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Supreme Audit Office



REPORT ON COORDINATED AUDIT

**Social Insurance Administration in the Czech Republic
and the Slovak Republic**



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Introduction

The joint report provides information about the progress and outcome of international cooperation in coordinated audits carried out by the Supreme Audit Office of the Czech Republic (SAO CR) and the Supreme Audit Office of the Slovak Republic (SAO SR), which focused on the administration of social insurance between 2015 and 2018. The cooperation between the supreme audit institutions of both countries was implemented on the basis of a cooperation agreement between the SAO CR and the SAO SR.

The topic of the coordinated audits was chosen on the basis of the fact that the administration of social insurance, including pension and sickness insurance, is carried out in the two countries by organisations with a different legal status. As the systems of social insurance administration differ, the coordinated audit was designed so that its results enabled an analysis, comparison and evaluation of the findings and so that it was possible to identify weaknesses in the system on the one hand and good practice on the other.

The coordinated audit of the SAO CR and the SAO SR is once again proof that both institutions attach great importance to international comparison and cooperation.



Miloslav Kala
President of the SAO CR



Karol Mitrík
President of the SAO SR

1. Information about the audit

Identification of the audit carried out in the Czech Republic

Audit number:	20/01
Subject-matter of the audit:	Administration of social security contributions and state employment policy contributions ¹
Objective of the audit:	The objective of the SAO CR audit was to examine whether the social security administration authorities proceeded in accordance with the legislation when collecting and administering insurance contributions and to assess the effectiveness and efficiency of that administration.
Audited period:	The period from 2015 to 2018; for factual context, also the preceding and subsequent periods were checked
Audited entities:	Ministry of Labour and Social Affairs, Czech Social Security Administration, Prague Social Security Administration, District Social Security Administration Prague-East, District Social Security Administration Olomouc

¹ The audit report of the SAO CR is available on the SAO CR website:
<https://www.nku.cz/assets/kon-zavery/K20001.pdf>.

Identification of the audit carried out in the Slovak Republic

Audit number:	KA-032/2019/1033
Title of the audit:	System for the collection and administration of social insurance contributions and old-age pension savings ²
Purpose of the audit:	To obtain reasonable assurance that the collection and administration of insurance contributions and contributions to old-age pension savings is carried out in accordance with generally applicable law and efficiently.
Audited period:	2015-2018 and related periods
Audited entities:	Ministry of Labour, Social Affairs and Family of the Slovak Republic and the SIA and 8 branches (one in each region)

For comparison purposes, financial values and indicators have been presented in euros. The amounts in Czech crowns have been converted to euros at the CNB exchange rate as at 31 December 2018, i.e. EUR 1 = CZK 25.725.

² The final report available on the SAO SR website:
<https://www.nku.gov.sk/documents/10157/b04928e9-1dda-41a6-bcb8-cb7a3d153523>.

2. Summary and evaluation of the results of the coordinated audits

The social insurance systems in both countries are based on similar principles. However, the insurance contribution management organisations have a different legal status, system set-up and funding for their operations. In the Czech Republic, social insurance administration includes pension insurance contributions, sickness insurance contributions and contributions to state employment policy. In the Slovak Republic, social insurance administration includes, in addition to pension, sickness and unemployment insurance contributions, also accident and wage-guarantee insurance and a contribution to the solidarity reserve fund. For the purposes of the audit, these types of insurance and other contributions are collectively referred to as “*insurance contributions*”.

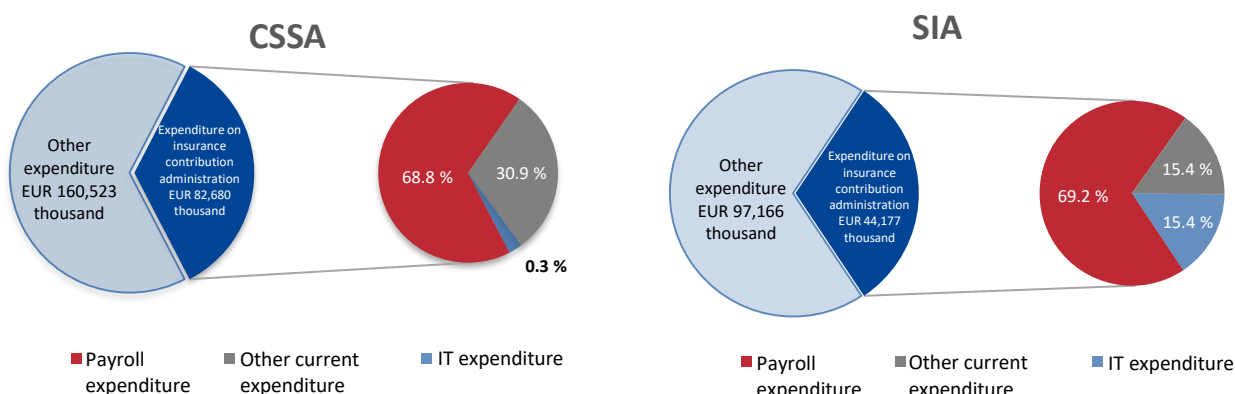
For the purposes of both audits, the administration of insurance contributions was a set of activities related mainly to registration, collection of insurance contributions, checking compliance with the obligations of payers and recovery of claims. This set of activities is governed by the relevant national legislation.

The following findings were made on the basis of the audits carried out and their result comparison:

- In the Czech Republic, insurance contributions are administered by the Czech Social Security Administration (CSSA), which is an organisational unit of the state under the Ministry of Labour and Social Affairs (MoLSA). The insurance contributions collected constitute a revenue of the state budget. In the Slovak Republic, insurance contributions are administered by the Social Insurance Agency (SIA), which is a separate public administration entity. The collected insurance contributions are divided into funds according to the type of insurance and the corresponding benefits are paid from those funds. The balance sheet difference, together with the transfer from the state budget, is used to cover the deficit of old-age pension insurance.
- Insurance contributions, which have been audited by the supreme audit institutions, are an important component of social security contributions. The share of these contributions to total taxation is among the highest in Europe in both countries, at around 44% in 2018. By contrast, social security expenditure per economically active person is below the EU average.

- Pension schemes in both countries are based on a multi-pillar principle. Old-age pension savings (the so-called Pillar II) were introduced in the Slovak Republic in 2005 and are still in operation today. In the beginning, entry was compulsory for new entrants to the labour market and, currently, entry is voluntary with no exit option. In the Czech Republic, Pillar II was operational in the period of 2013-2015. What was different and crucial for the failure of Pillar II in the Czech Republic was the statutory obligation for the insured to contribute to savings from their own resources until the end of their active (working) life, specifically an extra 2% of the assessment base, which was not the case in the Slovak Republic. In the Slovak Republic, 50% of all insured persons participated in Pillar II in 2015, while in the Czech Republic it was only 2%.
- The financing and provision of the management and operation of the CSSA and the SIA also differ. The expenditure budget of the CSSA, which falls under the chapter of the MoLSA, is part of the state budget and is not directly dependent on the collection of insurance contributions. The SIA manages its budget with an allocation of 2.4% of the collected insurance contributions (set by law) and its budget is approved by the Parliament. The total operating expenditure spent on all competences (expenditure efficiency) represented 1.31% of collected insurance contributions for the CSSA and 1.85% for the SIA.

The proportion of expenditure spent by CSSA and SIA on insurance contribution administration alone to total CSSA and SIA expenditure in 2018 was comparable in both countries.



Source: for the Czech Republic – monitor.statnipokladna.cz of 10 March 2020, Report on the activities of the CSSA for 2018, CSSA, processed by the SAO CR; for the Slovak Republic – SIA, processed by the SAO SR.

- In 2015-2018, the CSSA spent on average 27% less on payroll expenditure per EUR 1,000 of insurance contribution collection than the Social Insurance Agency. Unlike the CSSA, the SIA monitors the staff workload and administrative complexity in the area of insurance contribution administration.
- Claims recovery was carried out differently in the Czech Republic and the Slovak Republic. The CSSA used administrative enforcement and external enforcement throughout the period. In administrative enforcement, the CSSA could use more claims recovery tools than SIA. The SIA recovered claims through external recovery and, from 2017, also on its own by administrative enforcement. Different records of claims and methods of their recovery do not allow for a mutual comparison of the success rate of recovery between the CSSA and the SIA.

- The scope of audit on the part of employers was similar in both countries, but the way in which audits were planned and, in particular, the targeting of audits at risk entities differed. This had a major impact on the efficiency of the audit activities, with the audits carried out by the SIA being significantly more efficient. Even with a lower staff workload, the proportion of audits with a finding in the Slovak Republic was 64 p.p. higher than in the Czech Republic. The focus of the audits in the Slovak Republic was also reflected in the amount of arrears detected from audit activities, which was almost 60% higher than in the Czech Republic.
- In the Slovak Republic, the computerization of insurance contribution administration was at a higher level. In the Czech Republic, electronic communication in the field of social security by clients of the CSSA was based on a voluntary principle. At the same time, the CSSA had set up a method of keeping file documentation in paper form, which increased the administrative complexity. In the Slovak Republic, virtually all processes in the area of insurance contribution administration, document flow and file management had been computerised. Employers had to communicate with the SIA exclusively electronically, which was more user-friendly and provided employers with immediate feedback on the reports submitted. The price, however, was significantly higher costs for information systems.

The results of the coordinated audits carried out by the SAO CR and the SAO SR confirmed the findings of the national audits. On the basis of the established good practice in the administration of insurance contributions, both institutions recommend targeting audit activities more on risk entities in the Czech Republic and, expanding the methods of claims recovery carried out by the SIA.

3. Insurance contribution system and macroeconomic indicators

Social insurance is a form of providing for the social needs of citizens in all cases where there is a social event related to loss of income from gainful employment in cases of maternity, sickness, old age, nursing a family member, disability or loss of breadwinner. The aim of social insurance is to maintain a reasonable standard of living in such situations.

3.1 Insurance contribution concept and strategy

In the Czech Republic

Pension and sickness insurance in the Czech Republic is based on the insurance principle, i.e. on the regular payment of insurance contributions. Insurance contributions are state budget revenue, as are penalties, surcharges and fines imposed under Act No. 589/1992 Coll.³. The amount of the insurance contribution is set at a percentage of the assessment base. Social security contributions include payments for:

- Sickness insurance,
- Pension insurance,
- Contribution to state employment policy.

³ Act No 589/1992 Coll., on social security contributions and state employment policy contributions.

Table 1: Development of insurance contribution rates in the period of 2015-2020 (in %)

Effectiveness	Insurance contribution rate of the assessment base in %	Total	Of which		
			Pension insurance	State employment policy	Sickness insurance
From 1 July 2019	Employer	24.8	21.5	1.2	2.1
	Employee	6.5 ^x	-	-	-
	Self-employed person	29.2	28.0	1.2	-
1 January 2016 - 30 June 2019	Employer	25.0	21.5	1.2	2.3
	Employee	6.5 ^x	-	-	-
	Self-employed person	29.2	28.0	1.2	-
1 January 2015 - 31 December 2015	Employer	25.0	21.5	1.2	2.3
	Employee	6.5 ^x	-	-	-
	Employee who participated in a pension savings scheme (the so-called Pillar II)	3.5 ^x	-	-	-
	Self-employed person	29.2	28.0	1.2	-
	Self-employed person participating in Pillar II	26.2	25.0	1.2	-

Source: Section 7 of Act No 589/1992 Coll., as amended and in force in the period of 2015-2020.

Note: For self-employed persons participating in sickness insurance, the sickness insurance contribution rate has been reduced by 0.2 p.p. to 2.1% of the assessment base as of 1 July 2019;

^x The rate is not broken down by law into individual insurance contribution items.

Employers, employees who participate in sickness insurance, self-employed persons and people who have taken out voluntary pension insurance are obliged to pay the insurance contributions. The employer pays the insurance contributions on behalf of the employee.

The insurance contribution is calculated as a percentage of the assessment base for the reference period. For employees, this is the calendar month for which they pay the insurance contribution. In the case of self-employed persons, it is the calendar year, and the assessment base for insurance contributions is the amount they determine, but not less than 50% of the tax base. If the amount determined in this way is lower than the statutory minimum assessment base, the self-employed person pays the insurance contribution on the lowest assessment base.

The administration of insurance contributions in the Czech Republic is mainly carried out by the CSSA⁴, which is subordinated to the MoLSA. CSSA is an organisational unit of the state, an administrative office and an accounting entity. The competences of CSSA are regulated by Act No 582/1991 Coll.⁵ and Act No 187/2006 Coll.⁶. As a state administration authority, CSSA performs, among other things, social security competences, within the framework of which it carries out sickness and pension insurance and the collection of insurance contributions. CSSA also ensures the fulfilment of tasks arising from EU law and international treaties, including in

⁴ In addition to the CSSA, the Ministry of Defence (with regard to professional soldiers), the Ministry of the Interior (with regard to members of the Police of the Czech Republic, the Fire Rescue Service of the Czech Republic and members of other armed security forces and security services) and the Ministry of Justice (with regard to members of the Prison Service of the Czech Republic) carry out insurance contribution administration within their respective sectors.

⁵ Act No 582/1991 Coll., on the organisation and implementation of social security.

⁶ Act No 187/2006 Coll., on sickness insurance.

the area of social security contributions⁷, and carries out designated social security agendas and activities.

The structure of the CSSA consists of the headquarters of the CSSA, the regional offices of CSSA, the District Social Security Administrations, the Prague Social Security Administration and the Municipal Social Security Administration Brno⁸. CSSA headquarters is the central organisational unit of CSSA with competences in conceptual, methodological, management, coordination and audit areas⁹ and with direct performance of specified social security processes and activities. CSSA offices are territorial organisational units of CSSA providing common activities for all District Social Security Administrations of a given territorial district, especially in the field of administration, economics and management, personnel administration and operations. The District Social Security Administrations ensure the performance of social security processes and activities in accordance with the legal regulations and the internal organisational guidelines of CSSA; for the purposes of management of state property, including state budget funds, accounting, civil service relations of state employees and labour relations, the District Social Security Administrations have the status of internal organisational units of CSSA.

CSSA ensures its activities through state resources and, as an organisational unit of the state, it manages the state budget funds that are determined by the administrator of the MoLSA chapter within the framework of the chapter budget. The revenues of CSSA budget include mainly income from insurance contributions, capital income and transfers received. CSSA budget expenditure includes mandatory expenditure (expenditure on individual benefits) and other expenditure (mainly payroll expenditure, expenditure on day-to-day operations and investment expenditure).

Table 2: Total insurance contribution collection and expenditure of the CSSA as at 31 December of 2015-2018 (in EUR thousand)

	2015	2016	2017	2018
Total collection of insurance contributions	15,332,962	16,219,285	17,650,652	19,404,678
– Of which:				
Total pension insurance contributions	13,664,480	14,475,433	15,736,995	17,299,890
Total sickness insurance contributions	1,061,153	1,121,679	1,220,315	1,343,901
Total contribution to state employment policy	586,920	620,348	674,234	741,186
Surcharges; fees; unexplained, unidentified and unclassified income from insurance	20,409	1,824	19,108	19,701
Total expenditure on benefits paid by CSSA	15,923,472	16,149,752	16,819,635	17,782,437
– Of which:				
Total pension insurance benefits	14,986,186	15,127,967	15,718,875	16,461,736
Total sickness insurance benefits	937,219	1,021,721	1,100,703	1,320,649
Other benefits paid by CSSA	67	63	57	53
Total operating expenditure of CSSA	206,781	213,314	231,991	243,203

Source: Monitor - <https://monitor.statnipokladna.cz/statni-sprava/>.

⁷ Section 5e) of Act No 582/1991 Coll.

⁸ The District Social Security Administrations, the Prague Social Security Administration and the Municipal Social Security Administration Brno are hereinafter collectively referred to as the District Social Security Administration.

⁹ According to Section 5d) of Act No 582/1991 Coll., the CSSA “directs and controls the activities of district social security administrations” and has competence in the area of social security contribution administration, in particular in the areas of conception, methodology, management, coordination and audit.

Between 2015 and 2018, the situation regarding the sufficiency of insurance contribution collections changed. While sickness insurance contributions and the state employment policy contribution covered the expenditure incurred on benefits throughout the audited period, the collection of pension insurance contributions covered the expenditure incurred on pension insurance benefits only in 2017 and 2018. In the audited period, the CSSA achieved a success rate of over 99% in collecting prescribed insurance contributions.

The Czech Republic does not have a long-term concept or strategy solely aimed at securing the administration of insurance contributions. The MoLSA produces documents focusing on pension insurance, sickness insurance and the contribution to state employment policy that are analytical rather than conceptual in nature. They provide a comprehensive view of social security issues in the period under review, i.e. a description of the current state of the sickness and pension schemes (e.g., basic information, sickness insurance statistics, pension insurance statistics, international comparisons, alternative scenarios for the development of pension insurance, expected developments - demographic, economic, current legal situation). However, they do not address changes in the amount and source of revenue in the event of a shortfall. The MoLSA does not propose to adopt partial changes and adjustments in the area of insurance contributions separately unless it is a political assignment because insurance contributions are assessed together with taxes so as not to increase the “total tax burden” on citizens.

In 2008, the Government of the Czech Republic approved the single collection point project programme¹⁰, which aimed to create a single point of collection for public revenue (single collection point). The project was to simplify and streamline the collection of taxes, duties and social and health insurance contributions. The payer was to pay all of them to a single point and through a single form, effectively communicating with a single institution instead of five¹¹. The single collection point project was a time-limited task with a first launch date of 1 January 2014. The Government then postponed the launch date by another year. The amendment to Act No 458/2011 Coll.¹² effective from 31 December 2014 deleted provisions related to the single collection point from the Act and at the same time cancelled the expected date of its launch of 1 January 2015. During the implementation of the project in the period of 2008-2015, the tax system in the Czech Republic was not simplified in the sense of “one form, one payment and one review”. The project has not been officially terminated nor has a decision been made on the way forward.

¹⁰ Resolution of the Government of the Czech Republic of 3 November 2008 No 1336 on the Programme of the project for the creation of a single collection point for public budget revenue.

¹¹ Tax Office, Customs Office, CSSA, health insurance company and, in the case of an accident at work, accident insurance company.

¹² Act No 458/2011 Coll., amending acts related to the establishment of a single collection point and other amendments to tax and insurance laws.

In the Slovak Republic

In the Slovak Republic, social insurance is regulated by Act No 461/2003 Coll. (SK)¹³, which applies to all citizens of the Slovak Republic except police officers, professional soldiers and soldiers in training. Their social security is governed by a special regulation. The payer of social security contributions may be: employee; employer; self-employed person; person voluntarily insured for sickness, pension and unemployment; the state and the SIA.

Social insurance consists of five basic types of insurance, which differ in the extent of coverage. Coverage means the set of insured risks protected and covered by a given type of insurance, on the basis of which the amount of the relevant social benefits is determined in the case of a specific event. Social insurance is compulsory public insurance, which is the most extensive part of the social security system for citizens (it also includes social assistance and social support). Social insurance is based on the payment of contributions and the receipt of benefits in specific life situations, thus ensuring not only the protection of a large part of the population against many risks but also the redistribution of incomes in the national economy.

The philosophy of the social insurance system is based primarily on a combination of the principle of merit, the principle of individual responsibility and the principle of personal participation of the insured in the creation of resources and a reasonable degree of solidarity. Social insurance addresses those social situations for which a citizen can prepare (i.e. insure) in advance by setting aside part of his or her current expenditure to cover future uncertain short- or long-term social situations.

The Ministry of Labour, Social Affairs and Family of the Slovak Republic (MoLSAF SR), in addition to other tasks arising from its status, also establishes state policy and ensures the performance of state administration and tasks in the field of social insurance, old-age pension savings, supplementary pension savings, income compensation in the event of temporary incapacity for work of an employee, and the provision of a Christmas allowance to certain pension beneficiaries. Within this competence, it prepares conceptual plans for the social insurance system, old-age pension savings and supplementary pension savings on the basis of socio-economic and legal analyses and, from a substantive point of view, prepares legislative plans for draft laws and other generally binding legislation and coordinates with SIA the preparation of the structure and scope of SIA expenditure on economic mobilisation from the state budget. The Section of Social Insurance and Pension Savings of the MoLSAF SR analyses the social insurance system from the substantive point of view. Other aspects of social security within the competence of the MoLSAF SR are analytically dealt with by the Institute of Social Policy.

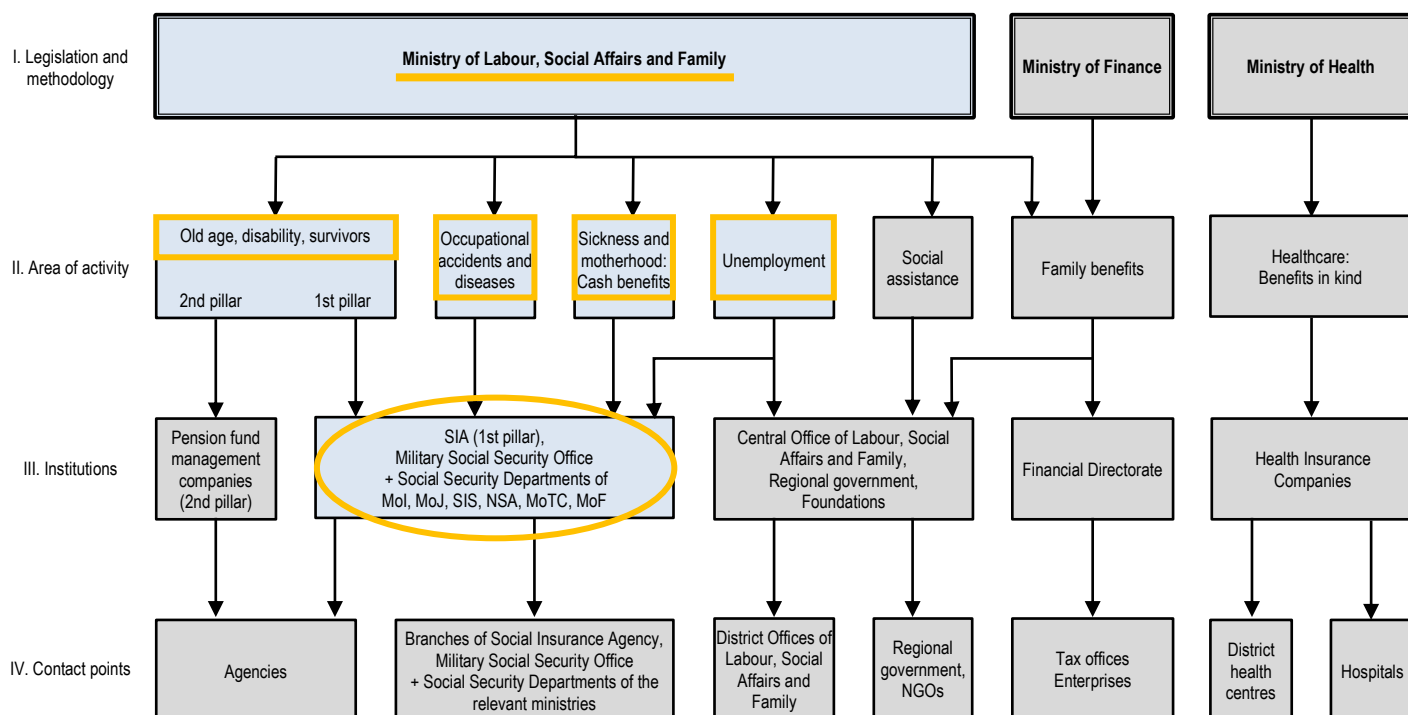
On 1 November 1994, the SIA was established by Act No 274/1994 Coll. (SK), on the SIA as a public institution in charge of sickness insurance and pension insurance, which it took over from its predecessor, the National Insurance Agency. As of 1 April 2002, it has also taken over the employer's liability insurance for damage in the event of occupational accidents and diseases from the Slovak Insurance Agency – accident insurance. Since 1 January 2004, it has been providing social insurance on the basis of Act No 461/2003 Coll. (SK), i.e. sickness insurance, pension insurance – old-age and disability insurance, accident insurance, wage-guarantee insurance and unemployment insurance. Since 1 January 2005, SIA has also carried out activities within the framework of old-age pension savings – in particular, it collects

¹³ Act No 461/2003 Coll., on social insurance, as amended.

contributions, transfers them to pension management companies, registers old-age pension savings contracts and manages the central offer system.

The state supervision bodies over the activities of SIA are the MoLSAF SR and the Ministry of Finance (MoF SR). As a public institution, SIA is not subordinated to the competent central state administration body, i.e. the MoLSAF SR. State supervision is carried out in accordance with Act No 461/2003 Coll. (SK) and its object is compliance with the Social Insurance Act and compliance with other generally binding legal regulations and internal acts of SIA.

Diagram 1: State of social protection organisation in the Slovak Republic in 2018



Source: *State of social protection in Slovakia* (as of 1 January 2018). Available at: https://ivpr.gov.sk/wp-content/uploads/2020/04/socialna_ochrana_1_1_2018.pdf.

Table 3: Percentage of contributions to individual funds in 2018 (in %)

	Employee	Employer	Employee and employer in total	Self-employed	Voluntarily insured person	State	SIA
Sickness insurance	1.4	1.4	2.8	4.4	4.4	-	-
Old-age insurance	4	14	18	18	18	18	18
Disability insurance	3	3	6	6	6	6	-
Accident insurance	-	0.8	0.8	-	-	-	-
Wage-guarantee insurance	-	0.25	0.25	-	-	-	-
Unemployment insurance	1	1	2	-	2	-	-
Solidarity reserve fund	-	4.75	4.75	4.75	4.75	2	-
TOTAL	9.4	25.2	34.6	33.15	35.15	26	18

Source: SIA.

The collection of insurance contributions and contributions for old-age pension saving is a key activity in the financing of the social insurance system. The employer deducts insurance contributions on behalf of the employee, which is 34.6 % of the assessment base (gross wage). Compared to employees, self-employed persons do not pay contributions to accident, wage-guarantee and unemployment insurance and have a higher contribution to sickness insurance, while the minimum and maximum amount of the assessment base is set, based on the general assessment base determined as 12 times the average monthly wage in the economy as determined by the Statistical Office for the relevant calendar year. 2.4 % of the insurance contributions collected and 0.25 % of the contributions collected for old-age pension savings (Pillar II) are allocated to the administrative costs of the SIA for the administration fund.

Table 4: Creation of SIA funds from insurance contributions, fines, penalties and other revenues in 2015-2018 (in EUR thousand)

Indicator	2015	2016	2017	2018	Index 2018/2015
a	1	2	3	4	4/1 (%)
Fund creation in the current year	7,418,227	7,150,230	7,747,444	8,213,289	110.72
In which:					
a) Sickness insurance fund	538,090	572,445	620,561	687,583	127.78
b) Old-age insurance fund	4,135,344	3,677,391	3,982,471	4,029,950	97.45
c) Disability insurance fund	1,135,671	1,203,020	1,303,033	1,449,611	127.64
<i>Total pension insurance</i>	<i>5,271,015</i>	<i>4,880,411</i>	<i>5,285,504</i>	<i>5,479,561</i>	<i>103.96</i>
d) Accident insurance fund	148,183	157,500	168,583	187,622	126.62
e) Wage-guarantee insurance fund	39,715	42,173	46,032	51,810	130.45
f) Unemployment insurance fund	343,374	365,611	400,275	445,514	129.75
g) Solidarity reserve fund	910,868	967,676	1,048,876	1,165,084	127.91
h) Administration fund	166,982	164,414	177,613	196,115	117.45

Source: Individual financial statements of SIA.

Table 5: Financial results of individual funds, balance sheet difference and pension insurance deficit in 2017 (in EUR thousand)

	Fund creation in the current year	Use of individual funds	Balance sheet difference in the current year	Carryover of the 2016 balance	Tackling the pension insurance deficit	Balance sheet difference 31 December 2017
	a	b	c = a - b	d	e	f = (c + d + e)
a) Sickness insurance fund	620,561	564,812	55,749	55,810	-55,000	56,559
b) Old-age insurance fund	3,982,471	5,838,508	-1,856,037	215,752	1,849,000	208,715
c) Disability insurance fund	1,303,033	927,753	375,280	151,708	-360,000	166,988
<i>Total pension insurance</i>	<i>5,285,504</i>	<i>6,766,261</i>	<i>-1,480,757</i>	<i>367,460</i>	<i>1,489,000</i>	<i>375,703</i>
d) Accident insurance fund	168,583	48,425	120,158	21,835	-120,000	21,993
e) Wage-guarantee insurance fund	46,032	13,028	33,004	8,327	-32,000	9,331
f) Unemployment insurance fund	400,275	167,655	232,620	33,701	-224,000	42,321
g) Solidarity reserve fund	1,048,876		1,048,876	41,975	-1,058,000	32,851
h) Administration fund	177,613	150,663	26,950	0	0	26,950
TOTAL	7,747,444	7,710,844	36,600	529,108	0	565,708

Source: SIA financial report for 2017, processed by the SAO SR.

