VALSTYBĖS KONTROLĖ
PUBLIC AUDIT

PUBLIC AUDIT REPORT

RESULTS OF THE FINANCIAL AUDIT OF THE SETS OF FINANCIAL STATEMENTS AND BUDGET IMPLEMENTATION REPORTS OF THE RESERVE (STABILISATION) FUND FOR 2023

15 May 2024
No FAE-3

The National Audit Office—the supreme audit institution—supervises the lawfulness and efficiency of the management and use of public assets and the execution of the public budget. By providing audit observations and recommendations, the National Audit Office promotes a positive and effective impact of public audit on the public financial management and control system and on results-oriented and public-oriented public management. For more information on the activities of the National Audit Office and the results of public audit, please visit www.valstybeskontrole.lt.

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The public audit report was submitted to the Seimas of the Republic of Lithuania, the Government of the Republic of Lithuania, and the Ministry of Finance of the Republic of Lithuania.

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INTRODUCTION

Objective and scope of the audit

We have audited the sets of financial statements and budget implementation reports of the Reserve (Stabilisation) Fund for 2023 in accordance with the Regulations of the Reserve (Stabilisation) Fund[1].

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions, which include International Standards on Auditing. The audit report presents only the matters identified in the audit and the independent opinion on the Fund's sets of financial statements and budget implementation reports is expressed in the auditor's report.

The scope of the audit and the methods applied are described in more detail in the Annex "Audit scope and methods" (pages 8-9) to the report.

Purpose of the Reserve (Stabilisation) Fund

The Reserve (Stabilisation) Fund is a monetary fund of the state, the purpose[2] of which is to accumulate the monetary resources of the state necessary to finance public budget expenditures, in accordance with the procedure laid down in the Constitutional Law of the Republic of Lithuania on the Implementation of the Fiscal Treaty, in the event of exceptional circumstances, for the construction of a deep repository for radioactive waste, for the management of radioactive waste and for the fulfilment of the state's financial obligations related to the public debt, the implementation of the policy of the European Union, and/or the implementation of treaties or agreements related thereto (in a refundable manner).

According to the Law on Public Sector Accountability[3], the Reserve (Stabilisation) Fund is a public sector entity managed by the Ministry of Finance[4]. The Ministry maintains the

[1] Regulations of the Reserve (Stabilisation) Fund approved by Resolution No IX-912 of the Seimas of 30 May 2002, clause 21 (the provisions of Resolution No IX-912 of the Seimas of 30 May 2002 "On the Approval of the Regulations of the Reserve (Stabilisation) Fund", which were in force until the entry into force of Resolution No XIII-3317 on 1 January 2023, apply to the preparation of the sets of accounts for the reporting periods up to 2024).

[2] Regulations of the Reserve (Stabilisation) Fund approved by Resolution No IX-912 of the Seimas of 30 May 2002, clause 2 (the provisions of Resolution No IX-912 of the Seimas of 30 May 2002 "On the Approval of the Regulations of the Reserve (Stabilisation) Fund", which were in force until the entry into force of Resolution No XIII-3317 on 1 January 2023, apply to the preparation of the sets of accounts for the reporting periods up to 2024).

[3] Law on Public Sector Accountability, Articles 2(19) and 22(6) (the 2023 sets of accounts of resource funds are prepared in accordance with the Law on Public Sector Accountability in force prior to the entry into force of Law XIII-3308 and are submitted in accordance with the reporting deadlines laid down in the Annex to the Law on Public Sector Accountability set out in Article 1 of that Law (No XIII-3308). The other provisions of Law XIII-3308 apply to the sets of accounts of resource funds for the accounting period 2024 and subsequent accounting periods).

[4] Regulations of the Reserve (Stabilisation) Fund approved by Resolution No IX-912 of the Seimas of 30 May 2002, clause 4 (the provisions of Resolution No IX-912 of the Seimas of 30 May 2002, which were in force until the entry into force of Resolution No XIII-3317 on 1 January 2023, apply to the preparation of the sets of accounts for the reporting periods up to 2024).

accounts of the Fund separately from its own accounts as appropriation manager[5]. The financial statements of the Fund are prepared in accordance with the Law on Public Sector Accountability [6] and the Public Sector Accounting and Financial Reporting Standards, and the report on the implementation of the Fund's estimates is prepared in accordance with the Rules for Preparing a Set of Budget Implementation Reports of Resource Funds[7].

The sources [8] of the Fund's establishment are 50% of the following public budget revenues:

- ✓ Funds from the privatisation of the shareholdings belonging to the state according to the ownership right in accordance with the law;
- ✓ Dividends;
- ✓ Funds from the sale of state immovable property and other immovable assets by public auction in accordance with the law;
- ✓ Funds from the sale of public land.

In addition:

- ✓ The Law on the Approval of Financial Indicators of the Public Budget and Municipal Budgets for the respective year provides for the transfer to the Fund of surplus public budget and other appropriations;
- ✓ Finds from the sale of the assets of the State Enterprise Ignalina Nuclear Power Plant;
- ✓ Income from the investment of the Fund's funds, for the balance of the Fund's funds in bank accounts, other lawfully received funds.

