



15th BaltReg

Audit of cost accounting and accounting separation systems: access to infrastructure

23-24th of August 2018

Vilnius

Legal acts



Law on electronic communication (LoEC); (Art 20, Art 23).

RRT shall establish the rules on cost accounting (CA), accounting separation (AS), and the related requirements, including the auditing requirement;

Compliance with CA and AS rules and other legal acts as well as with the CA and AS systems, methodology and/or model prepared by the operator and/or established by the RRT **must be verified by an audit.** The audit opinion must be published annually in accordance with the rules established by the RRT

Rules of cost accounting according to fully distributed costing method (55 paragraph).

RRT shall initiate an **inspection** once per year;

RRT shall engage an **independent auditor** (an audit company) or the inspection is performed by qualified specialists (experts) of the RRT and inform the Undertaking in advance;

Accounting separation rules and the related requirements (49 paragraph).

The findings of the inspection carried out by the Authority and/or the auditor's report are public and published at the internet website of the RRT.



FIRST CHALLENGE:

DEFINITION:

AUDIT vs INSPECTION

The scope of audit.



Main requirements to check, IF:

operator's annual rapport/set of statements provided to the RRT comply with the requirements of legal acts;	Indirect costs are allocated correctly;
costs of regulated services are calculated correctly according main principles of regulation (consistency, transparency, objectivity, reliability, etc.);	internal control procedures ensure reliability;
return on investment (ROI) is calculated correctly;	common costs are allocated according legal acts;
statistic of services is correct;	internal transfers are determined according to non-discrimination basis;
cost carriers are chosen correctly;	allocation reports of long/short term assets and liabilities is formed properly.



Public procurement

- All audits are bought through public procurement procedures;
- Usually up to 4 audit companies participate in the competition of public procurement (typically, small national companies);
- An audit company which offer the lowest price wins the procurement.

Practical information:

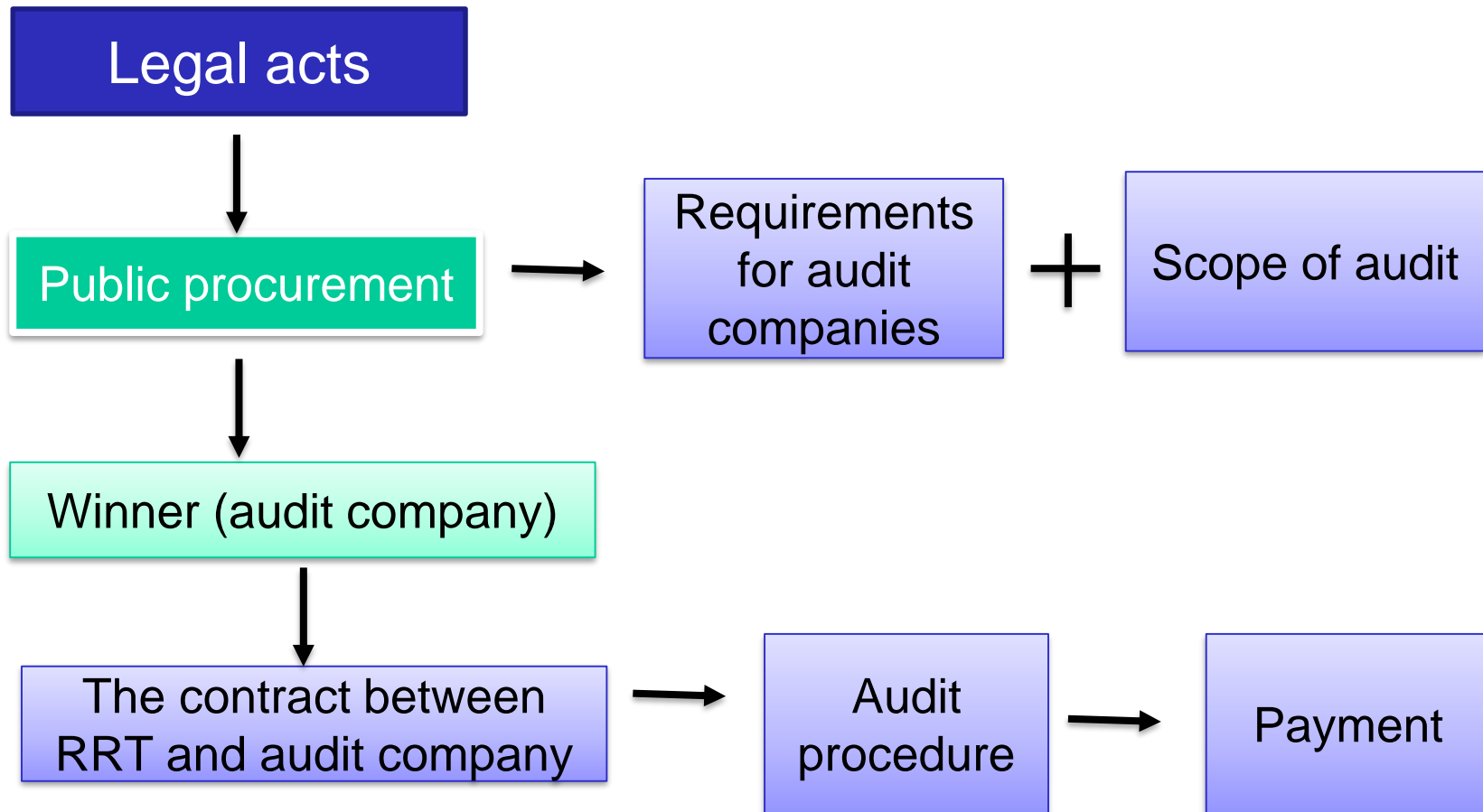
2 SMP's audits per year (Telia Lietuva, AB (hereinafter – Telia) and AB Lietuvos radijo ir televizijos centras (hereinafter – LRTC));



