

Certification of the French General Social Security System Financial Statements 2020 fiscal year

Key takeaways

The certification mission and its challenges

The mission entrusted to the Court

Each year, pursuant to Article L.O. 132-2-1 of the Financial Courts Code, the Court of Accounts prepares a report on the certification of the French general social security system financial statements, which it submits to parliament and the government. In carrying out this mission, it applies the International Standards on Auditing (ISA).

It formulates a reasoned and independent opinion on the accounts, after having collected information allowing it to assess the compliance and fairness of the financial statements of the branches of the general social security system and the accuracy of the image these financial statements provide of their results, financial position and assets.

Scope of certification

The Court's annual report presents **nine opinions** on the reliability of the accounts subject to certification:

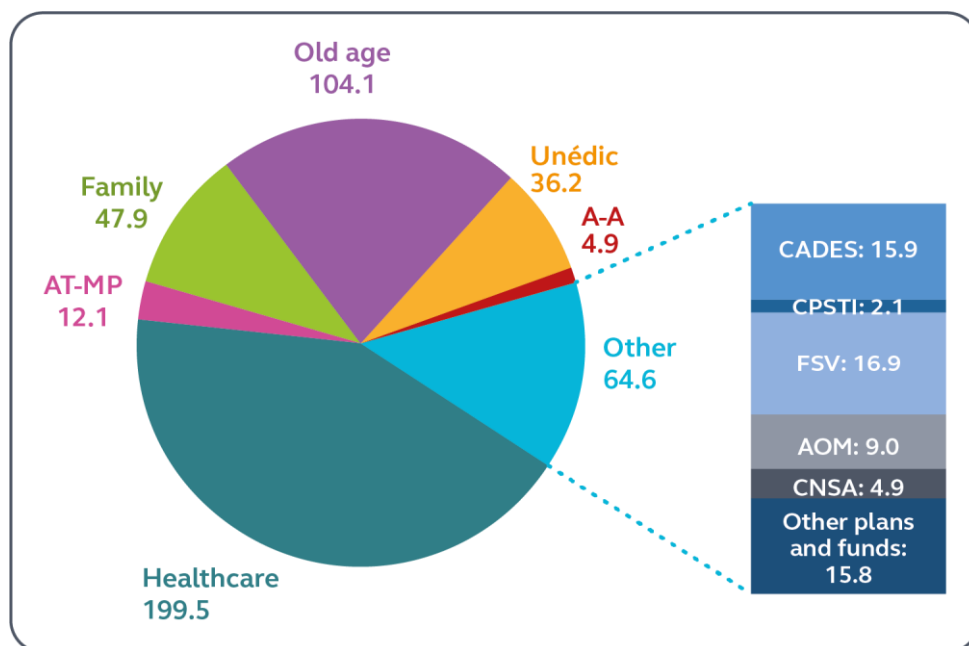
- **five** relating to the respective accounts of the collection activity and the healthcare and occupational accidents/occupational diseases (AT-MP), family and old age branches;

- **four** concerning the accounts of national bodies: Central Agency for Social Security Funds (ACOSS), National Health Insurance Fund (CNAM), National Family Allowance Fund (CNAF) and National Old Age Insurance Fund (CNAV).

Social security contributions subject to certification

The collection activity ensures the collection of social security contributions and levies, earmarked taxes and duties and other income for the general social security system and for other beneficiaries (other systems and bodies, Unédic, central government, etc.). The social security contributions collected by ACOSS and URSSAF in 2020 for branches of the general system and other beneficiaries amounted to €469.2 billion, of which €363.4 billion for the general system and €105.6 billion for other beneficiaries.

Breakdown of allocations in 2020 (in € bn)



A-A: AGIRC-ARRCO.

