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

To the State Social Insurance Fund Board

PUBLIC AUDITOR'S REPORT

ON THE SET OF ACCOUNTS OF THE STATE SOCIAL FUNDS FOR 2024

15 May 2025 No FAE-6

Vilnius

We have carried out audit of the set of accounts the State social funds for 2024. The set consists of:

- ✓ Set of accounts of the State Social Insurance Fund (consisting of the sets of consolidated financial statements and the budget implementation reports of the Fund) for 2024;
- ✓ Set of accounts of the Guarantee Fund for 2024 (consisting of the sets of financial statements and the budget implementation reports);
- ✓ Set of accounts of the Long-term Employment Benefits Fund for 2024 (consisting of the sets of financial statements and budget implementation reports).

This Public Auditor's Report provides the independent auditor's opinions on the sets of (consolidated) financial statements and the budget implementation reports for each of the funds making up the set of accounts of the State Social Funds for 2024.

SET OF ANNUAL ACCOUNTS OF THE STATE SOCIAL INSURANCE FUND

QUALIFIED OPINION ON THE SET OF CONSOLIDATED FINANCIAL STATEMENTS OF THE STATE SOCIAL INSURANCE FUND

We have audited the set of consolidated financial statements of the State Social Insurance Fund for the year 2024, which comprise the consolidated statement of financial position, the consolidated statement of performance, the consolidated statement of cash flows, the consolidated statement of changes in net assets and the explanatory note to the consolidated 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 consolidated financial statements of the State Social Insurance Fund" of our report, the set of consolidated financial statements of the State

Social Insurance Fund for 2024 gives a true and fair view of the financial position as at 31 December 2024, the results of performance, changes in net assets and cash flows in 2024 in accordance with the Public Sector Accounting and Financial Reporting Standards of the Republic of Lithuania.

BASIS FOR THE QUALIFIED OPINION ON SET OF CONSOLIDATED FINANCIAL STATEMENTS OF THE STATE SOCIAL INSURANCE FUND

We identified material misstatements in the consolidated statements of financial position (within-year receivables, current liabilities, net assets), results of operations (financing income, operating expenses, operating surplus or deficit, net surplus or deficit), changes in net assets (accumulated surplus or deficit, net assets) and the related data of the explanatory note (Sub-section 1.1 of the Audit report, pp. 13 to 18), which were due to the following circumstances:

1. Not all economic transactions relating to lump sums and periodic payments granted to individuals (where for various reasons these payments did not reach the recipients) are recorded in the Fund's accounts, i.e. the accrual principle is not respected (the errors identified in previous audits have not been corrected). The State Social Insurance Fund (SSIF) Board recorded part of the lump sums allocated for the period 2021-2024, while the extent of the periodic payments and part of the lump sums were not assessed and recorded due to the high administrative costs. For these reasons, we cannot confirm by which amount: in the consolidated statement of financial position as at 31 December 2024 a balance of receivables from the State budget (EUR 139 430.0 thousand) in the current assets under item C.III.5 "Accrued receivables" was reduced, short-term liabilities under Item E.II.7 "Social benefits payable" a balance of the Fund's liabilities (EUR 134 624.1 thousand) was reduced, and net asset balance (EUR 4 119 735.2 thousand) under Item F. "Net Assets" and the corresponding balances of its constituent items were increased; in the consolidated statement of performance as at 31 December 2024, the revenue from the State Budget for the financing of operating activities under Item A.I.1. "From the State Budget" (EUR 3 683 743.5 thousand) was reduced, social benefits expenses under Item B. "Operating expenses" (EUR 7,700,338.4 thousand) and under Item B.X "Social benefits" (EUR 7,563,669.0 thousand) were reduced, while surplus under Item C. "Operating surplus or deficit" (EUR 818 576.0 thousand), under Item H. "Net surplus or deficit before the effect of the equity method" (EUR 918 830.0 thousand) and under Item J. "Net surplus or deficit" (EUR 918 830.0 thousand) was increased; in the consolidated statement of changes in net assets as at 31 December 2024, the accumulated surplus and net assets for the corresponding period in columns 8 and 9, rows 17 and 19 was increased.

