

RESULTS OF THE FINANCIAL AUDIT OF THE SET OF ACCOUNTS OF THE STATE SOCIAL FUNDS FOR THE YEAR 2025

15 May 2026

No FAE-5

SUMMARY

Objective and scope of the audit

We have carried out a financial audit of the set of accounts of the State social funds for the year 2025 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 incorporate the International Standards on Auditing. The Audit Report presents only the findings identified during the audit while independent opinions on

- ✓ the consolidated financial statements and budget implementation reports of the State Social Insurance Fund,
- ✓ the financial statements and budget implementation reports of the Guarantee Fund, and
- ✓ the financial statements and budget implementation reports of the Long-Term Employment Benefits Fund

comprising the set of accounts of the State social funds are presented in the Auditor's Report. The scope of the audit and the methods applied are described in more detail in Appendices 1–3 "Scope and Methods of the Audit" (pages 46–54).

Key audit findings

Set of annual reports of the State Social Insurance Fund

1. The consolidated financial statements and budget implementation reports of the Fund for the year 2025 contain material misstatements

We have issued qualified opinions on the consolidated financial statements and budget implementation reports of the State Social Insurance Fund (SSIF) because we identified material misstatements in the statements of financial position, statement of activity and statement of changes in net assets (amounts receivable within one year, current liabilities, net assets (reserves and accumulated surplus), income from financing core activities and social benefit costs, surplus or deficit from core activities, net surplus or deficit) and the budget income and expenditure statement (cash received from the state and/or other sources, social insurance benefit costs and the result for the current year) and in the explanatory notes to the relevant data sets. The following circumstances led to material misstatements:

- ✓ misstatements from previous periods remained – unchanged settings in information systems and the unidentified extent of unrecorded economic operations related to the allocation of periodic and some one-off benefits (in cases where, for various reasons, these benefits did not reach the recipients). Consequently, we are unable to confirm the amount by which the fund's liabilities to benefit recipients (EUR 146.8 million), social benefit expenditure (EUR 8,460.2 million) and the net surplus (EUR 946.9 million) should be increased;
- ✓ when calculating the amount of maternity, paternity and childcare benefits, the income from employment received by the individual during the period of payment of these benefits must also be taken into account. The Law on Sickness and Maternity Social Insurance, the Regulations on Sickness and Maternity Social Insurance, and the procedures established by the State Social Insurance Fund Board lack provisions specifying what verification measures/procedures must be carried out to ascertain whether a person has received income from employment in foreign countries. The State Social Insurance Fund Board (the Fund Board) has limited ability to obtain such information and, consequently, to manage the risk of overpayments of the aforementioned benefits. Consequently, we are unable to confirm the accuracy of EUR 454.9 million in maternity social insurance benefit costs and related amounts;
- ✓ the Law on Sickness and Maternity Social Insurance and the Regulations on Sickness and Maternity Social Insurance do not contain clear legal provisions on how to ensure in practice that the principle of avoiding the overlapping of child care benefit payments for the same child and for the same period (in Lithuania and other countries), whilst the internal control procedures of the Fund Board are insufficient to achieve the above objective and are applied inconsistently. Consequently, we are unable to confirm the accuracy of EUR 317.9 million in childcare benefit expenditure and related amounts;
- ✓ arrears of deferred social insurance contributions are administered in breach of the provisions of the Law on State Social Insurance and other legislation – when insured persons breach the conditions set out in decisions, they are not terminated in a timely manner and continue to be administered, without initiating the enforced recovery of

the arrears, together with interest, from the insured person. Consequently, we were unable to confirm the accuracy of the balances of long-term receivables (EUR 4.9 million) and related amounts.

The identified misstatements are presented in more detail in the section of the Public Auditor's Report entitled "Annual Accounts of the State Social Insurance Fund", while a detailed description of the findings and their assessment is provided in Section 1.1 of this report, pages 14–27.

