VALSTYBĖS KONTROLĖ
PUBLIC AUDIT

To the Seimas of the Republic of Lithuania

To the Government of the Republic of Lithuania

To the Ministry of Finance of the Republic of Lithuania

PUBLIC AUDITOR'S REPORT

ON THE SET OF ACCOUNTS OF THE STATE FOR 2024

15 May 2025 No FAE-2

Vilnius

QUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE STATE

We have audited the set of financial statements of the State for 2024 which consists of the annual statement of financial position, the annual performance report, the annual cash flow statement, the annual statement of changes in net assets and the explanatory note to the annual financial statements.

In our opinion, except for the effects of the matters described in the section "Basis for the qualified opinion on the set of financial statements of the State" of our report, the set of financial statements of the State for 2024 gives a true and fair view of the financial position of the public sector entities included in the State Group as at 31 December 2024, the results of performance in 2024, changes in net assets and cash flows in accordance with the Public Sector Accounting and Financial Reporting Standards of the Republic of Lithuania.

BASIS FOR THE QUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE STATE

We have identified material misstatements in the statement of financial position and the statement of changes in net assets due to misstatements in the sets of financial statements of the public sector entities at the lower level of consolidation, with 45 (out of 504) audited entities being subject to observations (details are provided in Section 1, Table 1 of the Audit report):

1) We cannot confirm the correctness of the data on forest land of EUR 2 463.01 million and on forest stands of EUR 695.54 million, the reserves of EUR 1 969.51 million and the accumulated deficit of EUR 1 210.09 million respectively due to accounting information deficiencies in accounting for forest land and forest stands in the Ministry of Environment;

2) We cannot confirm the correctness of the accumulated surplus of EUR 1 803.15 million because the National Land Service could not justify the change in the acquisition cost and value of the land parcels created;

3) We cannot confirm the correctness of the EUR 1 434.23 million (100%) value of mineral resources and the same value of reserves because the Lithuanian Geological Survey has not recalculated it for 2024: the reports still contain errors from the previous audit, the use of the mineral resources in 2024 has not been assessed, and the newly approved mineral resources have not been included;
4) We cannot confirm the correctness of the data on museum objects of EUR 463.54 million because museums do not have analytical accounting records for all the objects they hold, and because museum objects have not been inventoried;
5) We cannot confirm the correctness of the assets of EUR 107.74 million and the operating costs of EUR 88.90 million because the financial accounting processes and recording of economic transactions of four public sector entities do not comply with the requirements of the Law on Public Sector Accountability and the Standards on Public Sector Accounting and Financial Reporting, or the responsible management of the assets and finances of the entity is not assured.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the set of financial statements of the State.

OTHER MATTER REGARDING THE SET OF FINANCIAL STATEMENTS OF THE STATE

We would like to draw attention to an observation that does not affect the opinion but is important.

The Ministry of Finance prepares the set of annual financial statements of the State in the Public Sector Accounting and Reporting Consolidation Information System, after consolidating the data provided by a public entity in this system. To ensure the reliability and correctness of the data submitted to the system, conditions are laid down, such as that the manager must first sign off the set of financial statements and then the data from the signed set are submitted to the system. The financial statements are drawn up on the basis of a aggregated financial accounting register, the general ledger, its movements and balances, and must therefore be prepared before the compilation of the set of financial statements and closed at the same time as the compilation of the set of financial statements, i.e. the closure of the general ledger constitutes the final step in the process of drawing up the financial statements. The closure of the general ledger shows the cumulative result of the activity and ensures that no new transactions are recorded after the compilation of the statements. However, we found cases where the process was reversed, and the entities' data were entered into the system before the manager has approved the set with the signature. The general ledger is closed later than the set is compiled. The failure to close the general ledger and the inclusion of data not yet approved by the manager in the Public Sector Accounting and Reporting Consolidation Information System is considered by us to be a significant deficiency in internal control, which could lead to changes in the accounting data for a period for which the financial statements have already been drawn up and approved by the head of the institution (Section 1 of the Audit report, p. 19).

QUALIFIED OPINION ON THE SET OF THE ANNUAL STATE BUDGET IMPLEMENTATION REPORTS

We have audited the set of the state budget implementation reports for 2024 which consists of the reports on: the execution of the state budget revenue plan; the execution of the state budget expenditure plan; the execution of the state budget expenditure plan (by state function); the execution of the state budget expenditure plan (by economic classification); the use of the Government Reserve; the use of revenue contributions to the State budget by budgetary institutions and other funds allocated by laws, government decrees and other legal acts to finance programmes; the use of special-purpose grants from the state budget and other funds allocated to municipal budgets; the implementation of the public investment programme; the implementation of the State budget expenditure plan by programmes, objectives and measures; the limits on government borrowing, debt and secured debt; and the explanatory note to the present set.

