



Ministarstvo rada
i mirovinskoga sustava

**COMBATING ERROR, FRAUD AND
CORRUPTION IN SOCIAL PROTECTION IN
THE REPUBLIC OF CROATIA FOR THE 2015-
2020 PERIOD**

16 March 2015

SOCIAL PROTECTION SYSTEM MODERNIZATION PROJECT

- COMBATING ERROR, FRAUD AND CORRUPTION -

In the **social protection system**, procedures are implemented and monetary entitlements are disbursed – so there is a **risk of error, fraud and corruption (EFC)**

- The Croatian Government is committed to combating EFC in order to improve the efficiency and cost-effectiveness of the social protection system
- Within this framework, a Project was arranged with the **World Bank** for the adoption of a **Strategy to combat EFC in the field of social protection in the Republic of Croatia (2015-2020)**, which will encompass:
 - **process of certification and performance audits**
 - **right to disability pension**
 - **right to children's allowance**
 - **right to guaranteed minimum benefit**
 - **inspectorial oversight of labor legislation enforcement**

SOCIAL PROTECTION SYSTEM MODERNIZATION PROJECT

- COMBATING ERROR, FRAUD AND CORRUPTION -

Establishment of a **Working Group** consisting of experts from:

1. the Ministry of Labor and the Pension System (**MLPS**)
 - **Independent Sector for Audits and Medical Certification**
 - **Labor Inspectorate**
2. Ministry of Social Policy and Youth (**MSPY**)
3. Croatian Pension Insurance Institute (**CPII**)
4. Institute for Disability Certification, Professional Rehabilitation and Employment of Persons with Disabilities (**IDCPREPD**)
 - The Working Group prepares the Draft Strategy, which is based on the **platform of World Bank experts** – and develops the materials according to the established structure with the aim of achieving the 10 set objectives, setting forth from the conditions and possibilities in the Republic of Croatia
 - Based on the strategy that will be adopted by the Croatian Government, the **Action Plan** for its implementation will be drafted to specify the measures and deadlines and establish the **unified process methodology** for inspections/implementation control

EFC CONTEXT – EXISTING RISKS

RISKS IN THE CERTIFICATION AND AUDIT PROCESS

- **Medical documentation is prepared in another system, i.e. in the health-care system**
- The procedure is launched at the suggestion of a selected MD, as according to his/her **assessment** he/she is no longer qualified
- The job description of the insured beneficiary is completed by the employer – **risk of incorrectly or inaccurately** completed forms
- **Insufficient qualifications** of IDCPREPD experts
- **Unreliable or inaccurate medical documentation** not observed by the MLPS expert

EFC CONTEXT – EXISTING RISKS

CAUSES OF UNDUE DISBURSEMENT OF DISABILITY PENSIONS

- Errors were made in the process of medical certification and **pensions are paid** to which a beneficiary is **not entitled**
- The pension beneficiary does **not report a change** which impacts payments (certification of life, power-of-attorney, change of address)
- Beneficiary receives **two or more pensions**
- Beneficiary finds **employment** in Croatia/abroad
- **Untimely cessation of disbursement** of pension after beneficiary's death

CAUSES OF UNDUE DISBURSEMENT OF CHILDREN'S ALLOWANCE

- Beneficiary provides **inaccurate/erroneous data**
- **erroneous or incomplete data** entered in CPII's database
- Untimely **notification** of changes in status of beneficiary or household member (change in income level, number of household members, employment/change of job)

EFC CONTEXT – EXISTING RISKS

LABOR INSPECTORATE

- Currently the Labor Inspectorate is linked to only a single portion of the CPII's database, while it has no links at all with the databases of other institutions
- Exchanges of data between all relevant bodies must be established, which would contribute to the more rapid and efficient performance of inspectorial oversight, i.e., in the field, the labor inspector would have information on whether a person receives monetary benefits but was found engaged in illegal (unregistered) labor, about which the labor inspector would immediately notify the relevant authority
- Human capacity must be reinforced, as this would contribute to simplified planning of a higher number of targeted inspections in order to uncover illegal labor