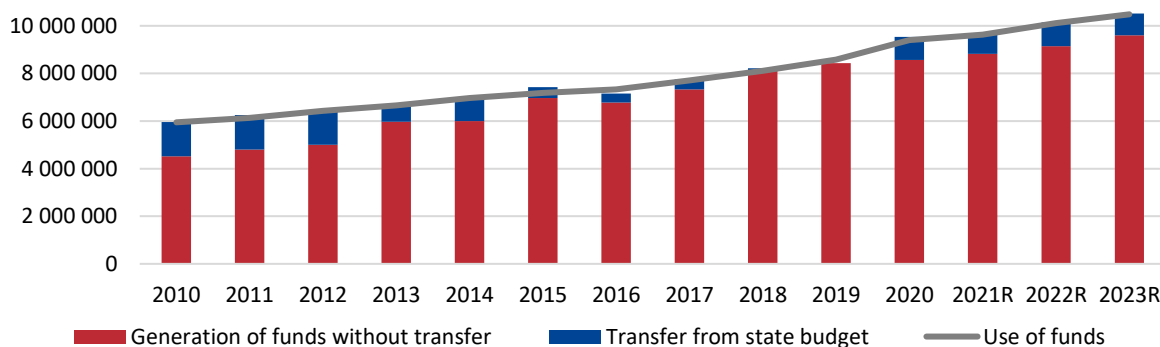
The flows in the columns can be simply explained like this: the funds are made up of insurance contributions (column a) and benefits are paid out of them (column b). The creation and use of resources of each fund are not evenly distributed, resulting in a difference in the balance (c). All funds except the old-age insurance fund are in surplus and this surplus, together with the previous year's balance (d), is used to address the deficit in pension savings (e). The balance in the form of the balance sheet difference at the end of the year (f) shall be carried forward to the following year. Cash flows are thus covered during the year and the solvency of SIA is secured.

Total fund formation in 2017 amounted to EUR 7,747 million, including a transfer from the state budget of EUR 415 million, fines, penalties and other revenue. The largest part is covered by old-age insurance, with an amount of EUR 3,982 million, followed by disability insurance and the solidarity fund. The use of funds totals EUR 7,711 million, of which EUR 5,838 million (75.7% or 6.9% of GDP) is for old-age insurance. The balance sheet difference of old-age insurance fund amounts to EUR -1,856 million, while the other funds are positive and total EUR 36 million. After transferring the balance from the previous year, the total pension insurance deficit was EUR 1,849 million. This was covered by the surplus of other funds, with a balance sheet difference at the end of the year of EUR 209 million.

The deficit in pension insurance is covered by the surplus of other funds and a transfer from the state budget, the size of which depends, among other things, on macroeconomic developments affecting employment and thus the collection of insurance contributions.

According to the theoretical mathematical calculations of SIA, the total pension insurance balance excluding the transfer from the state budget, state financial assets and the coverage of the old-age insurance deficit from other funds was cumulatively at EUR -24.9 billion from 2004 to 2017.

Chart 1: Generation of SIA funds in the Slovak Republic and transfer from the state budget since 2010 (in EUR thousand)



Source: Financial statements and budget of SIA, processed by the SAO SR.

The overall generation and use of funds are more or less balanced from year to year. Since 2010, they have gradually grown from EUR 6 billion to EUR 8.5 billion in 2019. This is the only year in the period under review when SIA did not receive a transfer from the state budget, while in 2010-2012 the transfer was around EUR 1.4 billion and then gradually decreased.

**Table 6: Amount of insurance contributions actually collected in 2015-2018
as reported in the financial statements (in EUR thousand)**

Indicator	2015	2016	2017	2018	Index 2018/2015
a	1	2	3	4	4/1
Total revenue	7,418,227	7,150,230	7,747,444	8,213,289	110.72
a) Insurance contributions from the economically active population	5,916,654	6,328,018	6,858,393	7,407,735	125.20
– In which:					
Employee	1,612,052	1,724,393	1,881,385	2,054,644	127.46
Employer	3,979,185	4,264,800	4,628,138	5,004,118	125.76
Compulsorily insured self-employed person	314,436	328,460	338,726	338,376	107.61
Voluntarily insured person	10,981	10,365	10,144	10,597	96.50
b) State (e.g., maternity/parental leave, personal assistants)	205,640	211,504	221,926	253,350	123.20
c) SIA (e.g., Injuries annuity)	2,662	2,731	2,863	3,016	113.30
d) Fines and penalties	19,010	15,153	16,494	15,066	79.25
e) Insurance contributions due	220,801	205,461	205,725	399,401	180.89
f) Other revenue (mainly transfer from the state budget)	469,094	382,218	436,381	129,288	27.56
g) Revenue from the opening of Pillar II	566,900	1	35	32	0.01
h) Contributions to old-age pension savings paid after 60 days	3,912	4,001	4,323	3,856	98.57
i) Revenue of the administration fund from contributions to old-age pension savings (economically active population)	1,049	1,100	1,254	1,496	142.61
j) Revenue of the administration fund from contributions to old-age pension savings (state)	49	43	49	48	97.96
k) Revenue of the administration fund from the opening of Pillar II	12,456	0	1	1	0.01

Source: Individual financial statements of SIA.

Table 7: Insurance contribution collection success rate as the ratio of insurance contributions paid to insurance contributions prescribed

Year	Payment of insurance contributions prescribed, old-age pension savings contributions, fines and penalties in EUR	Prescription of insurance contributions, old-age pension savings contributions, fines and penalties in EUR	Success rate in %	Assigned and written-off claims in EUR
2015	6,577,651,638.89	6,547,560,966.64	100.46	108,534,144.15
2016	6,991,534,402.74	7,070,082,010.55	98.89	28,836,748.36
2017	7,582,481,991.37	7,687,227,875.92	98.64	27,430,075.77
2018	8,234,301,703.44	8,101,960,587.07	101.63	385,507,070.84

Source: SIA.

Insurance contribution collection revenue was on a significant upward trend in 2015-2018. The increase in revenue in 2018 compared to 2015 amounted to more than EUR 440 million in absolute terms. This was an increase of 10.7 p.p. The decisive contribution to this development was made by the collection of insurance contributions from the economically active population (25 p.p. increase between 2015 and 2018), which was influenced by the favourable development of the economy and the related growth in employment, as well as the growth in the average wage in the economy.

The Institute for Financial Policy of the MoF SR makes forecasts of social contributions from a fiscal perspective on both an accrual and cash basis. Monthly data on the fulfilment of social contributions from SIA, the macroeconomic labour market forecast and own quantification of legislative measures are used as external inputs. The short-term forecast is based on the annual amount of social security contributions (insurance contributions and old-age pension savings contributions) based on last year's reality adjusted for old legislative effects, indexed by the year-on-year growth of the wage base, including new legislation, quarterly changes in the wage base, ongoing adjustments based on the actual fulfilment of social security contributions and expert estimates and corrections. The medium-term forecast is based on the adjusted annual amounts of social contributions and year-on-year wage base growth, separate effects of legislative changes, with an emphasis on accruals, while the cash forecast is a simplified estimate of the monthly time lag. The long-term forecast is part of the analysis of the long-term sustainability of the pension scheme, is not done on a point-by-point basis, and is based on AWG¹⁴ projections of the labour force, average wages and unemployment.

A systematic change in the administration of social insurance (social security contributions) should be the unification of tax, customs and insurance contribution collection through the UNITAS programme (concept approved in May 2008), which was to be implemented in two main phases, namely UNITAS I and UNITAS II. The aim of the UNITAS I programme was to reform the tax administration, optimise the customs administration and merge the Tax Directorate of the Slovak Republic and the Customs Directorate into the Financial Directorate of the Slovak Republic (FD SR). The aim of the UNITAS II programme was to subsequently connect the collection of insurance contribution levies to a newly created financial administration, whose main attributes were to be simplicity, clarity, effectiveness, efficiency and sustainability of the system and simplification and clarification of processes related to tax and social contributions obligations of taxable entities, thereby reducing the administrative burden and burden on citizens and entrepreneurs.

The MoF SR was entrusted with the management and coordination of the reform process. The UNITAS II Steering Committee at the MoLSAF SR is an advisory body to the MoLSAF SR State Secretary II and is a cross-cutting working group of representatives of the MoLSAF SR, the MoF SR and SIA. The Steering Committee discussed activities related to the social insurance contributions and compulsory old-age pension savings contributions prepayments and the annual social insurance settlement. In relation to the administration of social insurance, the Concept of Reform of the Tax and social contributions System envisages the introduction of a super-gross wage, one social insurance contribution of 19%, the abolition of the fund management of SIA, the introduction of an annual settlement of social insurance contributions and other adjustments. At the same time, it is envisaged that the SIA will be divided internally

¹⁴ Working Group on Ageing Populations and Sustainability.

into the insurance contribution administration agenda and the benefits agenda, with the subsequent transfer of insurance contribution administration to the financial administration.

Of the above-mentioned changes concerning the administration of insurance contributions, annual settlements have been prepared for introduction into practice as an efficient tool for limiting insurance contribution optimisation of entities paying insurance contributions. The concept envisaged its introduction in 2013 for the tax period of 2012. The current situation is that SIA will make an annual settlement for the first time in 2024 for the settlement period of 2023.

The evaluation of the introduction of the annual settlement was part of the Review of Expenditure on Labour Market and Social Policies, prepared by the analytical team of the Value for Money Department of the MoF SR, and the overall positive impact (savings) on the budget was quantified at EUR 49 million, without quantification of the costs and negative impact on the public administration budget. SIA estimates the actual costs associated with the introduction and calculation of the annual settlement to be approximately EUR 10 million. The relevant amendment to Act No 461/2003 Coll. (SK), the subject of which was the simultaneous receipt of maternity benefit in addition to the annual settlement, indicates in the impact assessment an overall positive effect on the public administration budget of EUR 60 million and a negative impact of the amendment to Act No 461/2003 Coll. (SK) on the public administration budget of EUR 32 million.

In 2015-2018, there was minimal progress in the implementation of the UNITAS programme in relation to social insurance administration. Of the planned measures, the annual social insurance settlement has been introduced legislatively, with an 11-year delay compared to the concept and in a form that is least close to the UNITAS targets. The continued existence of the UNITAS programme and its current minimal implementation in the field of social insurance pose a future risk of not meeting its main objectives and uncertainty in the strategic development of the social insurance administration system.

3.2 Insurance contribution legislation

Insurance contributions are regulated under EU legislation (see Annex 1) and national legislation.

The European rules do not replace national rules, but only determine how the rules will affect migrating persons so that their position does not worsen. The regulation of sickness and pension insurance is a matter for the Member States, while respecting the basic coordination principles detailed in the relevant regulations. At the European level, an electronic exchange of data between EU countries, the EESSI project, is being implemented, replacing paper-based information flows with the electronic transmission of SEDs (structured electronic documents), adapted for use in the different areas of social security. States and their institutions have joined EESSI in a phased manner in accordance with the rules in force, which are the same for all participants.

In the Czech Republic

In the Czech Republic, the legal regulation of insurance contribution administration is mainly concentrated in the following national legislation:

Act No 582/1991 Coll. (CZ) governs the organisation and implementation of social security. Social security under that Act includes

- Organisational structure of social security,
- Competence of the social security authorities,
- Tasks of citizens and employers in the implementation of social security,
- Pension insurance proceedings,
- Proceedings concerning social security contributions and state employment policy contributions.

Act No 589/1992 Coll. (CZ) regulates social security contributions.

Act No 155/1995 Coll. (CZ) regulates pension insurance in case of old age, disability and death of the breadwinner. It also regulates the organisation and implementation of insurance, the obligations of insured persons, beneficiaries and employers and their liability in insurance.

Act No 187/2006 Coll. (CZ) regulates sickness insurance in the event of temporary incapacity for work, ordered quarantine, pregnancy and maternity, care by the father for the child after its birth, treatment or care of a household member, provision of long-term care and the organisation and implementation of insurance.

In 2015-2019, legislative changes were made to the following laws in the area of insurance contributions:

Table 8: Number of legislative changes in the field of insurance contributions

Act	Total number of changes	Of which at the proposal of the MoLSA
Act No 589/1992 Coll.	12	3
Act No 582/1991 Coll.	22	9
Act No 155/1995 Coll.	18	8
Act No 187/2006 Coll.	19	7

Source: SAO CR.

The vast majority of the changes focused on sickness insurance benefits and changes of a technical nature. Only the two legislative changes mentioned below were related to the administration of insurance contributions, the impact of which on the state budget became apparent only after the audited period.

Act No 259/2017 Coll.¹⁵ (CZ) made advances on insurance contributions for self-employed persons payable from 1 January 2019 in the month for which they were determined. Apart from the change in the due date for insurance contribution advance payments, the other changes were mainly technical in nature.

¹⁵ Act No 259/2017 Coll. (CZ), amending Act No 589/1992 Coll. (CZ), on social security contributions and contributions to state employment policy, as amended, and other related acts.

Impact of changes to the law on the state budget

According to the explanatory memorandum, the changes were to lead to additional state budget revenues of approximately EUR 73.9 million in 2019. Self-employed persons were required to make two payments in January 2019, i.e. the month the new system was introduced, for both the previous month (December 2018) and the current month (January 2019).

The SAO CR verified the impact on insurance contribution revenues related to the change in advance payments of insurance contributions by the self-employed by comparing the collection of insurance contributions of self-employed persons in 2018 and in 2019.

Table 9: Amount of insurance contribution income of self-employed persons as at 31 December 2018 and 2019 (in EUR thousand)

Item (code)	Item (name)	2018	2019	Year-on-year increase 2018/2019
1613	Pension insurance contributions from self-employed persons	1,033,472	1,179,272	145 800
1621	Contributions to state employment policy from self-employed persons	44,292	50,540	6 249
2361	Sickness insurance contributions from self-employed persons	8,508	10,416	1 909
Total insurance contributions for pension insurance, sickness insurance and state employment policy contribution from self-employed persons		1,086,271	1,240,229	153,957

Source: <https://monitor.statnipokladna.cz/>; data as at 10 August 2020.

It is clear from the table that the collection of insurance contribution income paid by self-employed persons in 2019 was about EUR 154 million higher than in 2018. This is more than double the usual year-on-year increase, as the collection also includes additional revenue due to a change in the payment of advances of EUR 73.9 million as stated by the MoLSA in its explanatory memorandum in connection with the simplification of the self-employed social insurance contribution payment system.

Furthermore, according to the explanatory memorandum and RIA¹⁶ to Bill No 259/2017 Coll., the legislative changes were to be reflected in particular in the administrative costs of the CSSA. The estimated cost of modifying the software of the local data management applications of the CSSA and the District Social Security Administration was approximately EUR 1 million. However, the CSSA actually spent about EUR 0.9 million.

Act No 32/2019 Coll.¹⁷ (CZ) reduced the employer's sickness insurance contribution rate from 2.3 % to 2.1 % from 1 July 2019 due to the abolition of the waiting period (employers pay employees wage, salary or remuneration compensation from the first day of temporary incapacity for work).

¹⁶ Regulatory Impact Assessment (RIA).

¹⁷ Act No 32/2019 Coll. (CZ), amending Act No 262/2006 Coll. (CZ), the Labour Code, as amended, and certain other acts.

Impact of changes to the law on the state budget

According to the explanatory memorandum to Bill No 32/2019 Coll. (CZ), revenues from sickness insurance contributions were to be reduced by almost EUR 101 million per year. Given that the balance of state revenues and expenditures on sickness insurance ended with an average annual surplus of EUR 136 million in 2010-2016 and the surplus for 2017 was supposed to reach almost EUR 109 million, the drafters of that bill considered the increase in state spending on citizens' health to be acceptable.

The CSSA spent EUR 155 on software adjustments in connection with the reduction of the employer-paid sickness insurance contribution rate as of 1 July 2019. However, the MoLSA has not yet evaluated the impact on state budget revenues because it was an annual estimate of the reduction in the state budget and the law change became effective in mid-2019. The MoLSA evaluates legislative changes in reports on the status and development of pension and sickness insurance systems, which it prepares at two-year intervals. The MoLSA expects to perform the evaluation of the impact of the abolition of the waiting period in the framework of the analysis to be carried out in 2021.

In the Slovak Republic

The legislative environment defining social security and social insurance has changed significantly since the establishment of the Slovak Republic. A major legislative change took place in 2004, when the most important law in terms of social insurance, Act No 461/2003 Coll. (SK), began to apply, defining the scope of social insurance, regulating its scope, legal relations in the organisation and implementation of social insurance, its financing, state supervision over its application and proceedings in social insurance matters and proceedings in claims recovery matters.

Act No 453/2003 Coll. (SK), on state administration bodies in the field of social affairs, family and employment services and on amendments and supplements to certain acts, according to which the establishment and position of state administration bodies in the field of social affairs and family and employment services was regulated. Act No 43/2004 Coll. (SK), on old-age pension savings and on amendments and supplements to certain acts, implemented Pillar II of the pension scheme. This change established the old-age pension scheme as a combination of old-age insurance and old-age pension savings. Act No 650/2004 Coll. (SK), on supplementary pension savings and on amendments and supplements to certain acts, established supplementary pension savings (Pillar III).

Table 10: 28 analysed amendments to Act No 461/2003 Coll. (SK) adopted in 2015-2018

Year	2015	2016	2017	2018	TOTAL
Number of amendments, of which:	12	4	6	6	28
– Direct amendment	2	1	3	2	8
Number of technical amendments	1	0	1	0	2
Number of non-technical amendments	11	4	5	6	26
Positive impact on the public administration budget in EUR	429,201	7,405,723	2,888,662	59,914,602	70,638,188
Positive impact on SIA in EUR	338,052	7,405,723	2,023,776	71,537,921	81,305,472
Negative impact on the public administration budget in EUR	111,323,925	451,425,012	557,054,825	31,878,600	1,151,682,362
Negative impact on SIA in EUR	28,796,554	338,765,384	561,625,068	31,878,600	961,065,606

Source: SAO SR; the impact is usually quantified over the following three years.

The legal framework of social insurance in the Slovak Republic is characterised by frequent legislative changes (amendments, adjustments to amounts, findings of the Constitutional Court). Impact assessments in the legislative process usually provide sufficient factual information; however, in 2/3 of the cases monitored, of which the two most significant changes, a quantification of budgetary implications was not included. If such a quantification was made, it meant, on average, a negative impact of one amendment on the public administration budget in the amount of EUR 120 million. The costs of implementing legislative changes into the information systems of SIA for the collection and administration of insurance contributions totalled EUR 14.2 million in 2015-2018. Of the total 28 amendments to Act No 461/2003 Coll. (SK) one-half of them concerned the administration of insurance contributions, of which 5 legislative changes affecting the collection and administration of insurance contributions were selected for a detailed analysis within the audit of the SAO SR:

Fourth opening of Pillar II

The fourth opening of Pillar II represents the most significant legislative change in terms of budgetary impact. The explanatory memorandum does not quantify the expected impact, although this was possible on the basis of previous openings, at least in relative terms, for example per 10,000 insured persons. In total, during the fourth opening, 158,310 savers left Pillar II, representing almost 10.8% of all savers, and 19,288 joined (1.3%). EUR 579 million of the saved funds were transferred to Pillar I, which corresponds to 9% of the accumulated net asset value of pension funds as at 31 December 2014. At the same time, the transfer to SIA from the state budget in 2015 was lower by EUR 448 million compared to 2014 (*for more details see Section 4.1. Legislation and pension scheme indicators*).

Collection of insurance contributions from self-employed persons

The selected legislative change concerns the reduction of the administrative burden on the self-employed and voluntarily insured and is an example of feedback, the initiative of the SIA and the MoLSAF SR within the legislative process. Based on the automatic creation/termination of the role of a self-employed person, the SIA sends notifications of the creation, change of the assessment base or termination of the insurance relationship to the activated electronic mail box of the insured. The total IT costs for the implementation of the amendment amounted to EUR 1.48 million (*for more details see Section 5.3. Efficiency of expenditure on insurance contribution administration*).

Claims due from healthcare institutions

Claims of SIA from healthcare facilities within the competence of the Ministry of Health of the Slovak Republic (MoH SR) and transformed healthcare facilities are a specific type of claims, which in 2017 accounted for almost a third of all claims. In relation to the healthcare institutions claims, SIA did not use all available options for their recovery. SIA did not record any insurance contribution claims due by private healthcare facilities. Despite debt relief, claims still arise (*for more information see Section 6.1. Debt recovery and write-off procedures*).

Administrative enforcement

Administrative enforcement is a method of claims recovery that is directly performed and managed by the SIA, while in the sense of the amendment to Act No 461/2003 Coll. SIA has been entitled to recover claims in this way since 1 July 2017. Administrative enforcement may take place against a natural person by ordering claims payment from a bank account, by deductions from wages or deductions from benefits paid by the SIA, and against a legal entity by ordering debt payment from a bank account. In administrative enforcement, the success of recovery has increased compared to previous methods, i.e. licensed enforcement agents and the mandate administration. The initial IT¹⁸ costs of EUR 2.2 million were recouped by the SIA in the first two years after launch through the increased recovery rate (*for more details see Section 6.1. Claims recovery and write-off procedures*).

Voluntary military training

SIA implements a number of legislative changes. When approving the introduction of voluntary military training, the occurrence of expenditures was assumed only within the budget chapter of the Ministry of Defence of the Slovak Republic. However, this legislative change also caused expenditures in SIA. A total of 297 insured persons took part in voluntary military training in 2016-2019, and almost EUR 70 thousand in insurance contributions was paid for them. The planned maximum number of citizens involved in voluntary military training was less than one-half. Expenditures for the introduction of a new type of insured person, "voluntary soldier", into the information system (IS) of SIA in the amount of EUR 126 thousand were not returned in the form of collected insurance contributions.

¹⁸ Information technology (IT).

3.3 Comparison and identification of differences

The goals of the social insurance systems in the Czech Republic and the Slovak Republic are in principle the same. However, the insurance contribution management organisations have a different legal status and system set-up. The CSSA is an organisational unit of the state, which is subordinated to the MoLSA, and the social security contributions collected constitute revenue of the state budget. The operating expenditures of the CSSA are part of the MoLSA budgetary chapter expenditure and have no direct connection with the collected insurance contributions. SIA is an independent subject of public service, which collects insurance contributions into funds from which benefits are paid, and in the event of a deficit these are co-financed from the state budget. SIA is financed from a share of insurance contributions collected.

In the Slovak Republic, the area of insurance contribution administration was amended 13 times between 2015-2018 by Act No 461/2003 Coll. (SK). This fact increases the costs of the SIA for the implementation of changes, especially in the field of IT, causes administrative costs for employers and increases the risk of legal uncertainty for insured persons. In the Czech Republic, similar amendments did not take place during the audited period.

The strategy of the Slovak Republic in the area of insurance contributions is based on the UNITAS programme, aimed at unifying the collection of taxes, duties and insurance contributions. In the period of 2015-2018, there was minimal progress in the implementation of the UNITAS programme in relation to insurance contribution administration. A similar project was to be implemented in the Czech Republic through the Single Collection Point. However, its implementation was abolished by law in 2014.

3.4 Macroeconomic indicators of social security income and expenditure

Social security and social insurance schemes vary considerably from country to country. The European Union and its statistical office, Eurostat, report and provide selected indicators. In order to promote the continuous exchange of social protection information between EU Member States, a mutual social security information system has been set up, available at <https://www.missoc.org/>. The database contains detailed information on social security systems in 32 different countries, including their financing.

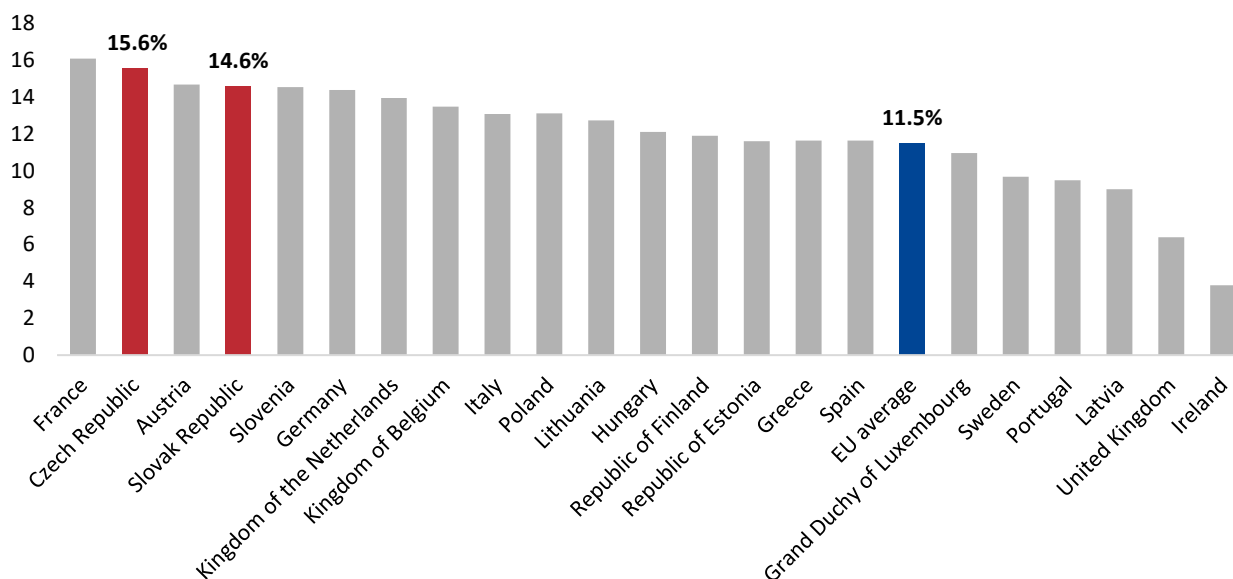
Table 11: Overview of social security income and expenditure in selected EU countries in 2017

Country	Economically active population	Social security income	Expenditure on social security benefits	Share of social security income and expenditure on social security benefits
	In thousand	Per 1 member of the economically active population, EUR thousand	Per 1 member of the economically active population, EUR thousand	%
Bulgaria	3,278	2.93	2.61	111.88
Romania	8,812	3.24	3.00	108.02
Latvia	946	4.23	4.15	101.88
Lithuania	1,408	4.94	4.33	114.17
Hungary	4,565	4.95	4.97	99.74
Poland	16,919	5.62	5.41	103.91
Slovak Republic	2,726	5.99	5.49	109.18
Croatia	1,807	6.11	5.57	109.75
Estonia	665	5.58	5.63	99.08
Czech Republic	5,248	7.14	6.58	108.60
Malta	226	8.06	7.97	101.10
Cyprus	417	9.59	8.70	110.15
Portugal	4,972	10.39	9.29	111.84
Slovenia	1,011	9.49	9.47	100.19
Greece	4,701	10.18	9.55	106.65
Spain	22,558	11.56	11.85	97.54
EU	240,637	18.78	17.22	109.07
Ireland	2,282	21.24	18.62	114.05
United Kingdom	32,215	21.60	19.13	112.91
Italy	25,340	20.36	19.21	105.94
Germany	42,094	24.37	21.98	110.90
Netherlands	8,805	27.84	23.10	120.50
Austria	4,433	24.22	23.90	101.32
Belgium	4,940	26.56	24.54	108.25
France	29,288	26.90	24.85	108.25
Finland	2,635	26.73	25.77	103.73
Sweden	5,190	28.44	26.10	108.97
Denmark	2,870	36.56	31.37	116.54
Luxembourg	286	47.98	42.77	112.17

Source: https://ec.europa.eu/eurostat/databrowser/view/spr_rec_sumt/default/table?lang=en.

Note: EU figure and share of income and social expenditure by own calculation; the last known complete data are for 2017.

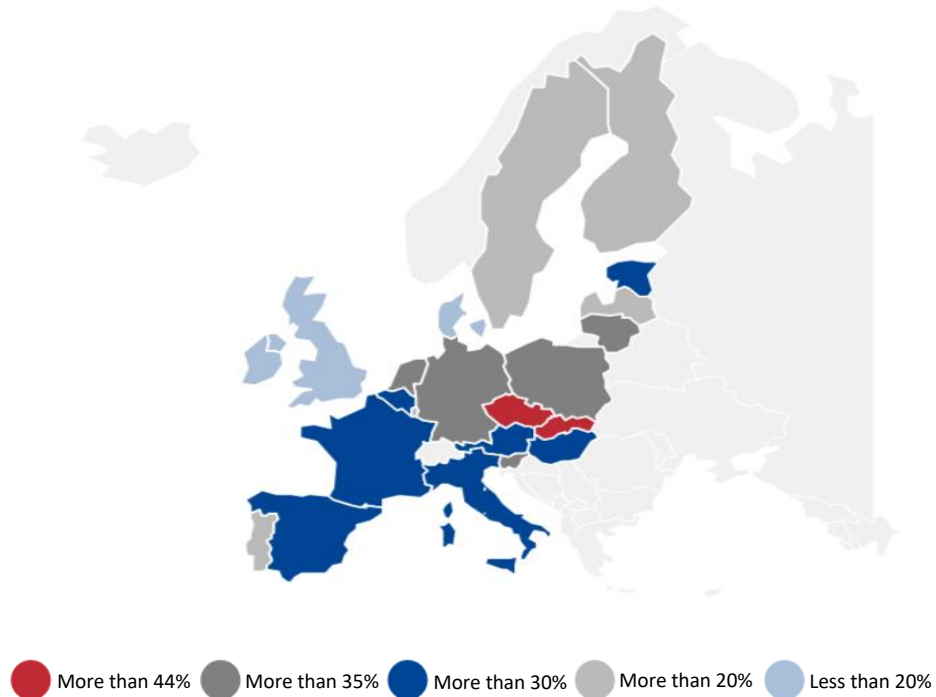
Income and expenditure on individual social security schemes were the lowest in terms of economically active population in Bulgaria, Romania, the Baltic States and the V4 countries. The highest were in Luxembourg and the Nordic countries. The share of social security income and expenditure on social security benefits varied from country to country. The differences could also be partly due to differences in systems and, consequently, in the methods and implementation of reporting and performing comparisons. In this case, social security did not only consist of social insurance, but also included health insurance or various family benefits.

