

CERTIFICATION OF THE FRENCH GENERAL SOCIAL SECURITY SYSTEM ACCOUNTS – Financial year 2022

Main points

The certification role and its challenges

The mission entrusted to the Court of Accounts

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 accounts, which it submits to the French parliament and government.

The Court applies International Standards on Auditing (ISAs) in carrying out this assignment.

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

Scope of certification

The Court's Annual Report presents **ten opinions**:

- six relating to the accounts of the contributions recovery activity and the healthcare, workplace 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 Allowances Office (CNAF) and National Pension Fund (CNAV). The accounts of the National Solidarity Fund for Autonomy (CNSA) are those of the autonomy branch.

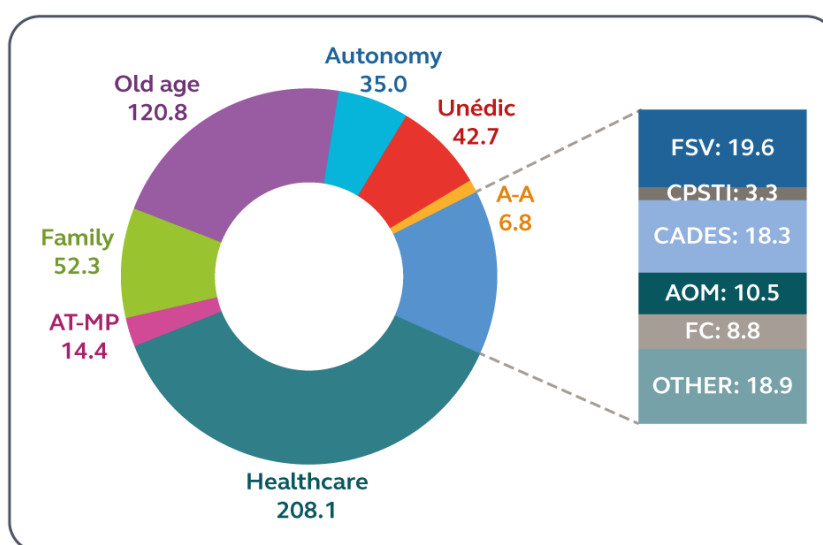
Social security contributions subject to certification

The recovery activity, i.e. the network of URSSAF agencies and CGSS in overseas territories, covers the recovery 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 public contributions collected by this network for branches of the general system and other beneficiaries amounted to € 559.5 billion, of which € 430.7 billion for the general system and € 128.8 billion for other beneficiaries.

Taking into account other income and internal transfers to social security, including from central government and the departments (€ 105.3 billion, compared with € 103.4 billion in 2021), the amount of income falling within the Court's certification remit totalled **€ 664.8 billion (25.2 % of GDP) in 2022**, including € 483.8 billion for the branches of the general social security system.

Breakdown of allocations in 2022 (in € billion)



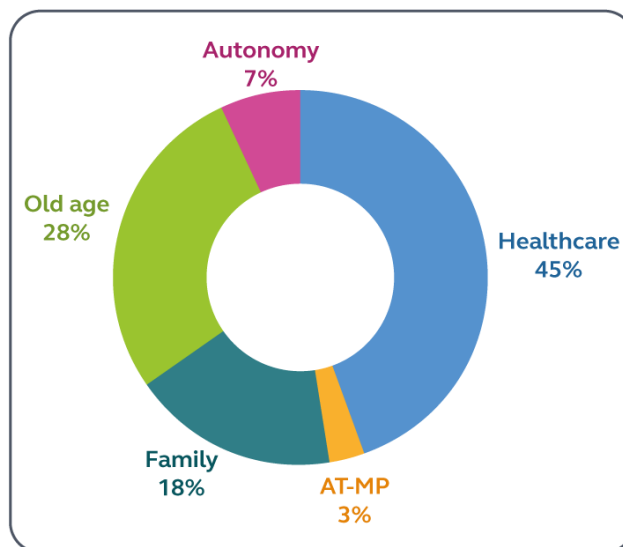
A-A: AGIRC-ARRCO FC: France compétences
Source: Court of Accounts

Expenditure subject to certification

Primarily, the expenditure subject to certification corresponds to benefits paid by branches of the general system and to solidarity benefits paid by the child allowance bodies on behalf of central government (housing benefit, disability allowance for adults (AAH), top-up benefits for low-paid workers) and the departments (income support).