EFC CONTEXT – EXISTING RISKS

EXISTING RISKS IN THE SOCIAL WELFARE SYSTEM

- disbursement of undue benefits insofar as the beneficiary of monetary entitlements **provides inaccurate data** tied to household members, possession of assets that would bar exercise of this right or if such individual **fails to report a change in income** or pension or a change tied to a household member that impacts the level of monetary benefits or the entitlement itself
- when exercising the right to social welfare based on disability, fraud is possible where this pertains to **ascertaining the health of the beneficiary/certification** and in the non-uniform work of experts employed for certification in the IDCPREPD

EFC CONTEXT – EXISTING CONTROLS

CONTROLS IN THE IDCPREPD

- existing controls depend on manual/visual verification of the authenticity of medical documentation received from the systems with jurisdiction over the exercise of rights and the knowledge of experts during the examination of persons being certified
- possibility of referring persons for individual medical and other examinations in the institutions with which the IDCPREPD has signed agreements on referrals for control examinations
- all certifications in the first phase for the necessary exercise of rights in the war veteran welfare system must be subject to confirmation of findings and opinions by the second-rank council (council of several experts),
- all “positive findings and opinions” on the assessment of qualifications are subject to audit by the MLPS
- expertise-based evaluation is done in councils consisting of a minimum of 2 experts/senior experts, of whom one (the chair) is a specialist in a specific branch of medicine, another member is an expert from another field (social worker, psychologist, speech therapist), and as needed the council is expanded to include specialists from the necessary branches of medicine

EFC CONTEXT – EXISTING CONTROLS

CONTROL IN THE MLPS INDEPENDENT SECTOR FOR AUDITS

- a certified auditor assesses the findings and opinions of IDCPREPD experts/senior experts
- if deemed necessary, an insured beneficiaries may be referred to a medical institution or medical specialist for an examination or additional testing
- control mechanism for review of medical documentation
- possibility of clinical examination of insured beneficiaries and additional verification in the relevant institutions arranged by the MLPS

EFC CONTEXT – EXISTING CONTROLS

PREVENTION OF DISBURSEMENT OF UNDUE DISABILITY PENSION

- **oversight and control** of complete/partial loss of ability to work
- **suspension of payments** if the beneficiary does not provide the requested data/documents
- as of 2012, the Public Administration Ministry provides data (on death, tax id. no., citizen id. no., name and surname)
- during 2014, data exchanges established for information on death from foreign agencies in Slovenia and Serbia
- verification of electronic records on domicile/residence with the Interior Ministry
- database of insured beneficiaries and service users mutually linked
- monthly and **targeted verification** of beneficiaries by means of deletion (risk criteria, same name and surname, etc.)
- after detection of undue disbursements and adoption of a formal resolution on improper disbursement, a **recovery procedure** is launched for improperly disbursed pensions (extrajudicial and judicial)

EFC CONTEXT – EXISTING CONTROLS

PREVENTING DISBURSEMENT OF UNDUE CHILDREN'S ALLOWANCE

- all necessary facts for the exercise of rights are obtained by formal means from the records of the relevant institutions: National Tax Administration, CHII, CES (monetary unemployment benefits), social welfare centers (monetary benefits), e-Registry records on regular schooling of children

LABOR INSPECTORATE

- 120 labor inspectors investigate potential violations of labor regulations
- the relevant authorities (MLPS, CPII, CHII, CES, etc.) are notified of illegalities observed during inspections

EFC CONTEXT – EXISTING CONTROLS

SOCIAL PROTECTION SYSTEM

- **Internal oversight** of the legality of labor, professional work and quality of rendering social services is conducted by the social welfare institution
- **Inspectorial oversight** of the application and enforcement of laws, professional work in social welfare homes, community service centers, household assistance centers and other legal and natural persons that engage in social welfare activity is conducted by inspectors from the MLPS (5 senior inspectors conducted 168 inspections in 2014).
- In **administrative oversight**, particular attention is accorded to the legality of operations and procedures, resolutions in administrative matters, efficiency, cost-effectiveness, and the purposiveness of operations, and it is conducted by the authorized officers of the MLPS. In 2014, 6 civil servants conducted 16 comprehensive inspections and 16 extraordinary inspections in social welfare centers, and one senior administrative advisor conducted administrative oversight of the operations of 19 local governments.

