



Social Security Reform Co-operation Project  
中国－欧盟社会保障合作项目

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# Technical Note

on

## Management reviews and Auditing in Social Security

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EUSE

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The second Annual Workplan for Component 2 of the EU-China social security reform project provides for, under its Business Processes cluster, the organization in each of the beneficiary Provinces (Shandong, Jilin, Hunan, Sichuan, Gansu and Beijing) of one Managers' training session on Management reviews and auditing (activity 2.14).

This Technical Note is intended at "setting the scene" for the activity, i.e. at providing background information on what management reviews and auditing are about in a typical social security context, so that beneficiary authorities and the EUCSS Reform project (C.2) may design in more details a suitable training programme and identify qualified consultants to conduct the training.

Under its Human resources cluster, Component 1 of the same EUCSS Reform project has developed a number of activities and training modules intended at Central and Provincial high level social security managers, which objective was to prepare the ground for such managers to fully apprehend the complexity of their tasks in monitoring proper social security developments and governance within their purview.

The C2 activity on Managers' training for management reviews and auditing is to fully take into account works already accomplished by C1 in related areas, and the present Note indeed incorporates some of the corresponding works<sup>1</sup>.

## ***1. Basic definitions***

A **management audit** is the systematic assessment of methods and policies of a firm's management in the administration and the use of resources, tactical and strategic planning, and employee and organizational improvement. Its objectives are to (1) establish the current level of effectiveness, (2) suggest improvements, and (3) lay down standards for future performance. Management auditors (employees of the firm or independent consultants) do not appraise individual performance, but may critically evaluate the senior executives as a management team.

A **management information system** (MIS) represents an organized approach to the study of information needs of a management at every level in making operational, tactical, and strategic decisions. Its objective is to design and implement man-machine procedures, processes, and

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<sup>1</sup> See notably JV Guat, Report on Human resources forecasting in Chinese social security AWP 2007-08 Activity A1HR2, February 2008 and Report on Themes to be addressed in high level capacity building seminars for provincial policy makers AWP 2008-09 Activity A2CB1, July 2008.



routines that provide suitably detailed reports in an accurate, consistent, and timely manner. Modern, computerized systems continuously gather relevant data, both from inside and outside the organization. This data is then processed, integrated, and stored in a centralized database (or data warehouse) where it is constantly updated and made available to all who have the authority to access it, in a form that suits their purpose.

The management audit – or management review – helps in building up the management information system. Conversely, the management information system is of critical importance in the design and implementation of management audits and reviews.

## ***2. What is a management review?***

A management review consists of the checking of a system performance against a previously accepted standard. It is not an individual but a collective performance evaluation. However, the quality of management can also be tested on this occasion

### **Why is it required?**

For efficient use of public money – for clients' satisfaction – for fulfilling the institutional mission of the Organization

### **What are the prerequisite?**

Availability of: Baseline data – Benchmarks – Data collection – Comparability methodology

### **When to conduct a review?**

A review can be: Systematic – Ad Hoc – Upon request – When confronted with difficulties

### **How to prepare?**

Establish team – Document the review (TOR) – Inform target staff in general terms

### **Which outputs?**

A management review usually results in the production of a report which includes a Diagnosis – Guidelines for corrective action – Proposals for a permanent monitoring process

### **What is to be reviewed?**



The experience shows that social insurance management review are not substantially different from any other trade management insurance review. It includes the main questions affecting Governance of social security institutions (Why you do what you do the way you do it)<sup>2</sup>

A full set of tools is available from <http://www.management-audit.com/> for free downloading.

### **3. Areas for a social security management review**

Areas for review include: Administrative practices – Personnel management – Outputs and deliverables

#### **Administrative practices**

The Control Environment	Review management commitment and sense for sharing values
Organisation	Review structure in terms of matching the objectives; clarity in definition of responsibilities
Management Information	Review availability of data, communication of data, utilization of data
Planning	Review existence of objectives and goals, related workplans and objectives; allocation of responsibilities; monitoring process
Risk Management	Review management risks awareness; existence of risk management strategy; robustness of business processes, fraud and error prevention programmes, insurance coverage provisions
Legal Department	Review implication of legal Department in all the affairs of the organisation; access by management to legal services; procedures for representation in case of litigation; information dissemination of legal implications of new initiatives and
Regulations and Compliance	Review compliance with all existing technical rules and regulations in force; incorporation of rules and regulations in daily procedures including non technical; periodical re-training of staff exposed to new rules and regulations; dissemination of rules and regulations and compliance requirements to all interested parties; tools to measure compliance levels, follow up on compliance
Media, Public and External Relations	Review quality of public image of the organisation; channels and procedures to deal with media and public information; management familiarity with media techniques; relations with local communities and other stakeholders; publications production and dissemination policies and practices