SECOND CHALLENGE:

**SMALL AMOUNT OF THE AUDIT
COMPANIES, PARTICIPATING IN THE
PUBLIC PROCUREMENT**

Audit process scheme



Prices

- Price range depends on the concrete operator:

	2017	2016	2015	2014
Telia	21 000,00 €	18 000,00 €	20 000,00 €	11 000,00 €
LRTC	7 000,00 €	6 500,00 €	6 500,00 €	5 500,00 €
LP	11 000,00 €	13 000,00 €	13 500,00 €	8 000,00 €



Results of audit

RRT receives:

- a) Main findings (publicly available on www.rrt.it);
- b) Report of audit (confidential);
- c) Recommendations (for SMP and RRT).

Audit of Access services:



Year Company	Background	Special Requirements for Access services	Finding	Identified deficiency (nonconformities)
2010/UAB Auditas	International standards on Auditing (ISoA) Professional accountant code of conduct (PACoC)	Verification of related wholesale and retail services, structure of costs (including verification according price squeeze and cross subsidisation); including: ULL, Access to ducts; BB access;	Clean opinion	-WACC calculations; - Reports are prepared manually (mistakes can occurs)
2011/RRT	N/A	No specific requirements for Access services	Small remarks	-WACC calculations; - one-off and periodic costs
2012/UAB Auditas	ISoA, PACoC	No specific requirements for Access services	Clean opinion	- no actual data for Labour hours cost driver
2013/UAB Auditas	ISoA, PACoC, International standards on Assurance Engagements (ISAE)	To evaluate Access to wholesale physical infrastructure assets replicability/indexation value and possibility to reuse asset for NGN	Clean opinion	- no actual data for Labour hours cost driver
2014/UAB Auditas	ISoA, PACoC	No specific requirements for Access services	Clean opinion	- no actual data for Labour hours cost driver
2015/BDO	ISoA, PACoC, Lithuanian audit law'	Detailed analysis of Access to ducts, technical feasibility study and related prices	Qualified opinion	Correctness of Access to ducts cost drivers; causeless change of algorithm of cost allocation formula
2016/UAB Auditas	LoEC, RRT Rules for CA and AS		Qualified opinion	Volume cost driver „free space“ non verified; Access fibre line asset attribution



THIRD CHALLENGE:

AUDIT RESULTS – ACCORDING OUR REQUIREMENTS



Challenges and expectations:

Challenges	Expectations
Audit vs Inspection	To change legal acts for inspection
Amount of audit companies in public procurement procedure	To be able to work with Big4 or similar audit companies
Audit results	More precise formulation in Terms of reference



And what about you?



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