

Accuracy of the annual accounts 2022 and regularity of the transactions of the state

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Summary of audit results

Opinion on the accuracy of the annual accounts

The annual accounts of the state 2022, which show the state's consolidated result to be 1.49 billion euros and consolidated assets as at 31 December 2022 to be 23.99 billion euros, present the state's financial position, financial performance and cash flows of the concluded accounting period fairly in all material aspects, apart from the qualification on the balance of labour costs.

Qualification on the balance of labour costs

The National Audit Office makes a qualification on the balance of labour costs of 2022 within the area of government of the Ministry of the Interior in the amount of 304.28 million euros shown in the "labour costs" entry in the consolidated and unconsolidated outcome statement.

Opinion on the regularity of transactions

In the opinion of the National Audit Office, the state's economic transactions have in all material aspects been carried out in accordance with the State Budget Act, the State Budget Act 2022, the Supplementary State Budget Act 2022 and the Act Amending the State Budget Act 2022, apart from the qualification on the use of the budget for labour costs within the area of government of the Ministry of the Interior. The National Audit Office inspected whether the constitutional institutions, the Government Office and the agencies in the area of government of the ministries have based their expenditure, investments and financing transactions on the budget granted to them by law.

In the opinion of the National Audit Office, the report on the implementation of state budget 2022, which specifies budget revenue to be 14.00 billion, expenditure 13.91 billion, investments 630.08 million and financing transactions 127.80 billion euros, provides reliable information on the revenue accumulated, expenses made and investments and financial transactions carried out by the state, apart from the qualification on the use of the budget for labour costs within the area of government of the Ministry of the Interior.

Qualification on the use of the budget for labour costs

The National Audit Office is not giving an assessment regarding the reporting of labour costs within the area of government of the Ministry of the Interior nor on the regularity of the use of the budget, including on the intended purpose thereof, because the National Audit Office was unable to verify the accuracy of the amount of labour costs within the area of government of the Ministry of the Interior shown in the outcome statement of the state or the report on the implementation of the

state budget nor the regularity of the use of the funds of the budget for labour costs.

The Ministry of the Interior did not give the National Audit Office the consent to purposefully collect and use financial, personnel and wage data necessary for auditing the budget for labour costs within the area of government of the ministry via X-Road and did not agree to provide the data by any other alternative method proposed by the National Audit Office.

The Minister of the Interior did not agree with the reason for the qualification by the National Audit Office. The summary of the response by the Minister of the Interior and the National Audit Office's comment on it are provided on pages 5–7. The full text of the response by the Minister of the Interior is provided on pages 17–19.

The main observations of the National Audit Office:

Main audit observations

Although improvements have been made in asset accounting within the Defence Forces, there remains a need for continued refinement of processes related to asset accounting and inventory management. In 2022, the Defence Forces exhibited notable progress in enhancing their asset accounting. By synchronising and organising the asset accounting registers, the accuracy of the fixed assets balance reflected in the accounts has been substantially validated.

The Social Insurance Board did not do an inventory of receivables and liabilities related to pensions, social benefits and allowances in 2022. The reason given for not doing an inventory was lack of resources. The National Audit Office has been drawing attention to the issues related to the inventory of receivables and liabilities and the importance of inventory since 2018. An inventory is an important internal control measure ensuring that pensions, social benefits and allowances are comprehensively and correctly registered.

In 2022, funds from the reserve fund of the Government of the Republic continued to be allocated to cover foreseeable expenses. Additionally, **the principles guiding allocations of funds do not align with current legislation**, as financing decisions (amounting to 16.6 million euros) have been made retroactively for a budget year that has already expired.

No new budgeting principles have been implemented in 2022 and the issues have remained the same. The Ministry of Finance continues to examine the state budgeting methodology and strives to develop a new information system for budget management.

As a result of the audit, the National Audit Office recommended the Minister of Defence to continue improving the process of asset accounting, the Minister of Social Protection to ensure sufficient resources for organising an inventory at the Social Insurance Board and the Minister of Finance to review the principles of allocating funds from the reserve fund of the Government of the Republic.

The ministers agreed with the recommendations of the National Audit Office. The Minister of Defence promised to continue the development of additional digital solutions supporting inventory and material accounting.

The Minister of Social Protection assured that the Social Insurance Board would carry out the uncompleted inventories by 31 October 2023. The Minister of Finance assured that the guidelines for applying for funds from the Government of the Republic's reserve would be completed by the end of 2023.