

Use of funding allocated to the Ministry of Finance for the payment of downtime benefit

Financial audit

Published: 26.11.2020



[FULL REPORT \(LV\)](#) ↗

[SUMMARY \(EN\)](#) ↗

What we assessed and why

In March 2020 the Cabinet of Ministers (Cabinet) allocated additional financial resources not exceeding €101.8 million from the state “Contingency Funds” programme to the Ministry of Finance to cover the disbursement of downtime benefit to employees of companies whose financial standing deteriorated significantly due to the spread of COVID-19, and to self-employed persons in a similar situation.

Downtime benefit is one of the support mechanisms for preventing and overcoming the consequences of COVID-19 set out in the law “On measures for the prevention and suppression of threat to the state and its consequences due to the spread of COVID-19”, which was already in force in March 2020. Its essence is compensation for employees in sectors affected by the crisis when the employer can offer no work, and for self-employed persons whose economic activity has been affected by the crisis. The amount of downtime benefit is up to 75 % of average remuneration in the previous six months, but not more than €700 per calendar month.

Our interim report summarises information on the checks carried out at the Ministry of Finance and its subordinated institution – the State Revenue Service (SRS) – on the actual use of the additional funds allocated to mitigating the consequences of COVID-19 through the payment of downtime benefit. We also assessed the criteria for granting the benefit and the arrangements for administering it.

What we found

A total of €54 076 431 was allocated to the SRS for downtime benefit payments, and €53 784 481 (53 % of the total budget envelope) was used. Benefit of €51 446 671 was paid to 52 867 employees, and €2 337 810 to 2 381 self-employed persons (by 14 August 2020). Actual payments were significantly lower than the amount originally allocated (reserved) by the Cabinet, although the initial calculations covered fewer sectors and, therefore, a narrower range of beneficiaries. The benefit was also intended for a shorter period. The calculations were based on payment of the benefit for two months, but in fact it was paid for almost four months.





When verifying whether the SRS had granted and paid the downtime benefit in accordance with the intended purpose for grants of downtime benefit and with the requirements laid down in the legislation, we did not identify significant non-compliance. However, we found weaknesses in the legal framework and its implementation:

- In principle, amendments to the Cabinet's regulations providing for downtime benefit were made with the aim of broadening the range of beneficiaries. However, a result of one amendment, including a new group of downtime benefit recipients, led to others being excluded from the range of potential recipients.
- In a number of cases, unequal conditions were created between different target groups for the granting of downtime benefit:
 - Among self-employed persons, the situation was more favourable for payers of micro-enterprise tax, as no criterion was set for assessing the amount of micro-enterprise tax declared, although payers of micro-enterprise tax do not pay other taxes. However, for other self-employed persons, a minimum amount of compulsory state social insurance contributions paid in the last two quarters of 2019 was set.
 - When paying equivalent amounts of tax, employees working for a single employer affected by the crisis were in a more favourable situation than those working part-time for several such employers, as the latter qualified for downtime benefit on the basis of their average gross wage from only one employer.

What we concluded

As a result of the audit, we proposed that the Cabinet ensure equal conditions apply to all potential beneficiaries affected by the crisis. When introducing new forms of support and extending the range of beneficiaries, certain groups of persons who qualified for aid before the change must not be excluded; and there must be equal opportunities to qualify for aid within the specific support target group.

The following changes were made after the audit, in the current exceptional situation: employees may receive downtime benefit based on the average gross wage they received from multiple employers affected by the crisis; no minimum amount of compulsory state social security contributions is required to receive downtime benefit; the amount of downtime benefit is determined in proportion to the period of downtime.