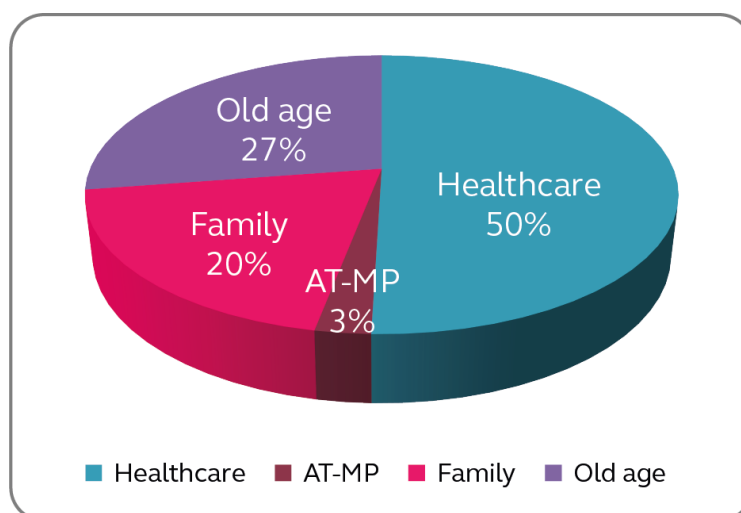
Source: Court of Accounts

Taking into account internal transfers to social security, as well as from central government and the départements (€126.8 billion), the amount of income falling under the Court's certification mission totalled **€596.1 billion (26% of GDP) in 2020**, including €437.8 billion for the branches of the general social security system.

Expenditure subject to certification

From a financial audit point of view, the general system is characterised by the scale of the sums involved and the considerable number of transactions recorded. Primarily, the expenditure subject to certification corresponds to benefits paid by branches of the general system and to solidarity benefits financed by the State (housing benefit, the allowance for disabled adults (AAH), benefits for low-paid workers) and the départements (income support (RSA)). In 2020, this expenditure totalled €526.6 billion (compared to €491.1 billion in 2019), or 23% of GDP, including €474.1 billion for branches of the general system.

Expenditure of the general system (% of expenses - 2020)



Source: Court of Accounts

The balance of the general system in 2020

The general social security system, all branches combined, recorded a deficit of -€36.2 billion in 2020, after a deficit of -€0.4 billion in 2019. The health branch deficit stood at -€30.4 billion, against -€1.5 billion in 2019, and that of the old age branch came to -€3.7 billion, versus -€1.4 billion in 2019, while the deficit of the Old Age Solidarity Fund (FSV), whose accounts are not certified by the Court, increased to -€2.5 billion (from €1.5 billion in 2019). The branches that generated a surplus in 2019 also recorded a deficit: the family branch recorded a deficit of -€1.8 billion (after a surplus of €1.5 billion) and the AT-MP branch reported a deficit of -€0.2 billion (after a surplus of €1 billion).

Overall, the aggregate deficit of the general social security scheme and the FSV increased by nearly €37 billion, to stand at -€38.7 billion in 2020.

The contribution of certification and changes in the Court's opinions

The certification of accounts since 2006 has made a decisive contribution to improving the transparency and reliability of social security accounts: independent and reasoned opinion on the reliability of the financial statements of the main social security system; improvement of internal control of management processes; correct payment of social benefits; completeness of the collection of social security contributions; fight against fraud; contribution to the preparation of social security finance acts submitted for parliamentary approval.

The context of the health crisis

The accounts for the 2020 financial year reflect the diversity and scale of the new measures decided by the public authorities in response to the health crisis.

Social security organisations play a major role in this crisis: implementation of exceptional support measures for businesses and self-employed workers by URSSAF (broad possibilities to defer payment of social security contributions, targeted aid for the sectors the most affected by business closures); financing for members of the healthcare system (exceptional aid for healthcare institutions and independent healthcare professionals), allocation of common law exceptional daily allowances and the contacting of persons having been in contact with a person infected by the virus by the primary healthcare offices (CPAM).

The Court's opinions on the 2020 accounts

For fiscal year 2020, the Court:

- **certifies the four sets of combined accounts of the branches of the general system, with a qualified opinion regarding twenty-two items,** compared with sixteen items the previous year;
- **was unable to issue an opinion on the combined accounts of the collection activity** (which were certified with a qualified opinion regarding four items the previous year);
- **certifies the four sets of accounts of national bodies, with a qualified opinion regarding eight items,** as in the previous year.

These opinions reflect the cumulative effect of persistent weaknesses in the control of financial risks, which were already noted in previous years, and unprecedented uncertainties or discrepancies relating to income, expenditure, amounts receivable, debts or provisions recognised in respect of the exceptional measures decided by the public authorities.

Regarding the control of financial risks, the indicators which aim to measure errors that the internal control systems fail to detect and correct ("**Residual financial risk indicators**") **have deteriorated, have been the subject of a major review or remain at high levels.** This reflects the ineffectiveness of internal control systems, which, in addition, were pared down in 2020 due to the measures taken in response to the health crisis.