Chart 2: Social security contributions as % of GDP in 2018

Source: <https://stats.oecd.org/viewhtml.aspx?datasetcode=REV&lang=en>.

Note: processed by the SAO CR, the source contains data only for the mentioned countries, the reporting of social security contributions and expenditures differs slightly between Eurostat and the OECD.

Another possibility of comparison is through the share of collected levies, social security contributions in the GDP of individual countries. The Czech Republic and the Slovak Republic were significantly above the EU average; only France had a higher share. Similar conclusions are provided in the following diagram, showing the share of social security contributions in total taxation. The Czech Republic and the Slovak Republic had the highest share of all monitored European countries, namely 44.1%. On the contrary, social security expenditures in terms of the economically active population in the Czech Republic and in the Slovak Republic were below the EU average.

Diagram 2: Social security contributions as a share of total EU taxation in 2018

Source: <https://stats.oecd.org/viewhtml.aspx?datasetcode=REV&lang=en>, data exported as at 20 February 2020. Interactive version of the diagram: <https://infogram.com/1p0l1lz0vz2mxdce6ykqvizklrbnnveqjlr?live>.

4. Pension schemes

4.1 Legislation and pension scheme indicators

In the Czech Republic

Pension insurance, so-called Pillar I

The dominant source of financing current pensions is compulsory pension insurance, the so-called Pillar I, which is administered by the CSSA. This benefit-defined state pension security system is based on the principle of continuous financing, i.e. pensions are financed from the current insurance contribution income, which has to be paid by all persons engaged in gainful employment establishing participation in pension insurance.

The basic law that regulates claims from compulsory pension insurance in the event of old age, disability and death of the breadwinner is Act No 155/1995 Coll. (CZ), which was adopted in June 1995 with effect from 1996. The CSSA decides on the right to a pension, its amount and payment, except in cases where the social security bodies of the Ministries of Defence, the Interior and Justice are competent to decide (in the case of members of the armed forces and corps).

Act No 203/2017 Coll.¹⁹ (CZ) determined the retirement age for insured persons born after 1971 at 65 years of age. This ended the increase in the retirement age without restrictions (changes in the retirement age above this limit will result from the process of regular review). Act No 191/2018 Coll.²⁰ (CZ) further increased the basic amount of pensions from 9% to 10% of the average wage. In the audited period, the pension was continuously valorised, including extraordinary increase.

¹⁹ Act No 203/2017 Coll., amending Act No 155/1995 Coll., on pension insurance, as amended, and other related acts.

²⁰ Act No 191/2018 Coll., amending Act No 155/1995 Coll., on pension insurance, as amended.

Pension savings, so-called Pillar II

Pension savings were introduced on 1 January 2013 by Act No 426/2011 Coll.²¹ (CZ), Act No 397/2012 Coll.²² (CZ) and Act No 399/2012 Coll.²³ (CZ) and were individualised for each participant and based on the saving principle. The introduction was closely linked to the functioning of pension insurance, i.e. the state pension security system.

The second pension pillar was voluntary for every citizen of the Czech Republic. After entering the second pillar, participants paid only 25% (3.5% paid directly by the employee and 21.5% by the employer) into Pillar I from their assessment base (instead of the original 28%), and these 3% increased on the part of the participant by another 2%, i.e. a total of 5%, were sent to the pension fund of selected private pension companies with which the participant concluded a pension savings agreement, within which he or she chose a savings strategy. On behalf of the participant – employee, the insurance contribution deduction was performed and information on the deducted pension savings contributions was provided by the employer. After the registration of the pension savings agreement, it was no longer possible to withdraw from that pension savings agreement.

The Financial Administration of the Czech Republic (FA CR) was responsible for registering the contracts of pension savings participants and was also in charge of collecting contributions from participants and subsequently transferring the funds to the accounts of pension companies.

Estimated costs for the implementation of Pillar II were not quantified because, on the basis of an exception under Article 3 of the Procedural Rules of the General Principles for Regulatory Impact Assessment, no RIA was prepared for the draft laws which introduced Pillar II.

By approving Act No 163/2015 Coll.²⁴, the process of termination of Pillar II began and new participants could not join it as of 1 July 2015. On 1 January 2016, Acts No 376/2015 Coll.²⁵ (CZ) and No 377/2015 Coll.²⁶ (CZ), on the basis of which Pillar II was discontinued and the process of settling participants' claims under pension savings took place, became effective.

The liquidation of the pension funds took place by paying out the participants' funds:

- By transfer to an account or postal order to the participant;
- By transfer to supplementary pension insurance or supplementary pension savings of the participant (Pillar III);
- By transfer to the account of the insurance contribution administrator and subsequently to the personal tax account of the participant if the participant did not respond to the pension company's invitation to choose the method of settlement of funds. The participants still have the opportunity to contact the FA CR until 31 December 2022; if they fail to do so, the participants' contributions will become revenue of the state budget.

²¹ Act No 426/2011 Coll., on pension savings.

²² Act No 397/2012 Coll., on pension savings contributions.

²³ Act No 399/2012 Coll., amending the acts in connection with the adoption of the Act on Pension Savings Contributions.

²⁴ Act No 163/2015 Coll., amending Act No 426/2011 Coll., on pension savings, as amended.

²⁵ Act No 376/2015 Coll., on the termination of pension savings.

²⁶ Act No 377/2015 Coll., amending certain acts in connection with the adoption of the Act on the Termination of Pension Savings.

If the participant wanted to keep the percentage of the state pension, he or she could pay the additional Pillar I insurance contribution.

Table 12: Number of insured persons with pension insurance as at 31 December 2013-2015

Year	Number of insured persons with pension insurance in total		Number of insured persons with pension savings (of the total number of persons with pension insurance)	
	Employees	Self-employed	Employees	Self-employed
2013	4,275,544	692,753	64,362	15,646
2014	4,328,561	676,188	65,687	16,041
2015	4,421,888	675,700	67,402	16,433

Source: MoLSA.

As at the date of termination of the pension savings (31 December 2015), the ratio of the number of participants involved in the second pension pillar to the number of pension insured persons was 1.64%.

Table 13: Funds invested by participants in Pillar II of pension savings (in EUR thousand)

Year	Self-employed	Employees	Voluntary payers	Total
2013	406	13,319	074	13,726
2014	3,857	47,960	3.50	51,820
2015	4,583	50,416	5.40	55,004
2016	5,219	7,682	0.58	12,902

Source: Ministry of Finance of the Czech Republic (MoF CR).

The amount of transfers to pension companies for the period of 2013-2016 was a total of EUR 133 million for 83,835 participants. After the end of Pillar II, pension companies transferred to the account of the insurance contribution administrator unsettled funds in the total amount of EUR 7,295 thousand for 7,943 participants, of which:

- 518 participants paid additional insurance contributions to Pillar I in the total amount of EUR 629 thousand;
- As at 31 August 2020, 6,051 participants collected insurance contributions in the total amount of EUR 6,284 thousand, although they had not initially responded to the pension company's invitation to choose a settlement method;
- As at 31 August 2020, 1,374 participants still had not collected insurance contributions in the total amount of EUR 383 thousand.

The MoLSA, the CSSA and the MoF CR do not have information on the number of participants in the discontinued Pillar II who requested the transfer of insurance contributions to Pillar III or had their insurance contributions paid out on the basis of an invitation by the pension company, as this was within the competence of pension companies in accordance with Act No 426/2011 Coll (CZ).

Within its budgetary chapter, the MoF CR spent, in 2012, on the introduction of a central register of contracts, modification and development of software in connection with the introduction, operation and subsequent cancellation of Pillar II, almost EUR 2.3 million. The CSSA spent, for the acquisition of hardware, acquisition or modification of software in connection with the introduction, operation and subsequent cancellation of Pillar II, almost EUR 1.1 million.

Table 14: Collection of pension insurance contributions in 2012-2017 (in EUR thousand)

Budget item	Name of Budget item	2012	2013	2014	2015	2016	2017
1612	Pension insurance contributions from employees	2,708,433	2,713,046	2,783,316	2,939,722	3,140,430	3,421,319
1613	Pension insurance contributions from self-employed persons	869,965	828,041	817,106	871,453	915,992	974,170
2362	Voluntary pension insurance contributions	5,077	5,371	5,977	6,800	7,799	9,526

Source: monitor.statnipokladna.cz, as at 7 December 2020.

The SAO CR found that the introduction and cancellation of Pillar II had been reflected in the collection of insurance contributions for self-employed persons. It decreased by 6 % between 2012 and 2014 and increased by the same percentage between 2015 and 2017. There were no significant year-on-year differences in the collection of pension insurance contributions from employees and voluntary pension insurance contributions.

Supplementary pension savings, so-called Pillar III

The savings are executed through Act No 42/1994 Coll.²⁷ (CZ), and there is also the possibility of other individual forms of security thanks to the products of commercial insurance companies. This mainly concerns Act No 277/2009 Coll. (CZ), on insurance. Supplementary pension savings is a modification of the original supplementary pension insurance with a state contribution and a possible contribution from the employer. It does not pay out old-age pensions but rather a different form of additional pensions. Part of the statutory regulation related to the introduction and cancellation of Pillar II were also partial changes in Pillar III, i.e. in supplementary pension savings. These concerned, in particular, allowing children to enter the system and releasing certain investment limits in order to enable a higher appreciation of the participants' funds.

At present, supplementary pension savings basically constitute the only system of individual savings for old age. Among other changes, Pillar III includes an increase in tax support since 2017.

Table 15: Number of participants and amount of funds managed by pension funds as at 31 December 2015-2019

Item	2015	2016	2017	2018	2019
Number of participants	4,708,943	4,518,832	4,452,007	4,437,008	4,441,429
Funds managed in EUR thousand	13,705,267	14,889,524	16,088,941	17,378,620	18,934,888

Source: <https://www.apfcr.cz/ctvrtletni-vysledky/>.

Note: The data include types of pension savings – supplementary pension insurance, transformed funds, participating funds, supplementary pension savings.

By the end of September 2020, the MoLSA had not adopted and submitted to the Government any comprehensive proposal for a pension reform addressing, in particular, the pension scheme and issues of sources of income in the event of a deficit in the pension scheme. The revenues of the pension scheme are the subject of discussions of the Commission for Fair

²⁷ Act No 42/1994 Coll., on supplementary pension insurance with state contribution and on amendments to certain acts related to its introduction.

Pensions, which was established in connection with the Programme Statement of the Government of the Czech Republic of June 2018. The intention was to create a viable discussion platform for creating consensual proposals to ensure the future income of senior citizens.

In the Slovak Republic

The most important part of the social security system administered by the SIA is pension insurance. After 2003, the Slovak Republic undertook an extensive reform of the pension scheme, as a result of which the single-pillar system with defined PAYG benefits (pay as you go – system of continuous financing with intergenerational redistribution) changed to a system based on three separate pillars:

Pillar I – compulsory pension insurance

Compulsory pension insurance with defined benefit and pay-as-you-go insurance is administered by SIA. Pension insurance consists of two separately funded subsystems:

- Old-age insurance: insurance to ensure income in old age and in the event of death,
- Disability insurance: insurance in the event of a decline in the ability to pursue a gainful activity as a result of a long-term unfavourable state of health of the insured and in the event of death.

Pillar II – old-age pension savings

Old-age pension savings represent a capitalisation pillar, i.e. Pillar II of the pension scheme, which is characterised by contributions. This means that the amount of the pension benefit will depend on the contributions paid into Pillar II and their appreciation. Together with the pension insurance (Pillar I), old-age pension savings are to provide the saver with an income in old age and survivors in the event of his or her death. Persons who have been insured for pension at least once (Pillar I) may decide to enter Pillar II until reaching the age of 35. SIA is obliged to inform the person concerned (the so-called “first-time insured person”) in writing about his/her right to conclude an agreement on old-age pension savings within 180 days of the occurrence of the first participation in the pension insurance arising after 31 December 2012.

The options for entry and exit of savers into/from Pillar II have changed several times, including the so-called opening of Pillar II. In the beginning, entry was compulsory for all new entrants to the labour market and, currently, entry is voluntary with no exit option. After entering Pillar II, compulsory pension insurance contributions in the total amount of 18% will be divided into two parts. The first is the insurance contribution for an adequately reduced pension under Pillar I, which is paid out by SIA, and the second is the savings on the pension under Pillar II, the amount of which depends on the contributions paid as well as on their appreciation and on the chosen method of receiving the pensions/annuities under old-age pension savings.

The collection of mandatory old-age pension savings contributions is centralised and is carried out through SIA, which is obliged to transfer them to the saver’s pension fund management company, which credits them in the form of pension units to the personal pension accounts of savers in pension funds. SIA receives 0.25% of the collected old-age pension savings contributions as a collection fee.

SIA has set up and manages the Central Information Offer System (CIPS), which serves to mediate pension offers for savers. The system ensures the transparency of the mediation of pension offers and reduces the administrative burden for the saver, who receives all offers in one place at the same time. The use of this system through SIA or a pension fund management company is mandatory and free of charge for every saver applying for a pension/annuity under Pillar II. As an output of this system, the saver will receive a list of offers (by post or electronically), in which he or she will find all binding pension offers (in all their variants), which insurance companies and pension fund management companies can offer for the amount saved. These offers are valid for 30 calendar days from the day they are made.

Pillar III – supplementary pension savings

Supplementary pension savings is a voluntary, the so-called third, pillar of the pension scheme, operating independently and separately from SIA and pension fund management companies, in which the participants' funds are managed by a supplementary pension fund management company. In the savings phase, participants, or employers on behalf of their employees - participants, pay contributions to supplementary pension savings, which participants can invest in one or more contribution funds of the selected supplementary pension fund management company. In the pay-out phase, benefits are paid to the participant after the end of the savings under the supplementary pension saving.

The amount of the participant's monthly contributions to the supplementary pension savings is stipulated in the participant's agreement. The amount of contributions of the employer, who pays contributions for its employees – participants, is part of the employment contract concluded between the employer and the supplementary pension fund management company. The payment of the employer's contributions and their amount can be set out in the collective agreement, or the employer will agree on them with authorised representatives of the employees.

Selected Pillar II indicators

In recent years, there have been on average 1.4 million savers in Pillar II, which corresponds to approximately 50% of the share of all insured persons. Pillar II has been opened four times in total since its launch – savers were allowed to exit and enter it. When they exited, the saved amounts were moved from Pillar II back to Pillar I, to SIA. During all Pillar II openings, a total of EUR 1.1 billion was transferred back to Pillar I, with more than half of this amount is accounted for the last opening in 2015. At the last opening, the largest number of savers also exited, namely 151 thousand, and the largest number entered the pillar at the third opening in 2012-2013. A total of 416 thousand people exited Pillar II, which corresponds to 28% of all savers. Savers were also allowed to enter Pillar II; these accounted for a total of 82 thousand or 5.5% of all savers.

Table 16: Number of exiting and entering savers including the amount transferred to SIA

Opening date	Amount transferred back to SIA in individual years (in EUR thousand)	Number of savers	
		Exiting	Entering
1 January 2008 – 30 June 2008	132,294	107,755	20,785
15 November 2008 – 30 June 2009	108,801	66,900	13,128
1 September 2012 – 31 January 2013	284,060	90,483	27,437
15 March 2015 – 15 June 2015	579,429	151,232	20,780
Total	1,104,584	416,370	82,130

Source: SIA.

Table 17: Summary of financial flows and payments to pension fund management companies for the whole period of Pillar II operation (in EUR thousand, in %)

	Annual contributions to old-age pension saving	Annual change in net value of the pension fund*	Amount transferred back (opening of Pillar II)	Pension fund management company fees ²⁸	Sent from Pillar II to pensions	Share of pension fund management company fee in the net asset value of the pension fund **
2005	300,330	-	-	3,188	-	-
2006	609,999	1,702,576	-	10,514	-	0.62%
2007	749,792	-	-	17,938	-	-
2008	815,192	528,640	132,294	22,837	-	1.02%
2009	736,728	668,315	108,801	20,365	-	0.70%
2010	843,741	818,318	-	19,621	-	0.53%
2011	839,953	873,521	-	23,593	-	0.51%
2012	804,858	885,948	284,060	31,301	-	0.57%
2013	413,629	261,092	-	31,088	-	0.54%
2014	437,966	663,941	-	46,778	-	0.73%
2015	444,626	-99,747	579,429	38,178	2,018	0.61%
2016	465,361	639,035	-	37,132	2,263	0.53%
2017	525,086	657,174	-	39,390	2,691	0.52%
2018	628,105	461,054	-	38,444	14,284	0.48%
TOTAL	8,615,364	8,059,867	1,104,584	380,367	21,256	0.60%

Source: processed by the SAO SR on the basis of data submitted by the MoLSAF SR and the SIA and information available on the website of the National Bank of Slovakia .

* For the years 2005 to 2007 in total, conversion from SKK at the conversion rate.

** The total figure corresponds to the geometric mean of the annual shares of the fee, 2005 to 2007 are also an average.

The annual change in the net value of pension funds is determined by a number of parameters. In addition to the amount of the transferred contributions, these are the profitability appreciations of the individual funds, pension fund management company fees and also the amounts transferred back within the individual openings of Pillar II, which in 2015 caused a negative annual change in net worth.

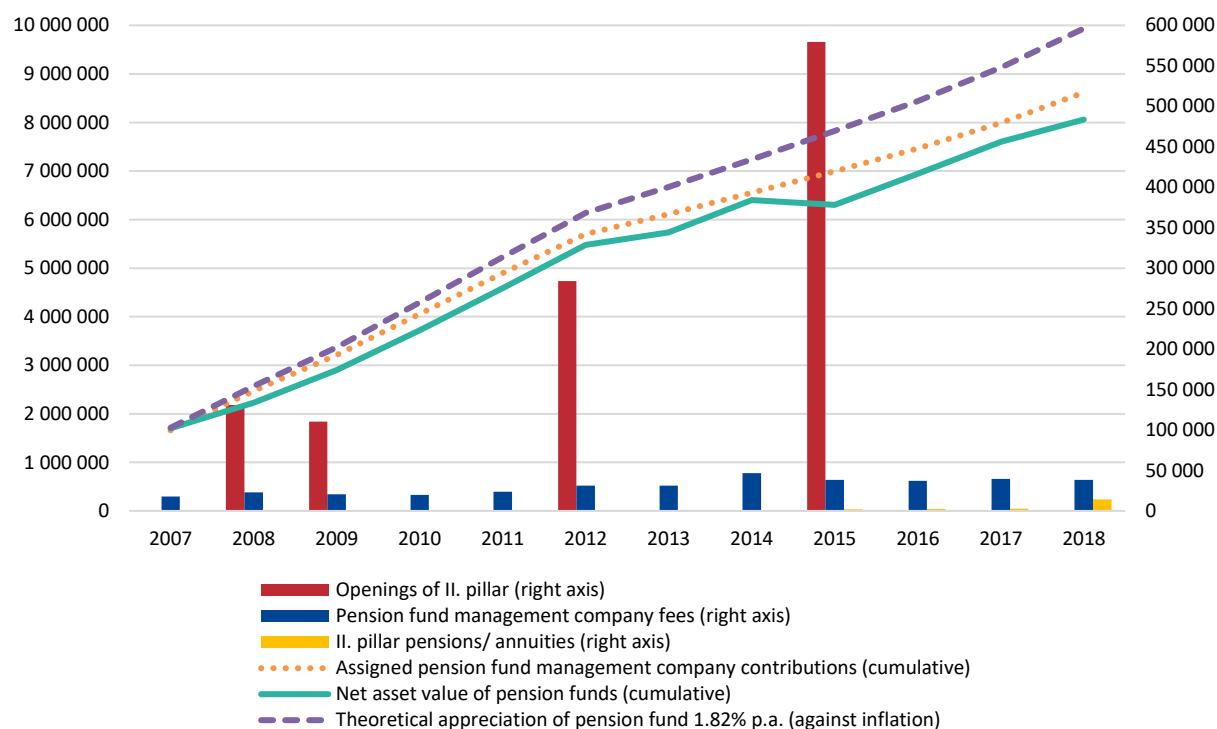
Contributions for old-age pension savings are collected by SIA together with insurance contributions and then forwarded to the relevant pension fund management companies that appreciate them. From the launch of Pillar II, EUR 8.6 billion was transferred in this way, while the year-on-year development is also affected by the legislative change between 2012 and 2013, when part of the third opening of Pillar II, among other things, was a reduced old-age pension savings contribution rate from the current 9% to 4% and, at the same time, a reduced administration fund creation to 0.25% of the old-age pension savings contributions, which is still valid today.

²⁸ Total fee income – the figures for the years 2005 to 2009 is based on data from financial statements and annual reports on the management of own assets of individual pension fund management companies. Data for the years 2010 to 2015 are collected on the basis of NBS reports in the structure according to NBS Decree No 545/2009 Coll. (SK), on annual reports and semi-annual reports submitted by pension fund management companies. Data for the years 2016 to 2018 are processed on the basis of NBS Regulation No 229/2016 Coll. (SK), on annual reports and semi-annual reports submitted by pension fund management companies.

As part of the SAO SR's audit, a detailed recalculation of the costs of the SIA for insurance contribution administration was performed, those costs amounting to 0.5% of the collected insurance contributions and old-age pension savings contributions. From a procedural point of view, the administration of insurance contributions and old-age pension savings contributions is indivisible. SIA collects them together and only then distributes them to the funds and passes them on to pension fund management companies. The actual recalculated costs of 0.5% are double the statutory SIA fee of 0.25%. Savers' fees for pension fund management companies are divided into administration fees, account management fees and appreciation fees. The total share of fees in the net value of pension funds amounts to 0.60%.

The appreciation of saved pension contributions is influenced by the investment strategy of the funds chosen by the saver – the future pensioner. In 2018, the largest share of managed contributions was in the least risky, but at the same time only slightly profitable (compared to other investment options), bond guaranteed pension funds (77.8%). However, the high proportion was not a natural choice for savers but rather a consequence of the amended legislation, which required them to apply in writing to their pension fund management company for a transfer to another fund. Those funds were followed by equity and index non-guaranteed pension funds with higher returns, but significantly riskier, with a share of 11.8% and 9.4%, respectively. In its analysis²⁹, the Value for Money Department of the MoF SR states that the average annual return of pension fund management company funds in the period of 2012-2016 (weighted by assets in individual funds) was 2.12% in nominal terms and 0.85% in real terms.

Chart 3: Pillar II in the Slovak Republic



Source: MoLSAF, processed by the SAO SR.

²⁹ https://www.mfsr.sk/files/archiv/uhp/3370/76/Revizia_vydavkov_na-praca.pdf, p. 68; English summary, p. 15
https://www.mfsr.sk/files/archiv/82/Zaverena_sprava_socialne_veci_opatrenia_UHP_MFSR_EN_20202705_1553.pdf.

The chart is supplemented by a hypothetical level of pension fund assets for the scenario in which all assigned contributions are appreciated at 1.82 p.a. (purple curve). This corresponds to the long-term average yield of bond guaranteed funds. Annual contributions transferred to old-age pension savings are recalculated by compound interest, while the hypothetical level is not reduced by contributions transferred back to Pillar I and by pension fund management company fees. This appreciation is roughly at the level of the European Central Bank's inflation targeting, and thus corresponds to the main purpose of pension savings in the form of protection against inflation, i.e. the reduction of the purchasing power of funds over time.

Second-pillar pensions began to be paid out in 2015. Savers who in the years 2015-2018 decided to receive their savings under Pillar II were a total of 2,815 which corresponds to 0.19% of all savers in Pillar II. Together, in the years 2015-2018, EUR 21.3 million was transferred for the payment of pensions/annuities under Pillar II, which corresponds to 0.26% of the net accumulated value of pension fund assets. The largest share of savers opted for programme withdrawal, either in the form of gradual or one-off compensation (possibility to withdraw all saved funds at once if the pension under Pillar I is higher than the reference amount, which in 2018 was EUR 432.40). In the years 2015-2018, the second most preferred form of payment was a life annuity without a combination, which was chosen by 28.6% of savers. Other alternatives used were life annuity with combination or certain annuity.

SIA has created a fund of old-age pension savings contributions, which is intended for the transfer of these contributions to the current account of the relevant pension fund management company. In addition to guarantee insurance benefits, the Wage Guarantee Insurance Fund (WGIF) is also intended for the payment of old-age pension savings contributions not paid by the employer to the old-age pension savings contributions fund, within 60 days of the due date of these contributions. The majority, almost 94%, of the transferred old-age pension savings contributions are for the economically active population, another 4% come from state insured persons, from SIA and from penalties, and the last 2% are paid from the WGIF, which corresponds to an average of EUR 11 million per year. After 60 days, employers paid an average of EUR 4 million per year, which corresponds to an average return of 35%, and these funds are returned to the WGIF.

Table 18: Contributions assigned to old-age pension savings, including coverage by the wage-guarantee insurance fund of SIA (in EUR thousand)

	2015	2016	2017	2018	2019
Total contributions assigned to old-age pension savings	444,626	465,360	525,083	628,104	737,164
Contributions assigned on behalf of economically active population (economically active population)	413,923	435,644	494,419	593,261	692,139
Contributions assigned on behalf of the state, SIA, penalties	21,666	19,543	19,924	21,313	27,318
Contributions paid from the Wage Guarantee Insurance Fund (WGIF)	9,037	10,173	10,740	13,530	17,707
Contributions from employers after 60 days	3,912	4,001	4,323	3,856	5,124
Rate of return [%]	43.3%	39.3%	40.3%	28.5%	28.9%

Source: SIA.

4.2 Comparison and evaluation

In the Czech Republic, pension savings, the so-called Pillar II, were introduced in 2013 and abolished in 2015, with liquidation from 2016. In the Czech Republic, when Pillar II was discontinued, two ways of disbursing funds were possible: disbursement of saved funds to the participant or transfer to Pillar III. Participants were also allowed to pay the outstanding insurance contributions to Pillar I.

In the Slovak Republic, old-age pension savings were introduced in 2005 and with a few changes it is still in operation today. Among the most significant changes in the Slovak Republic are four openings of Pillar II, under which savers were allowed to exit and enter freely. In the Slovak Republic, when exiting Pillar II, the saved funds were automatically transferred to the SIA, under Pillar I. In the beginning, entry into Pillar II was compulsory for new entrants to the labour market and, currently, entry is voluntary with no exit option.

In the Czech Republic, contributions to Pillar II accounted for 5% of the assessment base, of which 3% were from the employer at the expense of the contribution to Pillar I and 2% from the participant's own resources. Compulsory payment from own resources could be one of the reasons for low participation in Pillar II in the Czech Republic. In the Slovak Republic, the original distribution of insurance contributions (Pillar I) and old-age pension savings contributions (Pillar II) in the ratio of 9% and 9% of the assessment base changed during its term to 14% and 4% with a gradual increase in the contribution (and decrease in insurance contributions) by 0.25% per year. Savers did not contribute from their own resources to Pillar II. The ratio of savers in Pillar II and insured persons in Pillar I was 1.64% in the Czech Republic and reached 49.95% in the Slovak Republic in 2015.