2. The calculation of unemployment insurance benefits incorrectly estimates the insurable income and periods of time earned by individuals in foreign countries (in the absence of accurate information from the foreign authorities). For these reasons, we cannot confirm the amount by which the following should be increased or decreased: current assets under Item C.III.6 of the consolidated statement of financial position as at 31 December 2024 "Other receivables", the balance of overpayments of unemployment social insurance benefits receivable and reimbursements of these benefits receivable from foreign social security agencies (EUR 339.0 thousand out of EUR 32 812.1 thousand), the balance of current liabilities under Item E.II.1. "Current year's share of non-current provisions and short-term provisions" of provisions for unemployment social security benefits (EUR 1 699.3 thousand out of EUR 20 734.3 thousand), under Item E.II.7. "Social benefits payable" balance of

unemployment benefits payable (EUR 44 021.0 thousand out of EUR 134 624.1 thousand), under Item F. "Net assets": net assets (EUR 4 119 735.2 thousand) and the balances of the items that make it up accordingly; the amount by which the consolidated income statement should be increased or decreased in accordance with data as at 31 December 2024 under Item B. "Operating expenses" (EUR 7 700 338,4 thousand) and Item B.X. "Social benefits", the expenses of unemployment social insurance benefits, the decrease in the expenses of claims for reimbursement of these benefits and the expenses of provisions (EUR 468,091.5 thousand out of EUR 7,563,669.0 thousand), and under Item C. "Surplus or deficit from operating activities" (EUR 818,576.0 thousand), Item H. "Net surplus or deficit before the effect of the equity method" (EUR 918 830.0 thousand) and Item J. "Net surplus or deficit" (EUR 918 830.0 thousand), the surplus for the period and the net assets in the consolidated statement of changes in net assets, columns 8 and 9, lines 17 and 19.

3. We have identified material misstatements in the statement of financial position, statement on performance and statements on changes in net assets for the previous reporting period (31 December 2023), as well as in the related note to the financial statements (accrued receivables, current liabilities, net assets, operating expenses, operating surplus or deficit, net surplus or deficit. The misstatements were due to circumstances identified in the previous audit, such as unrecorded economic transactions relating to lump sums and periodic benefits granted to individuals but not reaching them, inaccurate estimation of insurable income and periods of time received by individuals in foreign countries (in the absence of accurate information from the foreign authorities), and the understatement of overpayments of social security benefits prior to the occurrence of signs of understatement, not identifying changes in the data in the Register of Insured Persons and Beneficiaries of State Social Insurance (assessing the extent of possible errors), recording of reimbursements receivable from foreign social security agencies in the wrong accounting period, not explaining the difference between the current year's results (surplus) in the consolidated set of financial statements and the sets of budget implementation reports.

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 consolidated financial statements of the State Social Insurance Fund.

QUALIFIED OPINION ON SET OF CONSOLIDATED BUDGET IMPLEMENTATION REPORTS OF THE STATE SOCIAL INSURANCE FUND

We have audited the set of consolidated budget implementation reports of the State Social Insurance Fund for 2024 which consists of the consolidated Fund's revenue and expense report, consolidated Fund's revenue and expenditure report, and the explanatory note on the implementation of the Fund's budget.

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 of the State Social Insurance Fund 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 SET OF CONSOLIDATED BUDGET IMPLEMENTATION REPORTS OF THE STATE SOCIAL INSURANCE FUND

The consolidated financial statements and the consolidated budget implementation reports of the State Social Insurance Fund are prepared on the same accrual basis. Therefore, the misstatements identified in the set of consolidated financial statements (paragraphs 1 and 2 of the opinion on the set of consolidated financial statements) have an impact on the corresponding figures in the reports and the note to the set of consolidated budget implementation reports (paragraph 1.2 of the report, pages 24-25). In view of the above, we cannot confirm:

1. The amount by which in the consolidated revenue and expenses report as at 31 of December 2024, under item 1.8 "Proceeds from the State budget and/or other monetary resources of the State", the revenue from the State budget has been reduced, under item 2 "Expenses", the expenses have been reduced (EUR 7 063 337.1 thousand) for social insurance benefits (Items 2.1 to 2.5), and under Item 3 "Result for the current year", the result for the current year (EUR 918,698.4 thousand) has been increased due to the non-availability of social security periodic and lump-sum benefits for unregistered recipients;

2. The amount by which in the consolidated revenue and expenses report as at 31 December 2024 under Item 2.4 "Social insurance for unemployment benefits", the expenses of unemployment benefits (EUR 468 091.5 thousand) and under Item 3 "Result for the current year" result for the current year (EUR 918 698.4 thousand) have been reduced or increased due to inaccurate valuation of insurable income and unemployment insurance periods of persons employed abroad.

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 consolidated budget implementation reports of the State Social Insurance Fund.

