

RESULTS OF FINANCIAL AUDIT OF THE SETS OF CONSOLIDATED FINANCIAL STATEMENTS AND BUDGET EXECUTION REPORTS OF THE COMPULSORY HEALTH INSURANCE FUND FOR 2022

29 September 2023

No FAE-5

SUMMARY

Objective and scope of the audit

We conducted financial audit of the sets of consolidated financial statements and budget execution reports of the Compulsory Health Insurance Fund for 2022 in accordance with the Law on National Audit Office and the Law on Public Sector Accountability.

The audit was carried out in accordance with International Standards on Supreme Audit Institutions, which include International Standards on Auditing. The audit report presents only the matters identified in the audit, while the independent opinions on the Fund's consolidated financial statements and the budget execution reports are expressed in the audit opinion. The scope of the audit and the methods applied are described in more detail in Annex 2 'Scope and Methods of the Audit' (pages 21-22).

Key audit findings

1. The set of consolidated financial statements for 2022 is free from material misstatements, and the set of budget execution reports is correct in all material respects

The set of consolidated financial statements of the Compulsory Health Insurance Fund has not been prepared, in all material respects, in accordance with public sector accounting and financial reporting standards. We identified material misstatements in the consolidated statement of financial position (accounts receivable within one year, accumulated surplus or deficit items) and statement of changes in net assets (accumulated surplus or deficit before equity method balance as of 31.12.2022) and the related notes to accounts. The distortions are due to residual weaknesses in the accounting information systems for amounts receivable from natural and legal persons for damage caused to the Fund and for reimbursements receivable from foreign liaison services (for treatment of insured persons in Lithuanian health care institutions). Some of the accounting errors have been corrected in the preparation of the set of financial statements for 2022 in line with the recommendations made, but the deficiencies require a review and modernisation of the information systems, which the National Health Insurance Fund plans to implement by 30 June 2024. In view of this, we were unable to confirm the correctness of 42% (EUR 14.37 million) of the balance of other receivables and the accuracy of the data related to these receivables.

Due to the timing of the settlement of receivables not recorded in the accounts (from EU, EEA and Swiss liaison services for services rendered in Lithuania to the insured persons of these countries), we were unable to estimate the amount of the balance of the current assets - other receivables due within one year (EUR 8.90 million in the consolidated statement of financial position). The balance of non-current financial assets (EUR 47.28 million out of EUR 34.22 million) should be lower and the balance of non-current financial assets (EUR 47.28 million) higher due to the deferment of payments of reimbursable amounts for more than 12 months (Section 1.1.1, para 2-13, pages 10-13).

2. The risk management part of the Fund's reserve has been growing, but the size of the accumulated fiscal reserve (the main part) is not large

At the end of 2022, the balance of the Fund's reserve amounted to EUR 430.92 million (of which EUR 41.85 million is the principal part and EUR 389.07 million is the risk management part). The State Patients' Insurance Fund forecasts that, taking into account the planned volumes of the unused reserve in 2023 (EUR 413.0 million) and the collected surplus revenue (EUR 224.0 million), the amount of the reserve will reach EUR 637.0 million at the beginning of 2024.

The scope of the use of the surplus revenue and the reserve during the budget year is limited by the Constitutional Law on Health Insurance and the Constitutional Law on the Implementation of the Fiscal Compact, which stipulates that the budget of the PSDF must be planned, approved, amended and implemented in such a way that it is in surplus or in balance, as judged by its structural balance indicator.

Back in 2018, the National Audit Office expressed the opinion that taking into account the legal regulation on the establishment and use of the PSDF reserve, only the main part of

the PSDF budget reserve, which amounts to 1.5 % of the amount of the PSDF budget revenue approved for the current budget year, can be considered a sustainable fiscal reserve (Section 2, para 29-32, pages 17-18).

3. The Law on Health Insurance clarifies the purpose of health insurance premiums

Implementing the recommendations made by the National Audit Office, the Law on Amendments and Supplements to the Law on Health Insurance was adopted on 11 May 2023, which clarified the purpose of health insurance premiums and regulated the healthcare provided to the insured financed from the PSDF budget, by linking it to the insured event, and providing for the financing of the costs that do not correspond to the insured event by the state budget. Thus, the funds for the exercise of the functions delegated by the State are separated from the Fund's resources (Section 3, para 33-34, page 19).

Recommendations

No recommendations were made during the audit. To ensure the accuracy of the annual statement sets, the implementation of the recommendations made in the previous audit remains relevant to ensure the accumulation of the information necessary for the accounting of receivables (from natural and legal persons for damage caused to the Fund, and from the liaison offices of the EU, the EEA and Switzerland for the treatment of insured persons in Lithuania from these countries), which is planned to be completed by 30 June 2024.

Up-to-date 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>.