For the future, changes in the Court's findings will depend in particular on a **strengthening of risk controls, the implementation of large-scale IT projects and an improvement in the justification of certain accounting items.**

2020 FISCAL YEAR		THE COURT'S OPINION
Collection activity and ACOSS	<p>Collection of social security contributions and earmarked taxes and duties: €490.4 billion</p> <p>The URSSAF network was greatly called upon in 2020 to implement support measures for employers and self-employed workers. These measures, which were implemented within very tight deadlines, draw strongly on the URSSAF network's resources and affected its mission.</p> <p>In this context, several internal control systems were suspended, minimised or postponed. These reductions in internal controls, which were already weak, accentuated shortcomings in the management by ACOSS and URSSAF of the risks arising from their activities.</p> <p>In addition, structural work undertaken by ACOSS to improve its risk management system was curtailed. While most projects continued, they will only have tangible results in 2021 at best. As a result, little progress could be seen in 2020. This was particularly the case for projects aimed at setting up synthetic indicators measuring the financial risks arising from discrepancies between social security contributions declared by contributors and the amounts actually due, and from the lack of progress in operations carried out by the URSSAF.</p> <p>The crisis led to changes in the way in which self-employed workers' social security contributions are called for payment and in the impairment of amounts receivable from these workers and employers. However, there are major uncertainties regarding the amounts recorded by ACOSS and reported to its beneficiaries for these two items. In addition, the amount recorded for exemptions and payment facilities granted to companies in the sectors the most affected by the health crisis cannot be considered complete.</p>	<p>The Court noted that it was unable to certify the 2020 accounts for the collection activity for five reasons. The ACOSS accounts are certified with a qualified opinion regarding two items</p> <p>This inability to certify the 2020 combined accounts of the collection activity is justified by the significant, cumulative and diffuse nature of the following five reasons and the interaction between them:</p> <ul style="list-style-type: none"> • there are major uncertainties and discrepancies regarding accounting records linked to measures taken for contributors during the health crisis: income from social security contributions by self-employed workers; impairment of receivables related to payment deferrals granted to contributors in 2020; exemptions and help with the payment of contributions for the most affected companies; • the inadequacies in the general internal control systems, which, in addition, were pared down in the context of the health crisis, only provide limited assurance as to the control of financial risks; • internal controls of the main processes for collecting social security contributions show persistent weaknesses and inadequately cover financial risks; • discrepancies in the accounting treatment of certain income and expenditure and uncertainties affect accounting estimates (provisions for risks and contingencies, impairment of receivables, accrued income); • uncertainties surround a portion of accrued income in respect of amounts due from pharmaceuticals companies and provisions for related disputes.
	<p>2020 expenditure: €264.7 billion</p> <p>In the unprecedented context of the health crisis, new measures adopted by the government extended the period of entitlement of certain benefit recipients, changed the financing methods of healthcare institutions, covered the loss of business of independent healthcare professionals and further accelerated the development of telehealth services.</p> <p>The internal control system has not always taken these changes into account. As such, the repercussions of the health crisis exacerbated the structural weaknesses in internal control that had been previously noted by the Court. With some exceptions, the CNAM has not measured the financial impacts of these increased or new risks.</p> <p>Nor did the CNAM assess the financial impact of the rise in the number of insured persons entitled to payment of their health costs without meeting the usual eligibility conditions.</p> <p>With regard to healthcare costs billed directly to the public health insurance agency, financial errors affected 6.0% of eligible claims in 2020, mainly to the detriment of the public health insurance agency, with an impact of at least €1.9 billion. Meanwhile, 8.1% of the newly awarded daily allowances contained a financial error (with an impact of €0.3 billion).</p> <p>Finally, the Court emphasised that the evidence for the accounting entries provided by the CNAM was of insufficient density and quality, which resulted in limitations in its audit and uncertainties regarding the accounts. A large number of limitations and discrepancies were noted in the preparation and justification of the public health insurance agency's financial statements.</p>	<p>The Court certifies the 2020 accounts of the healthcare branch with a qualified opinion regarding seven items and those of the CNAM with a qualified opinion regarding two items</p> <p>The limitations and discrepancies regarding the 2020 combined accounts for the healthcare branch concern:</p> <ul style="list-style-type: none"> • weaknesses in the national internal control and internal audit system with regard to financial risks; • the risk of payment of healthcare costs that are inconsistent with the beneficiaries' actual entitlement, the financial impact of which has not been assessed; • weaknesses in the internal control of healthcare cost payments, which was further pared down in the health crisis, potentially giving rise to very significant and inadequately measured financial errors, to the detriment of the public health insurance agency; • controls on hospital stays invoiced by public and private healthcare institutions, which were scaled back in the health crisis, making it impossible to ensure that healthcare costs were correctly covered; • inadequacies in the internal control of daily allowances, which increased due to the health crisis, making possible errors whose financial impact is underestimated; the risks of error relating to disability pensions, which are partially controlled; • the lack of justification for certain accounting entries, in particular those relating to accounts payable and provisions relating to healthcare; • the impact on the healthcare branch of uncertainties and discrepancies regarding collection accounts.

