VALSTYBĖS KONTROLĖ
PUBLIC AUDIT

RESULTS OF FINANCIAL AUDIT OF THE 2021 SETS OF CONSOLIDATED FINANCIAL AND BUDGET EXECUTION REPORTS OF THE STATE SOCIAL INSURANCE FUND

03 October 2022

No FAE-7

SUMMARY

Objective and Scope of the Audit

Pursuant to the Law on National Audit Office and the Law on Public Sector Accountability, we have carried out an audit to assess the regularity of the 2021 sets of consolidated financial and budget execution reports of the State Social Insurance Fund.

The audit has been performed in accordance with International Standards on Auditing and International Standards of Supreme Audit Institutions. The scope and methods of the audit are described in greater detail in 1 Annex “Audit Scope and Methods”.

Key Results of the Audit:

1. The 2021 set of financial reports contains material misstatements of data, the set of budget execution reports is correct in all material respects

The 2021 set of consolidated financial reports of the State Social Insurance Fund is not prepared in all material respects in accordance with the requirements of Public Sector Accounting and Financial Reporting Standards (PSAFRSs) and other legal acts. We have found material misstatements in the data of the reports of consolidated financial position (articles of non-current financial assets and current liabilities), due to the fact that the State Social Insurance Fund Board used the same method of registering economic transactions in 2021 as in 2020, which also does not comply with the requirements of PSAFRS 1 - the proportion of compulsory health insurance contributions paid by the self-employed was not deducted from their calculated contribution obligations, but their overpayments were recorded. For these circumstances, we cannot confirm the correctness of the Fund's contributions receivable after one year of EUR 63.4 million and of the overpayments to be recovered of EUR 60.3 million (Section 1.1, p. 9–10). The Fund's Board has informed that after the implemented changes, misstatements have been corrected in Q2 2022.

2. Preparation of the Fund's reports in accordance with the new requirements is still under process

Following the recommendation made in 2018, amendments to the Laws on Public Sector Accountability, the Structure of the Budget of the State Social Insurance Fund were adopted on 01/10/2020, which provide for the preparation of a single (instead of two) set of accrual-based reports for the State Social Insurance Fund, the requirements for which are still to be set by the Minister of Finance. The application of these provisions was postponed for one year, i.e. will apply to the Fund's reports for the accounting period of 2024 and beyond, instead of 2023. According to the Ministry of Social Security and Labour, legislative initiatives have been launched in 2021 to make the necessary changes to the legislation regulating the preparation, approval, and execution of the budgets of social security funds. Specific drafts of legal acts (as of 24/08/2022 data) are not registered in the Information System of Legal Acts. The Fund's Board is planning to implement software changes (postponing the deadlines for the second time) that will allow for the preparation of reports in accordance with the new requirements from Q1 2024. They provide for the cumulative and current year's result to be accounted for on the basis of different types of social insurance. Circumstances suggest that there may not be enough time to prepare for the practical operation of this process (Section 2, p. 13–14).

3. A separate standard is foreseen to regulate the accounting of social benefits

The current PSAFRSs do not separately govern the accounting of social benefits and therefore the general accounting principles should be applied for their accounting. The correct application of the general accounting principles for the accounting of social benefits is relevant for the Fund's Board as it prepares to implement the recommendation to account for the cumulative and current year's result on the basis of different types of social insurance. The Ministry of Finance, having assessed the issues regarding the accounting for social benefits on an accrual basis, plans to develop a separate PSAFRS for the accounting for social benefits. The State Social Insurance Fund's Board plans to revise the description of the procedure for calculating provisions and liabilities for social insurance benefits by 31/12/2022, and to revise the accounting policy after the Ministry of Finance drafts the standard on social benefits (Section 2, p. 14–15).

Recommendations

During the audit, we have not made any recommendations to the State Social Insurance Fund's Board. To have reliable data for the financial reports and to optimise the Fund's performance, it is important to implement the recommendations made during the audits of the assessment of the Fund's 2017–2020 sets of consolidated financial and budget execution reports, and of the legality of the management, use and disposal of its funds and property.

Relevant information on the status of implementation of the recommendations, results and developments is published as open data on the National Audit Office's website https://www.valstybeskontrole.lt/LT/AtviriDuomenys.