Set of annual accounts of the Guarantee Fund

2. The sets of financial statements and budget implementation reports of the Fund for the year 2025 are accurate in all material respects

We have expressed unqualified opinions on the sets of financial statements and budget implementation reports of the Guarantee Fund for the year 2025. The basis for our opinions is set out in the section "Annual Accounts of the Guarantee Fund" of the Public Auditor's Report, and more detailed information is provided in Section 2 of this report, pages 36–38.

3. Inaccurate amounts of creditors' claims in court orders or resolutions of the meetings of creditors pose a risk of unreasonably higher payments from the Guarantee Fund

A problem has been identified whereby the insolvency administrators of a bankrupt entity, when submitting employees' claims for approval to the court or creditors' meeting, fail to comply with the provisions of the Law on Guarantees for Employees in the Event of their Employer's Insolvency and Long-Term Employment Benefits and other legislation, fail to verify the amounts of employees' claims against the supporting documents and submit them for approval without deducting the applicable taxes.

Although the court order and the resolution of the meeting of creditors are binding documents for the Fund administrator, nevertheless, during the course of the work procedures, Kaunas Branch of the Fund Board identified a risk on 261 occasions (i.e. in almost one in three cases of documents received) and approached the insolvency administrators or the courts with a request to clarify (adjust) the amount of the payment due to the bankrupt person's employee as set out in the court order or the resolution of the meeting of creditors.

Requests for the clarification (adjustment) of inaccurate (incorrect) amounts of creditor claims increased the administrative burden and prolonged the payment deadlines, but this prevented unreasonably higher payments from the Guarantee Fund. In the auditors' assessment, in 2025, the average potential overpayment avoided per employee amounted to 38 per cent of the amount confirmed for them in a court order (or a resolution of the meeting of creditors), i.e. an overpayment of approximately EUR 1,100 to the employee was avoided.

Following the amendment on 6 January 2026 of the working procedures for the allocation and payment of benefits from the Guarantee Fund, approved by the Director of the Fund Board, the obligation for Kaunas Branch of the Fund Board to verify claims approved by the court or meeting of creditors was abolished; the risk previously managed regarding

the payment of unjustifiably higher benefits from the Guarantee Fund will no longer be managed from 2026 (Section 2.2, pages 36–38).

Set of annual accounts of the Long-Term Employment Benefits Fund

4. The sets of financial statements and budget implementation reports of the Fund for the year 2025 are accurate in all material respects

We have expressed unqualified opinions on the sets of financial statements and budget implementation reports of the Long-Term Employment Benefits Fund for the year 2025. The basis for our opinions is set out in the section “Annual accounts of the Long-Term Employment Benefits Fund” of the Public Auditor’s Report, and more detailed information is provided in Section 3 of this report (page 39).

5. With the Reserve Fund growing rapidly, the decisions on the establishment of general reserves and the setting of management principles taken by the Ministry of Finance will be crucial for its management

At the end of 2025, the State Social Insurance Reserve Fund (Reserve Fund) stood at EUR 4,515.1 million (63.9% of the previous year’s budget expenditure and 5.4% of the GDP). In 2025, the Ministry of Finance invested the amount of EUR 2,108.68 million in securities (including long-term investments in the amount of EUR 1,834.9 million) and EUR 1,090.0 million in term deposits. A total of EUR 69.5 million in interest was received during the reporting year. It is forecast that by the end of 2028, the Reserve Fund will grow to EUR 7,807 million.

Following the adoption of amendments to the Law on the Accumulation of Pensions, in the first quarter of 2026 the amount of EUR 1,321.2 million was transferred to the budget of the SSIF for persons who had withdrawn from pension accumulation (EUR 550 million was planned for 2026) – funds from participants who had terminated their pension accumulation (state social insurance contributions and state incentive contributions). Following the adoption of amendments to the provisions on the establishment and management of the Reserve Fund by the Government in 2026, the funds returned to the budget of the SSIF under the Law Amending the Law on the Accumulation of Pensions will be transferred to the Reserve Fund account on a quarterly basis. This will enable the Ministry of Finance to invest them more quickly.