[5] Ibid., clause 19.

[6] Law on Public Sector Accountability, Article 19(1) and (2) and Article 21(1) (the 2023 sets of accounts of resource funds are prepared in accordance with the Law on Public Sector Accountability in force prior to the entry into force of Law XIII-3308 and are submitted in accordance with the reporting deadlines laid down in the Annex to the Law on Public Sector Accountability set out in Article 1 of that Law (No XIII-3308). The other provisions of Law XIII-3308 apply to the sets of accounts of resource funds for the accounting period 2024 and subsequent accounting periods).

[7] Order No 1K-461 of the Minister of Finance of 16 December 2014 "On the Approval of the Rules for Preparing a Set of Budget Implementation Reports of Resource Funds".

[8] Regulations of the Reserve (Stabilisation) Fund approved by Resolution No IX-912 of the Seimas of 30 May 2002, clause 5 (the provisions of Resolution No IX-912 of the Seimas of 30 May 2002, which were in force until the entry into force of Resolution No XIII-3317 on 1 January 2023, apply to the preparation of the sets of accounts for the reporting periods up to 2024).

AUDIT RESULTS

1. THE SET OF ANNUAL STATEMENTS IS ACCURATE IN ALL MATERIAL RESPECTS

1. We have not identified any material errors, therefore, we express an unqualified opinion on the 2023 sets of financial statements and budgetary implementation reports of the Reserve (Stabilisation) Fund: the set of financial statements gives a true and fair view in all material respects, and the set of budget implementation reports was prepared in accordance with the requirements applicable to it.

2. It is envisaged to consolidate the data from the Fund's accounts for the reporting period 2024[9] into the State annual accounts and to discontinue the submission of the Fund's separate annual accounts to the Government and the Seimas.[10]

2. IN 2023, THE GROWTH RATE OF THE FUND WAS EUR 84.78 MILLION

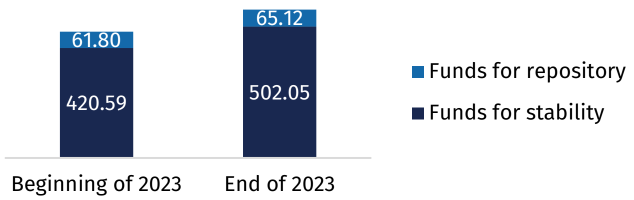
3. EUR 84.78 million (EUR 70.00 million in 2022), which is the amount added to the fund in 2023, both to ensure the stability of the state and for the construction of the repository. As in previous periods, the main part of the Fund's revenue of EUR 84.78 million in 2023 was made up of: dividends received by the state (EUR 41.91 million; 49.43%); proceeds from the sale of public land (EUR 18.83 million; 22.21%); and interest on balances in bank accounts (positive interest rate) in 2023 (EUR 14.96 million; 17.65%).

4. The Fund's size was EUR 482.39 million at the beginning of 2023 and EUR 567.17 million at the end of 2023 (EUR 27.10 million more than planned, with the largest change due to interest). Of this amount, EUR 61.81 million was accumulated at the beginning of 2023 and EUR 65.12 million at the end of 2023 for the construction of a deep repository for the disposal of radioactive waste and the management of such waste (Fig. 1).

[9] Law on Public Sector Accountability (wording effective from 1 January 2023), Article 2(18); Law No XIII-3308 on Amending Articles 1 and 2 of Law No X-1212 on Public Sector Accountability, Article 8.

[10] No separate set of accounts of the Fund for the 2023 reporting period is planned to be submitted to the Government and the Seimas. The 2023 sets of accounts of the resource funds are prepared in accordance with the Law on Public Sector Accountability in force before the entry into force of Law XIII-3308, and are submitted within the deadlines set out in the Annex to the Law on Public Sector Accountability set out in Article 1 of this Law (No XIII-3308) (which are not specified for the submission of the fund's set to the Seimas and the Government).

Fig. 1. Funds of the Reserve (Stabilisation) Fund (by purpose) in 2023 (million euro)



Source: National Audit Office, based on data from the Fund's 2023 resources estimate implementation report

5. The Ministry of Finance, taking into account the need for funds, foresees in the draft estimate of the Fund that at least EUR 3 million shall be accumulated[11] annually for the construction of the deep repository for radioactive waste and for the management of radioactive waste. The 2023 estimate of the Fund's resources foresees a minimum accumulation of EUR 3.00 million, as far as the regulations allow, for the construction of the deep repository for radioactive waste and the management of radioactive waste. In 2023, EUR 3.32 million was accumulated to finance the repository: EUR 1.48 million from the sale of INPP assets and EUR 1.83 million from interest. In 2022 and 2021, EUR 19.37 million and EUR 17.08 million were accumulated respectively[12].

6. The National Audit Office, in its audit[13] of the decommissioning process of the Ignalina Nuclear Power Plant in 2021, highlighted that the need for funds for the construction of a deep repository amounts to an average of EUR 42.7 million annually.

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[11] Regulations of the Reserve (Stabilisation) Fund approved by Resolution No IX-912 the Seimas of 30 May 2002, clause 6 (1).