By 2022, these costs had risen to € 556.2 billion, 21 % of GDP, including € 503.9 billion for the branches of the general system.

Expenditure of the general system (as a % of expenses for 2022)



Source: Court of Accounts

The contribution of the financial statements audit

Since 2006, the financial statements audit has made a decisive contribution to the transparency and reliability of social security accounts:

- the degree of reliability of the accounts of the main social security system is the subject of an independent and reasoned opinion;
- the Court's findings on the effectiveness of internal control systems provide specific guidance for improving the correct payment of benefits and the completeness of the recovery of social security contributions.

In its report on the certification of the accounts of the general social security system, the Court distinguishes between:

- "material misstatements", which reflect discrepancies with the accounts; and
- "evidence deficiencies", which reflect uncertainties about the amounts recognised.

The Court's opinions on the 2022 accounts

For financial year 2022, the Court of Accounts :

- **has issued an adverse opinion on the accounts of the family branch and the CNAF** (the Court issued a qualified opinion on the 2021 accounts);
- **has issued a qualified opinion on the accounts of the remaining four benefit branches of the general system;**
- **has issued a qualified opinion on the accounts of the recovery activity** (on which the Court issued an adverse opinion in 2021);

- **has issued a qualified opinion on the accounts of the national bodies.** In the future, changes in the Court's findings will depend on **increased resources being allocated to large-scale projects relating to computer-based systems and internal control**, in order to control the financial risks affecting social security contributions (non-completeness) and benefits (allocation and calculation errors), and **improving the justification of accounting computations and estimates.**

In total, the Court of Accounts has made 54 observations on all the branches and recovery activity of the general system.

It identified 11 material accounting misstatements, compared with 14 in 2021 (-3), and 43 evidence deficiencies, compared with 40 in 2021 (+3).

The Court's main findings on the 2022 accounts

1 - The 2022 financial year is subject to the specific context of the consequences of the adverse opinion on the 2021 accounts of the recovery activity and the consequences that the French parliament has drawn from this and entered into the Social Security Finance Act (LFSS) for 2023

In its report on the financial statements audit of the general system for 2021, the Court noted that the comparability of the income from social security contributions of the self-employed and the results of their beneficiaries between the 2020 and 2021 financial years was not guaranteed. This major discrepancy across the accounts led the Court to issue an adverse opinion on the 2021 accounts of the recovery activity.

In order to ensure the comparability of the 2022 financial year with the 2021 financial year, the Court requested as part of its audit that *pro forma* accounts be drawn up for the 2021 financial year. This recommendation was not followed. If this had been the case, a *pro forma* deficit of € 27.7 billion would have been recorded for the general system in 2021, after neutralising in 2021 the effect of the adjustment of instalments called for in 2020.

Given that the organic legislator has specifically provided for the introduction of a law approving social security accounts, the Court considers that the modification by law of the balance tables must be presented in the accounts for the 2022 financial year, to serve as a reminder of the 2021 accounts. This **discrepancy relating to the presentation of the income from social security contributions from the self-employed between the 2021 and 2022 financial years affects the accounts of the recovery activity as well as the balances for the 2021 financial year of the healthcare, family and old-age branches and, to a lesser extent, the autonomy branch of the general system**, leading the Court to note a material anomaly affecting each of these sets of accounts.