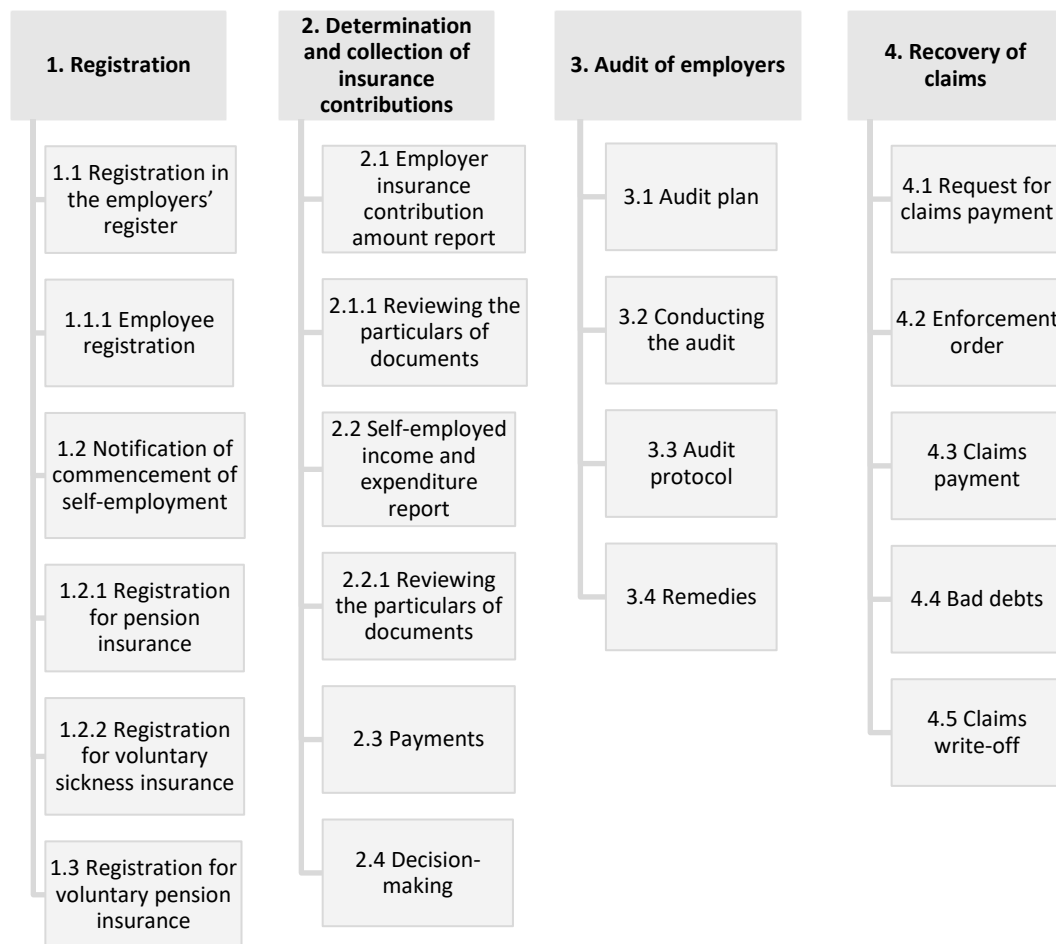
In the Czech Republic, the Financial Administration of the Czech Republic was responsible for collecting contributions to Pillar II. In the Slovak Republic, SIA collects Pillar II contributions and then forwards them to pension fund management companies. According to the law, SIA is entitled to a fee of 0.25% for this service, while the recalculated costs amounted to 0.5% of the collected contributions.

5. Efficiency of insurance contribution administration

5.1 Key insurance contribution administration processes

In the Czech Republic

The CSSA described the individual insurance contribution administration processes in its internal organisational documents. The SAO CR found that some methodological materials contained mainly descriptions of individual parts of the processes, without further connections and links. In order to create a comprehensive picture of the administration of insurance contributions and a detailed description of the processes, including individual actions, the SAO CR obtained the connections and links from the audited District Social Security Administrations.

Diagram 3: Main insurance contribution administration processes in the Czech Republic

Source: processed by SAO CR.

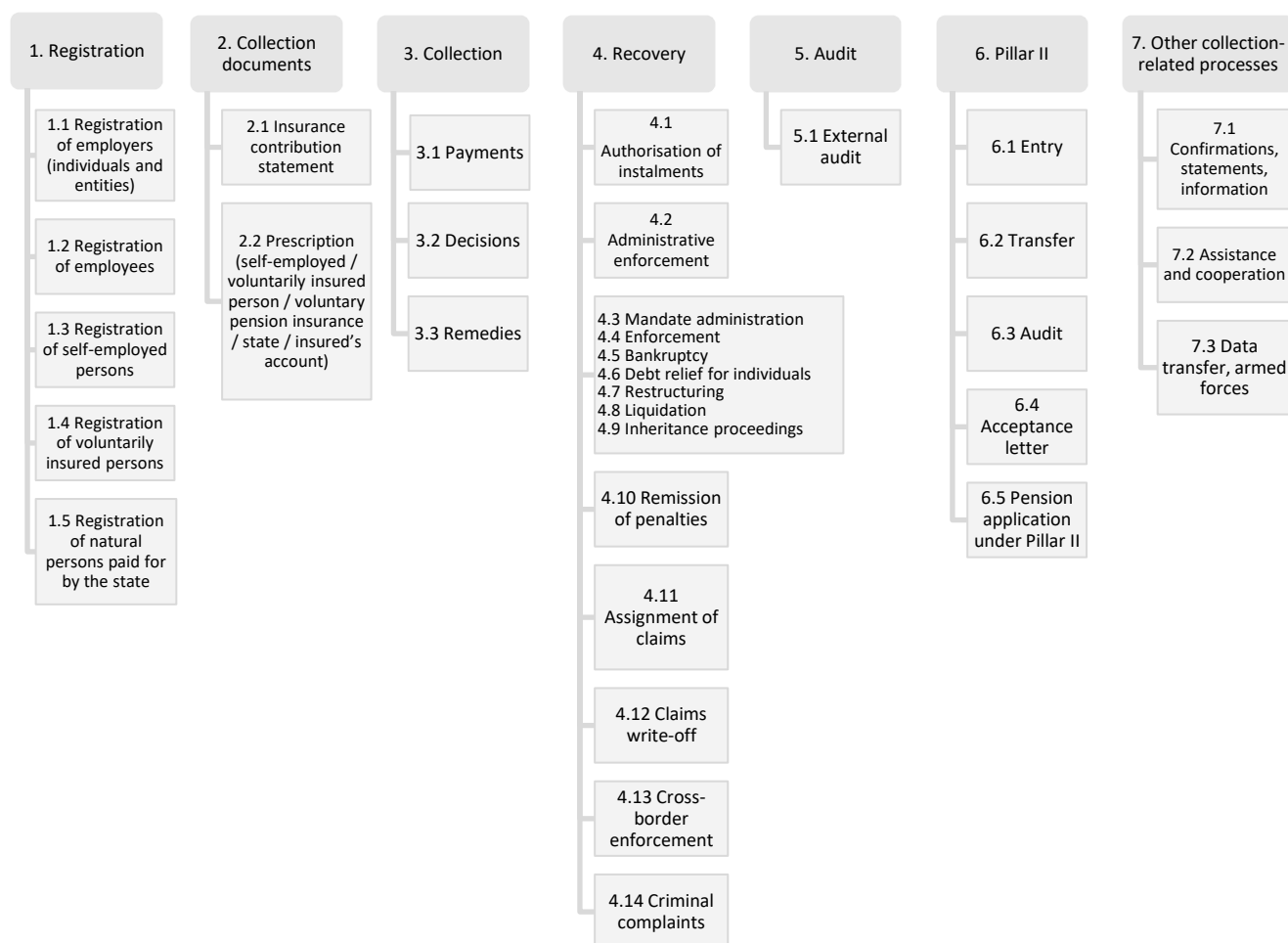
For the management of the organisation, the CSSA prepared a document entitled “*Strategic Objectives of the CSSA for the Period of 2014-2020*”, which partly includes a concept for the administration of insurance contributions. The document set out strategic objectives to be achieved through specific objectives, for the fulfilment of which priority tasks were announced annually and key performance indicators (KPIs) were set for measuring and evaluating their performance. During its audit, the SAO CR found that the target state had been met, especially in the area of the pro-client approach and the submission of suggestions for a change in legislation. On the contrary, the SAO CR found minor shortcomings in the fulfilment of the target state of specific objectives in the areas of setting KPIs for activities related to the administration of insurance contributions and computerization of agendas, including the creation of an electronic administrative file and completing the centralisation of the application software for self-employed pension insurance.

In the Slovak Republic

The efficiency of insurance contribution administration depends on the efficiency of work in the management of insurance contribution administration processes and on the degree of computerization of all processes. As part of the “*Electronic Services project of the Social Insurance Agency*”, an analysis of processes was performed and at the same time process models were created for specific areas and activities of the social insurance administration.

SIA continuously analyses the processes of social insurance administration and subsequently defines the fundamental strategic intentions and key areas of development of the institution resulting from socio-economic requirements. Solutions aimed at increasing the efficiency and quality of social insurance administration activities were continuously reflected in the strategic plans of the activities of SIA, the fulfilment of which was annually evaluated.

Diagram 4: Main processes of SIA in insurance contribution administration



Source: Diagram – SAO SR, documents – SIA analyses.

From the point of view of the main activity of the SIA as an institution focused on the collection and administration of insurance contributions, these activities are provided by processes and defined administrative acts, which are currently approximately 98% electronic and are connected with clients' life situations. Based on the performed external analyses and analytical activities of SIA, the following were identified as negative factors influencing the efficiency of social insurance processes:

- Unstable legislation (frequent and rapid changes in legislation),
- Dependence on the external environment in the field of IT (expenditures on the incorporation of legislative changes into the IS, system maintenance, licence fees),
- Need for coordination of processes in the IS,
- Insufficient cooperation of other institutions in solving problems (difficult to obtain data from registers, especially from the register of legal entities),
- Influence of the external environment on the emergence of claims (non-fulfilment of payment obligations of employers and self-employed persons),

- Difficult renewal of human resources (staff fluctuation, especially in pension decision-making departments, medical assessor),
- Absence of job seekers on the labour market with qualifications for social insurance work.

The SAO SR positively evaluates the adoption and evaluation of Action Plans to Combat Abuse of the Social System and Fraud in SIA (hereinafter referred to as Action Plans), which define possible risks of negative behaviour of entities in the field of social insurance and at the same time propose solutions to eliminate this phenomenon. The evaluation of the Action Plan takes place every year, it is presented at the meeting of the Supervisory Board of the SIA, and subsequently the relevant measures are implemented. In the processes that are the basis for the collection of insurance contributions, the main identified risk was, in particular, the avoidance of the payment obligation, mainly:

- Purposeful non-submission of statements of insurance contributions and old-age pension savings contributions by employers,
- Purposeful non-payment of insurance contributions and old-age pension savings contributions by insurance contribution payers,
- Non-payment of insurance contributions deducted by employees,
- Purposeful non-compliance with the due dates of insurance contributions,
- Purposeful presentation of false information in the statements of insurance contributions and contributions by employers,
- Purposeful payment of insurance contributions in the amount of unpaid insurance contributions for employees in cases where criminal prosecution is being conducted, and non-payment of insurance contributions for employers in order to terminate criminal prosecution.

Possible risks have been defined for the recovery process:

- Subjective differentiation of the procedure and selection of the subject in claims recovery,
- Prioritisation of selected enforcement agents in the allocation of (lucrative) enforcement titles for debt collection (Action Plan effective until 14 August 2017),
- Non-payment of the recovered amount by the enforcement agent within the specified time limit and provability of the cost of the service (Action Plan effective until 14 August 2017).

5.2 Administrative and staffing requirements for insurance contribution administration

In the Czech Republic

Reducing the number of actions to achieve the desired result or simplifying their implementation, e.g., in the form of automated processing through application software (application SW), reduces the administrative complexity of individual processes. However, the CSSA did not monitor and evaluate the performance of individual District Social Security Administrations, i.e. administrative complexity of individual processes and actions in the area of insurance contribution administration, and did not take measures on the basis of which the complexity would be decreased.

The SAO CR investigated the administrative complexity of selected indicators of the process of registration of entities and the process of determining insurance contributions for the entire CSSA³⁰. Data on the amount of time required to process selected documents³¹ were obtained by the SAO CR from the audited entities. From the obtained data, the SAO CR then calculated the average time needed to process the selected indicator for each selected indicator, which was also influenced by the method of submitting the relevant document. Therefore, the time requirement was determined for submissions in paper form, for electronic submissions sent by data box or to the electronic address of the filing room and for electronic submissions sent in data sentence format (electronic filing), which alone allowed automated document processing in the case of centralised application SW.

Table 19: Average processing time for forms submitted without defects or shortcomings in the registration process

Method of form delivery	Paper form	Data box / electronic address of the filing room	Electronic filing
Processing method	Manual	Manual + print	Manual + print
Registration in the employers' register	23 min	23 min	23 min
Notification of commencement of self-employment	8 min	14 min	14 min

Source: CSSA.

The processing of the form "*Registration into the employers' register*", which was submitted without errors and shortcomings, took the same time in the audited period, regardless of the form of submission, as it was always processed manually by employees of the Sickness Insurance Department of individual District Social Security Administrations.

Unlike the employers' agenda, the self-employed pension insurance agenda is maintained only in local unconnected applications. Employees of the Self-Employed Persons Department performed most tasks manually, even in the case of electronic filing. For this reason, the processing of electronically sent forms "*Notification of commencement of self-employment*" (data box, electronic address of the filing room, electronic filing) was roughly twice as time consuming, as they were associated with actions leading to obtaining a paper form for manual processing. The consequence of keeping the agenda of self-employed persons in local applications is the fact that each time the local affiliation of the entity changes, the new District Social Security Administration assigns a new VS (variable symbol) identifier.

³⁰ Such indicators were selected for which the CSSA had data available for all District Social Security Administrations, broken down by method of submission.

³¹ The amount of time required is the time required to process the document if it was submitted to the locally competent District Social Security Administration without errors and shortcomings (the so-called ideal state).

Table 20: Average processing time for forms submitted without defects or shortcomings in the insurance contribution determination process

Method of form delivery		Paper form	Data box / electronic address of the filing room	Electronic filing
Employer report ³²	Processing method	Manual	Automatically	Automatically
	Processing time	2 min	Automatically	Automatically
Self-employed persons report ³³	Processing method	Manual	Manual + print	Automatically + print, reviewing and confirming the correctness of the data
	Processing time	6 min	7 min	5 min

Source: CSSA.

The average processing time of self-employed reports, which were submitted without errors and shortcomings, depended on the form of submission. The reason for the higher time and administrative complexity of processing self-employed persons reports in paper form was their manual processing in the local application SW compared to the automated processing of electronically sent employer reports through centralised software.

The self-employed person is obliged to notify the relevant District Social Security Administration of the date of commencement (change, termination) of self-employment. Furthermore, they are obliged to submit the self-employed persons report for the relevant calendar year on the prescribed form no later than one month from the date of expiry of the deadline for filing a tax return (TR) for personal income tax. In the self-employed persons report, they must state, among other things, data on the assessment base (identical to the TR) for pension insurance contributions and contributions to the state employment policy, the lowest monthly assessment base for insurance contribution advances and the total insurance contribution advances. Self-employed persons performing their main gainful activity are obliged to pay advances on insurance contributions for the calendar month in which they performed that activity.

In the event of failure to submit the self-employed persons report, the District Social Security Administrations requested from the relevant tax office data on the tax base, or data on income and expenditure of the self-employed persons, and determined the probable amount of insurance contributions on the basis of such information. Cooperation between the CSSA and the FA CR took place in the audited period only in the form of requests and answers, as the CSSA had not set up a regular transmission of all information on the assessment bases of the self-employed persons with the FA CR. In 2018, over 1,011 thousand self-employed persons performed their activities, but due to voluntary participation in sickness insurance, fewer than 94 thousand self-employed persons participated.

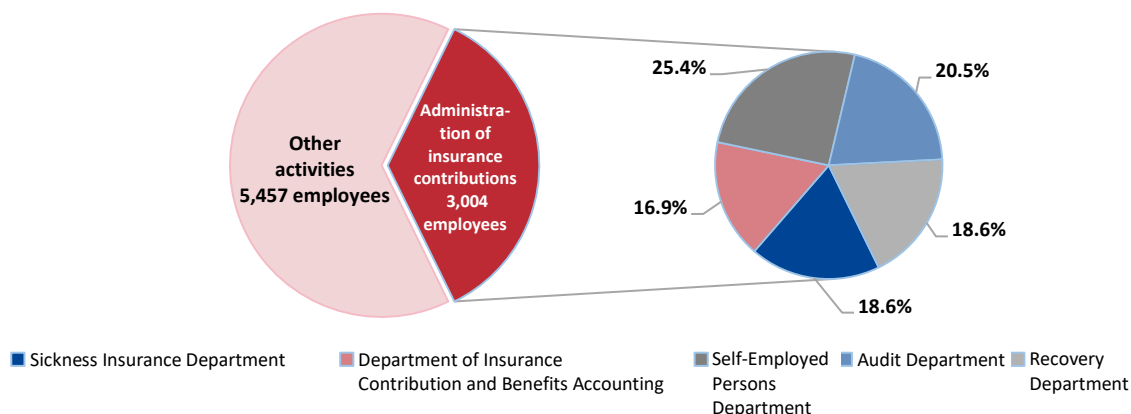
In 2018, the CSSA had a total of 8,844 systemised posts. The average recalculated registered number of employees was 8,461, which indicates an average of 383 vacancies, i.e. about a 4% vacancy. The CSSA did not independently monitor expenditures on employees performing insurance contribution administration, as those employees, in addition to activities within insurance contribution administration, also perform to a different extent activities that are

³² Form "Insurance contribution amount report" (Employer report).

³³ Form "Income and expenditure report" (Self-employed report).

not related to insurance contribution administration. For this reason, the SAO CR performed its own calculation of a qualified estimate of the number of these employees. A detailed procedure for obtaining a qualified estimate is given in Annex 2. The share of employees of individual departments in the total number of employees dealing only with the administration of insurance contributions is shown in the following chart.

Chart 4: Number of employees of the CSSA in 2018



Source: CSSA, processed by the SAO CR.

In the audited period, the CSSA monitored only the occupancy of systemised posts and the rate of employee turnover (fluctuation).

Table 21: Status of the staff capacities of the CSSA in 2015-2018

	2015	2016	2017	2018
Schedule of systemised posts	8,614	8,598	8,702	8,844
Average number of employees as FTEs	8,573	8,361	8,350	8,461
Occupancy rate of systemised posts in %	99.53%	97.24%	95.95%	95.67%
Fluctuation in %	11.16%	11.00%	13.30%	11.21%

Source: Report on the activities of the CSSA for 2018, processed by the SAO CR.

The total fluctuation of the CSSA employees in the audited period was above 11%. The CSSA justified the fluctuation with an unsatisfactory personnel situation, especially in the region of the City of Prague, where the salaries cannot compete with the private sector.

Due to the fact that the CSSA did not monitor and evaluate the workload of employees performing activities in individual insurance contribution administration processes, the SAO CR audited data on performance indicators available to the CSSA, broken down by individual District Social Security Administrations. Based on these data, the SAO CR found an uneven burden on employees among individual District Social Security Administrations.

In the Slovak Republic

A substantial part of the social insurance administration processes – registration, collection and recovery of insurance contributions, including external audit, is carried out at the level of SIA branches, whose activities are methodically managed by the SIA headquarters. In 2018, the SIA had 36 branches established and a total of 44 external departments were established within the territorial scope of the branches. Unit 700 – Insurance Contribution Department – and Unit 1100 – Recovery of Claims Department – are materially competent for the collection and recovery of insurance contributions at individual branches. As methodological and analytical support for the collection and recovery of insurance contributions, three

departments operate at the SIA headquarters: the Insurance Contribution Department, the Claims Department and the Application Management for Insurance Contribution and Claims Department. In 2015-2018, these departments had an average of 87 employees at the headquarters and 1,573 employees at branches.

Every year, SIA evaluates the efficiency of branches on the basis of criteria set by the SIA management for individual areas and according to individual goals. Each of the individual areas has set goals/indicators to be achieved, and these were evaluated by SIA at the end of the year. Economic indicators have the greatest weight in the evaluation and focus primarily on the success and efficiency of insurance contribution collection. In 2018, 10 criteria were set for branches, the weight of which was divided according to areas of activity as follows:

- Economic area – max. 45% of the total evaluation of the branch,
- Area of sickness, accident and wage-guarantee insurance – max. 20% of the total evaluation of the branch,
- Area of pension insurance – max. 20% of the total evaluation of the branch,
- Area of communication with clients – max. 15% of the total evaluation of the branch.

SIA monitors the workload of employees at branches and uses the results to compare the number of employees in individual departments within the branch network and has implemented a system of monitoring and comparing data on the quantity of processed documents, based on which it optimises the number of employees in individual departments and branches. In 2018, the following indicators were monitored for the activities of insurance contribution departments at branches:

- Number of natural person registration sheets, employer registration sheets, monthly contribution statements, contribution statements, generated ID numbers of foreigners (weight 30%)
- Number of payments received and refunds processed (weight 19%)
- Decisions issued on insurance contributions, fines, penalties, reopening of proceedings and refunds of insurance contributions (weight 23%)
- Number of processed applications – form on working abroad (PD A1) (weight 8%)
- Number of external audits carried out (weight 5%)
- Other (notifications to self-employed persons, requests, confirmations, acceptance cards...) (weight 15%)

To compare the performance of selected activities of branch recovery of claims departments, these were indicators related to the number of actions in 2018 for:

- Administrative enforcement (weight 80%)
- Payment schedules (weight 5%)
- Pending enforcement proceedings (weight 5%)
- Bankruptcy and debt relief (weight 5%)
- Other (criminal, recourse) (weight 5%)

The most comprehensive view of the administrative complexity of processes within the SIA is represented in the project called *Optimisation of Processes of the SIA*, which was implemented by SIA from May 2018 in accordance with *the methodology of process optimisation in public administration*. The project was prepared by an external project team of the company Centire s.r.o. using existing process models and creating a complete list of SIA processes. The project was implemented through the electronic collection of data on the performance of processes

by SIA employees, using an electronic questionnaire. Based on the questionnaire, the processes performed by employees, the distribution of employee working time, the so-called FTE³⁴, were identified; for selected processes and collection of individual frequencies of process outputs. The process analysis itself included all processes of all SIA employees.

Subsequently, an analysis of the state was performed to determine the time intensity of processes for resources, capacity analysis and utilisation of individual jobs based on the number of outputs and duration of processes, performance of organisational unit processes in relation to the department's competencies arising from the organisational rules, and proposal for operative and legislative measures. Based on the analysis, a draft implementation plan for tasks/projects was prepared, which consists of 37 measures. The plan contained tasks and measures with a specific output and start date and duration of the change implementation. Each measure was elaborated in detail and the estimated time savings (FTE) were then quantified. A substantial part of the measures was focused on handling benefit agendas and partly also on the processes of registration, electronic communication with the client (e-mail, text message, etc.).

Table 22: Sample of selected types of documents processed in the registration process

Number of documents processed in the registration process	2015		2016		2017		2018	
	Manually	Electronically	Manually	Electronically	Manually	Electronically	Manually	Electronically
Employee registration (establishment, change, termination)	56,854	3,816,801	40,544	3,729,965	32,375	3,734,494	26,586	3,685,750
Processing of data on the registration of self-employed persons	10,303	43,300	19,811	64,427	23,578	50,768	17,576	793,875 ³⁵
Registration of employers (natural persons and legal entities)	50,670	30,569	46,619	38,721	32,735	48,648	29,354	51,118
Natural persons registration paid for by the state	101,216	0	109,637	0	126,325	0	25,702	191,899
Requests related to the registration obligation	2,121	0	1,160	0	1,119	0	528	0
Agreements on the provision of electronic services	-	-	-	-	-	-	48,890	-
Total	221,164	3,890,670	217,771	3,833,113	216,132	3,833,910	148,636	4,722,642

Source: SIA, processed by the SAO SR.

An important duty of insured persons for the proper performance of social insurance is the fulfilment of registration obligations in SIA. The obligations of self-employed persons, employers and other legal entities are defined by the relevant provisions of Act No 461/2003 Coll. (SK). Registered natural persons in a legal relationship on the basis of employment and agreements on work performed outside the employment relationship represent about 80% of the total registrations of insured persons; other types of insurance are at the level of 3.5% on

³⁴ FTE – Full Time Equivalent is a unit that expresses the degree of employee involvement in a specific work/work process, where 1 FTE is the full-time equivalent of one employee for one year.

³⁵ For 2018, SIA submitted data on the basis of the following selection condition: the date of the last modification, i.e. the user's intervention in the processing of electronically delivered submissions, was determined by including submissions received by the SIA even before 2018 and processed in the same year. Since the SIA does not keep records of received electronic submissions – authorisation to perform self-employed persons and tax returns, for the purposes of evaluation, user interventions were submitted only according to the date of modification.

average and voluntarily insured persons represent 0.38% of registrations. Almost 98% of insurance contribution collection is performed electronically. Manual interventions are largely caused by corrections in the registration, on the basis of notifications from the payers themselves, irregularities found in the register of legal entities/in data sent from the registers of other bodies (self-employed persons).

Table 23: Sample of selected types of documents related to insurance contribution collection

Number of processed selected documents related to insurance contribution collection	2015	2016	2017	2018
Monthly statement of insurance contributions and other contributions (monthly contribution statement)	2,127,939	2,181,927	2,210,530	2,225,178
Statement of insurance contributions and other contributions (contribution statement)	85,056	83,026	83,778	83,100
Decision – insurance contribution prescription	252,234	227,151	174,938	97,853
Decision on overpayment refund	0	173	301	200
Decision – penalty	169,005	89,438	192,389	114,702
Decision on a fine	7,957	7,895	6,890	6,365

Source: SIA, processed by the SAO SR.

Monthly contribution statements/contribution statements (MCS/CS) are sent to SIA electronically and their further processing, including payments, is fully automated. The administrative burden of employees arises mainly due to the detected error rate, i.e. non-submission or late submission of MCS/CS. In these cases, the SIA employees issue a decision to solve the identified problem – a decision on the prescription of the insurance contribution, the refund of an insurance contribution overpayment, the assessment of a penalty or fine. SIA was unable to distinguish the number of manually and electronically processed documents for the area of insurance contribution collection (as in the case of registration).

From a long-term point of view, SIA recognises the benefits of computerization in the area of insurance contribution collection, within the setting of internal processes, especially in areas previously subject to manual data processing. A positive example, according to SIA, is the area of receiving and processing data from employers (insurance contribution payment), sending statutory documents in fulfilling their obligation to report, where computerization eliminated errors and human labour could be allocated to other areas (oriented at decision-making processes and work with the client). According to the SIA, a negative factor influencing the efficiency and benefits of computerization is the inconsistent implementation of computerization of processes of partner bodies (not only public authorities) sending input data necessary for the performance of social insurance itself. Different levels of partner implementation in some SIA internal processes result in the need to process data in different ways (manually and electronically), even if it is the same process output. Subsequently, SIA shows a relatively high error rate, which results in higher laboriousness in eliminating irregularities and prolonging the total time of the process. The electronic processes have enabled social insurance payers to fulfil their obligations more efficiently. In areas where there were manual processes (submission of documents in paper form), the computerization of processes brought the SIA clients easier, faster fulfilment of obligations. The computerization of internal processes also brought the SIA clients immediate feedback (output review).

In accordance with the Act on e-Government, SIA also receives and sends submissions via an electronic mailbox on the www.slovensko.sk portal. After verifying that the client has set up an electronic mailbox, SIA sends the submission exclusively in electronic form. In 2018, a total of 463,165 submissions were delivered to SIA electronic mailbox (of which 286,663 were sent to headquarters and 176,502 were sent to branches) and 487,911 electronic filings were sent (of which 249,577 from headquarters and 238,334 from branches).

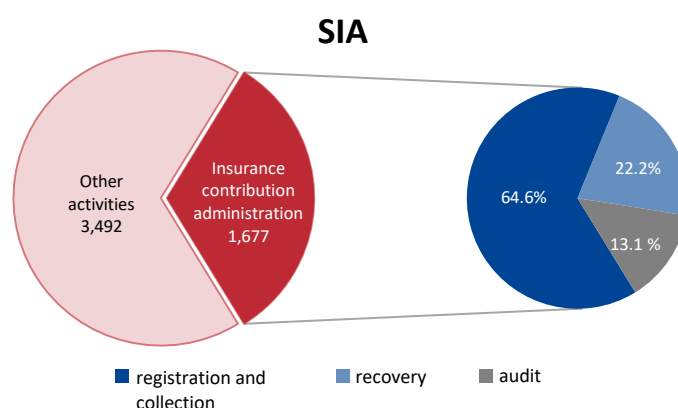
Table 24: Overview of the number of electronic submissions via www.slovensko.sk

Indicator	2015	2016	2017	2018
Number of submissions received electronically	0	717	463,312	463,165
Number of documents sent to SIA electronically	44	5,069	295,788	487,911

Source: SIA, processed by the SAO SR.

In the analysis of personnel needed for administration, SIA uses controlling as a management tool – a tool that can provide, transform, complete and model information about the results of the organisation into a form that can be efficiently used in management work for future goals. It is a specific economic tool for analyses of selected economic, personnel and wage indicators of the SIA. The limit of the number of employees for the organisational units of SIA, i.e. for the organisational units at the insurance company's headquarters and for each branch of SIA, is also determined in accordance with the compilation of SIA budget for the relevant calendar year or on the basis of evaluation of activities performed.

Chart 5: Number of employees of SIA in 2018



Source: SIA, processed by the SAO SR.