[12] In exceptional circumstances regarding the transfer to the Fund of 25% of the dividends received by the public budget, the Regulations of the Reserve (Stabilisation) Fund, clauses 7 and 7(1), approved by Resolution No IX-912 of the Seimas of 30 May 2002.

[13] National Audit Report No VAE-4 of 16 June 2021, "Decommissioning Process of the Ignalina Nuclear Power Plant".

ANNEX

Public Audit Report
"Results of the Financial Audit of the Sets of Financial Statements and Budget Implementation Reports of the Reserve (Stabilisation) Fund for 2023"
Annex

Audit scope and methods

Audited set of financial statements for 2023:

- ✓ Statements of financial position, results of operations, cash flows, explanatory notes of the report on changes in net assets and of the financial statements, based on data of 31 December 2023.

The audited set of reports on the implementation of the 2023 budget:

- ✓ Report on the implementation of the funds estimate of 31 December 2023 and explanatory notes.

Subsidiary, controlled and/or consolidated bodies:

- ✓ The Fund has no subsidiaries, controlled or consolidated bodies.

Materiality applied to the audit:

- ✓ Quantitative materiality is EUR 5.73 million in the set of financial statements and EUR 0.85 million in the set of reports on budget implementation.

  A material item is defined as a misstatement or a combination of misstatements exceeding 1% of assets (which amounted to EUR 5.73 million) in the Fund's set of financial statements and exceeding 1% of revenue (which amounted to EUR 0.85 million) in the set of reports on budget implementation. Smaller misstatements that are relevant to the user of the information because of their nature, the circumstances or the context in which they occurred are also considered to be qualitatively material. The absence of, or failure to comply with, key internal controls is also considered to be qualitatively material.

Limitations on the scope of the audit:

- ✓ None.

The audit was completed:

- ✓ In accordance with the International Standards of Supreme Audit Institutions[14], which include International Standards on Auditing (ISA)[15];

[14] ISSAI 2000-2899 "Financial Audit Standards", available online: https://www.valstybeskontrole.lt/LT/post/15649/ (accessed on 14 March 2024).

[15] International Standards on Auditing and Assurance issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (translated into the Lithuanian language by the

✓ To obtain reasonable assurance that the financial statements and the reports on budget implementation are free from material misstatement. Full assurance is not possible due to the inherent limitations of audit and internal control and the fact that we have not checked all (100%) of the transactions.

Audit scope and methods
The opening and closing balances of assets and, respectively, of financing amounts, liabilities and net assets at the beginning and end of 2023:
At the beginning of 2023, the balance of assets and, respectively, of financing amounts, liabilities and net assets totalled EUR 486.40 million, and at the end of the year it comprised EUR 573.01 million.
Income received and costs incurred in 2023:
Income received: EUR 17.59 million, costs incurred: EUR 0 million.
Revenue received and expenditure incurred in 2023:
The Fund received revenue of EUR 84.78 million: ✓ EUR 41.91 million – 50% of the revenue received by the public budget from dividends; ✓ EUR 18.83 million – 50% of the revenue received by the public budget from public land; ✓ EUR 7.59 million – 50% of the revenue received by the public budget from immovable property and other immovable assets; ✓ EUR 1.48 million – proceeds from the sale of the assets of the State Enterprise Ignalina Nuclear Power Plant; ✓ EUR 14.96 million – other (income from the Fund's balances in bank accounts). The Fund did not incur any expenditure. In 2022, it consisted of negative interest on the balance of the Fund's bank account.
Areas assessed and procedures carried out regarding data from the 2023 sets of accounts
Examination of the audited entity's operational, accounting and internal control systems did not reveal any risk of material misstatement:
– To assess whether all income received and the related economic operations, assets, financing amounts and liabilities have been recorded in the accounts on a timely basis, at the correct value, with adequate supporting documentation, in the correct account correspondence and correctly disclosed in financial and other statements.
Areas where the effectiveness of internal control procedures was assessed (testing of controls was carried out):
– Internal controls were not tested.
Areas where key audit procedures (detailed tests and/or analytical procedures) were performed:
– Operating income, costs – detailed tests were performed on 100% of the volume (due to the small volume of economic operations) to obtain completeness, certainty, existence, assessment, disclosure statements; – Compilation of annual statements – 100% assessment was carried out to obtain a disclosure statement.
Overall assessment of the set of accounts:
The following was assessed: – The appropriateness of the accounting methods used and the reasonableness of the accounting assessments and related management disclosures; – The overall presentation, structure and content of the financial statements, including disclosures, and whether they present the underlying transactions and events in a manner that complies with the requirements of the Public Sector Accounting and Financial Reporting Standards; – The overall presentation, structure and content of the budget implementation reports, and whether they present the underlying transactions and events in a way that satisfies the requirements for the presentation of a set of budget implementation reports.

Lithuanian Chamber of Auditors (before 28 February 2017) and the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania (after 1 March 2017), available online: https://avnt.lrv.lt/lt/teisine-informacija/teises-aktai/auditas (accessed on 14 March 2024).