	2020 FISCAL YEAR	THE COURT'S OPINION
AT-MP branch	<p>2020 expenditure: €13.4 billion</p> <p>Over and above the observations that are shared with the healthcare branch, the audit of the accounts revealed other internal control weaknesses.</p> <p>As such, weaknesses in the processes for recognising occupational accidents and diseases and for determining contribution rates continue to affect the reliability of benefits paid and income recorded in this regard.</p> <p>Weaknesses in the process for settling benefits and in the exchange of data between the primary health insurance funds and the pricing bodies also affect the correct calculation of AT-MP contribution rates.</p> <p>The internal control of the allocation and payment of pensions for permanent disability remains weak, which affects the reliability of the amounts recorded in this regard.</p>	<p>The Court certifies the accounts of the AT-MP branch with a qualified opinion regarding six items</p> <p>The limitations or discrepancies regarding the 2020 combined accounts of the AT-MP branch stem from weaknesses in internal control, which affect:</p> <ul style="list-style-type: none"> • as for the healthcare branch: coverage of financial risks; coverage of healthcare costs through direct billing; payments to public and private healthcare institutions; the justification of some accounting records and the extent of uncertainties and discrepancies regarding collection accounts; • specifically for the AT-MP branch: recognition of occupational accidents and diseases and determination of contribution rates; the calculation of pensions for permanent disability and daily allowances; the justification of the accounts (inventory entries in particular).
Family branch and CNAF	<p>2020 expenditure (including services financed by central government and the départements): €103.1 billion</p> <p>In 2020, the family benefits agencies (CAF) also carried out their missions in a context marked by the health crisis, which led them to scale back their internal control system in order to ensure the continuity of funding for benefit recipients. As a result, the amounts of undue payments and reminders identified by their audits decreased (€1.1 billion compared to €1.2 billion in 2019), while the risk of errors in benefit recipients' declarations did not decline.</p> <p>Thus, the scope of errors related to the information declared by benefit recipients and taken into account in awarding benefits (professional situation, household members and income) has again deteriorated significantly (9.4% of benefits paid in 2020, representing €7 billion). A currently unknown portion of these errors will be detected at a later stage. The benefit for low-paid workers, income support (RSA) and housing benefit account for more than 80% of errors, mainly to the detriment of the CAF. Errors concern almost a quarter of benefits for low-paid workers and a fifth of RSA payments.</p> <p>The successful completion by the CNAF of projects aimed at using the data collected in the pooled resource system when assigning the RSA and the benefit for low-paid workers is essential. Most of these data come from employers, social security organisations and the tax authority.</p> <p>In addition, definitive errors linked to internal operations by CAF agencies also remained high (1.4% of the amount of legal benefits, or €1 billion).</p>	<p>The Court certifies the 2020 accounts of the family branch with a qualified opinion regarding four items and those of the CNAF with a qualified opinion regarding two items</p> <p>Limitations or discrepancies regarding the 2020 combined accounts of the family branch concern:</p> <ul style="list-style-type: none"> • the internal control system, which inadequately covers all financial risks; • financial errors affecting the correct payment of legal benefits, in particular the benefit for low-paid workers, RSA and housing benefit, due to uncorrected errors in benefit recipients' declarations and errors made by the CAFs themselves; • weaknesses in the internal control system regarding more favourable social action benefits paid locally; • the impact on the family branch of uncertainties and disagreements regarding collection accounts.
Old age branch and CNAV	<p>2020 expenditure: €144.3 billion</p> <p>The old age branch was the least affected by the health crisis and its consequences. However, errors affecting newly awarded pension benefits continued to increase. Thus, one in six benefits newly awarded or revised in 2020 included at least one financial error, in favour or at the expense of the recipient. In several agencies covering metropolitan areas, this proportion stood at one in five benefits.</p> <p>Between 2016 and 2020, the frequency of errors increased by a third and their financial impact doubled. Errors made in 2020 that will not subsequently be investigated and corrected will have a cumulative financial impact of €1.6 billion. Year after year, this situation reflects the declining effectiveness of the risk management systems of the old age branch and the failure of the CNAV to implement effective actions to improve its performance in the rightful payment of pensions.</p> <p>According to the CNAV, the implementation in 2021 of the single career management directory (RGCU) and the career regularisation system (SYRCA) could allow the old age branch to move up a level in improving the accuracy of the data taken into account in allocating pensions, provided that these systems are correctly appropriated by staff in the branch.</p> <p>In addition, the correct recognition of contributions paid by self-employed workers when their basic pensions are calculated and the measurement of the financial impact of errors in the calculation of these benefits are inadequate.</p>	<p>The Court certifies the 2020 accounts of the old age branch with a qualified opinion regarding five items and those of the CNAV with a qualified opinion regarding two items</p> <p>Limitations or discrepancies regarding the combined accounts of the old age branch for the 2020 financial year concern:</p> <ul style="list-style-type: none"> • weaknesses in the general internal control system, which now includes self-employed workers, and the limited reliability of data from third-party organisations, which affects the correct payment of benefits and the accuracy of the financial statements; • the insufficient reliability of career data declared and recorded in the accounts of insured persons with a view to claiming pension rights, as well as the mechanism allowing their regularisation; • insufficient prevention of errors in the payment of pension benefits by internal control; • definitive errors affecting pensions, either in favour of or to the detriment of beneficiaries, the number and financial scope of which continued to increase in 2020; • the impact on the old age branch of uncertainties and discrepancies regarding collection accounts.

