Activity of the Internal Audit Department of the Estonian Health Insurance Fund in Auditing Payment of Benefit for Temporary Incapacity for Work

Summary

The State Audit Office (SAO) assessed the activities of the Internal Audit Department (IAD) of the Estonian Health Insurance Fund (EHIF) in auditing the payment of the benefit for temporary incapacity for work. The purpose was to find out whether such activities ensure sufficient management of the risks that may occur in benefit payment.

The SAO determined that the internal audit methodology enables efficient inspection of the appropriateness of benefit payment. It provides sufficient guarantee that benefit payment by the EHIF is expedient in the main. The IAD based its activity as much as possible on the internal control systems, including the audits by the staff calculating the benefit for temporary incapacity for work and by the data controllers as well as the audit reports drawn up by the trusted physicians. The percentage of errors discovered by the IAD was not significant, referring to the adequate operation of the internal control system of the EHIF.

The findings show that the risk is the greatest with the employers' calculations of the average income per day and self-employed persons' tax arrears. The percentage of errors discovered in these areas showed an increase. However, by the time of the audit, the Health Insurance Fund had provided a means of comparing all insured persons' salary data that the benefit for temporary incapacity for work was based on to the Tax Board data, which should reduce the above-mentioned risks in the future.

The IAD has audited benefit payments to the prescribed extent. Due to the introduction of new information systems, the audits by the staff calculating the benefit for temporary incapacity for work and by the data controllers were poor in May and in the fourth quarter of 2002. The IAD continued its audits as scheduled without responding to the temporary weakness in the internal control. Thus there may have been some inappropriate payments that have not been discovered.

The internal audits concerning medical issues have not been able to significantly reduce the risks that arise in connection with the work of medical institutions or family physicians, and the quality of certificates of incapacity for work issued by them. The trusted physicians' work was inspected by the medical internal auditors to a smaller extent than intended.

The IAD had no overview of the payment of one subtype of the benefits for incapacity for work – personal damage caused by a traffic accident. Besides, there was no obligation for the IAD to audit this. The lack of overview disabled the Supervisory Board to perform a more efficient supervision on the appropriateness of payments in this area. The previous management of personal damage did not provide the certainty that it was only the justified claims that were covered by the health insurance money.

The SAO recommended the EHIF to order the IAD to perform an additional audit on the appropriateness of benefit payment in the periods when the internal control system was not able to operate efficiently and discover errors. As to the payment of benefits with regard to traffic accidents and the inspection of benefit reconstruction, the SAO recommended to specify the duties and activities of the IAD in this field.

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The Chairman of the Management Board of the EHIF informed the SAO in its reply that the recommendations have been discussed on the Supervisory Board of the EHIF. The reply remarks that although the internal control was poor in May and in the fourth quarter of 2002, it is not expedient to carry out additional audits on the benefit for temporary incapacity for work when taking into account the relatively small weight of this benefit type in the Health Insurance Fund budget. To make the activity in the field of traffic damage more efficient, the Health Insurance Fund intends to draw this activity into a single department. The next work plan of the IAD includes auditing also in that area.

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The SAO agrees to the arguments and the measures proposed by the Management Board and the Supervisory Board of the EHIF. The SAO suggests the IAO to respond to the changes in the control

system of the Health Insurance Fund in a more flexible way, in order to be able to ascertain the inexpedient benefit payments at all times.

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