The recommendations submitted by the National Audit Office to the Ministry of Finance will be particularly relevant to decisions on the management of the Reserve Fund – to systematically review the legal regulation of reserves, establish common principles for their formation and management, and ensure their alignment with the borrowing policy of the State – implementation (scheduled for completion by 31 December 2026) (Section 1.4, pages 34–36).

6. A new standard for State social funds, under which a single set of financial statements will be prepared for the financial year 2026, has been drafted

In 2025, the Ministry of Finance prepared the new 32nd Public Sector Accounting and Financial Reporting Standard for the State social funds. The standard sets out the structure of state social fund reports and the requirements for the information presented in them. The approval of the new standard has created the conditions for implementing the recommendation made by the National Audit Office in 2017 – to prepare a single set of accounts of the state social funds based on the accrual principle. Taking into account the requirements of the new standard, the Fund Board must, by 2026, review and amend the legislation relating to the principles of the budget preparation, of the Fund and the classification of income and expenditure (Section 5, page 40).

Recommendations

To the Ministry of Social Security and Labour

1. In order to ensure the proper implementation of the principle of avoiding the overlapping of benefits as set out in the EU social security coordination regulations, as well as Article 22(1) of the Law on Sickness and Maternity Social Insurance and point 56¹ of the Sickness and Maternity Social Insurance Regulations, as well as to manage the risk associated with the possibility of receiving multiple child care benefits of the same type for the same child and the same period from Lithuania and foreign countries, to amend legislation and regulate the functions, responsibilities and control (including the actions of institutions when contacting the relevant institutions in foreign countries and the obligations of persons who have submitted applications for childcare benefits), when awarding and paying childcare benefits by them:
 - EU social security coordination regulations apply;
 - international bilateral social security agreements apply;
 - the afore-mentioned international regulations and unsigned international bilateral agreements do not apply (Audit finding 1).
2. In order to manage the risk of overpayments arising from income from employment received in foreign countries but not declared by the individual, to amend legislation to regulate the functions of the State Social Insurance Fund Board and its regional branches, responsibilities and controls regarding the collection and assessment of information on income from employment in foreign countries received by an insured person during the period of payment of maternity, paternity and childcare benefits (including the obligation for insured persons to notify the benefits administrator of the receipt of such income) (Audit finding 1).
3. To ensure the payment of reasonable amounts from the Guarantee Fund (to avoid potential overpayments), to make effective use of the administrative resources of all parties involved in this process, and to take measures to manage the risk arising from the confirmation of inaccurate (unjustified) amounts of employees' claims in court orders or resolutions of the meeting of creditors (Audit finding 3).

To the State Social Insurance Fund Board under the Ministry of Social Security and Labour

4. In order to ensure the proper implementation of the principle of avoiding overlapping benefits as set out in the EU social security coordination regulations, as well as Article 22(1) of the Law on Sickness and Maternity Social Insurance and point 56¹ of the Regulations on Sickness and Maternity Social Insurance, as well as to manage the risk associated with the possibility of receiving multiple child care benefits of the same type for the same child and the same period from Lithuania and foreign countries, to establish additional internal control procedures (measures) ensuring control over the validity and legality of the allocation of childcare benefits where insured persons from different countries acquire the right to receive benefits due to the birth of the same child (Audit finding 1).
5. To ensure the payment of reasonable amounts from the Guarantee Fund (to avoid potential overpayments), to make effective use of the administrative resources of all parties involved in this process, measures should be taken to manage the risk arising from the approval of inaccurate (unjustified) amounts of employees' claims in court orders or resolutions of the meeting of creditors (Audit finding 3).

The measures and deadlines for implementing the medium-importance recommendations, as well as the expected impact of the audit, are set out in section of "Plan for the Implementation of Recommendations" of the report (pages 41–45). Recommendations of lesser importance are presented in Appendix 4 "Recommendations of lesser importance made during the audit" (pages 55–57).

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