATEGIC DEVELOPMENT PLAN

### I. THE OBJECTIVE OF THE PROJECT

The implementation of the requirements of EU is one of the most important of Lithuania's obligation to EU. On the basis of requirements to implementation of International audit standards in the external audit, the experience of EU member countries' SAIs and SIGMA recommendations State Control of Lithuania is elaborating the Strategic Development Plan that is aiming to create the preconditions for making State Control a Supreme State Audit Institution seeking:

- to create the new legal framework complying with the EU requirements;
- to apply certification and attestation method in financial control
- to provide complying with International audit standards, National audit standards INTOSAI audit standards, and Guidelines for implementing INTOSAI audit standards accessing to the ES while carrying out the performance audit;
- to increase administrative, organizational and technical capacity of the State Control;
- to define relations with the Parliament, Government, mass media and community;
- to extend relations with independent auditors.

### II. MANAGEMENT OF THE PROJECT

The Deputy Controller General J. Jacevicius is nominated as a Co-ordinator of the Program, the Chief Specialist of the Legal Division Mrs. Dainora Venckeviciene is nominated as a Program Manager, the Working group elaborating The Strategic Development Plan is formed.

### III. OBLIGATIONS OF THE MANAGEMENT

*The management of the State Control undertakes to:*

1. To ensure methodic and organizational aid to the Work group elaborating draft of the Strategic Development Plan according to the Controller's General and SIGMA's Principle administrator Protocol for the co-operation in year 2001 that was signed on 29th of January 2001.
2. To ensure the regular approbation by the State Control Board of the Plan's drafts presented by the Work group.
3. To ensure the help of other employees of the State Control to the Strategic Development Plan's elaboration Work group.
4. To ensure permanent submitting of information to the Parliament, Government, and mass media.
5. To establish the Strategic Development Plan's Assessment group consisting from representatives of Lithuanian pedagogic and scientific community representatives.
6. To establish the Support group for Strategic Development Plan in the Parliament.
7. To provide Work group with technical resources.

#### IV. OBLIGATIONS OF THE PROJECT MANAGEMENT

##### 4.1. *Program Manager should:*

1. Submit the final draft of the SDP to the SC management till 1st August 2001.
2. Permanently submit information to SC management, members of the Work group, Controller's assistant for PR, other SC employees, and SIGMA representatives.
3. Co-ordinate the work between SC management and the Work group and inside the Work group itself.

##### 4.2. *The Heads of the subgroups should:*

1. Co-ordinate the work of their subgroup and weekly inform the Program Manager in written about the work process.

##### 4.3. *The members of the Work group should:*

1. Submit the delegated task in time.
2. Permanently submit information in written and orally on the process of the delegated task fulfillment to the Program Manager.

#### V. SUBGROUPS OF THE WORKING GROUP

Members of the Working group elaborating The Strategic Development Plan are divided in the following subgroups:

##### 5.1. *Assessment of the present situation*

- The Head: Mr. Albertas Maciekus - Head of the Audit Division of Institutions;  
 Members: Mr. Ildefonsas Kareniauskas - Deputy Head of the Division of Information Technology;  
 Mrs. Rita Vadapaliene - Chief Specialist of the Legal Division;  
 Mrs. Jolita Korzuniene - Controller of the Division of the Audit of Control and Performance;

##### 5.2. *Development needs*

- The Head: Mr. Remigijus Pužauskas - Head of Control, Expertise, Prevention, and Methodology Division;  
 Members: Mr. Viktoras Švedas - Head of Audit Division of State Property;  
 Mr. Ildefonsas Kareniauskas - Deputy Head of the Division of Information Technology;  
 Mrs. Danguole Subaciene - the Head of the Division of Personnel and Training;  
 Mrs. Rita Vadapaliene - Chief Specialist of the Legal Division;  
 Mr. Darius Žalalis - Senior Specialist of the International Division.

##### 5.3. *Future*

- The Head: Mr. Rimantas Bruzgulis - Controller of the Division of the Audit of Control and Performance;  
 Members: Mr. Ildefonsas Kareniauskas - Deputy Head of the Division of Information Technology;  
 Mrs. Rita Vadapaliene - Chief Specialist of the Legal Division;  
 Mrs. Jolita Korzuniene - Controller of the Division of the Audit of Control and Performance;

##### 5.4. *Strategic development plan*

- The Head: Mrs. Laima Šipkauskiene - Deputy Head of the Audit Division of Institutions;  
 Members: Ms. Danute Sidabraite - Head of Audit Division of the Budget Execution;  
 Mrs. Laima Virbickiene - Senior Controller of the Audit Division of State Property;

Mrs. Marija Šeriene - Controller of the Audit Division of State Property.