In our opinion, except for the effects of the matters described in the section "Basis for the qualified opinion on the set of the annual state budget implementation reports" of our report, the set of the state budget implementation reports for 2024, in all material respects, was prepared and presented in accordance with the legal acts of the Republic of Lithuania regulating preparation of this set of reports.

BASIS FOR QUALIFIED OPINION ON THE SET OF THE STATE BUDGET IMPLEMENTATION REPORTS

We identified material misstatements in the data of the Report on the implementation of the state budget expenditure Plan as at 31 December 2024 (by economic classification) (Form 5) (see Section 2 of the Audit report, p. 22, for details): a significant part of the expenditure on wages, salaries, goods and services, fixed assets, acquisition of stocks, etc., amounting to EUR 680.07 million, is planned and reported under the wrong item of the expenditure by economic classification in the State budget implementation reports.

We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the set of the state budget implementation reports.

EMPHASIS OF MATTER REGARDING THE SET OF THE STATE BUDGET IMPLEMENTATION REPORTS

We would like to draw attention to an observation that does not affect the opinion but is important. The explanatory note to the State budget implementation reports indicates an increase of EUR 598.6 million (EUR 982.6 million in 2023) in the appropriations plan for 2024. The regulation on the formulation and implementation of the state budget leaves room for reallocation of the appropriations approved by the Seimas and for borrowing on behalf of the state, and for the use of borrowed money by the government or an institution authorised by the government to exceed the total amount of appropriations approved by the Seimas in accordance with the law on State Budget Indicators. This practice needs to be changed to ensure that the state budget as a whole and certain of its items, to the extent that they are approved by the Seimas, are also subject to amendment or revision by the Seimas, and that there are no other authorisations to do so (Section 2 of the Audit report, p. 21).

FINANCIAL DATA PRESENTED IN THE NATIONAL PROGRESS REPORT

Our opinions on the set of the annual financial statements and the set of the annual budget implementation reports of the State do not cover the information presented in the National Progress Report, and no opinion is given on the National Progress Report. Our audit of the annual accounts of the State requires us to read the information presented in the National Progress Report and to assess whether the financial data it contains is consistent with the annual financial statements and the budget implementation reports of the State, whether it is not materially inconsistent with our knowledge acquired in the course of the audit, or whether it is otherwise materially misstated. If on the basis of our work we come to the conclusion that the financial data are materially misstated, we are required to state this fact in our auditor's report.

The National Progress Report should have been submitted to the National Audit Office for assessment by 20 April 2025, in accordance with the Law on Public Sector Accountability. On 25 April 2025, we received the draft National Progress Report and did not receive the final copy of the National Progress Report before the submission of the audit opinion on the annual accounts of the State to the Seimas. In accordance with international standards of supreme audit institutions, an opinion on a report in progress is not issued (Section 4, p. 26 of the Audit report).

MANAGEMENT'S RESPONSIBILITY FOR THE SETS OF ANNUAL ACCOUNTS OF THE STATE

The Minister of Finance of the Republic of Lithuania is responsible for the preparation and fair presentation of the set of annual accounts of the State in accordance with the Law on Public Sector Accountability of the Republic of Lithuania, Public Sector Accounting and Financial Reporting Standards of the Republic of Lithuania, and for the preparation and fair presentation of the set of the state budget implementation reports in accordance with legal acts of the Republic of Lithuania regulating preparation of these reports. The responsibility for the preparation of the lower level accounts lies with appropriation managers and the heads of the bodies in the ministerial spheres of government which carry out the programmes of the respective appropriation manager. The Chancellor of the Government, together with the Minister of Finance, are responsible for preparing the National Progress Report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions, which include International Standards on Auditing. We are independent from the audited entity in accordance with the Law on the National Audit Office, the Code of Ethics for Employees of the National Audit Office, and we complied with the other ethical requirements set out in this Code.

Our objective is to obtain reasonable assurance about whether the financial statements and budget implementation reports of the state for 2024 as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes the auditor's opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee, that an audit conducted in accordance with International Standards on Auditing and International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the budget implementation reports.

A more detailed description of the auditor's responsibility is available on the website of the National Audit Office https://www.valstybeskontrole.lt/EN/PublicAudit. This description is an integral part of the auditor's report

We submit the public auditor's report together with the public audit report and enclose the audited set of financial statements and the set of budget implementation reports.

Auditor General Irena Segalovičienė