STRATEGY TO COMBAT EFC

- PRIMARY STRATEGIC ACTIVITIES -

1. Improving accountability

Responsible authority: MLPS – ascertain the **unified process methodology and standards** and coordinate activities with the Independent Sector for Audits and the Labor Inspectorate tied to EFC

Responsible authority: CPII – **establish jurisdiction** and areas of operation between the unit in charge of control and oversight of disability pensions and children's allowances and the Internal Oversight unit

Responsible authority : IDCPREPD – alignment of certification criteria, education, setting of **accountability levels**

Responsible authority : MSPY – establishment of a **clear delineation of accountability** between the MSPY organizational units

STRATEGY TO COMBAT EFC

2. Enhance preventive action

Responsible authority: MLPS – statistical analysis of data gathered from completed inspectorial oversight/audits

Responsible authority : CPPI – audit of valid instructions, rules and protocols, raising awareness of staff by means of seminars and meetings

Responsible authority : IDCPREPD – monitoring of ‘incoming findings’ from the health-care system and ‘outgoing findings’ from the IDCPREPD system

Responsible authority : MSPY – raising awareness by informing the public of legislation, procedures and social programs

STRATEGY TO COMBAT EFC

3. Establish a procedure for efficient detection and deterrence

Responsible authority : MLPS – education of certified auditors for more efficient detection and deterrence of EFC

Responsible authority: CPPI – establishment of an expert team to analyze previous activities and propose measures to intensify them, and to propose **amendments to regulations**

Responsible authority: MSPY – raise awareness of civil servants charged with recognition of monetary benefits on methods to combat EFC through workshops and the **development of staff manuals**

STRATEGY TO COMBAT EFC

4. Enhance detection capacity

Secure sufficient resources, which means - to the extent possible - increasing the number of inspectors and certified auditors and expanding their responsibilities and authority, improving cooperation and exchanging information

5. Improve detection techniques

Further computerization of the system and streamlining of operating processes, use of analytical models, establishment of a documentation management system, development of protocols, expansion and linking of databases

STRATEGY TO COMBAT EFC

6. Allocate resources to detection

Responsible authority: Labor Inspectorate – targeted inspections of illegal (unregistered) labor

Responsible authority: MLPS Independent Sector for Audits – monitors “signals” for concentrations of certain diagnoses in areas/by health-care workers/specialists

Responsible authority: MPSY – align social welfare statistics with official statistics of the Republic of Croatia

7. Improve monitoring

Gathering and analysis of data, linkage with other databases, systematic reporting

STRATEGY TO COMBAT EFC

8. Improve deterrence

Responsible authority: MLPS – consider the **need to amend regulations** in order to improve deterrence of EFC

Responsible authority : CPII - inform insured beneficiaries/service users of new possibilities for data-matching with other institutions, and the results of completed recovery of undue disbursed pensions

9. Reinforce detection capacity

Responsible authority: MLPS – additionally educate a select group of statistical analysts, procure suitable analytical software

Responsible authority : MSPY - secure a **sufficient number of civil servants** for inspection and inspectors, enhance staff of the independent sector for second-rank procedures in the MSPY

STRATEGY TO COMBAT EFC

10. Ensure cost-effective detection

Responsible authority: CPII – based on an analysis of collected data, conduct controls within the framework of legal authority among specific groups of insured beneficiaries/service users according to observed concentrations of EFC in individual branch services/CPII offices and in cases in which there is reasonable suspicion of EFC

Responsible authority: MLPS – make use of the results of risk analysis in completed inspectorial oversight and audits for the purpose of implementing **targeted inspectorial oversight**/selection of “**risky**” cases

ULTIMATE OBJECTIVE

A developed error, fraud and corruption control system that encompasses measures to combat, detect, deter and monitor and to use information technology and analytical models, with the aim of timely determination of improperly assigned entitlements, disbursed undue benefits and unregistered labor.

THANK YOU FOR YOUR ATTENTION!