## **VI. CONDITIONS OF THE PROJECT IMPLEMENTATION**

6.1. The heads of the subgroups should submit to the Program Manager the first draft of the SDP till 23rd February 2001, the second reviewed and supplemented till 30th March 2001, the third till 27th April 2001, fourth 25th May 2001, and the final draft of the SDP should be submitted till 29th June 2001.

6.2. Each member of the group should allot 30 %, Deputy Head of the Program - 50 % their working time and the Program Manager all her working time for the development of the Strategic Development Plan.

6.3. The heads of the subgroups fix one day of the week for discussions on the acquired information and material, and inform the Program Manager.

6.4. The Working Group informs Management on results of the work during the third week of each month. Information is submitted to SIGMA expert during the fourth week of the each month during his visit to the State Control.

6.5. The members of the Working group are entitled to get necessary information from any division or unit, and the means of production from the Management.

## **VII. TASKS OF THE THE WORK GROUP SET TO ELABORATE STRATEGIC DEVELOPMENT PLAN OF THE STATE CONTROL OF LITHUANIA**

Members of the Work group set to elaborate the Strategic Development Plan of the State Control are to fulfil the following tasks:

7.1. *I. Kareniauskas* - Subject: "Information Technology".

It will be necessary:

- To analyze the current state of IT in the SC
- To analyze the usage of IT in the Republic of Lithuania.
- To analyze preconditions of developing and improving IT

7.2. *R. Vadapaliene* - Subject: "Elaborating the drafts of the Republic of Lithuania Law on the State Control and its Statute.

It will be necessary:

- to analyze and assess the present situation;
- environment of audit (control);
- legal framework;
- internal and external factors;
- to state new problems and tasks.

Also to base on:

- analysis of foreign laws on SAIs (using various sources of information);
- the guidelines (basic conceptions) of the drafts of the Republic of Lithuania Law on the State Control and its statute;
- remarks, proposals, their analysis, exchange of opinions, discussions etc.

For proper fulfilling of this task it will be necessary:

- constantly discuss the prepared draft in the Work group, subgroups and with the Management;

- to invite external specialists and experts for evaluation of the draft Law on the SC and the draft of its statute.

The final stage of elaborating the draft s of Law on the SC and its statute:

- discussion on the final edition of the draft Law on the SC and its statute.
- elaborating of the explanatory letter and covering documents (co-ordination with other public institutions).

7.3. *A.Maciekus* - Subject: “Analysis and characteristics of the most important external impacts on the SC activities”.

It will be necessary to analyze:

- independence of the SC (current problems);
- accountability in the public sector of the Republic of Lithuania;
- relations of the SC with other institutions (Parlament, Government, law-enforcement institutions);
- situation of internal control in Lithuania;
- relations with independent auditors;
- SC communication policy and publicity;
- legal regulation.

7.4. *J.Korzuniene* - Subject: “Analysis and characteristics of the most important internal impacts on the SC activities”.

It will be necessary to analyze:

- methodology of audit, planning of audit;
- the procedures of quality assurance (preparation of control and implementation documents, problems of fulfilling);
- professional competence, managing of human resources;
- internal control;
- the results of audit, their effect;
- mandate of the SC;
- results of activities of the SC;
- anticipated effects of SC’s activities.

7.5. *R.Pužauskas* - Subject: “The development of new types and areas of audit in the SC”

It will be necessary to analyze possibilities of audit planning and improving quality of audit in the SC.

7.6. *V.Švedas* - Subject: “Implementation of audit standards and grounding of its methodology”.

It will be necessary:

- to implement general, working and reporting INTOSAI standards in the activities of the SC ;
- to analyze the sources of compilation of audit’s manual;
- to analyze the needs of methodological assistance from other institutions for audit’s manual compilation;
- to analyze the needs for manual in carrying out the specific audit;

7.7. *D.Subaciene* - Subject: “Training and staff competence improving”.

It will be necessary to analyze the needs of training and competence improving:

- to analyze the present situation of training;
- to state goals of the SC connected with competence improving;
- to foresee ways and arrangements for implementing these goals.

