Legality of payment of subsistence benefits

Summary of audit results

The present opinion is a summary of the audit project in the course of which the payment of subsistence benefits was audited in three local government entities - in the cities of Tallinn, Kohtla-Järve and Narva.

As a large amount of resources is allocated from the state budget for subsistence benefits and the area is endangered by abuse and improper use, the audit was conducted primarily to obtain a picture of whether the benefits are paid purposefully and whether sufficient control measures are applied to prevent non-purposeful use of finances.

In 2001, which was the audited period, the payment of subsistence benefits was regulated by one legislative article (Article 22 of the Social Welfare Act). With its regulation the Government of the Republic had stipulated only minimum requirements.

As the central conclusion of the audit, the State Audit Office found that, in the bodies of local government which were audited, sufficient measures to prevent non-purposeful use of subsistence benefits had not been applied. The benefits had been received by many persons who did not qualify for them or had not provided documentary proof of their entitlement.

The more widely spread cases of abuse involved the payment of benefits without any proof of expenditure on residence, without data on the members of the applicants' families, as single instances of material support, or to cover the arrears of previous periods. Benefits had also been paid to persons without a residence permit, although only permanent residents of Estonia qualified for the benefits. Benefits had also been received by persons without permanent residence, although these cases did not constitute the covering of expenses on permanent residence, as defined in the rules of the subsistence benefit.

In many cases the payers of the benefits had failed to collect and check information necessary for making the payment and ascertain the right of the applicant to receive the benefit. Thus part of the applicants had received the benefits very easily, by claiming merely that they had no employment or income and that they were thus not able to survive in life.

As the decisions on the payment of subsistence benefits and the information constituting the basis for such decisions had in several cases not been documented and preserved, it was not possible to assess the legality and sufficiency of the operations of the payers of the benefits.

As the right of certain target groups to receive the benefits was not clarified, the local government bodies did not check the information more thoroughly. It was easier for them to disburse the benefits, rather than carry out additional checking, as in the long run such checking might not necessarily have helped greater clarity to be achieved. From the point of view of purposeful use of the finances of the state, such practice is to be condemned.

Follow-up checks over the payment of subsistence benefits were extremely inconsistent. Yet the Social Welfare Office of Narva had used the existing sanctioning mechanisms well and illegally disbursed benefits were also claimed back in court.

The Ministry of Social Affairs was aware of the shortcomings in the payment of subsistence benefits and regarded as a solution the new Social Welfare Act, adopted at the end of 2001. As of 2002, this act gives local governments more extensive rights in deciding the allocation and payment of subsistence benefits.

The State Audit Office finds that as the responsibility of the local governments in the payment of subsistence benefits increases, they must apply more efficient measures to manage the risks accompanying the benefits.

On the basis of the results of the audit, the State Audit Office made several proposals to the local government bodies that were audited. The more significant of these proposals are the following:

- To collect and check a sufficient amount of information before each disbursement to ascertain the right of the applicant to receive the benefit.

- To define uniform procedures for the payment of subsistence benefits, which would be based on the principles of separation of duties, documentation of activities and distribution of responsibility.
- To document decisions and the information constituting the basis of decisions and preserve in files all requisite initial documents, to make it possible subsequently to assess the legality and sufficiency of the operations of the payer of the benefit.
- To terminate payments of subsistence benefits in cases where the application is not sufficiently grounded or the benefit is not payable on the basis of the rules of payment of subsistence benefits (benefits to provide material assistance, benefits to cover arrears of previous periods).
- To terminate payments of subsistence benefits to residents of rehabilitation centres and shelters for the homeless and to consider possibilities to provide assistance to such people from other sources.
- To enhance internal control over the payment of subsistence benefits.

Proposals to the Ministry of Social Affairs

To consider submission of amendment proposals to the act, which would specify the notion of permanent residence used in the allocation of subsistence benefits, also the conditions to be satisfied by contracts of rent in order to qualify for the benefit.

Jüri Kõrge
Head of Department of Audit of Operational Risks