SIA continuously monitors and evaluates employee fluctuation at the end of each calendar year in an effort to keep the annual fluctuation rate low. In the event of increased fluctuation in the period under review, SIA performs a detailed analysis focusing on the main causes of staff resignations and, in cooperation with the managers of the organisational units concerned, takes measures to reduce it. The process of minimising fluctuations in SIA begins with the selection of employees for employment. The reason for the termination of employment in SIA was mainly retirement or termination of employment by employees due to high workload and low wage. SIA strives to create sufficient conditions for stabilising employees. The reported fluctuation rate is, on average, 8.3%.

Table 25: Number of employees and fluctuation in SIA 2015-2018

Indicator	Period			
	2015	2016	2017	2018
Scheduled number of employees	5,106	5,106	5,206	5,279
Situation as at 31 December	5,094	5,097	5,185	5,195
Average number of employees as FTEs*	5,064.5	5,070.79	5,158.63	5,168.56
Established employment relationship as at 31 December (cumulative for the year)	390	397	550	462
Terminated employment relationship as at 31 December (cumulative for the year)	431	397	419	452
Occupancy rate of systemised posts in %	99.19%	99.31%	99.09%	97.91%
% of fluctuation	8.51%	7.83%	8.12%	8.75%

Source: SIA.

* Average registered number of employees recalculated to full-time employees as at 31 December as the actual number of employees at the workplace without leave, without compensation for wages, maternity leave, parental leave, etc.

5.3 Efficiency of expenditure on insurance contribution administration

Expenditure efficiency indicates the ratio of total operating expenditure incurred for all activities of the organisation to the total collection of insurance contributions and is expressed as a percentage. The efficiency of payroll expenditure spent on insurance contribution administration (efficiency of insurance contribution administration) reflects the relationship between insurance contribution collection and payroll expenditure incurred only on employees performing activities related to insurance contribution administration, i.e. it expresses the amount of payroll expenditure per EUR 1,000 of insurance contribution collection. The lower the resulting value, the better the efficiency.

In the Czech Republic

In its annual reports on the activities of the CSSA, the CSSA reports on the development of the CSSA's operating cost ratio in relation to the CSSA's total revenues, but does not evaluate or comment on it in any way. The CSSA stated that, for strategic decision-making, management of activities and processes provided by the CSSA, based on data from controlling, it monitors the ratio of total operating expenditure and total insurance contribution collection and the success of the collection of prescribed social security contributions. The CSSA further stated that it *"uses controlling to monitor and manage the costs of the CSSA. The main classification criterion of costs is the breakdown of costs according to the activities of the CSSA, namely the main activities and service activities. Furthermore, controlling makes it possible to break down costs according to cost types and, to a certain extent, also according to organisational units. The main activities of the CSSA are Implementation of Sickness Insurance, Implementation of Pension Insurance, Self-Employed Persons, Collection of Insurance Contributions, Recovery of Claims, Audit Activities, Medical Assessment Service."*

The ratio of expenditures spent on insurance contribution administration and total insurance contribution income is not monitored by the CSSA, therefore the SAO CR proceeded to the following variants of calculating the ratio of expenditures spent on insurance contribution

income to verify the reporting of the CSSA (Table 26 Expenditure efficiency) and determine the efficiency of insurance contribution administration (Table 27).

Table 26: Expenditure efficiency in 2015-2018

	2015	2016	2017	2018
Total collection of insurance contributions as at 31 December in EUR thousand	15,332,962	16,219,285	17,650,652	19,404,678
Total operating expenditure of the CSSA in EUR thousand	206,781	213,314	231,991	243,203
Expenditure efficiency in %	1.35%	1.32%	1.31%	1.25%

Source: monitor.statnipokladna.cz, as at 10 March 2020; CSSA.

The ratio of expenditures spent on achieving insurance contribution income improved by 0.1 p.p. between 2015 and 2018.

The SAO CR calculated the efficiency of insurance contribution administration based on the distribution of expenditures according to the activities of the CSSA, which, however, was able to state expenditures incurred only on the entire main activities, not on individual processes, sub-processes and actions. To calculate the efficiency of insurance contribution administration, the SAO CR chose the method of the so-called recalculated coefficient, which is based on the division of employees according to the content of their activities (see Chapter 5.2). This method was used to determine the number of employees of the CSSA who performed activities related to the administration of insurance contributions, which was then multiplied by the average payroll expenditure per one employee of the CSSA in the relevant year.

Table 27: Calculation of insurance contribution administration efficiency in 2015-2018

	2015	2016	2017	2018
Total payroll expenditure of the CSSA (salaries and similar and related expenditure) in EUR	130,016,618	137,214,450	146,874,910	160,298,929
Average number of employees of the CSSA as FTEs	8,573	8,361	8,350	8,461
Average payroll expenditure per 1 employee of the CSSA in EUR	15,166	16,411	17,590	18,946
Number of employees of the CSSA carrying out activities related to the administration of insurance contributions	2,945	2,895	2,939	3,004
Total payroll expenditure incurred for staff performing activities related to the administration of insurance contributions in EUR thousand	44,663,355	47,510,565	51,696,450	56,912,656
Total collection of insurance contributions as at 31 December in EUR thousand	15,332,961,583	16,219,284,610	17,650,651,848	19,404,678,046
Efficiency of insurance contribution administration (payroll expenditure spent on insurance contribution administration per EUR 1,000 of insurance contribution collection in EUR)	2.91	2.93	2.93	2.93

Source: monitor.statnipokladna.cz, date: 10 March 2020; Report on the activities of the CSSA for 2018, processed by the SAO CR.

The efficiency of insurance contribution administration deteriorated slightly between 2015 and 2016 by 0.02 p.p. and did not change further in the following years of the audited period.

In the Slovak Republic

Of the total 5,143 SIA employees, 1,658 employees were involved in the collection and administration of insurance contributions, which corresponds to a share of 32%. The recalculated personnel costs for these employees then correspond to 0.40% of the total collection, or in other words, for every EUR 1,000 collected, EUR 4 goes to the wages and other personnel costs of the employees involved in the administration of insurance contributions. The recalculated current expenditures for the administration of insurance contributions also correspond to 0.18% of the total collection or EUR 1.78 for each EUR 1,000 collected. Expenditures of the administration fund also include expenditures on IT, while Chapter 8 on computerization contains a recalculation of expenditures on IT related to the administration of insurance contributions.

Table 28: Administration fund of the SIA, actual operating expenditure and recalculation of the efficiency of this expenditure (in EUR thousand, in %)

	2015	2016	2017	2018	Average
Fund creation (total collection)	7,418,227	7,150,230	7,747,444	8,213,289	7,632,298
Administration fund creation	166,982	164,414	177,613	196,115	176,281
Administration fund expenditure (use of funds)	128,782	132,724	150,663	153,203	141,343
– Capital	3,196	2,593	5,243	6,155	4,297
– Current	125,586	130,131	145,420	147,048	137,046
– Personnel (payroll)	86,043	91,032	97,616	104,811	94,876
Share of the administration fund creation in total collection	2.25%	2.30%	2.29%	2.39%	2.31%
Share of the administration fund use in total collection	1.74%	1.86%	1.94%	1.87%	1.85%
Share of capital expenditure in total collection	0.04%	0.04%	0.07%	0.07%	0.05%
Share of current expenditure in total collection	1.69%	1.82%	1.88%	1.79%	1.79%
Share of personnel expenditure in total collection	1.16%	1.27%	1.26%	1.28%	1.24%
Total number of employees	5,094	5,097	5,185	5,195	5,143
Number of employees engaged in insurance contribution administration	1,656	1,634	1,674	1,668	1,658
Personnel expenditure per 1 employee	16.89	17.86	18.83	20.18	18.44
Personnel expenditure for insurance contribution administration	27,972	29,183	31,516	33,653	30,581
Share of personnel expenditure for administration in total collection	0.38%	0.41%	0.41%	0.41%	0.40%
Share of personnel expenditure for administration per EUR 1,000 collected	3.77	4.08	4.07	4.10	4.00
Current excluding personnel expenditure per 1 SIA employee	7.76	7.67	9.22	8.13	8.20
Current excluding personnel expenditure for insurance contribution administration	12,855	12,534	15,434	13,561	13,596
Share of current expenditure (excluding personnel expenditure) per EUR 1,000 collected	1.73	1.75	1.99	1.65	1.78
Share of current expenditure (excluding personnel expenditure) in total collection	0.17%	0.18%	0.20%	0.17%	0.18%

Source: SIA, processed by the SAO SR.

SIA has earmarked funds for its operation through the administration fund, which is primarily formed from 2.4% of collected insurance contributions and 0.25% of collected old-age pension saving contributions. Every year, the use from the administration fund is lower than its creation, while what the SIA saves on its operation is subsequently transferred to the reserve

fund, from where the old-age insurance deficit (pensions) is then compensated. In 2015-2018, the average administration fund creation was at the level of 2.31% of the total collection and use at 1.85%, of which less than 1.8 p.p. represented current expenditures and less than 0.06 p.p. capital expenditures.

As part of the SIA audit, the SAO SR also performed a more detailed, itemised recalculation of expenditures on social insurance administration, which shows that the total costs of insurance contribution collection are 0.50% of collected insurance contributions and old-age pension savings contributions. Half of this is payroll expenditure of 0.25 p.p., other expenditures amount to 0.16 p.p. and the rest falls on IT expenditures of 0.09 p.p. IT expenditures are further divided into expenditures related to legislative changes at 0.05 p.p., internal requirements for the adjustment of IT systems of 0.03 p.p. and a flat rate for IT systems for insurance contribution administration of 0.01 p.p.

Collection of insurance contributions from self-employed persons

A significant change for the self-employed was the amendment to Act No 461/2003 Coll. (SK), the aim of which was to reduce the administrative burden on the self-employed. Until 31 December 2014, the self-employed person was obliged to register for the compulsory sickness and pension insurance and deregister within eight days of the establishment or termination of the compulsory insurance, respectively, which they did through the NPRS form – registration/deregistration, and SIA was not obliged to notify the self-employed of the establishment of the insurance, the amount of the assessment base or the amount of social insurance contributions.

With effect from 1 January 2015, the obligation of self-employed persons to register and deregister with respect to compulsory sickness and pension insurance was cancelled and the obligations of the SIA were expanded by a written notification on the establishment of compulsory sickness insurance and compulsory pension insurance for self-employed persons, the insurance contribution assessment base, insurance contribution due date and data relating to the payment of social insurance contributions. At the same time, SIA was obliged to notify the self-employed within 20 days of the establishment of the compulsory insurance. There were also changes in the calculation of the assessment base for compulsory sickness insurance and compulsory pension insurance for self-employed persons. It was the duty of SIA to ensure the necessary procedural, operational and system measures of the IS in connection with the uniform contribution collection (UCC IS) and electronic communication environment (ECE IS) for the self-employed. The total IT costs for the implementation of the amendment were EUR 1.48 million.

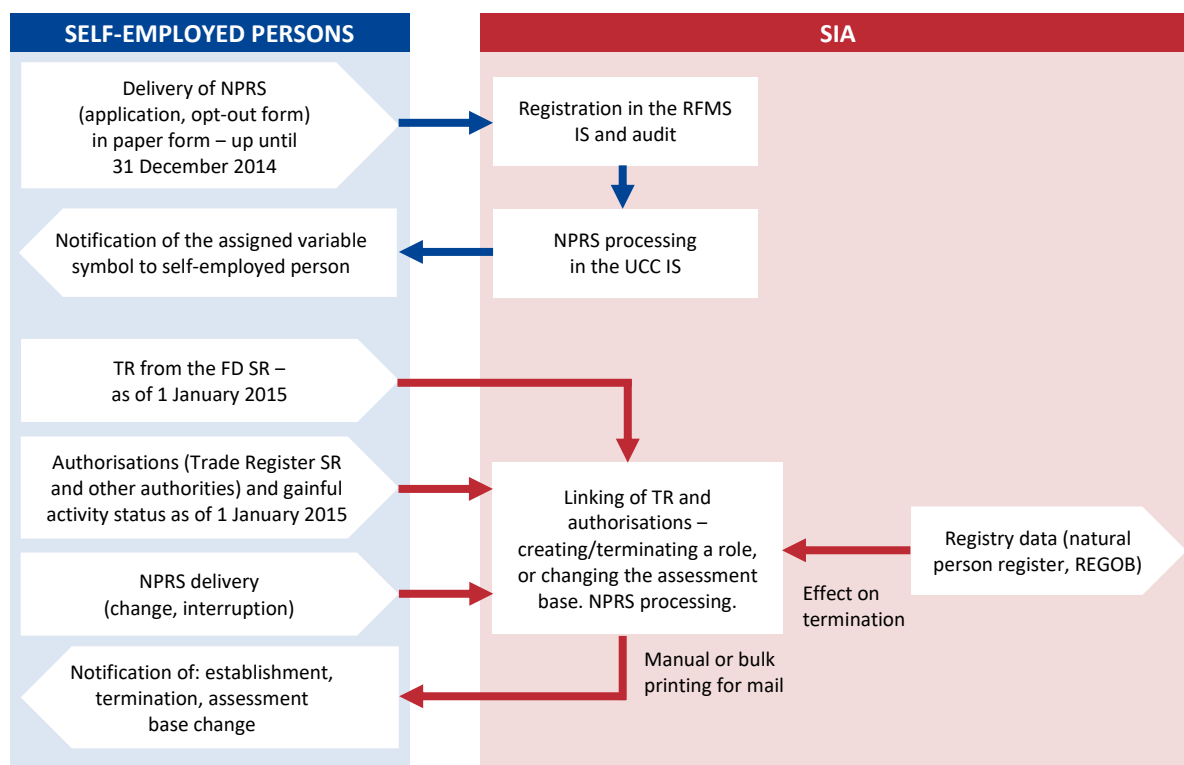
Table 29: Registration of the role/type of self-employed person and number of manually and electronically processed documents

Period / Indicator	Number of all self-employed persons	Number of self-employed persons in terms of sickness insurance and pension insurance	Method of processing documents for self-employed persons		Number of registrations		
			Manually	Electronically	Establishment	Change	Termination
2015	484,349	220,997	10,303	43,300	35,013	78,703	28,806
2016	480,921	213,429	19,811	64,427	36,504	343,528	38,616
2017	487,594	209,421	23,578	50,768	37,817	335,632	37,044
2018	489,594	211,205	26,755	789,351	41,949	x	35,412
Average number	485,615	213,763	20,112	236,962	37,821	252,621	34,970

Source: Finstat, SIA.

The aim of the SIA during registration is to register the self-employed in the register of insured and savers and in the register of payers. Since 2015, the role of self-employed person arises automatically after exceeding the statutory amount of income stated in the tax return for the previous calendar year and on the basis of the authorisation for self-employment or an affidavit on the existence of self-employment. The role of self-employed person automatically terminates in SIA if the amount of income stipulated by law is not reached in the tax return, on the basis of the termination of the authorisation for self-employment or a delivered affidavit on the discontinuation of self-employment. SIA also registers self-employed persons on the basis of data taken from the Trade Register and other registers of the Slovak Republic, which entitle a natural person to perform gainful activity, or persons who carry out their activities without a licence (e.g., athletes, artists). Such data on the origin or termination (interruption) are obtained by SIA automatically during the year, either from the registers or from the Financial Administration, whose data is also used in determining the assessment base.

Diagram 5: Procedural map for tasks related to the registration of self-employed persons



Source: SIA.

5.4 Comparison and evaluation

The CSSA does not have process management set up in the same way as the SIA. The setting up of processes in the Czech Republic does not enable independent monitoring and evaluation of expenditures incurred on employees performing insurance contribution administration.

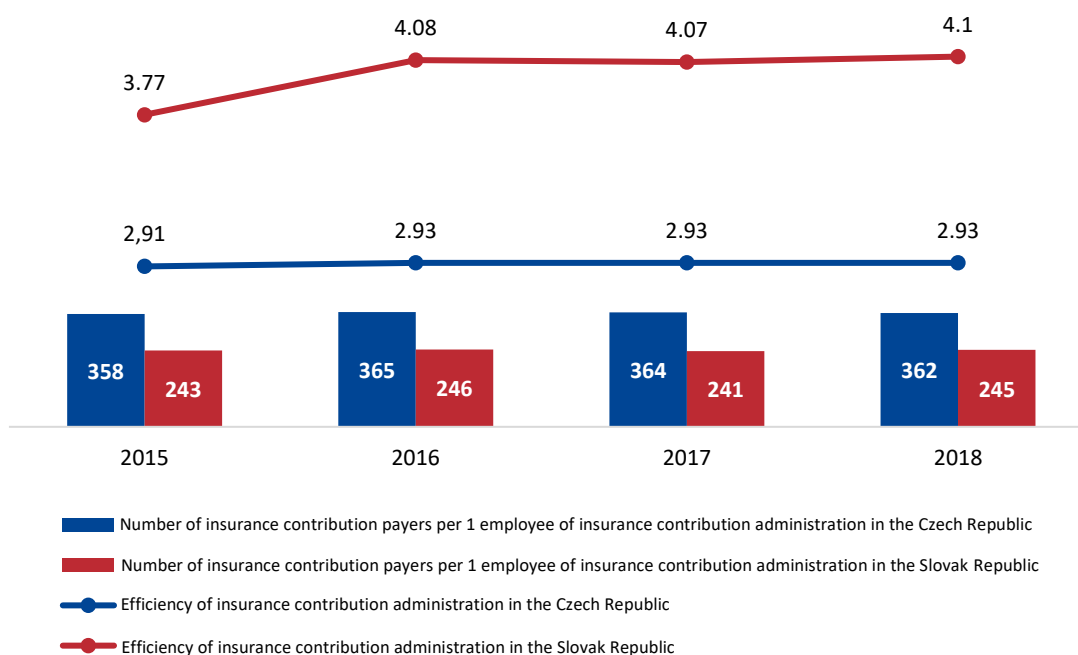
The CSSA has not set key performance indicators for key activities related to insurance contribution administration. SIA manages insurance contribution administration processes through indicators for branches, strategies and Action Plans (e.g., fulfilment of the breakdown of budgets of insurance contribution income and sanctions, success of insurance contribution collection, success of administrative enforcement in recovery).

The CSSA does not monitor the administrative complexity and workload of employees performing activities in connection with the administration of insurance contributions. SIA has developed a comprehensive process analysis and implementation strategy. SIA also monitors the workload of employees in individual branches, on the basis of which it optimises human resources.

In the Czech Republic, the employer is only the payer of insurance contributions, while in the Slovak Republic, due to the existence of wage-guarantee insurance, the employer is also an insured person. In contrast to the Czech Republic, social security revenues are also collected for state insured persons in the Slovak Republic.

Expenditure efficiency in the CSSA averaged 1.31% and in the SIA 1.85% in the audited period. The results of efficiency are incomparable because they are affected by the range of types of insurance administered.

Chart 6: Development of insurance contribution administration efficiency in 2015-2018 in EUR



Source: for the Czech Republic – monitor.statnipokladna.cz, date: 10 March 2020; Report on the activities of the CSSA for 2018, CSSA; for the Slovak Republic – SIA; calculated by the SAO CR and the SAO SR (see Annex 3).

The efficiency of insurance contribution administration in the Czech Republic was on average by EUR 1.07 of expenditures per EUR 1,000 in insurance contribution collection better than in the Slovak Republic. The reason may be the fact that one employee of the CSSA performing activities in the area of insurance contribution administration accounts for 48% more insurance contribution payers than in the SIA although the electronic administration of insurance contributions of SIA is at a better level than the CSSA.

The efficiency of insurance contribution administration is also affected by the legislative setting of insurance contributions for self-employed persons. In the Czech Republic, every self-employed person performing their main activity must pay minimum advances for pension insurance. In the Slovak Republic, the obligation to pay advances is based on the statutory limit of income from business activities, which applies to 44% of all self-employed persons. In the Czech Republic, only self-employed persons with secondary business activities have the option of not paying advances for pension insurance. In the Czech Republic, participation in sickness insurance for self-employed persons is voluntary and consists of approximately 9% of all registered self-employed persons. In the Slovak Republic, a self-employed person is automatically insured for pension and sickness insurance if he or she is obliged by law to pay advances on social insurance.

In the Czech Republic, self-employed persons must submit annual self-employed reports, in which they calculate the amount of advances for the following period. In the case of failure to submit annual self-employed reports, the cooperation between the CSSA and the FA CR took place only on the basis of individual requests for the provision of data from tax returns. The processing of the requests itself was, in terms of administration and personnel, more demanding than the regular provision of information on the assessment bases of self-employed persons from the FA CR. In the Slovak Republic, SIA determines the obligation for the self-employed to pay advances on the basis of regularly sent data from tax returns provided by the Financial Administration.

6. Social insurance claims administration

6.1 Claims recovery and write-off procedures

In the Czech Republic

The competence to recover claims in matters of insurance contributions, including the right to perform administrative enforcement of decisions, is determined for the District Social Security Administration by Section 6(4)r) of Act No 582/1991 Coll. (CZ). The relevant provisions of Act No 589/1992 Coll., Act No 582/1991 Coll. and the relevant provisions of Act No 500/2004 Coll., the Administrative Procedure Code, using Act No 280/2009 Coll., the Tax Code, apply to decision-making and claims-related proceedings. For the enforcement, collection and registration of pecuniary transactions, the procedure for tax administration according to the Tax Code is applied. Recovery of claims is ensured within the District Social Security Administration by the Claims and Enforcement Deductions Recovery Department (Recovery Department).

The Recovery Department keeps records of claims and issues decisions on their recovery, including decisions on the authorisation of claims payment in instalments and on proceedings for remission of penalties, prepares documents for criminal proceedings in case of non-compliance by insurance contribution payers and forwards them to the competent authorities for further proceedings and files criminal complaints.

Enforcement orders are statements of arrears issued by the Accounting Department in the case of employers, enforceable payment orders issued by the Self-Employed Persons Department or the Audit Department in case of finding arrears on insurance contributions during audit activities, and enforceable decisions on the obligation to return overpayments on pension and sickness insurance benefits.

The statement of arrears is issued by the Accounting Department for each employer at least once a year, even if it is zero. It sends a non-zero statement of arrears to the debtor and one copy is handed over to the Recovery Department. In case of non-payment, the arrears are automatically transferred to the recovery application after 14 days. Statements of arrears delivered by fiction are manually entered into the recovery application. Claims on insurance contributions and penalties not exceeding the total amount of CZK 100 is not prescribed for

payment and the Accounting Department writes it off to the debit of the relevant District Social Security Administration.

Prior to the commencement of recovery, the District Social Security Administration may send the debtor a request for payment of the arrears within a replacement period, which is generated automatically. This request is sent to the data box or by mail. If the payer does not pay his/her claims even after the request, the District Social Security Administration will start to find out the possibilities of satisfying the claims. Enforcement³⁶ can be performed in the following ways:

- Ordering the claims payment from the account;
- Deductions from wages;
- Ordering the payment of other pecuniary claims (e.g., claims from a loan agreement, a service contract);
- Impairment of other property rights (e.g., business or cooperative share);
- Sale of movable and immovable property.

If the administrative enforcement carried out by the District Social Security Administration (DSSA) was unsuccessful or could not be carried out, the DSSA could submit a proposal for enforcement by an enforcement agent. These were usually cases in which the District Social Security Administration found other eligible assets of the debtor (movable or immovable property). Claims were forwarded to enforcement agents for recovery provided that the enforcement agents do not charge the DSSA for the costs of the enforcement or demand advances for the enforcement. Another condition was the immediate transfer of the payments made to the account of the relevant DSSA.

In its activities, the CSSA also used the institute of pledges as a tool for securing claims. It was also possible to secure time-barred claims with a pledge, and the existence of such claims did not change at the end of the limitation period. The DSSA established a pledge immediately after ascertaining that the debtors owned immovable property, regardless of the amount owed, as the establishment of a pledge, even for lower claims, usually led to their payment. In the audited period, an average of 46% of claims for which a decision was made to establish a pledge were voluntarily paid annually.

The recovery of claims was also carried out by the DSSA through the registration and application of claims in insolvency proceedings, in inheritance proceedings, in liquidation proceedings and in auction proceedings.

³⁶ Enforcement is the last act of administrative proceedings and does not start automatically after the creation of the basis for recovery.

Table 30: Structure of claims in 2015-2018 (in EUR thousand)

	2015	2016	2017	2018
Total accumulated claims as at 31 December (excluding bad debts)	2,381,966	2,330,706	2,302,571	2,283,790
– Of which:				
Payable by deregistered payers	1,542,284	1,520,474	1,490,361	1,458,208
Payable by still registered payers	793,079	770,321	774,242	787,491
In instalment scheme	46,603	39,912	37,968	38,091
Total bad debt accumulated as at 31 December	869,964	844,172	782,485	715,673
Total claims written off in the year (from 1 January to 31 December)	174,226	124,810	111,768	109,667

Source: CSSA.

The total amount of accumulated claims payable to the CSSA is affected by the fact that they are not extinguished over time. Claims do not lapse; there is only the statute of limitations on the right to prescribe and enforce the payment of claims. In practice, the CSSA also enforces claims for which the limitation period has already expired, but for which the debtor has not objected to payment as a result of that expiry. Between 2015 and 2018, the total amount of bad debt decreased by 18%, mainly due to the expiry of the ten-year period for their registration.

Claims can be written off by the District Social Security Administration only if the claims are completely irrecoverable. Claims of legal entities that have been deleted from the Commercial Register are always considered irrecoverable, provided that the claims have not been transferred to their legal successors. In the case of natural persons, the claims are always irrecoverable upon the death of the debtor if his/her rights and obligations have not been transferred to any heirs, or if the person has been declared missing. For example, claims are irrecoverable:

- Where recovery would not lead to a result or the cost of recovery would exceed its result;
- For natural persons for whom lack of means has been proven and documented by the investigation of the DSSA;
- For persons whom the court has released from payment of the claims after the claims relief has been fulfilled;
- For legal entities that have undergone reorganisation.

Bad debts are kept in a separate (off-balance sheet) account and are not included in the total accumulated claims of the CSSA. The DSSAs continue to monitor these claims, as their write-off due to irrecoverability does not mean that they cannot be fully or partially paid in the future. The DSSAs regularly examine whether new facts have arisen for the debtor for which it would be possible to recover the claims.

Table 31: Administrative enforcement in 2015-2018

		2015	2016	2017	2018
Enforceable titles					
Issued enforceable titles before handing over for recovery in the year total	Number	224,104	208,268	210,340	201,682
Enforceable titles paid before being handed over for recovery*	Number	39,400	28,108	36,853	32,202
Percentage of enforceable titles paid before being handed over for recovery in the issued enforceable titles	%	17.6	13.5	17.5	16
Enforcement orders handed over for recovery (claims being recovered) in the year total	Number	184,704	180,160	173,487	169,480
	In EUR thousand	382,946	383,688	346,079	369,798
Total claims settled without proceedings	In EUR thousand	66,900	68,546	75,420	81,447
Requests					
Requests for claims payment	Number	149,986	149,786	144,037	134,688
Fully or partially settled claims upon request	Number	67,606	71,963	70,946	71,561
	In EUR thousand	62,288	67,153	66,915	69,999
Share of the number of requests for claims payment in the number of enforceable titles submitted for recovery	%	81.2	83.1	83	79.5
Share of the number of claims paid upon request in the number of requests for claims payment	%	45.1	48	49.3	53.1
Enforcement orders					
Issued enforcement orders total	Number	73,784	79,274	77,922	76,080
Total enforcement orders paid	Number	51,035	59,310	62,869	67,148
	In EUR thousand	50,565	54,184	54,539	57,171
Total paid (recovered) claims	In EUR thousand	179,752	189,884	196,873	208,618

Source: CSSA, processed by the SAO CR.

* Enforceable titles paid before handing over for recovery are the difference between the number of issued enforceable titles before handing over for recovery and the number of enforceable titles handed over for recovery.

It follows from the above data that, before handing over the enforceable title to the Recovery Department, i.e. already on the basis of the issued enforceable title, an average of 16% of claims were paid annually. The CSSA often used the institute of a request for claims payment, especially for debtors for whom this procedure already proved successful in the past or for whom claims on insurance contributions arose for the first time. During the audited period, the DSSAs sent over 578 thousand requests for payment for 82% of enforceable titles handed over for recovery. For almost a half of the claims, it was not necessary to start enforcement by issuing an enforcement order because they had been paid on the basis of a request.

Table 32: Share of recovered claims in the amount of claims being recovered in 2015-2018

	2015	2016	2017	2018
Claims payable by still registered payers in EUR thousand (recoverable claims)	793,079	770,321	774,242	787,491
Claims being recovered in the year in EUR thousand	382,946	383,688	346,079	369,798
Claims actually recovered in the year in EUR thousand	179,752	189,884	196,873	208,618
Share of claims being recovered in recoverable claims in %	48.3%	49.8%	44.7%	47.0%
Share of claims actually recovered in claims being recovered in %	46.9%	49.5%	56.9%	56.4%

Source: CSSA, processed by the SAO CR.