7.8. *D.Žalalis* - Subject: “Institutional management framework of the SC and administrative capacity”.

It will be necessary:

- to analyze institutional management framework of the SC and compare it with management framework of SAIs of the EU member states;
- to analyze institutional capacity of the SC and compare it with capabilities of SAIs of the EU member states.

7.9. *R.Bruzgulis* - Subject: "The statement of the SC's vision, mission, and definition of values".

It will be necessary to define:

- vision of the SC;
- mission of the SC;
- organizational values

7.10. *L.Šipkauskiene, D.Sidabraitė, L.Virbickienė* - Subject: "Main areas of development".

It will be necessary to define:

- strategic objective of the SC;
- strategic goals of SC;
- main tasks (resources and arrangements).

7.11. *L.Šipkauskiene, M.Šerienė* - Subject: "Preconditions of implementing the SDP".

It will need:

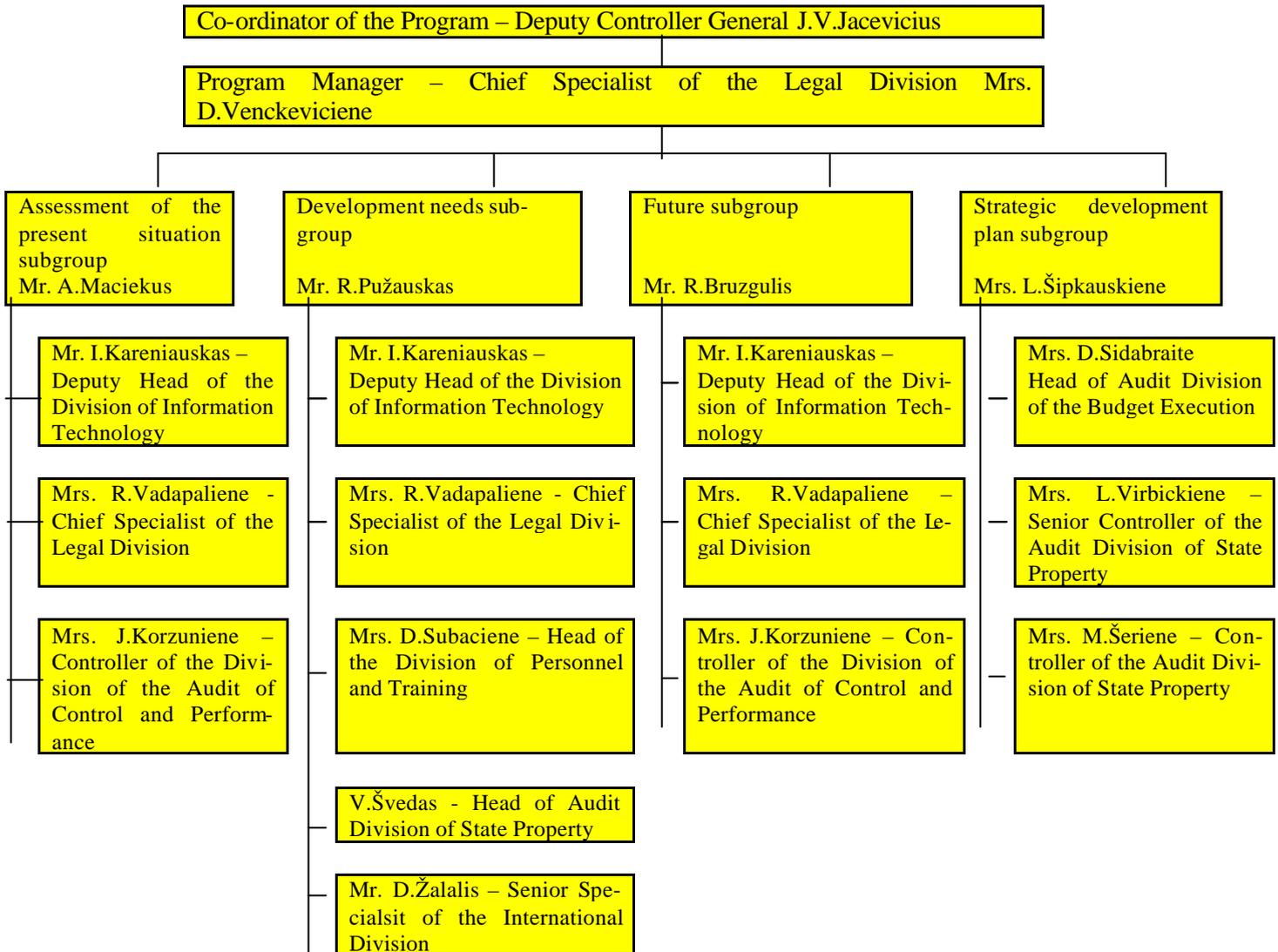
- to create the appropriate legal framework;
- to create the appropriate material resources;
- to solve personnel and managing issues
- to define functional, organizational, performance and financial independence.

