

# Audit of AHV/IV pensions paid out abroad

## Central Compensation Office

### Key facts

---

The Central Compensation Office (CCO) is the Confederation's implementing body for first-pillar social security. Its supervisory authority is the Federal Social Insurance Office. The CCO is responsible for paying out old-age and survivors' insurance (AHV) and disability insurance pensions to people living abroad: nearly one million pensioners and more than CHF 7 billion a year (17% of the total AHV and disability insurance pensions paid out in Switzerland).

Mindful of the importance of the issue of insurance fraud, the CCO started to develop a strategy to combat abuse and fraud back in 2018. In view of the amounts involved, the Swiss Federal Audit Office (SFAO) examined the mechanisms developed to prevent the payment of undue pensions and, in the event of errors, to recover the money in question.

In 2020 alone, the CCO managed to recover around CHF 74 million of the CHF 81 million unduly paid out. Despite these figures, the findings of this audit show a need to modernise and digitalise the CCO's tools and to ensure better analysis of the data available. The processes for recovering undue amounts need to be clarified for monitoring undue payments, recoveries, abandoned cases and non-recovery. Finally, the CCO should check the financial conditions with banks, as well as the handling of complaints in the case of pension payment routing errors. This would potentially generate savings of CHF 15.6 million for pensioners.

#### **Tools need to be modernised and data needs to be exploited**

The CCO has tools for verifying entitlement to a pension. Some of them are obsolete and need to be digitalised. This is the case in particular with the notification of errors to the Central Pensions Register and the one million certificates of life (CERVIE) sent in paper format. Nevertheless, the CCO's processes ensure that benefits paid to pensioners living abroad are generally justified. The database of deaths is a powerful tool for checking whether insured persons are still alive. In 2021, the database was operating with only four countries. The use of certificates of life continues to dominate. It is essential to digitalise them in order to automate the verification of pension claims.

At the end of 2022, the CCO plans to make an online eCCO portal available for its AHV/IV beneficiaries to facilitate their usual dealings. This project should take account of the eVera register of Swiss citizens abroad, to ensure that Swiss people do not have to enter their details twice.

Another necessary development involves exploiting the abundant data available to the CCO. This would make it possible to improve the detection of cases at risk of abuse and to identify patterns of behaviour indicating a high probability of insurance fraud.

#### **Mixed results for the CCO's anti-fraud priorities**

File processing involves a variety of verification procedures. These checks are not always carried out uniformly, and different sections have different criteria for forwarding cases to the anti-fraud teams. As a result, few suspicious cases are referred to the AHV and disability

insurance anti-fraud teams, and even fewer are recognised as fraudulent. Closer cooperation between and within the divisions would make anti-fraud efforts more effective.

Since 2016, out of an average of 920,000 pensions paid per year, 464 cases of suspected fraud have been referred to the AHV anti-fraud section. The cases handled rely on a single expert in combating insurance fraud and are usually complex. It takes time to process them: 40% of the suspected cases were still pending at the beginning of 2021. There is a risk of dependency and of only one person having all knowledge. Of the 283 AHV cases processed, 136 were found to be fraudulent.

Regarding disability insurance, out of nearly 29,000 recipients of main pensions, the anti-fraud section received 539 files – most originating from denunciations – and only 111 of these were *confirmed* to be fraudulent. This raises questions about the criteria for detecting and identifying cases. However, the proportion of detected and confirmed cases is higher than that for disability insurance beneficiaries living in Switzerland.

The legal framework allows for the necessary controls and investigations. Observations abroad are rare and their usefulness is not well demonstrated in view of the tools available online. The agreements signed with third countries provide real added value for the anti-fraud teams, as they allow for the exchange of information between countries, especially if the agreement contains an article on fraud. Five countries are currently involved.

#### **Undue pension payments quickly recovered, except in the case of fraud**

The SFAO regrets that little use is made of the returnable amounts dashboard to monitor the recovery of undue payments. The CCO should be able to present the amounts unduly paid, recovered, abandoned and irrecoverable according to the reasons for repayment, including cases of fraud. The SFAO believes that the processes for recovering undue pension payments need to be clarified for all divisions.

Most of the undue benefits concern very small amounts, which are recovered easily and quickly. Recovery is generally more difficult in the case of fraud, and the possibility of appeal by the beneficiary lengthens the procedures.

#### **Excessively high margins reduce beneficiaries' pensions**

The SFAO found major differences between the three financial intermediaries – Post-Finance, Banco Santander and Banca Popolare di Sondrio – particularly with regard to the high margins charged by the banks, the handling of complaints and the recovery of undue pensions. The CCO should analyse the conditions with these banks and renegotiate them if necessary.

**Original text in French**