Note: claims being recovered are enforcement orders handed over for recovery.

The share of the amount of claims actually recovered in the amount of claims being recovered averaged 52% for the audited period.

Based on the calculation of its own qualified estimate of the number of employees of the Recovery Department dealing exclusively with the administration of insurance contributions, the SAO CR calculated the expenditure incurred for EUR 1,000 of recovered claims.

Table 33: Amount of payroll expenditure per EUR 1,000 of recovered claims in 2015-2018

	2015	2016	2017	2018
Number of employees in the Recovery Department carrying out activities related to the administration of insurance contributions	563	549	559	558
Average payroll expenditure per 1 employee of the CSSA in EUR	15,166	16,411	17,590	18,946
Payroll expenditure incurred on staff of the Recovery Department in EUR	8,538,458	9,009,639	9,832,810	10,571,868
Amount of payroll expenditure per EUR 1,000 of recovered claims in EUR	47.5	47.4	50.0	50.7

Source: CSSA, processed by the SAO CR.

Between 2015 and 2018, the CSSA spent more than EUR 3 more on EUR 1,000 of recovered claims although the number of employees of the Recovery Department decreased by five. The reason for the year-on-year increase was the fact that the growth of payroll expenditure exceeded the growth of recovered claims by 8 p.p.

Table 34: Performance indicators for insurance contribution administration – recovery

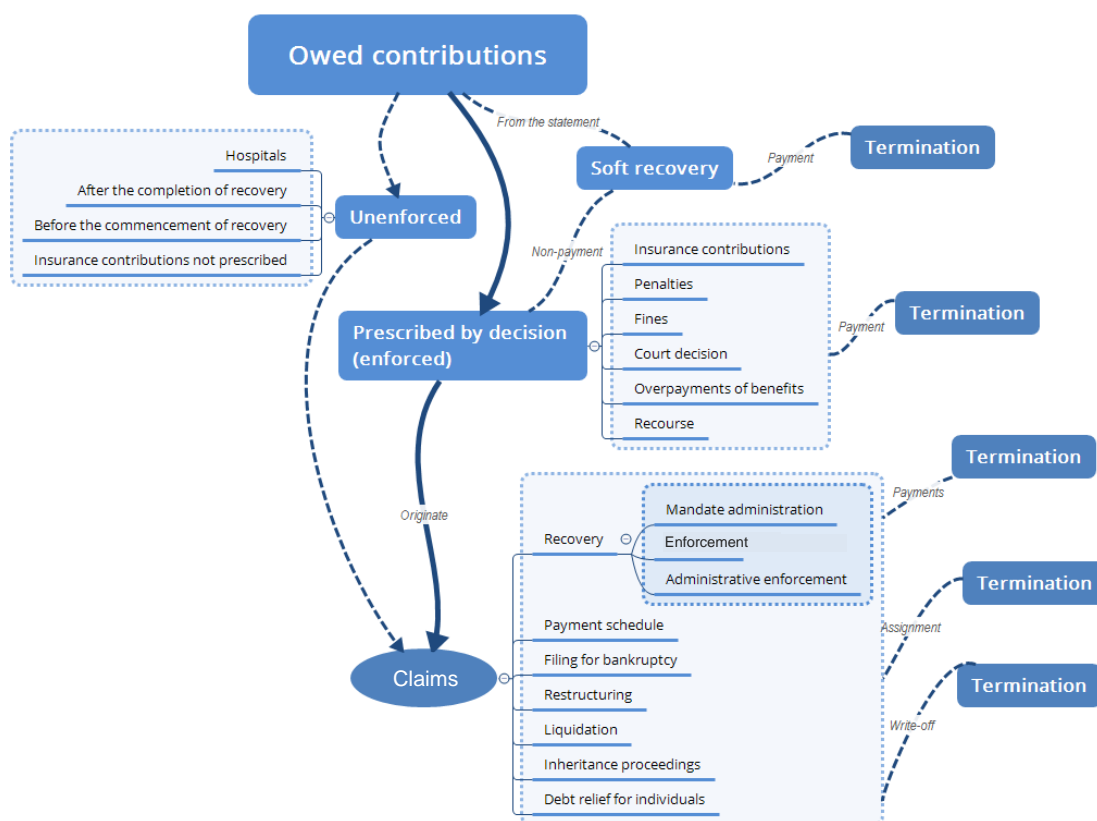
	2015	2016	2017	2018
Number of employees in the Recovery Department carrying out activities related to the administration of insurance contributions	563	549	559	558
Enforceable titles handed over in the period from 1 January to 31 December (claims being recovered)	184,704	180,160	173,487	169,480
Number of enforceable titles handed over per 1 employee of the Recovery Department carrying out activities related to insurance contribution administration	328	328	310	304

Source: CSSA, processed by the SAO CR.

In the Slovak Republic

The SIA records claims for payers of insurance contributions that arose due to non-fulfilment of their payment obligation in time or fulfilment in a lower amount. They include outstanding insurance contributions (non-prescribed – insurance contributions based on a statement or registration, prescribed – imposed by a decision), unpaid fines and penalties and overpayments on benefits and recourse.

Diagram 6: Life cycle of a debt in the SIA



Source: diagram of the SAO SR.

Table 35: Development of income from current and outstanding insurance contributions in the period of 2015-2018

	2015	2016	2017	2018
Insurance contributions due (EUR thousand)	220,801	205,461	205,725	399,401
Current insurance contributions including old-age pension savings contributions (EUR thousand)	6,335,538	6,768,763	7,358,389	8,006,348
Total	6,556,339	6,974,224	7,564,114	8,405,749
Share of outstanding insurance contributions in total insurance contributions	3.37%	2.95%	2.72%	4.75%

Source: SIA.

Income from ordinary insurance contributions represents the timely payment of insurance contributions on the basis of submitted statements and the payment of insurance contributions on the basis of a prescribed decision or recovered by legal means is called income from outstanding insurance contributions. Failure to pay the insurance contributions in time or payment in a lower amount will result in arrears of the insurance contribution payer, which SIA prescribes by a decision in which it asks the payer to pay the outstanding insurance contributions within a specific period and instructs them on the possibility of appeal. SIA does not prescribe insurance contributions only if the amount owed is less than EUR 5. A decision can also prescribe a penalty and impose a fine. The decision imposing the performance, after it becomes valid and enforceable, becomes an enforceable title, which is the basis for enforcement. The enforceable title may also be a court decision, e.g., in the case of recourse compensation.

Table 36: Overview of insurance contributions prescribed, penalties and fines imposed in the period of 2015-2018

	Insurance contributions		Penalties		Fines		Total amount
	Number	Amount (EUR)	Number	Amount (EUR)	Number	Amount (EUR)	
2015	252,234	269,648,255.25	169,005	41,034,418.38	7,957	561,173.31	311,243,846.94
2016	227,151	272,741,476.23	89,438	29,391,319.90	10,669	731,123.90	302,863,920.03
2017	174,938	274,535,220.33	192,389	43,971,281.63	6,889	501,625.09	319,008,127.05
2018	97,853	286,306,405.33	114,702	174,665,052.09	6,365	594,337.93	461,565,795.35

Source: SIA, processed by the SAO SR.

The largest volume of prescribed debts consisted of outstanding insurance contributions. A significant increase in the prescribed penalty in 2018 was caused by the additional penalisation of healthcare facilities, which was subsequently transferred to Debitum, a.s. Fines were imposed for non-compliance with statutory obligations (failure to submit insurance contribution statements, non-payment of insurance contributions, non-compliance with insurance contribution due dates, providing incorrect data in statements, payment of insurance contributions in the amount of unpaid insurance contributions for employees in cases where criminal prosecution is being conducted). Insurance contributions due cannot be waived. The right to prescribe insurance contributions is barred ten years from the date of maturity. The right to prescribe insurance contributions does not expire if the registration or deregistration obligation of the insurance contribution payer has not been fulfilled.

Table 37: Structure of claims by type as at 31 December, in the period 2015-2018 (in EUR thousand)

		2015	2016	2017	2018
1.	Total debt	702,698	786,090	878,579	778,756
1.1	Claims based on statement, application (insurance contributions not prescribed)	60,002	93,939	96,736	137,709
1.2	Claims based on a decision (insurance contributions prescribed)	642,696	692,151	781,862	641,047
1.2.1	Insurance contributions	464,238	502,721	571,567	438,156
1.2.2	Penalties	158,093	166,176	184,892	174,709
1.2.3	Fines	1,817	1,834	1,731	1,739
1.2.4	Fees	1	1	1	1
1.2.5	Recourse	1,476	1,698	1,901	2,955
1.2.6	Benefits receivable	11,985	13,632	14,969	16,223
1.2.7	Other	5,087	6,089	6,784	7,264

Source: SIA.

The total volume of registered arrears reached a year-on-year increase of about 12% in 2017 and a year-on-year decrease of about 11% in 2018. The volume of insurance contributions prescribed by decision (1.2.1) on the total volume of registered claims (1.), in the period from 2015 to 2018, ranged from 56% to 66%. The volume of penalties (1.2.2) on the total volume of registered claims (1.) reached the level of 21% to 22%. The volume of non-prescribed claims (1.1) on the total volume of registered claims (1.) ranged from 8% to 17%.

Table 38: Structure of claims by recovery method in the period of 2015-2018 (in EUR thousand)

	2015		2016		2017		2018	
Claims in total	702,697.8	100%	786,089.7	100%	878,579.5	100%	778,755.7	100%
– Claims being recovered	434,533.1	61.84%	430,713.4	54.8%	406,648.3	46.3%	441,461.3	56.7%
Enforcement	-		-		47,454.2	5.4%	130,983.5	16.8%
Enforcement s (performed by enforcement agent)	311,147.8	44.28%	300,276.6	38.20%	262,625.2	29.89%	223,528.1	28.7%
Mandate administration	55,126.9	7.85%	65,307.0	8.31%	21,375.9	2.43%	-	
Bankruptcy	34,915.3	4.97%	45,716.9	5.82%	58,435.5	6.65%	72,271.2	9.28%
Restructuring settlement	8,834.8	1.26%	8,653.4	1.10%	6,746.0	0.77%	4,697.6	0.60%
Liquidation	2,096.1	0.30%	3,112.1	0.40%	3,437.3	0.39%	3,385.3	0.43%
Inheritance proceedings	1,682.2	0.24%	1,900.6	0.24%	2,516.5	0.29%	2,881.5	0.37%
Permitted instalments	15,625.9	2.22%	1,357.1	0.17%	828.0	0.09%	2,149.6	0.28%
Other methods of enforcement	5,104.1	0.73%	4,389.7	0.56%	3,229.6	0.37%	1,564.5	0.20%
– Claims not being recovered	268,164.7	38.2%	355,376.3	45.2%	471,931.2	53.7%	337,294.4	43.3%
Healthcare facilities	157,939.2	22.5%	208,389.4	26.5%	271,279.0	30.9%	148,612.9	19.1%
After the completion of recovery	35,768.3	5.1%	40,191.3	5.1%	70,902.4	8.1%	41,138.4	5.3%
Before the commencement of recovery	14,455.7	2.1%	12,856.5	1.6%	33,014.2	3.8%	9,834.3	1.3%
Debts based on statement, application	60,001.5	8.5%	93,939.1	12.0%	96,735.6	11.0%	137,708.8	17.7%

Source: SIA.

In order to improve the insurance contribution collection process, SIA has introduced regular monthly sending of notifications in the form of text messages and e-mails for insurance contribution payers (self-employed persons and employers) who do not fulfil the current contribution obligation or do not submit statements. The so-called "Soft Recovery" runs on an automated data interface, which transmits data from the UCC IS, where the payers and their arrears are registered, to back-end system ensuring the sending of text messages and e-mails. The text message and e-mail service is outsourced, for which SIA spends approximately EUR 400 per month. The operation of sending notifications for the self-employed was launched in 2015. Subsequently, in 2016, SIA began sending the same notifications of non-payment of insurance contributions by the employer.

Table 39: Soft recovery for self-employed persons

Period	Number of sent text messages and e-mails	Number of received text messages and e-mails	Insurance contribution volume related to text messages and e-mails received in EUR	Paid insurance contributions based on text message and e-mail notification in EUR	% of success rate
2015	220,142	196,875	26,489,134.05	3,701,087.33	13.97
2016	223,375	199,210	28,865,268.91	4,791,309.61	16.60
2017	226,319	193,923	28,594,778.87	4,382,968.34	15.33
2018	219,407	193,028	29,170,335.85	4,646,332.52	15.93

Source: SIA.

Table 40: Soft recovery for employers

Period	Number of sent text messages and e-mails	Number of received text messages and e-mails	Number of employers whom the delivered requests concerned	Insurance contribution volume related to text messages and e-mails sent In EUR	Paid insurance contributions based on text message and e-mail notification in EUR	% of success rate
2016*	283,460	279,553	178,635	165,340,275.03	56,367,023.46	34.09
2017	414,873	406,964	295,787	292,146,622.50	52,206,369.51	17.87
2018	449,701	439,167	307,566	295,122,482.42	57,143,943.37	19.36

Source: SIA.

* For 2016 the period from February to December is included.

The introduction of “Soft Recovery” contributed to the increase in insurance contribution collection by EUR 183.2 million (together for the self-employed and employers) in 2015-2018, without any additional costs and administrative burdens associated with any insurance contribution prescription and any further debt collection process. The soft recovery project also includes sending notifications to employers about non-compliance with the obligation to send monthly insurance contribution statements, which was first launched in October 2016. Based on the notifications sent to employers, SIA received 43,286 statements, which represents a success rate of approximately 20%.

The Insurance Contribution Department and the Benefit Department were obliged to forward the claims to the relevant Recovery of Claims Department within 5 working days of the validity and enforceability of the decision by which claims payment was prescribed or granted, or a court decision granting the entitlement to SIA. The Recovery of Claims Departments were obliged to ensure the claims enforcement by any of the methods of recovery within 15 days of the date of receipt of a valid and enforceable decision from the Insurance Contribution Department or the Benefit Department. SIA does not monitor the length of the recovery process itself, but it can be stated that most claims arising from both insurance contributions and penalties are older than one year. The submission of claims for recovery took place based on a protocol (record). The submission of claims due to insurance contributions, fines and penalties from the UCC IS (Insurance Contribution Departments) took place automatically.

Table 41: Recovery success rate by method in 2015-2019

Year	Method of recovery	Amount referred to the Recovery of Claims Department	Amount recovered (in EUR)	Payments (in EUR)	Recovery success rate (in %)
2015	Enforcement agent		66,027,806.58	22,003,283.32	33.32%
	Mandate administration		90,423,874.65	18,710,130.76	20.69%
	Total	222,377,594.94	156,451,681.23	40,713,414.08	26.02%
2016	Enforcement agent		47,838,354.07	14,851,865.08	31.05%
	Mandate administration		136,201,364.75	22,387,001.20	16.44%
	Total	183,271,355.23	184,039,718.82	37,238,866.28	20.23%
2017	Enforcement agent (until 1 April 2017)		13,444,951.44	5,162,923.35	38.40%
	Mandate administration (until 30 June 2017)		115,399,012.09	19,690,403.86	17.06%
	Administrative enforcement (from 2 October 2017)		62,358,990.06	22,112,884.01	35.46%
	Total	215,559,796.70	191,202,953.59	46,966,211.22	24.56%
2018	Administrative enforcement	470,750,070.29	157,954,446.32	58,727,812.13	37.18%
2019	Administrative enforcement		119,015,998.29	58,082,239.29	48.80%

Source: SIA.

Recovery of debts was carried out in three ways: through an enforcement agent, by application in the mandate administration or by administrative enforcement (from 1 July 2017, the adoption of an amendment). At the same time, according to special regulations, SIA applied for the claims payable in bankruptcy, restructuring and inheritance proceedings and in liquidation. SIA also enabled clients to repay their debts through a payment schedule.

The success of recovery is expressed as the ratio of the amount actually recovered to the amount being recovered in a given year. In 2015 and 2016, it ranged from 20% to 26%. In 2018, when only administrative enforcement was used, the success rate reached 37.18% and in 2019 up to 48.80%. While in 2015 EUR 40.7 million was recovered and in 2016 EUR 37.2 million was recovered through enforcement agents and the mandate administration, in 2018 SIA itself recovered EUR 58.7 million, which represents an increase compared to 2015 by about 31%.

Table 42: Comparison of different forms of enforcement

	Enforcement agent	Mandate administration	Administrative enforcement
Costs for the debtor	In the event of a successful enforcement, the debtor paid the recovered principal + 20% of the recovered amount as the enforcement agent's fee and costs.	The debtor pays nothing extra.	The debtor pays nothing extra.
Costs for SIA	In case of unsuccessful enforcement, SIA pays the enforcement costs. A total of EUR 1.4 million for 2015-2018	In case of success, SIA pays a fee of 6.55% of the recovered amount. A total of EUR 3.99 million for 2015-2018	Initial IT costs. A total of EUR 2.1 million for 2015-2018
Process speed	After the delivery of the proposal for enforcement to the enforcement office, SIA had no influence on the speed of enforcement.	Forwarding to mandate administration once a month.	Speeding up the process – after finding out the status of the debtor's property, the possibility of immediate blocking.
Amount recovered – if the recovery method was implemented for the whole year (recovery success rate in %)	In 2015: EUR 22 million (33.3%). In 2016: EUR 14.9 million (31.1%).	In 2015: EUR 18.7 million (20.7%). In 2016: EUR 22.4 million (16.4%).	In 2018: EUR 58.7 million (37.2%). In 2019: EUR 58.1 million (48.8%).

Source: processed by the SAO SR.

Enforcement agent

Procedure of SIA until 31 March 2017

Until 31 March 2017, the enforcement of decisions was carried out by SIA through enforcement agents. After receiving a report on the submission/acceptance of the decision and its subsequent transfer to the Information system for automatic assignment of enforcement agents to enforceable titles (IS APEET), the relevant employee in charge of the enforcement agenda proceeded to determine the economic and property situation of the debtor. If the administrator of the debt found out that there was a presumption of recovery of claims under enforcement, he or she proceeded to prepare the submission of a proposal for enforcement and its subsequent delivery to the enforcement office. For the enforcement of the decision, the administrator of the debt appointed enforcement agent registered in the list of the Slovak Chamber of Enforcement agents and this was also included in the IS APEET, which was introduced in SIA in 2009. The application randomly generated an enforcement agent for a specific enforcement title. In the audited period, the activity itself was performed manually by the claims administrator with the creation of a written (paper) file.

Procedure of SIA from 1 April 2017

From 1 April 2017, according to the amendment to the Enforcement Rules, it is possible to submit a proposal for enforcement exclusively by electronic means to the electronic mailbox of the District Court in Banská Bystrica. Until 31 December 2018, SIA had not implemented any proposal for enforcement through an enforcement agent; at the same time SIA was preparing a function for the electronic filing of a proposal for enforcement after an unsuccessful administrative enforcement.

Mandate administration

Act No 461/2003 Coll. (SK) allows SIA to transfer the recovery of claims to another legal entity by a written agreement. The subject of the transfer of receivables to the mandate administration were selected claims of SIA from natural persons and legal entities, which arose due to non-fulfilment of statutory obligations by the said obliged persons. Based on the concluded mandate agreement, the agent recovered the selected claims for the SIA from the date of the transfer of the claims by out-of-court recovery (in writing, by telephone and via text message) or voluntary auctions for a maximum period of 6 months for a fee of 6.55% of the recovered amount of claims. The debtors concerned were informed of the transfer of the claims by delivery of a notification. The debtor was informed in the notification that the manner and form of recovery SIA was within the competence of the agent. After 1 July 2017, claims were not claimed in the mandate administration.

Administrative enforcement

Administrative enforcement is a method of claims collection that is directly performed and managed by the SIA. SIA is entitled to recover claims ex officio from 1 July 2017. The main goal of the amendment to the Enforcement Rules (and Act No 461/2003 Coll. (SK)) was to streamline the activities of enforcement agents and relieve the general courts of the Slovak Republic of the enforcement agenda. The Ministry of Justice of the Slovak Republic (MoJ), as the submitter of this amendment, proposed that the recovery of claims payable to SIA be carried out directly by SIA, in order to eliminate about a third of the enforcement agenda.

Enforcement through administrative enforcement may take place against:

- Natural persons in three ways:
 - Ordering the debt payment from the bank account
 - Deductions from wages
 - Deductions from benefits paid by SIA
- Legal entities in one way, by ordering the debt payment from the bank account.

The SIA has information about employers of natural persons and about receiving benefits from its own information systems. Until the amendment came into force, SIA was obliged to file a proposal for enforcement against natural persons even if the recovery of the debt would take place by deduction from the benefit that SIA pays to those persons. At the same time, it provided information on the employment of natural persons to enforcement agents in order to recover the debt by deductions from wages and other income within the enforcement proceedings.

The process of administrative enforcement is in accordance with the computerization of public administration. It is fully automated, documents are delivered electronically. The IS will automatically complete the delivery confirmation for the electronically delivered decisions and mark the validity. If the debtor does not have an electronic mailbox, the decision is delivered in writing (by post). The total expenditure on the IS for administrative enforcement amounted to EUR 2,167,058 and, through the increased success rate of enforcement, SIA recovered the expenditure back in the first two years after launch.

If the administrative enforcement has been unsuccessful for more than 60 months, the Recovery of Claims Department shall decide to suspend the enforcement. However, if none

of the methods of claims recovery can be applied and the Recovery of Claims Department identifies assets that are likely to secure recovery in enforcement through an enforcement agent or justify the maximum recovery of the debt, it may decide to suspend the enforcement in less than the above time limit. After the decision to suspend enforcement has taken legal effect, the Recovery of Claims Department shall immediately file a proposal for enforcement.

Payment schedules

Based on a written request, SIA may allow debtors to pay the amounts due through a payment schedule, until 31 December 2017 for a maximum period of 18 months and from 1 January 2018 for a maximum period of 24 months. These were mainly claims for which recovery had not yet taken place. SIA could allow partial payments of outstanding amounts even if insurance contributions and other contributions were not prescribed by decision. In the case of a natural person (self-employed, voluntary payer) with an amount owed of more than EUR 5,000 and in the case of an employer with an amount owed of over EUR 15,000, SIA made the authorisation of the payment schedule conditional on securing the debt by establishing a pledge, where the value of the pledged assets had to be at least equal to the debt thus secured. In cases of non-compliance with the deadline of individual instalments, payment of a lower amount of individual instalments specified in the decision on the authorisation of instalments of outstanding amounts or non-fulfilment of the payment obligation of ordinary insurance contributions and other contributions, the entire amount became due.

Table 43: Overview of approved payment schedules in 2015-2018

Year	Permitted payment schedules		Payments (in EUR)	% of reimbursement
	Number	Amount (in EUR)		
2015	1,009	31,650,249.76	1,615,037.81	5.10%
2016	890	5,160,190.04	1,369,356.59	26.54%
2017	918	2,515,217.09	943,789.53	37.52%
2018	2,976	5,683,065.84	1,643,956.09	28.93%

Source: SIA.

Claims write-off

Every year, SIA writes off claims from its accounting and operational agenda in accordance with Sections 150 and 151 of Act No 461/2003 Coll. (SK). Of these, it records uncollectible claims in off-balance sheet accounts, which arose in accordance with legal regulations effective before 1 January 2004, with the exception of state claims, included for write-off in accordance with Section 150 of Act No 461/2003 Coll. In addition, it writes off from its records, in accordance with Act No 461/2003 Coll. and Act No 374/2014 Coll., on state claims and on amendments to certain acts, also permanently unenforceable state claims. Claims write-off makes the balance of claims of the SIA more accurate. The proposal for the claims write-off is discussed in the Supervisory Board of the SIA.

Table 44: Overview of claims written off in 2015-2018

In EUR thousand	2015	2016	2017	2018
Total claims	702,698	786,090	878,579	778,756
Of which in the off-balance sheet	42,520	43,522,	45,317	53,659,
Written off under Sections 150 and 151	24,061	30,404	30,423	39,495
Of which transferred to the off-balance sheet	2,237	1,002	1,795	8,343
Written off permanently bad debt payable to the state	5,013	142	-	356
Assigned to Slovenská konsolidačná, a.s.	79,581 (payment 2.4)	-	-	-
Assigned to Debitum, a.s.	-	-	-	354,891 (payment 187,219)

Source: SIA.

SIA began to monitor in detail the structure of written-off claims according to the reason for write-off in 2018. Arrears written off due to preclusion³⁷ (38.56%), due to the company's deletion from the Commercial Register (36.25%) and due to the fact that the debtor's obligation to repay the debt or its unpaid portion to SIA has expired on the basis of a valid court decision on debt relief constituted the largest share in the total amount of written-off arrears.

Table 45: Structure of written off claims by reason for write-off

Reason for write-off (2018)	Act No 461/2003 Coll.	Number	Volume (in EUR)	Share
Preclusion	Section 151(2)g)	18,543	15,231,222.93	38.56%
Final court order on the dissolution of the company	Section 151(2)e)	1,263	14,318,680.53	36.25%
Final court order on debt relief	Section 151(1)	1,510	6,800,371.81	17.22%
The debt could not be satisfied even by recovery from the debtor's heirs	Section 150(1)e)	342	1,349,637.07	3.42%
Final court order on the annulment of bankruptcy	Section 151(2)a) b)	23	989,064.52	2.50%
Statute of limitations	Section 151(2)h)	329	404,365.57	1.02%
Final court order after the restructuring plan has been implemented	Section 151(1)	17	376,774.16	0.95%
Excessive difficulties in enforcement	Section 150(1)d)	21	17,576.61	0.04%
Lack of means	Section 150(1)b)	11	4,835.98	0.01%
Final court order – bankruptcy rejected for lack of assets	Section 151(2)c)	2	2,857.33	0.01%
Minor debt	Section 150(1)a)	3	9.87	0.00%
TOTAL		22,064	39,495,396.38	100%

Source: SIA.

In cases of limitation of the right to prescribe insurance contributions or the right to collect insurance contributions, penalties, fines or fees for non-compliance with the obligation to report, regardless of whether the objection of limitation was recognised by the court or decision of the SIA, claims does not expire and payment will be used to settle the debt. If the right to recover claims has lapsed, the payment may not be used to pay it without confirmation from the Recovery of Claims Department. If the Recovery of Claims Department confirms that claims have expired, the Insurance Contribution Department will use the

³⁷ According to Section 148(2) of Act No 461/2003 Coll., a valid and enforceable decision may be enforced no later than ten years from the date on which it enters into force.

payment after its examination in cooperation with the Recovery of Claims Department. If the claims debt was transferred to a third party for a fee in accordance with Section 149 of Act No 461/2003 Coll. (SK) and information on the transfer is registered in the IS, claims shall cease to be a claims payable to SIA as of the transfer of the right to dispose of claims transferred to that third party. If claims written off pursuant to Section 150 of Act No 461/2003 Coll., claims have not expired and the payment will be used to settle it. If claims were written off pursuant to Section 151(2) of Act No 461/2003 Coll., claims have expired and the payment may not be used to settle it.

Assignment of claims

In addition to written-off claims, the balance of registered claims is reduced by claims that were assigned for a consideration to Slovenská konsolidačná, a.s. and Debitum, a.s.

Assignment to Slovenská konsolidačná, a.s. (Slovak Consolidation)

SIA may, in accordance with Section 149 of Act No 461/2003 Coll. (SK), assign claims payable by a natural person or legal entity whose assets have been declared bankrupt or which is in liquidation only to a legal entity with a 100% state ownership designated by the MoLSAF SR in agreement with the MoF SR. The legal entity designated by such agreement is Slovenská konsolidačná, a.s. SIA enters into a written agreement with Slovenská konsolidačná, a.s. on the assignment of claims for a consideration, within the meaning of which the right to dispose of the assigned claims passes to Slovenská konsolidačná, a.s. Following the assignment of claims, the relevant organisational units will, on the basis of a written instruction, proceed to write off claims from the accounting and operational agenda.

Assignment to Debitum, a.s.

Claims of the SIA from healthcare facilities within the competence of the MoH SR and transformed healthcare facilities are a specific type of claims, which in 2017 accounted for almost a third of all claims. In relation to claims payable by healthcare facilities, SIA did not use all available options to recover them on the grounds that *it takes into account the societal impact, which in the event of enforcement would clearly result in the overall insolvency of the healthcare facilities, and therefore it does not proceed with the recovery of claims in the form of administrative enforcement*. During the audited period, SIA contacted healthcare facilities with the option of concluding a payment schedule or an agreement on voluntary claims payment. SIA did not record any insurance contribution claims payable by private healthcare facilities.

Historically, claims payable by healthcare facilities in the Slovak Republic have been subject to debt relief by the state several times. In 2015-2018, in accordance with a resolution of the Government of the Slovak Republic, the Minister of Labour, Social Affairs and Family, in cooperation with the Minister of Health and the CEO of the SIA, ensured the assignment of claims payable to the SIA, in accordance with the conditions set out in the debt relief concept, to Debitum, a.s., with a 100% state ownership. Claims payable to the SIA were, within the meaning of Section 149 et seq. of Act No 461/2003 Coll., assigned on the basis of separate agreements on the assignment of claims concluded between SIA and Debitum, a.s. Despite the debt relief, claims still arise.