Changes to the balance tables by the French parliament when the LFSS for 2023 is adopted

The balance tables are drawn up on the basis of the income statement of the branches of the general system or of the basic systems as a whole. They present an aggregated amount of "income" (corresponding to the income recorded in the accounts, after restatement), an aggregated amount of "expenditure" (corresponding to the expenses recorded in the accounts, after restatement) and a "balance" which corresponds exactly to the result recorded in the accounts of each branch.

During the examination of the Social Security Finance Bill (PLFSS) for 2023, the French parliament amended the balance tables for the general system and the compulsory basic social security systems. In fact, it has approved an amount of income for the general system branches for 2021 that is €5 billion lower than that shown in the accounts approved by these branches, due to a correction relating to this income. The deficit is affected by the same amount (€27.7 billion instead of €22.7 billion).

The national bodies of the general system and their supervisory bodies have decided not to change the presentation of the accounts and only to explain in the notes to the accounts of the branches of the general system the data included in the balance table approved by the LFSS for 2023.

The Court of Accounts considers that the information provided in the notes to the accounts of the recovery activity and the branches concerned for the 2022 financial year does not allow for a satisfactory assessment of the effects of this impairment of the true and fair view of the 2021 accounts, which are repeated in those for the 2022 financial year. Furthermore, this presentation does not reflect the scope of the decisions adopted by the French parliament during the examination of the draft LFSS for 2023.

2 - The 2022 financial year will continue to be affected by the consequences of the health crisis

With regard to **recovery activity**, exceptional measures were taken in the context of the health crisis. ACOSS has continued to suspend the application of some of its internal control systems in 2022, in the absence of a complete resumption of the usual automated measures for the enforced, out-of-court recovery of receivables. URSSAF's receivables from contributors, which are still at a high level, are particularly exposed to the risks of non-recovery and limitation periods.

For **the healthcare branch**, 2022 was the year in which the crisis would be resolved, with a clear reduction in the amount of expenditure linked to the health crisis as the months go by. Nonetheless, certain exceptional measures (such as special daily allowances and guaranteed funding for healthcare agencies) were maintained throughout the year, and several control measures were reduced (on daily allowances) or suspended (on the pricing of stays by healthcare establishments).

3 - Contrasting trends in financial risk management systems in 2022

The extent of errors affecting benefits paid and recorded in relation to the legal rules applying to their payment and calculation affects the correct representation in the various benefit branches' accounts of their rights and obligations with regard to their key third parties, i.e. insured persons, benefit recipients, healthcare professionals and agencies paid by insurance providers.

The main feature of the 2022 financial year in terms of internal control remains the decreased ability of risk management systems to prevent financial risks, with varying trends depending on the branch.

While progress had been noted by the Court of Accounts in 2021 for **the old-age branch** due to increased efforts by the national fund and the network to prevent errors in the payment of benefits, in 2022 errors continued to be at a high level (15 % of cases), particularly among the branch's main bodies.

Errors affecting **healthcare branch** reimbursements are on the rise, with the frequency of errors in this area increasing to over 10% of reimbursements. Errors relating to daily allowances remain at a high level (9.4 % of cases).

For all benefit branches in the general system, the values of the residual financial risk indicators achieved in 2022 are far from the targets set by their agreements on objectives and management with the central government for the period 2018-2022.

One in seven newly-awarded pension benefits was affected by at least one error of financial significance in 2022, as in 2021. This is also the case for one in ten daily allowances.

The aggregate amount of errors affecting health care payments in 2022 is € 3.4 billion, but this is a minimum amount (in particular, it does not cover erroneous payments because entitlements are wrongly continued to cover certain insured persons, or stays in public and private non-profit hospitals).

Social security benefit fraud

Following the implementation of the interministerial roadmap set for december 2020 and in response to the Court's requests:

- the **health insurance system** continued and extended its fraud estimation process to several areas in 2022 (general practitioners, mobile emergency doctors, massage physiotherapists, pharmacists), confirming that fraud is a significant issue, with total estimates of between € 0.9 and 1.3 billion for this area alone;
- the **old-age branch** has produced an initial estimate of fraud in 2022 (€ 0.2 billion) which, although it has the limitations noted in the basis of the opinion on the accounts of the old-age branch, indicates a positive development;
- the **family branch** has not repeated the investigation it used to carry out each year, as fraud is now estimated every two years.

