

## Assessment of the regularity of the 2020 sets of financial and budget execution reports and the legality of the management, use and disposal of the funds and property of the Guarantee Fund

Financial audit

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[FULL REPORT \(LT\)](#)



[SUMMARY \(EN\)](#)



### What we assessed and why

Pursuant to the Laws on the National Audit Office and Public Sector Accountability, we carried out the annual audit of the regularity of the Guarantee Fund's (hereinafter – Fund) sets of financial and budget execution reports, and the legality of the management, use and disposal of its funds and property. The Fund is meant to support employees in the event their employer files for insolvency.

### What we found

The Fund's 2020 performance was significantly affected by the implementation of extraordinary measures aimed at mitigating the effects of COVID-19. Following the Government's declaration of a national emergency due to COVID-19, it was decided to finance employers' wage subsidies in respect of workers' downtime and benefits for the self-employed from the Fund, which used allocations from the State budget and EU structural funds. Altogether, €281 528 000 was transferred to the State Social Insurance Fund (SSIF) Board, of which 97.5 % was used. Thanks to these measures, in 2020 the Fund generated more than 12 times as much revenue as in 2019, and the expenditure it incurred increased by a factor of more than 34.

The Ministry of Social Security and Labour, which initiated amendments to the laws, and the Employment Service and the SSIF Board, which administered and paid the benefits, ensured within one month of the quarantine being declared that the legal prerequisites and administrative mechanism for assessing not only self-employed persons' applications to receive benefits, but also the subsidies payable to employers were in place and being implemented. In 2020, 176 700 self-employed persons received flat-rate benefits totalling €129 566 500.

Our assessment of the use of the funds to pay these benefits did not reveal any irregularities in terms of legality. However, in contrast to the payment of benefits to the self-employed, the process for employers to seek a subsidy to pay wages during workers' downtime was little automated and time-consuming, as the data provided by the employer had to be reconciled for each worker on downtime. For these reasons, and due to inaccurate and incomplete information provided by employers, some subsidies (31 % of the cases audited) were paid later than specified in the legislation.



We found that 43 % of the audited companies receiving subsidies had submitted inaccurate downtime data to the State Labour Inspectorate, which monitors possible infringements of the downtime scheme. In 2020, subsidies amounting to €144 812 400 were paid to over 22 000 employers. In 2021, the notification procedure was revised, requiring employers to provide more detailed information on downtime.

## What we concluded

The Fund was used in accordance with the applicable laws. However, in 2020 its performance was significantly affected by the measures implemented to mitigate the effects of COVID-19. In order to ensure the reliability of downtime data, the State Labour Inspectorate and the SSIF Board agreed that employers should provide such data via the SSIF's electronic service system, which calls for adoption of the requisite amendments to the legal acts, and a software application.