

# RESULTS OF THE FINANCIAL AUDIT OF THE SET OF ACCOUNTS OF THE STATE FOR 2024

15 May 2025

No FAE-2

## SUMMARY

### Audit Objective and Scope

We have audited the set of accounts of the State for the year 2024 in accordance with the Law on the National Audit Office and the Law on Public Sector Accountability.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions, which include International Standards on Auditing. The scope of the audit and the methods applied are described in more detail in Annex 2 “Audit scope and methods” (page 31). The audit report presents only the matters identified in the audit, while the independent audit opinions on the annual financial statements and the budget implementation reports of the State are given in the auditor’s report.

### Key Audit Results

#### 1. Material misstatements identified in the annual financial statements of the State

The availability and opening up of quality public sector performance data enables greater efficiency and inter-institutional cooperation between public administration institutions, enhances government transparency and promotes citizen involvement in decision-making. One of the fundamental sources of data for assessing the past performance of the State and the prospect for the future is the financial data of public sector entities, which are materially misstated at national level.

Material misstatements were detected in the annual accounts of the State in respect of fixed tangible assets, mineral resources, biological assets, reserves, accumulated deficit and other material misstatements:

- ✓ 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 (Section 1, p. 13);
- ✓ 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 (Section 1, p. 13);
- ✓ 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 (Section 1, p. 14);
- ✓ 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 (Section 1, pp. 14-15);
- ✓ We cannot confirm the correctness of the value of buildings and infrastructure structures of EUR 378.03 million because the Lithuanian Armed Forces incorrectly accounted for the substantial improvement of the assets as simple repairs, by reporting the costs and not increasing the value of the assets (Section 1, p. 15);
- ✓ 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 (Section 1, page 15-16).

In 2024, there were positive developments in correcting significant accounting errors. Some of these have been corrected by the entities themselves - the State Tax Inspectorate has partially implemented the 2020 recommendation and corrected some of the significant accounting errors, but there are still some - in the set of annual financial statements of the State, the performance report item A.II. "Other operating income" is reduced by EUR 12.56 million and item B. "Operating expenses" is increased by EUR 5.51 million. Significant consolidation and entity accounting errors were corrected by the Ministry of Finance: it recorded all costs related to the transfer of land to municipalities (EUR 13 314.85 million), corrected erroneous cash flows for cash of entities included in the State Group (EUR 568.42 million) and for cash allocated to the National Health Insurance Fund (EUR 552.02 million) (Section 1, pp. 18-19).

## 2. Significant deficiencies identified in the organisation of accounting processes

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. 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. Similarly, public sector entities close the general ledger, the aggregated accounting register, later than the approval of the set of 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. 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, pp. 19-20).

Improving the regulation of the centralised accounting process would help to address recurrent deficiencies in the organisation of accounting and improve the quality of reporting. A draft amendment to the description of the procedure for the centralised organisation of accounting by public sector entities was prepared as early as 2023, but no decisions have been taken so far. It is important to improve the description as it should regulate the information to be provided to the accounting officer of the public sector bodies, the procedure for its provision and similar matters, which would allow for correct data in the public sector bodies' reporting sets and ensure that they are prepared within the deadlines set by the legislation (Section 1, pp. 20-21).

### 3. Material misstatements found in the set of annual state budget implementation reports

The purpose of the annual state budget implementation reports is to show the plans and execution of the State budget revenue by type and expenditure by national functional (social protection, economy, education, etc.) and economic (wages, use of goods and services, social benefits, etc.) classifications, and to provide the general public with information on the programmes carried out, the sources of funding for the programmes, and the allocation and use of appropriations and the reasons for under-spending.

The set of state budget implementation reports for 2024 contains material misstatements, with EUR 543.84 million shown as EU, other international financial assistance and co-financing money, money from the state budget for the implementation of projects, misclassified by type of expenditure. This money was used for wages and salaries of public sector entities, acquisition of goods and services, fixed assets, etc. and should have been shown under the relevant economic classification items (Section 2, pp. 22-23).

The correct allocation of revenue and expenditure to the relevant items in accordance with the approved rules allows for objective, comparable information, which is equally understandable to users, to be available for monitoring the activities of the institutions and for analysing the needs of the State.

#### 4. Unresolved issue - prevention of money laundering and terrorist financing in the performance of the financial services function in the State Treasury

The prevention of money laundering and terrorist financing in the context of the Treasury's function of providing financial services, such as managing bank accounts, executing payment transactions, etc., is an important and unresolved issue. The use of the State Treasury Consolidated Account Management System (VIKSVA) contributes to increasing the efficiency of public money management and reducing administrative costs, but without adequate preventive measures and operational oversight, this system may be vulnerable to money laundering and terrorist financing schemes. Following the necessary regulatory changes, a full anti-money laundering process proportionate to the identified risks needs to be implemented and supervised by the competent authorities (Section 3, pp. 24-26).

#### 5. On national progress, only draft data

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 Parliament. In accordance with international standards of supreme audit institutions, an opinion on an incomplete report is not issued (Section 4, pp. 26-28).

## Recommendations

### To the Ministry of Culture

1. Develop financial accounting and inventory guidelines (legal acts) for museums in line with the requirements of the Public Sector Accounting and Reporting Standards and the Inventory Rules approved by Government Resolution No 630 of 15 June 2022 (Key audit result 1) (pp. 14-15).

Measures and deadlines for the implementation of the recommendations are set out in the "Plan for the implementation of the recommendations" section of the report (p. 29).

Audit procedures have been performed on all the entities included in the set of annual accounts of the State for 2024, of which 45 have been the subject of written observations and recommendations to eliminate accounting deficiencies, to strengthen internal controls and to investigate the circumstances of accounting treatment.

It is not the first year that we have stressed that the implementation of the recommendations made by the National Audit Office would help institutions to simplify their accounting processes and to have correct financial accounting and reporting data. For up-to-date information on the status of implementation of the high- and medium-importance public audit recommendations in the second half of 2024, please refer to the report on the implementation of the recommendations of 5 March 2025<sup>1</sup>.

<sup>1</sup> 2025-03-05 No RAE-4. Internet access: <https://www.valstybeskontrolė.lt/LT/post/3136/>.

Up-to-date information on the status of implementation of recommendations, results and developments is published in open data on the National Audit Office website <https://www.valstybeskontrole.lt/LT/AtviriDuomenys>.