#### **Personnel management**

<sup>2</sup> See Jean-Victor Gruat, Notes on Social security Governance: In-Focus Areas, EUCSS Reform Project 2, AWP II 2009-10, Activity 2.8, October 2009



Human Resources Department	Review quality requirements expected from staff to be recruited; career developments prospects and preparation for promotion; policies supporting staff retention, evaluation, rewarding, promoting and sanctioning; compliance with labour and social regulations; existence, functioning and objectives of social welfare programmes; existence and functioning of social dialogue mechanisms; comparison with outside employers in similar fields
Recruitment	Review efficiency in prospecting and recruitment procedures; transparency in achieving decisions; comprehensiveness and matching with actual job requirements of job descriptions; evaluation of newly recruited staff
Manpower & Succession Planning	Review anticipation of staffing needs – qualitative and quantitative; coaching of successors by out-going staff; training of incumbents for successful succession; adaptation of staff needs and qualification to evolving techniques, clients' requirements, scope of personal coverage and changes in legislation
Staff Training and Development	Review targeting of training and human development resources; overall and occupational training plans and curricula; faculty recruitment; staff needs and expectations
Staff Appraisal & Disciplinary matters	Review staff performance monitoring; link between performance and career development; follow up on staff errors and mistakes; mechanisms to avoid absenteeism; assignment of individualised goals and objectives to each manager and staff member; mechanisms to ensure fairness and transparency of appraisal mechanisms; facilities available to staff for

### Outputs and Deliverable

Quality Control	Review quality management devices in force; commitment of management to quality enforcement and checks; quality management indicators, objectives, targets and follow up; impact of working methods and organizational patterns on achieving desired quality standards; effectiveness and efficiency of inspections and review methods and follow up procedures
Law and Regulatory Compliance	Review awareness by management and staff concerning all relevant legislation and regulations business operations and assess those for legal and regulatory implications; definition and allocation of responsibilities for addressing the different requirements and circumstances; availability of professional advice on legal matters in order to select the optimum solutions
Maintenance	Review contractual and other provisions in force for maintenance and replacement of equipment and machinery; skills, availability and intervention planning of maintenance staff; economic and social opportunity of outsourcing maintenance operations; procedures for identification, justification, recording, authorisation and accounting for



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## 4. Measurement tools – the Management information system

To be meaningful, a management review / management audit needs to have established baseline data, against which to evaluate a situation, formulate benchmarks and monitor progress.

These baseline data are indicators. Typical social security indicators are those listed in table 1 hereafter.

**Personal coverage indicators** relate to numbers insured, contributing, in receipt of benefits that have to be put in relation with more global data concerning respectively the total population, the active population and the population of potential beneficiaries.

**Benefits indicators** distinguish between long term cash benefits (mostly pensions), short term cash benefits (e.g. unemployment compensation payments) and medical care.

**Financial indicators** cover revenue, expenditure, balance and investment interventions of the scheme(s) being considered.

**Management indicators** relate to the variety of operations conducted within social security organizations, viz. actual registration records – of workers, of employers and of self-employed persons; contributions collection; benefits processing; enforcement; complaints; public relations: and, staff performance and level.

Other indicators focus on clients' satisfaction, which is also an important component for management reviews.

Typical information to be collected, either through direct sampling of workflows or via questionnaires distributed to “clients” should address the following preoccupations:

- How simple is it to be recognized as a “client” when approaching social security?
- How quickly does the social security institution respond to clients' requests?
- How long does it take for a client to complete a submission and gather all required documents?
- How cumbersome are the processes imposed upon enterprises because of compulsory registration?
- How transparent is the record keeping process, and how satisfactory is the information made available to clients?
- How accurate is the process for computing benefits?



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- How expeditiously are benefits being paid?
  - How complex are after payment requirements?
  - How reliable are periodic checks on entitlements?

A list of indicators representing clients' satisfaction is reproduced in table 2 hereafter.

## **5. Benchmarking**

To be fully useful, management reviews have to evaluate the actual situation against benchmarks. Those need to be realistic, and should be established in consultation among all line managers and with staff members. Benchmarks have to be realistic, otherwise they lose all relevance. They should not be too loose; however, complacency is not a proper management method. Benchmarks have to include both quantitative and qualitative components.

The workload to be accomplished by staff members should in particular be very carefully evaluated taking into account the working environment (and its degree of computerization) and the actual procedures to be implemented. It is recommended that a fair average workload (targeted productivity) be established after due consultation with the staff members concerned – and that this workload be revised periodically.

Management Reviews should also be seen as providing an opportunity for identifying factors that may lead to overall improvements in productivity and output quality.