## VIII. THE SOURCES OF THE PROJECT

The documents to be analyzed:

- SIGMA Peer Review, Final report, and Background Paper on the SC.
- The Conception of the Development of the SC
- Regular Reports of EC.
- Accession Partnership from 1999 Documents:
- National *Acquis* adoption Program;
- The Preliminary National Development Plan;
- The Project of Phare Program.

## IX. THE STRUCTURE OF THE WORKING GROUP



## X. THE FINAL STAGE OF THE DEVELOPMENT OF THE TASK

10.1. The members of the Work group till 22th June 2001 submit to the heads of the subgroups summary of the material on delegated tasks.

10.2. Heads of the subgroups till 29th June 2001 submit to the Program Manager the final draft of the SDP.

10.3. The Program Manager till 9th July 2001 submits the final draft of the Plan for translation into English.

**10.4. The Program Manager till 1st August 2001 submits the final draft of the State Control's Strategic development plan to the SC management and representatives of SIGMA.**

The draft of elaboration of the Strategic development plan is an agreement between SC Management and the Work group that is signed by Controller General on behalf of Management and the Program Manager D.Venckeviciene on behalf of the Work group.

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Controller General  
J.Liaucius

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Program Manager  
D.Venckeviciene

..... February, 2001

## ***PROTOCOL***

### **between the State Control of Lithuania and SIGMA for the co-operation in the year 2001**

J.Liaucius, Controller General of the Republic of Lithuania and F.-R.Casala, SIGMA Principal Administrator, 2001 01 29 sign the Protocol, according to which:

1. The SC commits to carry out a number of activities during 2001 aiming to prepare the institution for the foreseen Twinning starting in the beginning of 2002.
2. The activities will be carried out in co-operation with different institutions.
3. The overall objective of the activities is to develop the SC into an organisation that is capable of complying with international auditing standards and of conducting audits in accordance with good European practice.
- 4. The co-operation between SC and SIGMA will be focused towards the following activities during 2001:**
  - 4.1. SIGMA comments to drafted SC Act(s);
  - 4.2. SIGMA assistance in the project set up a Strategic Development Plan;
  - 4.3. SIGMA assistance in carrying through a Control Culture Seminar presenting and discussing the draft SDP with important stakeholders from the Parliament and the Government;
  - 4.4. SIGMA intends to carry out one Seminar on Financial Management and Financial Regulations within the EU and another Seminar on the 15 European Guidelines for the INTOSAI Auditing Standards.
5. The ownership of these activities is in the hand of the SC who shall run and manage the activities and the role of SIGMA is to assist in a professional way.
6. The process should be result-oriented and carried out in a good co-operative spirit and under openness. SIGMA will be informed regularly on all other activities relevant to the purpose above but not carried out with the assistance of SIGMA. A comprehensive Activity Plan shall be agreed upon not later than 30 April.
7. The SC shall appoint a Contact person with SIGMA, able to communicate in English.
8. The SC and SIGMA understand that translation and interpretation of a professional quality will be needed, which will require the use of external professionals. The SC shall bear all costs for professional translations and interpretations.
9. The SC agrees to report in June 2001 and December 2001 on the progress made under the co-operation. The format of the reports should be agreed upon no later than 30 April 2001. The SC agrees that the EC Delegation and task manager will be kept informed on the progress of the project.
10. Direct communication between SIGMA staff and SC staff involved in the implementation should be established.
11. The SC will make sure that SIGMA experts will have appropriate working facilities when on mission.

Mrs. Dainora Venckeviciene is the Project Manager for the SC. Mr. Lage Olofsson is the Project Manager for SIGMA.

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Jonas Liaucius  
The State Control of Lithuania

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Francois-Roger Cazala  
SIGMA