Criminal complaints

The SIA branches are obliged to report any facts indicating that a criminal offence has been committed to investigative, prosecuting and adjudicating bodies. The relevant branch of the SIA shall always file a criminal complaint in case of suspicion of a criminal offence having been committed by a natural person who is an employer or the governing body of an employer if the employer failed to pay (Section 278 of Act No 300/2005 Coll.³⁸) or withholds and fails to return (Section 277 of Act No 300/2005 Coll.) insurance contributions and old-age pension saving contributions in the correct amount for at least three months and the amount owed reached EUR 2,660 or more. At the end of 2017, SIA had a total of 25,587 filings in progress.

With regard to reports of suspected criminal offences, SIA identifies some problems in the inconsistent approach of investigative, prosecuting and adjudicating bodies (police officers, public prosecutors) to the reports (e.g., to the factual nature of the crime, to the documents submitted, to the amount owed), while court decisions differ in similar cases. The inconsistency in the procedure of investigative, prosecuting and adjudicating bodies is also reflected in the different payment discipline of insurance contribution payers.

Table 46: Performance indicators for insurance contribution administration – recovery

Recovery (numbers)	2015	2016	2017	2018
Number of employees engaged in recovery	332	337	373	373
Number of claims submitted to the Recovery of Claims Department	250,870	189,721	216,092	150,767
Number of debts being recovered per employee	756	563	579	404

Source: SIA, calculation performed by SAO SR.

The number of employees engaged in recovery increased by 41 in the period under review, while the number of claims submitted to the Recovery of Claims Department was uneven in individual years and averaged 202 thousand claims. Similarly, the share of claims being recovered per employee was unevenly distributed, reaching an average of 576 claims per year. This is caused, among other things, by the aforementioned debt relief for healthcare facilities and the introduction of administrative enforcement.

³⁸ Act No 300/2005 Coll. (SK), the Criminal Code.

6.2 Comparison and evaluation

Reporting of claims differ in both countries. The accumulated volume of claims as at 31 December 2018 was EUR 2,284 million in the Czech Republic and EUR 778 million in the Slovak Republic. In the Czech Republic, this value does not include bad debts recorded in off-balance sheet accounts and written-off claims due to completely uncollectible debt. In the Slovak Republic, this value of claims does not include the value of assigned and written-off claims. In the Slovak Republic, assigned and written-off claims are not recorded at all.

Every year, new claims related to the administration of insurance contributions arise. In 2018, the CSSA handed over EUR 370 million for recovery. The share of claims being recovered in claims payable by still registered payers in the Czech Republic averaged 47.5% in the audited period. SIA transferred EUR 471 million for recovery in 2018, which corresponds to 60.4% of the registered cumulative claims.

Recovery was carried out in various ways. In the Czech Republic, the procedure for tax administration according to the Tax Code was used primarily, and in certain cases also enforcement through an enforcement agent. The Tax Code in the Czech Republic made it possible to carry out enforcement in several ways, i.e. by ordering claims payment from the bank account, deductions from wages, ordering the payment of another pecuniary claims, selling movable and immovable property, and claiming other property rights. The CSSA can secure claims by establishing a lien on real estate. SIA did not have the opportunity to recover claims on its own and used the services of enforcement agents and agents (mandate administration). Since 2017, these options have been expanded with administrative enforcement, i.e. self-collection, which was carried out only in the form of ordering claims payment from the bank account, deductions from wages and deductions from benefits paid by SIA, thus becoming similar to the recovery process of the CSSA.

Prior to the commencement of enforcement in the Czech Republic and in the Slovak Republic, both institutions take steps aimed at voluntary claims payment. The CSSA sends to debtors a statement of arrears or a payment order stating the alternative date for claims payment. The next step in the event of non-payment of such claims may be to send a request for payment of the arrears within the specified time limit. In the Slovak Republic, the recovery process itself is preceded by the so-called "Soft Recovery" in the case of unpaid insurance contributions, i.e. automated notification via text message and e-mail.

Enforcement processes differ between the CSSA and the SIA. Due to the different approach to recovery and reporting of claims being recovered and actually recovered, it is not possible to compare the success of recovery of the CSSA and the SIA. The success of recovery on the Czech side is based on the ratio of claims being recovered and actually recovered based on enforceable titles, and in the audited period it reached an average value of 52.4%. The success of recovery on the Slovak side is based on the ratio of the amount recovered through enforcement agents, mandate administration and enforcement and the amount for which recovery has started, reaching an average of 27% for the audited period.

7. Inspections in the field of social insurance receipts

7.1 Examining compliance with the obligations of social insurance payers

In the Czech Republic

The examination of the fulfilment of obligations by employers in sickness insurance and pension insurance, including the determination of insurance contributions, was provided by the employees of the Inspection Departments of the locally competent DSSA. The actual payment of the insurance contribution and its payment by the employer was not a subject of the inspection carried out at the employer.

The examination of the fulfilment of obligations in sickness insurance included, among other things, the examination of the fulfilment of reporting obligations by the employer, upon the employee's commencement of employment, at the end of his/her employment, at the beginning of work in the Czech Republic for a contract-based employee or when changing data. It also included checking the correct assessment of participation in the insurance by the employer (i.e. whether the employee falls into the group of insured persons, etc.) and keeping the established records for the purposes of sickness insurance.

The examination of the fulfilment of obligations in pension insurance included, among other things, the examination of keeping the established underlying records for the purposes of pension insurance, or the examination of proper keeping and submission of pension insurance record sheets, during which it was checked, in particular, whether the data on the assessment base and duration of insurance provided in the pension insurance record sheets corresponded to the data kept in the underlying records, whether the employer always had one copy of the pension insurance record sheet signed by the employee stored in the records, and whether the data in it corresponded to the data in the pension insurance record sheets stored in the CSSA's claim database.

The examination of insurance contributions was focused primarily on verifying the correct determination of assessment bases and the application of the correct insurance contribution rate, whether the employee's assessment base included all income that was subject to insurance contribution payment, whether insurance contributions were reported for all

employees in all periods, whether insurance contributions were correctly rounded, or whether the percentage of the insurance contribution for the employer was set correctly.

The organisation, planning and method of performing inspections at employers were adjusted by the CSSA in the inspected period by methodological instructions. According to the methodological setting by the CSSA, the inspections could be planned or unplanned.

Planned inspections are inspections that are included in the inspection plan for a calendar year on the basis of specified conditions. The main condition is the inspection period (periodicity), which is three-year, and in that period an inspection must be performed at each registered employer. Employers who were not inspected under the plan in the relevant year are moved to the inspection plan for the following year and should be inspected in January of the following year. In a shorter inspection period, the inspection may be scheduled at an employer who fundamentally fails to fulfil the specified obligations or for whom serious shortcomings were found during the last inspection.

Unplanned inspections are inspections that need for them to be carried out in a given calendar year arose after the annual plan had been prepared. Unplanned inspections are liquidation inspections (due to the cessation of existence of the employer), when a new employer is established (if the employer fundamentally fails to fulfil the set obligations within one year of its establishment) or extraordinary inspections (unregistered employer, employer in insolvency proceedings, bankruptcy of the employer, complaint).

Course of the inspection at the employer

In the case of an employer with fewer than 26 employees, the inspection was carried out at the registered office of the DSSA or at a place designated by that DSSA; in other cases, it took place at the registered office of the employer or at the employer's Payroll Department. An inspection protocol was always prepared on the performed inspection, which documents the entire inspection process, summarises the course of the inspection and contains, in particular, the ascertained state of affairs, inspection findings and facts related to the performed inspection.

During the actual inspection, the inspectors first verified whether the data on the employer kept in the register of employers agreed with reality. They also verified the keeping of accounting and other documents, whether the employer used the assigned VS (variable symbol) identifier in contact with the DSSA, and whether and how the corrective measures imposed on the employer during the previous inspection had been complied with. If the inspectors recorded inspection findings that could be removed during the inspection, they called on the employer to remove them immediately. For breach of the employer's statutory obligations found in connection with the inspection, the DSSA could impose a fine on the employer.

If it was clear from the investigations that it would not be possible to carry out the inspection because the inspected employer did not communicate with the relevant DSSA, was inactive, was not present at the known address or the inspected employer had ceased to exist and no legal successor or heir, etc., was found, the employer was included in the register of so-called unreachable employers. In justified cases, it was possible to carry out a so-called fictitious inspection of an employer included in the register of unreachable employers, on the basis of all available documents kept at the DSSA for the relevant employer and using any other steps leading to obtaining verified facts on the employer.

Inspection plan (selection of entities to be audited, implementation of risk analysis)

During the month of January, the individual DSSAs automatically generated an inspection plan for the given calendar year from the application for inspections (KOC application SW), based on the relevant records of employers and their payroll departments. The DSSAs coordinated the content of the inspection plan with other audit bodies if this was in the interest of protecting the rights of employers and if the purpose of the inspections did not prevent it. The operational plan of inspections (usually monthly or quarterly) was prepared in connection with the personnel and technical capabilities of the DSSA, it further specified the annual plan according to priorities and changes, included unplanned inspections and contained specific tasks of the inspectors with specific deadlines.

The SAO CR found, with regard to the inspected DSSAs, that the only criterion for the preparation of the inspection plan for employers for a calendar year was the three-year audit periodicity, not the riskiness of entities, i.e. employers who fundamentally failed to fulfil the set obligations or for whom serious shortcomings had been found during the last inspection. The situation was different for unplanned inspections, where the DSSAs, after their own evaluation, selected employers who had not fulfilled their obligations during the year (e.g., they did not submit employer reports or pension insurance record sheets). Inspections at these high-risk employers were included in the operational inspection plans as unplanned inspections, together with a proportion of employers from the annual inspection plans. The share of unplanned inspections accounted for less than a fifth of the total number of completed inspections, while in most cases the unplanned inspection was carried out due to the cessation of existence of the employer. The share of unplanned inspections for which the criterion for starting the inspection was the above-described riskiness of employers was only 1.4%.

Table 47: Statistical indicators for inspections at employers

	2015	2016	2017	2018
Number of planned inspections per year	88,180	89,761	89,047	98,686
Number of planned inspections carried out in the year	87,429	85,146	81,699	79,476
Enforcement of the plan in %	99.1	94.9	91.7	80.5
Number of registered employers as at 31 December	275,716	276,951	280,748	282,522
Number of planned inspections carried out as a percentage of the number of employers in %	31.7%	30.7%	29.1%	28.1%
Total number of planned inspections completed in the year	87,325	85,059	81,634	79,359
Total number of unplanned inspections completed in the year	19,321	20,627	21,045	18,602
– of which: Number of completed unplanned inspections for the DSSA excluding the Prague Social Security Administration	17,105	17,373	16,360	14,375
– of which: Liquidation	15,265	15,879	15,161	12,937
Extraordinary	1,840	1,494	1,199	1,438
Share of liquidation inspections in the total number of completed unplanned inspections	89.24%	91.40%	92.67%	90.00%
Total number of inspections completed in the year	106,646	105,686	102,679	97,961
Number of completed inspections with findings (planned + unplanned)	22,465	27,670	24,012	22,766
Overpayments of insurance contributions detected in inspections in EUR	3,515,069	3,682,791	1,812,783	1,485,097
Underpayments of insurance contributions detected in inspections in EUR	1,645,978	3,304,025	1,506,897	1,765,415
Share of inspections with findings in the total number of inspections in %	21.1%	26.2%	23.4%	23.2%
Qualified estimate of the total number of employees in the Inspection Department carrying out activities related to insurance contribution administration	601	587	597	615
Average payroll expenditure per 1 employee of the CSSA in EUR	15,166	16,411	17,590	18,946
Payroll expenditure incurred for employees in the Inspection Department performing activities related to the administration of insurance contributions in EUR	9,114,766	9,633,394	10,501,230	11,651,790
Amount of payroll expenditure per 1 completed inspection (plan + non-plan) in EUR	85	91	102	119
Average number of completed inspections per employee of the Inspection Department performing activities related to insurance contribution administration	177	180	172	159
Average number of completed inspections with findings per employee of the Inspection Department performing activities related to insurance contribution administration	37	47	40	37

Source: CSSA, processed by the SAO CR.

In the inspection, the SAO CR found the following:

- The fulfilment of the inspection plan for the entire CSSA decreased by 19 p.p. between 2015 and 2018. The reason for this was non-compliance by the Prague Social Security Administration although 60% of the DSSAs fulfilled the plan at 100% in the inspected period and the other DSSAs mostly over 99%;
- In the inspected period, the CSSA performed a planned inspection of almost 30% of employers on average per year;
- The share of the number of inspections with a finding in all areas of breach of the employer's statutory obligations in the total number of completed inspections for the entire CSSA was on average less than 24% for the inspected period;
- Insurance contribution overpayments found in the inspected period by inspections of employers were 28% higher than arrears. The most common cause of insurance contribution overpayments was incorrect determination of the percentage of insurance contributions for an employee who participated in pension saving in accordance with Section 9(9) of Act No 426/2011 Coll. (CZ), where the employer paid pension insurance contributions for employees at 6.5% of the assessment base instead of 3.5%;
- The amount of payroll expenditure spent on one completed inspection increased by 39% between 2015 and 2018. The reason for this was not only a one-quarter increase in average payroll expenditure per CSSA employee in the mentioned period, but also a decrease in the average number of completed inspections per employee of the Inspection Department by 10%.

In the Slovak Republic

In the SIA, inspections mean examination of the compliance of the performance of the activities of the organisational units with Act No 461/2003 Coll. (SK), other generally binding legal regulations and the insurance company's internal regulations. The inspections in SIA are performed as:

- **Internal inspection carried out by the General Inspector of SIA**

The General Inspector of SIA performs an inspection of the economy and efficiency of the management of the insurance company's own property and an inspection pursuant to Act No 357/2015 Coll. (SK), on financial control and inspection and on amendments to certain acts. The General Inspector is elected and removed by the Supervisory Board of the SIA under the conditions stipulated by Act No 461/2003 Coll. The General Inspector is responsible for activities to the Supervisory Board of the SIA.

- **Financial audit**

It is carried out in accordance with the Financial Control Act, is performed by employees of organisational units of SIA and represents a set of activities ensuring verification of compliance with generally binding legal regulations and verification of economy, efficiency, effectiveness and expediency of financial operations or their parts before and during their implementation and until final settlement, achievement and maintenance of the results and objectives of those financial operations or parts thereof.

- **Internal inspection carried out by the staff of the Inspection and Complaints Department and other organisational units of the SIA headquarters**

The examination of compliance with Act No 461/2003 Coll., other generally binding legal regulations and internal regulations in the performance of the activities of the organisational units of the headquarters and branches of SIA is focused mainly on:

- Insurance contribution collection,
- Recovery of claims,
- Economics and operations,
- Calculation and payment of social insurance benefits.

- **External inspection**

By external inspection, employees of Insurance Contribution Departments examine the fulfilment of obligations stipulated by law related to the collection of social insurance contributions and old-age pension saving contributions. During the audit within the internal inspection system, the SAO SR focused on the procedure and results of the SIA in the performance of:

- Internal inspection focusing on insurance contribution collection and recovery of claims,
- External inspection.

External inspection

The aim of an external inspection is to supervise the fulfilment of the employer's contribution obligations (whether there is a reduction in the employer's contribution obligations and to determine whether there is a reduction in the assessment bases of employees), maximise available SIA resources SIA and increase income to SIA funds. An external inspection is used to perform the following:

- In particular, examination of the fulfilment of the employer's contribution obligations (insurance contributions) and old-age pension saving contributions for the period from 1 January 2004.
- In exceptional justified cases (suggestion) also examination of the fulfilment of the payment of sickness insurance contributions, pension insurance contributions, employer's liability insurance for damage in case of work accident and occupational disease, unemployment insurance contributions and contributions to the wage-guarantee fund for the period before 1 January 2004,
- Review of information for the Benefit Department.

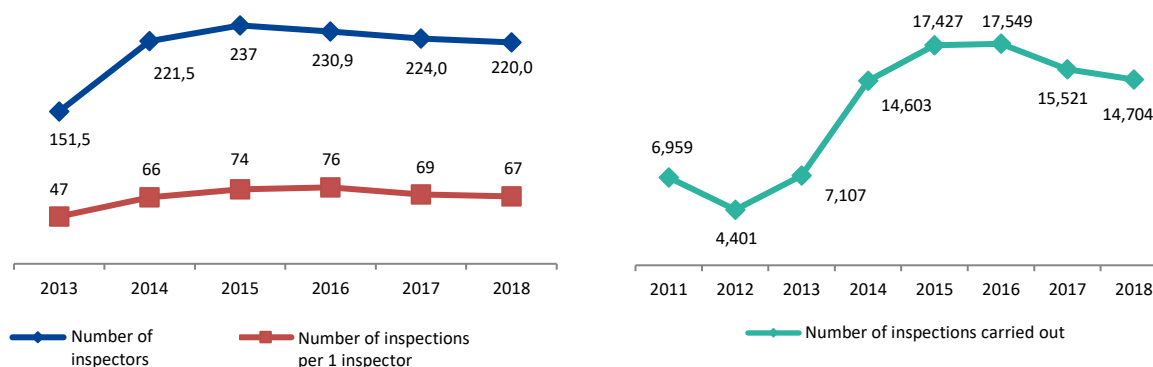
An external inspection is performed on the basis of the operational plan of external inspections of the branch, issued by the director for each SIA branch, for the first half of the relevant calendar year no later than 31 December of the previous calendar year and for the second half of the relevant calendar year no later than 30 June of the relevant calendar year. If, for objective reasons, it is not possible to carry out external inspections included in the inspection plan in the relevant calendar half-year, they shall be transferred to the plan for the following calendar half-year. Based on the risk analysis, external inspection focuses mainly on:

- Employers – debtors who have not paid insurance contributions in the amount of at least EUR 50,000, i.e. repeatedly fail to fulfil their contribution obligations and are active in their activities, or have ceased their activities in the past six calendar months,
- Problematic employers who do not submit monthly statements or do not fulfil their registration obligations (the employer did not register in the register of employers or did not register employees in the register of insured persons and savers for old-age pension saving),
- If the need for an external inspection results from the activities of the branch or headquarters, e.g.,
 - If the employer pays the insurance contributions regularly but the branch or headquarters receive the information or become suspicious that the assessment bases are reported in incorrect (lower) amounts,
 - In the case of retroactive fulfilment of the registration obligation with a delay of more than 14 days, which appears to be a suspicious registration and may be related to credit fraud or for the purpose of obtaining social security benefits, etc.,
 - At the suggestion of the Recovery of Claims Department if the debt cannot be filed for bankruptcy and restructuring (incomplete registration, failure to submit a statement),
- Suggested by an external entity, in particular:
 - The National Labour Inspectorate and the Labour Inspectorates,
 - Investigative, prosecuting and adjudicating bodies,
 - Filed by an employee of the employer.
- Employers who have not yet been subject to any external inspection.

Inspections performed based on a suggestion are often carried out outside the plan and take precedence over inspections approved in the external inspection operational plan. Out of the total number of 14,704 performed inspections, 2,431 inspections were performed outside the plan in 2018, which represents 16.53% of the total number of performed inspections, of which:

- 1,041 inspections carried out at the initiative of the Sickness Insurance, Unemployment Insurance and Wage-Guarantee Insurance Departments (42.82%),
- 1,137 inspections carried out at the initiative of other SIA departments (46.77%),
- 100 inspections carried out at the initiative of natural persons and legal entities (4.11%),
- 96 inspections carried out at the initiative of the National Labour Inspectorate and the Labour Inspectorates (3.95%),
- 57 inspections performed on the basis of other suggestions (2.34%).

SIA works closely with the National Labour Inspectorate and the Labour Inspectorates, especially in detecting abuse of the social system, under-declared and undeclared work and compliance with minimum wage claims that affect social insurance. Inspectors organisationally fall under the Insurance Contribution Departments at branches.

Chart 7: Number of inspectors, inspections and number of inspections per inspector

Source: SIA.

The highest number of performed inspections was recorded in 2016 (17,549), when there was also the highest number of performed inspections per inspector (76). The average number of inspections performed in 2015-2018 was 16,300 per year, which represents an increase of 8,033 inspections per year compared to the previous period of 2011-2014. The development of the number of inspections in the period under review reflects the real state of the number of employees in the Inspection Departments and is influenced by the performance of other activities within the Insurance Contribution Departments in solving operational tasks. The number of inspections performed is also affected by the growing legislative and procedural complexity of inspections and the extension of the inspection process. The average duration of inspections in 2015-2018 increased by 24.5 days (from 31.7 days in 2015 to 56.2 days in 2018), which represents an increase of 43.6%.

Prolongation of the inspection process is caused by the non-cooperation of the inspected entities. More and more employers are obstructing the performance of external inspection, they do not respond to sent notifications and requests, they set up virtual headquarters, they are impossible to reach, and their executive directors are nationals of other EU Member States or third countries. Inspections of employers such as temporary employment agencies, which employ natural persons under agreements concluded under the legislation of another Member State or natural persons from other EU Member States or third countries, are also very lengthy.

In 2018, 14,433 employers were inspected, which represented almost 8% of all employers, and in 2018, the correctness of insurance contribution payments and compliance with obligations to report were inspected for 317,000 employees, which represents 13.12% of all insured persons. On average, there were 23 examined insured persons per completed inspection (in 2018, the average number decreased to 22). The number of inspected months for which employers paid insurance contributions for their employees ranged from 215 to 235 per completed inspection in the individual years, which represents an average of 10 inspected months per insured person. Errors in registration sheets, monthly statements and insurance contribution statements were found in 70.74% of inspected employers.

Table 48: Errors in reports and statements

Period	2015	2016	2017	2018	Total
Number of employers inspected	*	17,074	14,378	14,433	45,885
Number of employers with errors in the registration sheets, monthly contribution statements and contribution statements	11,827	11,943	10,508	10,008	**32,459
Error rate in %	-	69.95%	73.08%	69.34%	70.74%
Number of corrected errors in registration sheets	39,431	44,079	41,915	33,979	159,404
Number of corrected errors in monthly contribution statements and contribution statements	264,673	298,099	292,598	248,339	1,103,709
Number of corrected errors in total	304,104	342,178	334,513	282,318	1,263,113
Number of corrective NPRS and ERS	68,870	85,335	88,926	71,132	314,263
Number of corrective monthly contribution statements and contribution statements	55,747	68,394	68,968	67,747	260,856

Source: SIA.

* Data were not available.

** Data do not include numbers for 2015 to avoid distorting the % of error rate.

The number of employers for whom an error rate was found and who submitted reports only during the inspection is gradually decreasing, which indicates an improvement in the discipline of employers in fulfilling their obligations to the SIA. Following the completion of the external inspections of employers, due insurance contributions in the total amount of EUR 8.2 million were prescribed by decision based on their results. The amount mainly reflects the results of corrections to the employees' assessment bases and the amount of insurance contributions from the registered statements, which had not been paid at the time of the inspection. At the same time, in connection with the performed inspections, 15,554 fines in the total amount of EUR 1.4 million were imposed and 17,981 decisions on penalties were issued in the total amount of EUR 4.1 million.

Table 49: Selected external inspection indicators (in EUR)

	2015	2016	2017	2018	Total
Outstanding insurance contributions not prescribed (balance of prescriptions in the balance sheet – not prescribed by decision)	2,219,600.66	1,234,126.29	1,585,173.53	2,019,571.56	7,058,472.04
Overpayments of insurance contributions detected in inspections (before crediting)	600,730.28	631,477.68	560,366.58	474,966.88	2,267,541.42
Underpayments of insurance contributions detected in inspections from statements (submitted before the inspection)	332,216.59	310,874.90	257,098.26	264,753.87	1,164,943.62
Amount of insurance contributions from submitted statements (at inspection)	4,906,412.17	2,163,555.45	2,911,488.74	1,924,193.53	11,905,649.89
Insurance contributions due that have been prescribed on the basis of the results of an external inspection (decisions issued)	3,077,989.62	1,990,462.73	1,448,588.77	1,655,701.06	8,172,742.18
Penalty prescribed	1,138,227.90	880,965.24	827,256.31	1,264,298.10	4,110,747.55
Fines imposed	355,733.58	343,579.55	349,401.71	357,999.03	1,406,713.87
Social insurance contributions paid	8,483,687.25	4,133,527.56	5,857,426.95	5,563,977.36	24,038,619.12

Source: SIA.

In connection with the performance of external inspections, employers paid insurance contributions in the total amount of EUR 24 million between 2015 and 2018. This amount includes payments of insurance contributions paid on the basis of decisions issued prior to the inspection and payments of insurance contributions paid on the basis of subsequently submitted and registered statements during the inspection; insurance contribution payments relate to the inspected period and were received on the SIA account from the notification of the inspection to the employer until its completion, i.e. during the inspection.

Based on the achieved results, it can be stated that the performance of external inspection by making corrections ensures the correctness of data in the SIA information systems and also contributes to higher insurance contribution collection, as employers pay owed insurance contributions or part thereof already after notification of the inspection, during the inspection or after the completion of the inspection. The largest share of completed inspections, 86.49% to 88.11%, consisted of protocol-based inspections, i.e. where violations of generally binding legal regulations were found. The share of non-feasible inspections gradually increased from 3.91% to 4.97%.

Table 50: Methods of completion of external inspections

	2015	Share	2016	Share	2017	Share	2018	Share
Protocol (with finding)	15,355	88.11%	15,178	86.49%	13,676	88.11%	12,773	86.87%
Record (without finding)	1,295	7.43%	1,685	9.60%	1,172	7.55%	1,189	8.09%
Unfeasible	682	3.91%	647	3.69%	648	4.17%	731	4.97%
No report*	95	0.55%	39	0.22%	25	0.16%	11	0.07%
Total	17,427	100.00%	17,549	100.00%	15,521	100.00%	14,704	100.00%

Source: SIA.

* Inspections for which an authorisation was issued and the inspections were notified in advance, but the inspected entity, e.g., corrected the registration before the inspection began (deregistered employees), the inspection registered internal monthly reports, etc. – mostly for employers who were impossible to reach.

If the employer does not allow the inspectors to enter its premises, perform the inspection and inspect the records of employees' incomes and other records important for the purposes of social insurance and old-age pension saving to the extent regulated by Act No 461/2003 Coll., or fails to submit documents for inspection within the specified time limit, does not create conditions suitable for inspection and does not provide cooperation corresponding to the authorisation of the inspectors, SIA may impose a fine on the employer for breach of obligations laid down by Act No 461/2003 Coll. after having considered the degree of culpability and justification. In 2015-2018, a total of 1,231 such fines were imposed in the total amount of EUR 437,201.

The Inspection and Complaints Department of the SIA headquarters also performed an inspection focused on compliance with the procedure in the performance of external inspection. In 2017, 4 inspections were carried out at the branches and, in 2018, 7 inspections were carried out at the branches. The following shortcomings were found during the internal inspection of the external inspection: failure to state mandatory information or stating incorrect information in documents related to the performance of the inspection, stating incomplete inspection findings or failure to follow the correct procedure in the performance of the inspection. To eliminate the identified shortcomings and the causes of their occurrence, the branches took measures such as informing the external inspectors about the identified shortcomings, alerting the inspectors to strict compliance with the law and internal regulations of the SIA, and establishing inspection mechanisms for external inspectors.

7.2 Comparison and evaluation

The content of external inspections of employers by the CSSA and SIA was similar. During individual inspections, the CSSA checked both the contribution obligations for all types of insurance and the fulfilment of obligations in connection with the benefit agenda (pension insurance record sheets and assessment bases for the calculation of sickness insurance benefits). The SIA focused on fulfilling the employer's contribution obligations for individual types of insurance, reducing the assessment bases of employees and reviewing information for benefit departments.

The CSSA created an annual inspection plan based on a single criterion, namely repeated inspections of the employer once every three years. This plan was the basis for the creation of operational monthly or quarterly inspection plans, which were supplemented by unplanned inspections, of which only a minimal number was targeted at risk entities. SIA planned inspections for the next half-year based on risk criteria and the plan was supplemented by extraordinary inspections based on suggestions that had priority.

When setting up the inspection plan, the CSSA inspected 30% of employers, while the share of inspections with findings was 23.5%. When targeting inspections at risk entities, SIA inspected an average of 8% of all employers, for whom the average share of inspections with findings was 87.5%. The CSSA carried out more than double the number of inspections per inspector, and yet the number of inspections with a finding per inspector was 56% higher at the SIA than at the CSSA. Due to the different setting of the method of planning, SIA inspected fewer entities, but the volume of detected arrears on insurance contributions and the share of inspections with a finding was significantly higher than in the Czech Republic. The system of CSSA's inspections affected both the workload of CSSA personnel, as well as of the employers being inspected, for whom no risk or error was found during previous inspections.