SET OF ANNUAL ACCOUNTS OF THE GUARANTEE FUND

UNQUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE GUARANTEE FUND

We have audited the set of financial statements of the Guarantee Fund for 2024, which comprise the statement of financial position, the statement of performance, the statement of cash flows, the statement of changes in net assets and the note to the financial statements.

In our opinion, the set of financial statements of the Guarantee Fund for 2024 gives a true and fair view of the financial position of the Guarantee Fund as at 31 December 2024, and of the results of its operations, changes in net assets and cash flows for 2024, in accordance with the Public Sector Accounting and Financial Reporting Standards.

BASIS FOR THE UNQUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE GUARANTEE FUND

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

UNQUALIFIED OPINION ON THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE GUARANTEE FUND

We have audited the set of budget implementation reports of the Guarantee Fund for 2024, which comprise the revenue and expense report, the budget revenue and expenditure report, and the note on budget implementation.

In our opinion, the set of budget implementation reports of the Guarantee Fund for 2024 has been prepared and presented, in all material respects, in accordance with the legal acts of the Republic of Lithuania regulating the preparation of such set of reports.

BASIS FOR THE UNQUALIFIED OPINION ON THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE GUARANTEE FUND

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the set of budget implementation reports of the Guarantee Fund.

EMPHASIS OF MATTER REGARDING THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE GUARANTEE FUND

We would like to draw attention to an observation that does not affect the opinion but is important. As a result of a change in the legal framework, the budget of the Guarantee Fund for 2024 has been drawn up on an accrual basis rather than on a cash basis (as was the case until 2024). Accordingly, the 2024 set of reports has been prepared using the accrual basis for accounting.

SET OF ANNUAL ACCOUNTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

UNQUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

We have audited the set of financial statements of the Long-Term Employment Benefits Fund for 2024, which comprise the statement of financial position, the statement of performance, the statement of cash flows, the statement of changes in net assets and the explanatory note to the financial statements.

In our opinion, the set of financial statements of the Long-Term Employment Benefit Fund for 2024 gives a true and fair view of the financial position as at 31 December 2024, and of the results of its operations, changes in its net assets and its cash flows for 2024, in accordance with the Public Sector Accounting and Financial Reporting Standards.

BASIS FOR THE UNQUALIFIED OPINION ON THE SET OF FINANCIAL STATEMENTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the set of financial statements of the Long-Term Employment Benefits Fund.

UNQUALIFIED OPINION ON THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

We have audited the set of budget implementation reports of the Long-Term Employment Benefits Fund for 2024, which comprise the revenue and expense report, the revenue and expenditure report and the explanatory note on budget implementation.

In our opinion, the set of budget implementation reports of the Long-Term Employment Benefits Fund for 2024 has been prepared and presented, in all material respects, in accordance with the legal acts of the Republic of Lithuania regulating the preparation of this set of reports.

BASIS FOR THE UNQUALIFIED OPINION ON THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the set of budget implementation reports of the Long-Term Employment Benefits Fund.

EMPHASIS OF MATTER REGARDING THE SET OF BUDGET IMPLEMENTATION REPORTS OF THE LONG-TERM EMPLOYMENT BENEFITS FUND

We would like to draw attention to an observation that does not affect the opinion but is important. As a result of a change in the legal regulation, the budget of the Long-Term Employment Benefits Fund for 2024 has been established on an accrual basis instead of a cash basis (which was the case until 2024). Accordingly, the 2024 set of budget implementation reports has been prepared using the accrual basis for accounting

MANAGEMENT'S RESPONSIBILITY FOR THE SET OF ACCOUNTS OF THE STATE SOCIAL FUNDS

The Director of the State Social Insurance Fund Board is responsible for the preparation and fair presentation of the set of annual accounts of the state social funds. which comprise the annual accounts of the State Social Insurance Fund, the Guarantee Fund and the Long-Term Employment Benefits Fund, in accordance with the Public Sector Accounting and Financial Reporting Standards of the Republic of Lithuania, legal acts of the Republic of Lithuania regulating preparation of the set of annual budget implementation reports and such internal control as management determines is necessary to enable the preparation of the sets of financial statements and budget implementation reports that are free from material misstatement, whether due to fraud or error.

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 social funds for 2024 comprising the State Social Insurance Fund, the Guarantee Fund and the Long-Term Employment Benefit Fund 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 sets of financial statements and the sets of budget implementation reports of the State Social Insurance Fund, the Guarantee Fund and the Long-Term Employment Benefits Fund which comprise the set of annual accounts of the State social funds.

Auditor General Irena Segalovičienė