Assessment of risks related to the payment of single parent's child allowances

Summary of audit results

In 2001 the SAO audited the grant and payment of single parent's child allowance in Tallinn and Pärnu Pension Boards in order to find out whether the regulatory framework related to the allowance is adequate and clear and whether measures have been taken to avoid abuse and misuse, and to detect possible cases of abuse and misuse.

The reasons giving rise to the audit were the large amount of money allocated from the state budget for financing the singe parent's child allowances and the fact that this allowance concerns many beneficiaries. In 2001 some 22,000 people received altogether 88 million kroons in the form of the said allowance.

The National Family Benefits Act, which entered into force of January 1, 2000, regulated the grant and payment of single parent's child allowances. On January 1, 2002 the new National Family Benefits Act entered into force, but it did not bring about any significant changes in the grant and payment of the allowance. It should be noted that earlier the entitlement to the allowance belonged to the parent, but according to the new Act this entitlement now belongs to the child of a single parent.

According to the said Act nine categories 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 a further allowance category was added - the adoption allowance.

The National Family Benefits Act applicable in 2001 provided that permanent residents of Estonia and aliens having a valid temporary residence permit, who are single parents raising a child of up to 16 years of age or a child of up to 19 years of age enrolled in basic school, upper secondary school or vocational school, are entitled to the single parent's child allowance. It furthermore provided that this allowance is paid also to:

- a mother, if no entry has been made concerning the father in the birth registration of the child or an entry has been made on the basis of a statement by the mother;
- a parent, if the other parent is declared to be a fugitive in accordance with the law;
- a guardian or a caregiver with whom a written foster care contract has been signed.

The single parent's child allowance could not be paid to a parent of a child staying in a social welfare institution on a permanent basis.

The new Act applicable from the beginning of 2002 lays down the same requirements, the only difference being that the beneficiary is the child. The parent is no longer required to raise the child alone, or in other words, the child retains the entitlement to the allowance even if the parent has remarried - the spouse of the parent (even if a co-habitee) is no longer required to maintain the child. The former did not have this obligation anyway, since the Family Law Act did not impose such an obligation on him/her.

In order to audit the grant and payment of single parent child's allowance an audit sample was taken from the beneficiaries and, on a random basis, 300 beneficiaries, who received altogether 100,000 kroons, were audited. The sample included 36 beneficiaries, in whose case the other parent no longer was a fugitive, 39 beneficiaries, in whose case paternity had been established, 87 beneficiaries, who had produced a certificate from the school, 45 beneficiaries, who had produced a temporary residence permit, and 14 beneficiaries, whose child had been put in a social welfare institution.

Although the number of cases of misuse detected by the audit was not significant, the detected risks were of a material nature. If those risks occur, it is very likely, that the allowance is unduly paid over a long period.

Observations

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. In almost all cases the allowance was granted and paid in the right amounts to those entitled to it. The audit did not detect any cases of payment of the allowance to a person not having a child. However, there are a number of unmanaged risks jeopardising the purposeful payment of the allowance:

- the allowance is paid even if the other parent is no longer a fugitive;
- the police is not searching for the parent who has been declared to be a fugitive by the bailiffs under the Code of Enforcement Procedure;
- the single parent's child allowance is paid to a non-citizen not having a valid residence permit;
- the allowance is paid even if paternity has been determined in a court of law or a Vital Statistics Office;
- the single parent's child allowance is paid even if the child stays in a social welfare institution on permanent basis;
- the certificates issued by the education institution are inaccurate, i.e. the child is no longer enrolled.

The SAO finds that the people have been adequately informed about the conditions of receiving the single parent's child allowance - information is available in the Internet on the homepage of the Social Insurance Board and from the Pension Boards.

Proposals

In the light of the above observation the SAO made the following proposals to the Minister of Social Affairs:

- to introduce control measures in order to avoid the payment of the single parent's child allowance to non-citizens not having a valid residence permit;
- to add a provision to the National Family Benefits Act that would require the courts of law and the Vital Statistics Offices to notify the Pension Boards of cases of determination of paternity;
- to preclude the payment of the single parent's child allowance in case the child stays in a social welfare institution - e.g. to provide that such institutions must furnish information on the child's stay for the purposes of the National Pension Insurance Register;
- to add a provision to the National Family Benefits Act that would require the educational institutions to notify the Pension Boards of changes in the data concerning educational engagement;
- to see to it that the Pension Boards recover the family benefits unduly paid as detected by the audit (altogether 58,050 kroons).

The SAO addressed a proposal to the Minister of Justice to modify the regulatory framework to remedy the controversial situation where the bailiffs declare debtors to be fugitives, but the police authorities consider the search to be a task beyond their authority. In this case the single parent's child allowance is paid formally correctly during the so-called search period, although in reality no authority is searching for the debtor.

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