8. Computerization of insurance contribution administration

8.1 Structure and use of information systems

In the Czech Republic

The CSSA and the DSSAs managed by it, as public administration bodies, use one Integrated Information System of the CSSA (IIS) to perform state administration and to cover comprehensive areas of entrusted competence. The IIS provides support for the performance of individual activities, e.g., keeping registers and records, setting and collecting insurance contributions, administration and payment of pension and sickness benefits, provision of non-insurance benefits and medical assessment services.

Within the IIS, the CSSA managed a total of 236 applications, of which 174 were central and 62 local, with the DSSAs using 57 IT applications in connection with the administration of insurance contributions in the audited period. The CSSA spent EUR 8.3 million on their technical improvement and software maintenance in the audited period. On the establishment of one of the Czech Republic's access points for connecting other Czech social insurance bodies to the EESSI project, the CSSA spent a total of EUR 4.3 million on hardware and integration of EESSI into national applications as at 16 October 2020, including already contracted and unfinished activities.

Table 51: Amount of IT expenditure spent on insurance contribution administration in 2015-2018

	2015	2016	2017	2018
IT expenditure in EUR thousand	2,163	2,557	1,539	2,050
Total collection of insurance contributions in EUR thousand	15,332,962	16,219,285	17,650,652	19,404,678
IT expenditure per EUR 1,000 of insurance contributions in EUR	0.14	0.16	0.09	0.11

Source: CSSA, processed by the SAO CR.

In the audited period, two “*Information Concepts of the CSSA*” were effective. These materials contain basic information about the information concept, a description of the IIS, an assessment of the current state of the IIS, suggestions for further development of the IIS and intentions to expand and change the IIS.

Computerization of insurance contribution administration within the CSSA

Due to the computerization of agendas and with the aim of permanently reducing the share of manual and non-automated activities, there were changes in the level of electronic administration of insurance contributions during the audited period, concerning, in particular:

- Adjustments resulting from the requirements of methodological units and from changes in the relevant legislation;
- Centralisation of the local application DOPOJ³⁹, when from the middle of 2018 the module DOPOJ was introduced into the central application POJ⁴⁰. Although there has been a partial centralisation of application SW for administering the self-employed, the remaining self-employed application SW has not yet been fully integrated into the IIS and data from these obsolete applications have been deployed on local District Social Security Administration servers and at CSSA offices. The CSSA started the steps leading to the transfer of the agenda to the central application system POJ already in 2014 but centralisation has not yet taken place. The funds originally allocated for the centralisation of the application SW for the administration of the self-employed were used for the mandatory connection of the Czech Republic to the EESSI;
- Creation of a centralised application SW to cover the agenda of recovery of claims (from 1 January 2015);
- Preparatory work to ensure the electronic exchange of data between EU social security institutions in the EESSI system. The CSSA joined the electronic data exchange within the EESSI in time, i.e. on 2 July 2019.

The CSSA used the B2B OUT channel to connect IIS applications with services provided by external entities (e.g., Basic Registers Information System, Unified Labour and Social Affairs Information System, Central Register of Contracts, system of the General Directorate of Customs, system of the State Labour Inspection Authority, Population Registration Information System). It used this channel, e.g., to verify the registration data of payers and insured persons. Through the B2B IN channel, the CSSA provided information in the online mode (data on the insured’s employer, list of employees participating in the insurance of a particular employer, information on the status of insurance contribution claims and penalties for legal entities, confirmation of non-existence of debts, confirmation of the assessment base of self-employed pension insurance for the purpose of unemployment benefits, etc.) to public authorities.

Based on a selected indicator of the insurance contribution determination process⁴¹ for the entire CSSA, the SAO CR ascertained whether the share of manual and non-automated activities decreased permanently in the audited period, i.e. whether electronically delivered documents were also processed electronically (automatically).

³⁹ Application software for the voluntary pension insurance agenda (DOPOJ).

⁴⁰ Application software for insurance contribution administration (POJ).

⁴¹ The SAO CR selected only such indicators for which the CSSA had documented data broken down into delivery in paper and electronic form.

Table 52: Electronic communication and automated activities in 2015-2018

	2015	2016	2017	2018
Total number of employer reports in the year	-	3,408,846	3,409,413	3,432,694
– of which: Paper form of submission	1,316,900	1,045,566	884,794	785,390
Electronic form of submission	-	2,363,280	2,524,619	2,647,304
– of which: Electronically processed	2,169,397	2,258,924	2,441,660	2,547,914
Share of the number of electronically submitted employer reports in the total number of submitted employer reports in %	-	69.3%	74.0%	77.1%
Share of the number of electronically processed employer reports in the number of electronically submitted reports in %	-	95.6%	96.7%	96.2%

Source: CSSA, processed by the SAO CR.

The share of the number of electronically processed employer reports in the number of electronically filed reports increased year-on-year so that only less than 4% was manually processed in 2018, due to, e.g., their delivery to the wrong e-mail address or to a data box not intended for that purpose.

Contrary to the goal of permanently reducing the share of manual and non-automated activities, the CSSA set the method of keeping file documentation in paper form. The only exception was the keeping of one part of the employer's file⁴² if all related forms were sent exclusively electronically. In the case of a change in the local affiliation of the employer, it was necessary to physically move the file documentation between the individual DSSAs. It was thus an administratively demanding method, where the CSSA incurred expenditure on employees that would not have been incurred if the file documentation had been kept in electronic form.

Computerization of insurance contribution administration with respect to clients

At the beginning of 2015, legislation came into force, which, among other things, abolished the obligation for employers and self-employed persons to communicate with the DSSAs in the field of social security only electronically. Electronic communication thus became voluntary in the field of social security again. According to the CSSA, this was the result of the CSSA's efforts to implement a pro-client approach to submitting entities, which was based on the conclusions and results of monitoring the issue in previous years. In the audited period, the CSSA's clients could choose for themselves which of the following methods they would use to communicate with the CSSA:

- The document in paper form is delivered in person or by post to the filing room of the relevant DSSA;
- Electronic document delivered by the data box of the locally competent DSSA in common user-readable formats (PDF, JPG);
- Electronic document in a user-readable format with an attached recognised electronic signature delivered to the electronic address of the filing room (e-mail);
- E-form delivered to the relevant DSSA in the form of a data message in XML format via the ePortal.

⁴² Section "Notification of commencement of employment".

From 1 July 2019, the possibility of using electronic identity expanded, which enabled not only employers to use the services of the CSSA ePortal very easily. In the ePortal, 19 online services such as quick inquiry and request, as well as interactive forms, were made available to the clients of the CSSA. The use of the ePortal was completely free, either with the use of a data box or through the resources of the National Identification Authority. However, in 2020 there was a change in the obligation of electronic communication of employers towards the CSSA; from 1 June 2020, the employer is obliged to send employer reports in electronic form in the form of a data sentence and, from 1 September 2020, also record sheets, notifications of commencement of employment and data for the calculation of benefits.⁴³

Table 53: Use of electronic communication by clients in 2016-2018

	2016	2017	2018
Total number of reports submitted* in the year	4,475,992	4,477,155	4,505,131
– Of which: Electronic form	2,457,769	2,627,157	2,778,837
Share of the total number of electronically submitted reports in the total number of reports submitted to the CSSA in %	54.91%	58.68%	61.68%

Source: CSSA, processed by the SAO CR.

* Self-employed persons reports and employer reports.

The CSSA allowed more ways of using electronic communication and the rate of its use increased year-on-year in the audited period, yet in 2018 clients used this option only in 60 % of the reports submitted. The level of use of electronic communication depended on the willingness of the clients of the CSSA to use this form of submission.

In the Slovak Republic

SIA uses application systems which are agenda-oriented solutions and which are interconnected by a system of data interfaces for the necessary exchange of data, which means communication of the source system – target system type, or the use of web services. The operational and technical environment of the IS of SIA represents several technological (hardware and software) platforms with different age structures. Operations management is based on a functionally oriented approach, which focuses on ensuring the correct functionality of individual parts of the SIA's IS. However, this approach is characterised by a lack of focus on the delivery of IT services. These facts create requirements for maintaining data availability and integrity.

The IS of the SIA is a complex and extensive set of 48 heterogeneous information systems, which are interconnected and provide IT support for the performance of social insurance. The IS are operated and developed according to the needs of users and the primary modifications of the functionality of the main and supporting IS are directly dependent on changes in legislation, upon which SIA is obliged to incorporate the required functionality. Legislative changes and related modifications to the main and supporting information systems overlap and require time and financial resources. Problems with these information systems solutions include: (1) the absence of a single information database, and thus the risk of error and duplication, (2) insufficient interconnection of information systems and (3) the problem of

⁴³ Act No 255/2020 Coll., on the reduction of penalties from social security contributions and contributions to the state employment policy paid by employers as payers in connection with extraordinary measures during the epidemic in 2020 and on the amendment of certain acts, amended Act No 582/1991 Coll., Act No 589/1992 Coll. and Act No 187/2006 Coll.

integrations (external and internal). In its basic structure, the IS of the SIA is divided into three main groups:

1. Main information systems (5)
 - UCC IS – Uniform contribution collection information system
 - PI IS - Pension insurance information system
 - SIMA IS – Sickness insurance and medical assessment information system
 - UWGI IS – Unemployment insurance and wage-guarantee insurance information system
 - AI IS – Accident insurance information system
2. Supporting information systems (27)
3. Internal information systems (16)

SIA has been preparing and developing its individual IS for a long time, while developing or implementing several strategic materials that were created for the purpose of developing information and communication technologies or as supporting documents. One of the implementation tools for fulfilling the objectives of the *Information System Development Concept of the SIA* in the period of 2011-2016 was to be the UNITAS programme, which had been addressed at the level of the Government of the Slovak Republic since 2007. The objectives of the UNITAS programme in the area of unification of the collection of taxes, duties and insurance contributions were not implemented, on which the SIA had a minimal influence.

The solution in the sense of the *Information System Development Concept of the SIA* is the construction of one comprehensive integrated information system with a unified data register. Such an integrated information system would, in addition to the benefit for the SIA clients SIA, also be beneficial for the optimisation of the processes of the institution itself – information about clients would be available at one place. It follows from the above that the increase in efficiency and quality in supporting the performance of social insurance and insurance contribution collection, including the management and recovery of claims, cannot be achieved in the future only on the basis of continuous development of the relevant agenda-isolated application.

The SIA has currently developed and approved a *Reform Plan for the efficient services of the SIA* in the field of social insurance, the main goal of which is the redesign of services and optimisation of the SIA's processes, which will cause a change in its information systems when achieving some of its goals. Among other things, the Reform Plan draws lessons from previous initiatives, such as integration issues, the pending UNITAS, frequent changes in legislation or public procurement issues, and identifies risks, including management strategies (wide range of changes made, problematic cooperation with original suppliers, database migration, human resources, mutual cooperation of the SIA departments, etc.).

At the EU level, the SIA has been involved in the implementation of a project that will eventually replace the current paper exchange of documents with electronic communication in a structured form. The EESSI project is co-financed by the European Union within the CEF – The Connecting Europe Facility and its incorporation into SIA IS was to be completed by 30 November 2019. The project costs for all social security providers in the Slovak Republic are set in the grant at EUR 2,666,398, of which the grant provided from EU funds represents 75%, i.e. EUR 1,999,799. An examination of the functioning of the EESSI project revealed that the states had been obliged to make the access points available by 3 July 2019, while SIA made the access point of the Slovak Republic accessible and synchronised on 13 May 2019.

Table 54: Costs of SIA for EESSI (in EUR)

	Total	Administration fund of SIA	Drawn from the CEF grant advance*	Maximum expected CEF contribution**
Costs paid until 31 December 2019	1,697,236.83	1,398,099.33	299,137.50	778,071.00
– Of which the access point	460,801.37	260,468.87	200,332.50	

Source: SIA.

* CEF Telecom – Connecting Europe Facility – a tool for connecting Europe in the field of telecommunications infrastructure.

** The overall billing of CEF funds will take place in 2020 for the entire grant period.

According to the decision of the Administrative Commission for the Coordination of Social Security Systems No E7, states were to enter the implementation of the EESSI after 6 months, as soon as 80% of states were in production in the given process, which was not fulfilled by 2 March 2020. As at 31 May 2019, only health insurance companies and the Healthcare Surveillance Authority are in production within the EESSI for the Slovak Republic.

Computerization of internal processes of the SIA

The application solutions operated within the SIA's IS with their functions support practically all processes related to the performance of social insurance and the internal administration of the institution. It is characteristic that the individual systems were created in different periods and conditions (turnkey vendor applications, applications taken over from the National Labour Office and Slovak Insurance Agency, own application development). In principle, the same solution approach was chosen for all applications – a strict and unambiguous orientation exclusively at the relevant agenda. Although this meant that the performance of all processes was “fitted” into the application in order to algorithmize especially calculations and implementation procedures, no significant emphasis was placed on the potential for possible process changes, simplification, automation of activities and use of data obtained by other applications under the SIA's ISSIA. In this way, a high degree of system functionality was achieved, where, in order to achieve complexity, solutions are often algorithmized to the level of situations whose occurrence in real operation is minimal (several times a year), but sufficient interconnection of individual systems and especially uniform use of data processed in SIA was not ensured.

Computerization and digitisation within the SIA are primarily focused on agenda functionality and it needs to be improved in the area of performance and process management. The processes in the agendas of insurance contribution collection and calculation and payment of benefits show the highest degree of computerization. The process of collecting insurance contributions is 98% electronic, most documents are in electronic form, only a minimum in paper. In the agendas of management of benefits and other claims of clients, as well as in communication with clients, the degree of electronic processes and their management and monitoring is very low; paper inputs are used to a large extent, which are further processed in that form.

The collection of insurance contributions is carried out by SIA through several IS, especially through Uniform Contribution Collection (UCCSI) and Legacy IS (Legacy application SW), which with its functions supports the performance of social insurance administration.

The electronic communication environment (ECE IS) is used as a support system for the collection of insurance contributions; it is used to communicate with clients and cooperating institutions. Another support system for insurance contribution administration is the Register and Filing Management System (RFMS IS), which provides automated communication with clients through the Central Government Portal.

Table 55: Total expenditure spent on the computerisation of social insurance administration in 2015-2018 (in EUR)

Indicator	2015	2016	2017	2018	Total
Total expenditure on IS ensuring the collection of insurance contributions	4,066,889.52	4,809,741.60	11,841,240.00	6,436,448.00	27,154,319.12
– of which:					
Maintenance expenditure – flat rate	711,872.00	913,320.00	913,320.00	877,320.00	3,415,832.00
Total legislative changes	780,902.40	1,291,548.00	8,285,208.00	3,857,696.00	14,215,354.40
– In which: administrative enforcement	0.00	465,674.40	988,392.00	712,992.00	2,167,058.40
Internal change requests	2,574,115.12	2,604,873.60	2,642,712.00	1,701,432.00	9,523,132.72
1. Expenditure on maintenance and modifications of UCC IS (Uniform contribution collection)	3,100,424.90	3,718,723.20	10,783,080.00	3,693,140.00	21,295,368.10
– of which: Maintenance expenditure – flat rate	495,872.00	697,320.00	697,320.00	697,320.00	2,587,832.00
Total legislative changes	697,598.40	825,873.60	7,729,152.00	2,857,508.00	12,110,132.00
– In which: administrative enforcement	0.00	0.00	789,888.00	0.00	789,888.00
Internal change requests	1,906,954.50	2,195,529.60	2,356,608.00	138,312.00	6,597,404.10
Modification of UCC IS Phase II Amendment 10, 11 to the Agreement of 2013	462,784.62	0.00	0.00	0.00	462,784.62
Total expenditure on UCC IS including Phase II	3,563,209.52	3,718,723.20	10,783,080.00	3,693,140.00	21,758,152.72
2. Expenditure on maintenance and modifications of ECE IS (Electronic communication environment)	503,680.00	625,344.00	1,014,408.00	2,685,900.00	4,829,332.00
– of which: Maintenance expenditure – flat rate	216,000.00	216,000.00	216,000.00	180,000.00	828,000.00
Total legislative changes	83,304.00	0.00	512,304.00	942,780.00	1,538,388.00
– In which: administrative enforcement	0.00	0.00	154,752.00	655,584.00	810,336.00
Internal change requests	204,376.00	409,344.00	286,104.00	1,563,120.00	2,462,944.00
3. RFMS IS – administrative enforcement (register and filing management)	0.00	465,674.40	43,752.00	57,408.00	566,834.40

Source: SIA, processed by the SAO SR.

The SAO SR analysed the lists of contracts, invoices and orders, on the basis of which key IS modifications for UCC IS were implemented, and also in connection with the approved

amendment to Act No 2/2017 Coll.⁴⁴ with effect from 1 July 2017, which enables SIA to recover claims arising from insurance contributions, benefits, compensatory damages, fines and penalties in the form of administrative enforcement. Expenditures on the IS were caused by frequent legislative changes and, for the period under review, they amounted to a total of EUR 14,215,354 and accounted for 52%. Internal requirements, e.g., in connection with a change in services to the SIA's clients, modifications to forms or new functions resulting from user practice, accounted for 35%. Flat-rate expenditures were spent on changes in functionality, maintenance, modification and optimisation of the UCC IS and ECE IS and accounted for 13% of total expenditures. The highest volume of expenditures on the IS was spent in 2017, which was related to changes in legislation, especially the automatic creation and termination of the role of the state insured and administrative enforcement. Recalculated IT expenditure for the administration of insurance contributions accounts for 0.09% of the total collection. For every EUR 1,000 collected, the IT systems accounts for 92 cents. These can be further divided into 48 cents for legislative changes, 32 cents for internal requirements and 12 cents for a maintenance fee.

Computerization of processes with respect to the insured persons

SIA is constantly significantly expanding the range of electronic services and information provided not only to citizens but also to employers. As part of the provision of electronic services, it has set up assistance and technical support for its clients in the form of telephone lines and announcements on its website. The current information support in the area of providing electronic services to the SIA's clients is provided by the Electronic Services Portal of SIA, through which the services provided are divided according to individual areas. The most frequently used electronic services include registration sheets (NPRS and ERS), statements (monthly contribution statements and contribution statements) and electronic pension insurance record sheet. Less used electronic services are, for example, an individual account of the insured, a mobile application for pre-registration of the employee and a system of secure communication of the e-Services portal.

The client logs in to the electronic services via the website of the SIA. Employers have been communicating with SIA electronically for a long time, which is reflected in a lower administrative burden or the ability to keep file documentation electronically.

Legislative changes to the e-government law in 2016 required the addition of new functionality in the RFMS IS, i.e. automated communication with the Central Government Portal. In 2018, as part of the e-government project, SIA implemented the preparation of e-forms for individual areas and the preparation of the integration of receiving electronic submissions in the prescribed manner via electronic mailboxes and issuing electronic documents.

As part of fulfilling the tasks arising from Process Optimisation, which is to support and increase performance efficiency and client satisfaction with services, SIA, as at 1 December 2019, successfully implemented automated provision of data on registered social insurance contribution arrears through the OverSi portal solution, which significantly relieves clients as regards the submission of acknowledgments to various public authorities. In the first month

⁴⁴ Act No 2/2017 Coll., amending and supplementing Act of the National Council of the Slovak Republic No 233/1995 Coll., on enforcement agents and enforcement (Enforcement Rules) and on amendments to other acts, as amended, and which amends and supplements certain laws.

after the service was made available, 2,379 inquiries were automatically sent by the public authorities via the OverSi portal, which were subsequently handled by SIA.

Through the Central Reference Data Administration IS , administered by the Office of the Deputy Prime Minister for Investment and Informatisation, SIA implemented 9 integration plans in the position of consumer with the MoI, the MMoF, the Central Office of Labour, Social Affairs and Family and the Statistical Office, and in the position of provider with the Office of the Deputy Prime Minister for Investment and Informatisation and the MoJ. In accordance with the Anti-Bureaucracy Act, in 2019 the SIA submitted for routine use an internal application for electronic retrieval of data from the register of high-school and university students kept by the Ministry of Education, Science, Research and Sport of the Slovak Republic. SIA concluded an agreement with the MoI on the provision of state data centre services, which is effective from 29 June 2018. The forthcoming project, Efficient Data Management in SIA, proposes the use of a government cloud and other common components.

8.2 Comparison and evaluation

The CSSA managed one information system and used a total of 57 applications for insurance contribution administration. SIA had a total of 48 different information systems and one of the five main IS, Uniform Contribution Collection IS, was key for insurance contribution administration.

The total average recalculated costs for the CSSA's information systems were 13 cents for each EUR 1,000 collected and, SIA for SIA, 92 cents for each EUR 1,000 collected (of which 48 cents for adjustments caused by changes in legislation, 32 cents for internal system improvements and 12 cents for maintenance).

The processes associated with the administration of insurance contributions in the Czech Republic were at a lower level of computerization than in the Slovak Republic. The CSSA kept the employers' file documentation in paper form, which it physically moved between branches when the employer's local affiliation changed. Within the SIA, all processes, the flow of documents and the electronic files were computerized.

Employers in the Slovak Republic have a long-standing obligation to submit forms electronically; in the Czech Republic, the obligation to submit electronic forms on behalf of employers was set only in 2020. Until then, the use of electronic communication was voluntary (e.g., in 2018, 77% of employer reports were submitted in this form of communication).

Both the CSSA and the SIA obtained data for the administration of insurance contributions from the e-government registers. The CSSA used these data in the registration process to verify the data obtained from payers. SIA used them for the insurance contribution administration registration process so that SIA did not have to obtain them from clients in duplicate.

9. List of terms and abbreviations used

ARMS	<i>Automated Register Management System</i> (information system)
CNB	Czech National Bank
Contribution statement	Statement of insurance contributions and other contributions
CSSA	Czech Social Security Administration
DOPOJ	Application software for the voluntary pension insurance agenda
DSSA	District Social Security Administrations, Prague Social Security Administration and Municipal Social Security Administration Brno
ECE IS	<i>Electronic communication environment</i> (information system)
Economically active population	People who are part of the “workforce”, whether employed or unemployed
EESSI	Electronic exchange of social security information
Efficiency of insurance contribution administration	Efficiency of payroll resources spent on the administration of insurance contributions
Employer report	Insurance contribution amount report
ERS	Employer Registration Sheet
FA CR	Financial Administration of the Czech Republic
FD SR	Financial Directorate of the Slovak Republic
FTE	<i>Full Time Equivalent</i> - the equivalent of one employee for the period of one year.
Insured’s account	Individual account of the insured person
IS	Information system
IS APEET	<i>Information system for automatic assignment of enforcement agents to enforceable titles</i>
IT	Information technology
KOC	Application software for audit

KPI	Key performance indicators
MoF CR	Ministry of Finance of the Czech Republic
MoF SR	Ministry of Finance of the Slovak Republic
MoH SR	Ministry of Health of the Slovak Republic
MoI	Ministry of Interior of the Slovak Republic
MoJ	Ministry of Justice of the Slovak Republic
MoLSA CR	Ministry of Labour and Social Affairs of the Czech Republic
MoLSAF SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
Monthly contribution statement	Monthly statement of insurance contributions and other contributions
MoTC SR	Ministry of Transport and Construction of the Slovak Republic
NBS	National Bank of Slovakia
NP	Natural person
NPRS	Natural Person Registration Sheet
NSA	National Security Authority
PAYG	<i>Pay as you go</i> – system of continuous financing with intergenerational redistribution
POJ	Application software for insurance contribution administration
REGOB	Population register
RIA	Regulatory Impact Assessment
SAO CR	Supreme Audit Office of the Czech Republic
SAO SR	Supreme Audit Office of the Slovak Republic
Self-employed report	Income and expenditure report
SIA	Social Insurance Agency in the Slovak Republic
Single collection point	<i>Single point of collection</i> (information system)
SIS	Slovak Information Service
TR	Tax return
UCC IS	Uniform contribution collection information system
WGIF	Wage Guarantee Insurance Fund

10. Annexes

Annex 1: Legal framework for insurance contribution administration in the EU

- **Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems** lays down rules for the coordination of national social security systems falling within the framework of free movement of persons, raising living standards and improving employment conditions. It applies to nationals of a Member State, stateless persons and refugees residing in a Member State who are or have been subject to the legislation of one or more Member States, as well as to their family members and survivors. This Regulation applies to all legislation in the field of social security benefits (effective from 20 May 2004).
- **Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems** modernises the rules for the coordination of Member States' social security systems and specifies their implementing measures and procedures and simplifies them for the benefit of all parties concerned. Many of the measures and procedures set out in this Regulation aim to ensure greater transparency as to the criteria that Member States' institutions must apply under Regulation (EC) No 883/2004, including ensuring that workers migrating within the EU are in all circumstances covered by the social security system and are not forced to pay contributions in two countries at the same time (effective from 1 May 2010).
- **Regulation (EU) No 1231/2010 of the European Parliament and of the Council of 24 November 2010 extending Regulation (EC) No 883/2004 and Regulation (EC) No 987/2009 to nationals of third countries who are not already covered by these Regulations solely on the ground of their nationality.** It extends to third-country nationals, to members of their families and to their survivors if they are legally resident in the territory of a Member State and are in a situation which is not limited in all respects to a single Member State.

- **Regulation (EU) No 465/2012 of the European Parliament and of the Council of 22 May 2012 amending Regulation (EC) No 883/2004 on the coordination of social security systems and Regulation (EC) No 987/2009 laying down the procedure for implementing Regulation (EC) No 883/2004** regulates the concept of “home airport” for flight and cabin crew members under EU law. It clarifies cases where a person works in two or more Member States (performing a “substantial part” of work), and provides benefits under specified conditions also to self-employed frontier workers who become wholly unemployed.
- **Commission Regulation (EU) No 1224/2012 of 18 December 2012 amending Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems and Regulation (EC) No 987/2009 of the European Parliament and of the Council laying down the procedure for implementing Regulation (EC) No 883/2004** regulates the concept of “home airport” for flight and cabin crew members under EU law. It clarifies cases where a person works in two or more Member States (performing a “substantial part” of work), and provides benefits under specified conditions also to self-employed frontier workers who become wholly unemployed.

Annex 2: Procedure of the SAO CR in calculating the qualified estimate of the number of employees performing activities related to insurance contribution administration

Only those employees who directly performed activities related to such administration were included in the qualified estimate of the number of employees involved in the administration of insurance contributions. The SAO CR did not include in the estimate employees performing management and support activities and employees of the CSSA headquarters handling, e.g., requests for remission of penalties or requests for cooperation coming from abroad/sent abroad because the number of acts performed by them represents only a marginal volume of the total performed insurance contribution administration acts. In calculating the qualified estimate of the number of employees, the SAO CR relied on the registered numbers of employees listed by the CSSA, broken down by individual District Social Security Administration departments and individual years according to the following parameters:

- Pension Insurance Department – no employee of this department was included in the qualified estimate of the number of employees performing activities related to the administration of insurance contributions;
- Sickness Insurance Department – all employees of this department were included in the calculation for District Social Security Administrations with a separate insured register and employer register department; for District Social Security Administrations where this separate department does not exist, the number of employees of the department was reduced by a ratio excluding employees in charge of sickness insurance;
- Insurance Contribution and Benefits Accounting Department – all employees of the department were included in the calculation;
- Self-Employed Department – the calculation included the number of employees in the department reduced by a ratio, which excluded employees dealing with the sickness insurance agenda, which represents decisions on benefits and recourse compensation, from the total number of employees in the department;
- Audit Department – all employees of this department were included in the calculation for District Social Security Administrations with a separate audit department performing only external audit of employers; for District Social Security Administrations where this separate department does not exist, the number of employees of the department was reduced by a ratio excluding employees performing benefit approval (i.e., internal audit of sickness insurance benefits);
- Insurance Contribution Recovery and Enforcement Deductions Department – the calculation included the total number of employees of this department for District Social Security Administrations with a separate insurance contribution recovery department; for District Social Security Administrations where this separate department does not exist, the number of employees of the department was reduced by a ratio excluding employees performing enforcement pension deductions.

Annex 3: Development of the number of payers in the Czech Republic and the Slovak Republic in 2015-2018

		2015	2016	2017	2018
Czech Republic	Total number of employees carrying out activities related to the administration of insurance contributions	2,944	2,895	2,939	3,004
	Total number of payers	1,054,143	1,056,764	1,070,297	1,086,958
	Number of payers per 1 employee of the CSSA carrying out activities related to the administration of insurance contributions	358	365	364	362
Slovak Republic	Total number of employees carrying out insurance contribution administration	1,656	1,634	1,674	1,677
	Total number of insurance contribution payers	403,105	401,172	403,006	411,036
	Number of insurance contribution payers per 1 employee of the SIA carrying out insurance contribution administration	243	246	241	245

Source: for the Czech Republic - CSSA, for the Slovak Republic - SIA, processed by the SAO CR and the SAO SR.

Note: In the Czech Republic, the total number of payers includes the number of employers in the register, the number of self-employed persons paying pension insurance advances, the number of self-employed persons voluntarily insured with sickness insurance, the number of persons voluntarily insured with pension insurance and the number of self-employed persons voluntarily insured with pension insurance.



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