**Table 1 - Typical social security indicators**

<b>Indicators</b>		<b>Definition</b>
<b>Personal coverage Indicators</b>		Number of persons insured Number of the insured as contributors Number of benefit recipients Number of persons as targeted population for coverage Number of working-age persons as targeted for coverage Number of persons as targeted potential beneficiaries
<b>Benefits Indicators</b>	<b>Long-term Cash Benefits</b>	Relation average benefit and pre-benefit low and high-income groups. Average benefit as a percentage of poverty line.
	<b>Short-term Cash Benefits</b>	Relation average benefit and pre-benefit low and high-income groups. Average benefit as a percentage of minimum wage or poverty line. Average days in which the beneficiary has received benefit payments Proportion of UI beneficiaries having exhausted their entitlement
	<b>Health Care</b>	Real reimbursement rates' comparison (income groups) Real reimbursement rates' comparison (spending groups) Co-payment rates' comparison (income group) Co-payment rates' comparison (spending group) Utilization rates' comparison (income group) Average days of inpatient treatment Average cost of inpatient treatment
<b>Financial Indicators</b>	<b>Revenue</b>	Total revenues Contributions as a percentage of the total Subsidies as a percentage of the total Investment incomes as a percentage of the total
	<b>Expenditure</b>	Total expenditure Total expenditure as a percentage of the total revenue Benefit payments as a percentage of the total expenditure Administration costs as a percentage of the total expenditure Marketing costs as a percentage of the administration expenditure
	<b>Balance</b>	Total annual balance Total accumulated reserve Accumulated reserve as a percentage of the current year expenditure
	<b>Investment</b>	Total investment Total investment as a percentage of GDP Total investment as a percentage of domestic capital market Portfolio of investment Average return rate Average return rate as a percentage of the market rate
<b>Management Indicators</b>	<b>Registration</b>	Registration rate (employer) Registration rate (worker) Registration rate (self-employed workers)
	<b>Income Collection</b>	Contribution collection rate
	<b>Benefit processing</b>	Ratio of the total claims submitted to that processed Average days from claim submission to the first benefit payment issued
	<b>Enforcement</b>	Detected / registered ratio (employers, workers, independent workers; in number) Detected / registered ration (employers, workers and independent workers; in %) Detected under-declared contributable earnings Detected / recovered contribution Detected / recovered contributions as a percentage of the total contribution Detected / recovered benefit deceit Detected / recovered benefit deceit as a percentage of the total benefit expenditure
	<b>Complains / Appeals</b>	Total complaints / appeals raised Total complaints / appeals settled Average days from submission to settlement
	<b>Public Relation</b>	Consultation ratio
	<b>Staff Capacity</b>	Average clients per staff member Average claims processed per staff member Share of the staff having university or higher degree Share of the staff trained so far Average remuneration as a percentage of that of the public sector



**Table 2 – Social Security Clients' satisfaction Indicators**

AREA	INDICATOR	CORRELATE WITH
Accessibility	Nb. of social security offices	Distance from clients, public transports access, opening hours
	Nb. of front desk staff	Nb. of clients to serve, nb. of social risks (branches) to be addressed
	Nb. of clients received	Nb. of clients to serve, per category of client
	Nb. of communications received	Nb. of files treated, per type of communication
Equal Treatment	Nb. of claims received	Nb. of clients, nb. of staff handling claims
	Nb. of claims treated	Nb. of claims received, nb. of insured persons for related risk
	Nb. of claims rejected	Nb. of claims received – <i>to be positive, this indicator should show a negative trend</i>
	Nb. of post benefits requests handled	Nb. of benefits awarded or in award, nb. of beneficiaries
Professional Approach	Nb. of staff trained	Total nb. of staff – per job, per level. <i>Refers to prospective methods for human resources forecast</i>
	Nb. of staff in contact with clients	Nb. of clients, per type. Nb. of claims received or treated. Nb. of requests handled. Nb. of communications received
	Nb. of outside inspections	Nb. of outlets to visit per type ( <i>hospitals, social care, vocational training, banks, tax authorities, enterprises ...</i> )
	Nb. of desk audits	Nb. of departments, sections, offices ... to be audited, nb. of complaints received
Learning processes	Nb. of quality reviews conducted	Nb. of social security offices, nb. of outside contact points for clients, nb. of enterprises
	Nb. of complaints received	Nb. of clients, nb. of benefit claims handled, nb. of communications received – <i>to be positive, this indicator should show a negative trend</i>
	Nb. of survey questionnaires received	Nb. of clients, nb. of benefit claims, nb. of questionnaires issued
	Nb. of public relations campaign launched	Nb. of outlets for contacting clients, nb. of enterprises registered, nb. of administrative units covered
	Nb. of statistical indicators monitored	Types of clients, types of beneficiaries, types of risks covered