Arrangements for the payment of school milk support

Executive summary

School milk support is paid since 2001 through the Agricultural Registers and Information Board (ARIB). The purpose of the support is to get students used to drinking milk and having a healthy diet and thus to foster the consumption of milk and milk products produced in Estonia. The bodies applying for the support are commune or city governments, but the target group is made up of students of the first to fourth grade of municipal and private schools. In 2002 some 10.6 million kroons were paid as school milk support and, according to the plans, 14.1 million kroons will be paid in 2003.

Main findings

The payment of support to the students of state schools is not regulated. Given the purpose of the support, the SAO finds that the form of ownership of a school should not be a decisive factor in getting the support and that the target group should include state schools as well. The Ministry of Agriculture has started to change the regulatory framework to extend the possibility of applying for the support also to those state schools where catering is not fully financed from the state budget.

The applications must be delivered to the ARIB before the start of the relevant quarter of the academic year. Since in most schools the number of students is not known 15 days prior to the start of the new quarter (especially at the beginning of the academic year), the actual number of students differs from that given in the application. In some schools the difference is as much as 30 children. Therefore, a school may receive less or more milk support than actually needed. As the funds are first transferred to the local government bodies, the latter have, in agreement with the ARIB, adjusted the amount of support given to individual schools in accordance with the changes in the number of students. The ARIB makes the allocates the support amounts to individual applicants on the basis of a directive, which lists the original amounts provided to each school. To ensure comparability between reports and applications, the support amounts granted to schools must match the corresponding data held by the ARIB. The SAO finds that local government bodies should not be allowed to adjust the amounts given to schools without the written permission of the ARIB.

The amount of the support given for the purchase of milk provided to a student is 1.5 kroons per school day, regardless of the number of school days when milk or milk products are served. The support money not used during a certain quarter of the academic year is used for the purchase of milk in the next quarter. The data furnished by the Tallinn City Government implies that most schools did not use the support funds in full. Since no netting arrangements are applicable between the ARIB and the applicants, the ARIB does not have an overview of unspent amounts. The schools are not required to refund and the amount of the balance is of interest to the schools mostly. In some cases the balance has been as much as two thirds of the annual amount granted to the school. The SAO finds that netting between the applicants and the ARIB should be carried out at least once during a financial or academic year. This way the ARIB would get an idea of the unspent amounts and the balances could be taken into account when granting support for the following year. In the opinion of the SAO the scope of internal control was inadequate: when a report is received, the ARIB does not always compare or check the data, neither does it verify that the school is in operation or how many children study there. If the application is approved, the ARIB transfers the whole amount of the support to the applicant’s bank account, but not before the report on the quarter before the last is received. The legislation does not specify the school’s reporting obligations. The audit allows concluding that all the audited local government bodies have required schools to produce reports, which they have used for preparing their own reports to the ARIB.

In the opinion of the SAO the purpose of the support and the sanctions are in conflict: the purpose is to increase the consumption of milk by children, but the implementation of sanctions does not serve this purpose.

Main proposals to the Minister of Agriculture

- To consider amending the legislation so that the ARIB would be required to take account of the amounts left unused in the previous accounting period by reducing the new support amount correspondingly.

- To request amending the Government Regulation so that the local government bodies would be required to notify the ARIB in writing of changes in the number of children receiving school milk,

since the amounts of school milk support are determined on the basis of a directive separately for individual schools.

- To request the modification of sanctions specified in the Government Regulation so that the next application will not be approved, if the support is not used for the intended purpose, but the school owner must ensure the provision of school milk to students, thus covering the expenses from its own budget.

- To consider the need of initiating the amendment of the Government Regulation to provide for the schools' reporting obligations and responsibility.

Main proposals to the ARIB

- To establish rules of procedure, which would provide for the obligation to compare the report with the application and to determine the reasons for any differences.

- To verify that the applications are in a due form and that the original applications are always furnished.

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In his response, the Minister of Agriculture announced that he agrees with the positions of the SAO. However, he points out that the system applicable in Estonia was developed in the light of the concept of advance payment of school milk support, thus leaving aside the principle of reimbursement of expenditure. Consequently, given that Estonia will accede to the EU in less than six months and that the EU School Milk Regulation (providing for the ex post payment of the support) will be directly applicable from the date of accession, it would not be reasonable to change the current Estonian School Milk Regulation in such a large extent. Measures have already been taken to include the students of state schools in the group of beneficiaries.

The person acting in the capacity of the Director General of the ARIB announced in his/her response that he/she has issued a directive setting out the tasks of departments involved in the process and that this directive adequately serves the function of rules of procedure.

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