The Court's positions on the accounts for the financial years 2006 to 2020

	Health-care branch	AT-MP branch	Family branch	Old age branch	Collection	CNAM	CNAF	CNAV	ACOSS
2006	Certification (7)	Certification (4)	Impossible	Certification (7)	Certification (3)	Certification (3)	Impossible	Certification (7)	Certification (1)
2007	Certification (9)	Certification (5)	Impossible	Certification (4)	Refusal (11)	Certification (4)	Impossible	Certification (4)	Refusal (3)
2008	Certification (7)	Certification (2)	Refusal (7)	Refusal (9)	Certification (10)	Certification (2)	Refusal (2)	Refusal (2)	Certification (2)
2009	Certification (6)	Certification (3)	Certification (7)	Refusal (7)	Certification (5)	Certification (2)	Certification (4)	Refusal (2)	Certification (2)
2010	Certification (6)	Refusal (3)	Certification (5)	Certification (7)	Certification (9)	Certification (1)	Certification (3)	Certification (2)	Certification (3)
2011	Certification (5)	Refusal (5)	Refusal (6)	Certification (6)	Certification (8)	Certification (3)	Refusal (3)	Certification (3)	Certification (3)
2012	Certification (4)	Impossible	Certification (4)	Certification (6)	Certification (6)	Certification (3)	Certification (2)	Certification (3)	Certification (3)
2013	Certification (4)	Certification (5)	Certification (6)	Certification (4)	Certification (4)	Certification (2)	Certification (3)	Certification (2)	Certification (3)
2014	Certification (4)	Certification (5)	Certification (6)	Certification (4)	Certification (4)	Certification (2)	Certification (3)	Certification (2)	Certification (3)
2015	Certification (5)	Certification (6)	Certification (4)	Certification (4)	Certification (4)	Certification (3)	Certification (2)	Certification (2)	Certification (3)
2016	Certification (6)	Certification (6)	Certification (3)	Certification (3)	Certification (4)	Certification (3)	Certification (2)	Certification (2)	Certification (2)
2017	Certification (5)	Certification (6)	Certification (3)	Certification (3)	Certification (3)	Certification (2)	Certification (2)	Certification (2)	Certification (2)
2018	Certification (5)	Certification (6)	Certification (3)	Certification (3)	Certification (3)	Certification (3)	Certification (2)	Certification (2)	Certification (2)
2019	Certification (5)	Certification (5)	Certification (3)	Certification (3)	Certification (4)	Certification (2)	Certification (2)	Certification (2)	Certification (2)
2020	Certification (7)	Certification (6)	Certification (4)	Certification (5)	Impossible	Certification (2)	Certification (2)	Certification (2)	Certification (2)