Assessment of the risks related to the payment of childcare allowances

Summary of audit results

The audit assessed the risks related to the grant and payment of childcare allowances. The period under audit was the year 2001.

The reasons giving rise to the audit were the large amount of money allocated from the state budget for financing the childcare allowances and the fact that this allowance concerns many people. The audit aimed to determine whether the regulatory framework related to the grant and payment of childcare allowances is adequate and clear, and to assess other risks related to these allowances and the availability and functioning of measures necessary for their prevention.

The National Family Benefits Act, which entered into force of January 1, 2000, regulated the grant and payment of childcare allowances. On January 1, 2002 the new National Family Benefits Act entered into force, but it did not amend the conditions of granting and the amount of the childcare allowance.

According to the said Act nine types of family allowances were granted in 2001:

1. childbirth allowance;
2. child allowance;
3. childcare allowance;
4. single parent's child allowance;
5. conscript's child allowance;
6. school allowance;
7. allowance for a child, who is under guardianship or foster care;
8. start in independent life allowance;
9. allowance for families with four or more children and families raising triplets.

In 2002 another type of allowance was added - the adoption allowance.

The childcare allowance is paid to persons, who permanently reside in Estonia, or aliens, who have a valid temporary residence permit. The beneficiary is entitled to the childcare allowance, if the family raises:

- a child of up to 3 years of age;
- a child of up to 3 years of age and further children, who are 3 to 8 years of age;
- three or more children, who are 3 to 8 years of age.

In addition to the parent, the guardian or foster parent, who has entered into a written foster care contract, is entitled to the childcare benefit. If a person other than the parent benefits from the parental leave, this person shall receive half of the childcare allowance on a monthly basis, whereby the parent shall not benefit from the childcare allowance. The parents of a child staying in a social welfare institution are not entitled to this allowance.

The audit gave rise to the following significant conclusions:

- the audited Pension Boards have documented the process of granting and paying the allowance in an adequate manner, thus ensuring the transparency of the decision-making process. No material deficiencies were detected in the grant and payment of this allowance;
- there are two unmanaged risks:
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    - the risk that the childcare allowance is paid even if the child stays in a social welfare institution on a permanent basis: the Pension Boards have no facilities for constantly checking such information;
    - the risk that the childcare allowance is paid to a non-citizen, who does not have a valid residence permit.

The following proposal was addressed to the Ministry of Social Affairs: to introduce controls ensuring that the allowance is paid to non-citizens only if they have a valid residence permit and preventing the payment of allowances to the parents of children placed in social welfare institutions.

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