4 - The situation of the family branch leads the Court of Accounts to note that it is not in a position to certify its accounts

The situation of the family branch is more worrying than that of the other branches. After taking into account the difficulties encountered in implementing the 2021 housing benefit reform, in the previous audit report, the Court of Accounts emphasised the continuing deterioration or lack of any significant change in the family branch's performance in terms of risk management, noting the declining effectiveness of the measures implemented and the insufficient anticipation of the adjustments made necessary by the reforms. The situation has changed little in 2022.

A quarter of the amounts paid in 2022 in benefits for low-paid workers are affected by errors that have not been corrected nine months after payment.

This proportion is almost one-sixth for RSA and one-eighth for housing benefit.

Adverse opinion on the branch's accounts

- a further deterioration in the residual financial risk indicator at 24 months to 7.6 % for benefits paid in 2021 (compared with 7.1 % for those paid in 2020 and 5.5 % for those paid in 2019), equating to € 5.8 billion in undue payments and arrears that will never be detected, an amount that has doubled in four years;
- despite the changes in these indicators, audits have been maintained at a lower level than before the health crisis and the number of supervisions by the executing authorising has been reduced to ensure the quality of settlements;
- progress has been attributed to changes in two essential projects, but the effects will only be felt in the medium term.

5 - There are implementation difficulties involved with the new IT tools that call for changes in risk management systems

The **development of teletransmissions and digital interactions** between recipients of social benefits and welfare providers, which had been accelerated by the health crisis, continued in 2022.

While the declarations made by recipients of benefits paid by the **family branch** frequently contain errors, whether deliberate or not, the monthly resources system (DRM) offers the possibility of relying on trusted third parties to acquire data relating to the amounts of salaries and social benefits.

In terms of the **old-age branch**, the new system for making careers more reliable is being introduced very gradually. Despite an effort to update the data in the inter-regime exchange register (EIRR) in 2021, there will still be a large number of increases to survivors' pensions and the minimum contributory pension awaiting calculation in 2022, which introduces uncertainty into the timing of this expense and the estimation of its provision.

In the case of the **healthcare branch**, the IT projects relating to the settlement of benefits in kind (*METEORé*) and daily allowances (*ARPEGE*), the replacement of the medical service software (*MATIS*) and the switch to electronic prescriptions are taking an increasingly long time to implement, despite the fact that these tools, combined with an increase in a posteriori checks, are essential for ensuring that the settlement of benefits is reliable.

The increase in data exchanges between systems and organisations **highlights the need for strengthened governance in the realisation and management of projects**, as well as the need to adapt internal control measures.

The high degree of diversity among **computer-based accounting systems** and their limitations indicate that projects aimed at providing the national bodies of the general system with common tools that facilitate the production of accounts and limit the risk of errors should be accelerated.

6 - Other discrepancies, as well as limitations with regard to the audit of the accounts, have been noted

Generally speaking, there is considerable room for improvement in the justification of the **health insurance branch's** accounts, despite the progress that has been made, in particular with an improved distinction between provisions for service liabilities and accrued liabilities, in response to a request made by the Court of Accounts several years ago.

Improvements were also made to the accounts of the **autonomy branch** in 2022.

Discrepancies across **the accounts for recovery activity** are linked to persistent non-compliance with the principle of accrual accounting. Uncertainties surrounding the recovery of receivables formerly covered by a repayment plan limit the level of assurance regarding the reliability of the amount of impairment calculated.

In addition, uncertainties continue to affect the estimate of income receivable from rebates owed by pharmaceutical companies, which will rise sharply again in 2022 (with possible effects on the balance of the health insurance branch, as well as on the rate of change in expenditure covered by the National ceiling for health insurance expenditure (ONDAM)).