

# Environmental audit

## Organizing and pricing of water supply

Water is of crucial importance for human health  
and has ecological, social and economic values  
on a societal level

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## Specific features of Lithuanian water sources

- The drinking water used in Lithuania is extracted only from groundwater sources
- Two thirds of the population have access to safe drinking water supplied by centralized water suppliers
- The rest of the population use water from bore wells and fossil water wells
- The water sector falls under the municipal sphere of influence
- Lithuania is characterized by rather significant regional development differences

<b>Aim of the audit</b>	To evaluate efficiency of the regulation and organization of water provision as well as accessibility of quality public services to citizens
<b>Audit subjects</b>	Ministry of Environment and National Control Commission for Prices and Energy
<b>Start and end of the audit</b>	April 2010 – January 2011
<b>Audit period</b>	2009 – 2010 and some specific data from the period 2001 – 2008
<b>Main audit criteria</b>	Level of achievement of the goals of the Law on Drinking Water Supply and Wastewater Management; Share of the population connected to the newly built water supply infrastructure; Ratio between the investments planned by water supply companies and those actually implemented
<b>Audit procedures and methods</b>	Analysis of relevant legislation, data collection, interviews, questionnaires to 60 municipalities, etc.

## What did we find?

### The Law on Drinking Water Supply and Wastewater Management has not been implemented

- There are 308 entities responsible for water supply instead of 10 (according the Law on Drinking Water Supply and Wastewater Management);
- Only 36 municipalities instead of 60 have prepared water supply and wastewater management infrastructure development plans;
- Water supply activities have not been licensed;
- Municipalities have not selected public water suppliers.

## What did we find?

**The goal to ensure that at least 95 per cent of the population are supplied with drinking water by a public water supplier and provided with wastewater management services by 2015 has not been achieved yet**

- The demand of investments was not identified before setting this goal;
- Users' possibilities to get connected to the infrastructure were not assessed;
- Differences in the situation of municipalities and distribution of the population were not taken into account;
- Capacities of water supply companies and other indicators were not taken into account.

## What did we find?

**Long-term operation of the drinking water supply and wastewater management infrastructure has not been ensured**

- Prices of only one third of water supply companies providing water supply services are actually coordinated;
- Municipalities do not ensure provision of water supply services at coordinated prices;
- The price of water supply services in some municipalities is lower than the cost price;
- Different pricing principles are applied to water supply companies.

## What did we find?

### Continuity of the business of water supply companies has not been ensured

- Most of water supply companies are loss-making;
- The profit margin for each water supply company was determined individually;
- Users pay for the investments which were planned but have not been implemented yet;
- Renewal of the water supply sector is insufficient.

## Audit recommendations

- To the Government: to draft an amendment of the Law on Drinking Water Supply and Wastewater Management
- To the National Control Commission for Prices and Energy: to draft amendments of the Drinking Water Supply and Wastewater Management Methodology

## Implementation of audit recommendations

- The Ministry of Environment commissioned a study “Renovation and development of water supply and wastewater management systems”. The study included an analysis of legislation, assessment of water management efficiency, etc.;
- An amendment of the Law on Drinking Water Supply and Wastewater Management has been drafted and provided to the Seimas of the Republic of Lithuania for approval;
- A Pricing Methodology for Drinking Water Supply and Wastewater Management Services has been approved taking into account the audit recommendations.

## Lessons learned by auditors

- To ensure comparability and reliability of the data, it was collected from various sources;
- One of the most reliable evidence was visual inspection of the area;
- To ensure objectivity, the water services pricing principles were compared with the pricing of services in other sectors;
- Seeking to emphasize the problems of the audit, the audit report was supplemented with a closing chapter, which briefly summarized the problems identified during the audit.



**THANK YOU**