Allocation to the Red Cross

Audit Report No 2-5/03/145 of 23.08.2004

Summary

The State Audit Office audited the use of funds, allocated to Estonian Red Cross from the state budget. Estonian Red Cross (hereinafter ERC) is a non-profit organisation joining volunteers. The audit focused mostly on the expedience of the use of the allocation and its relations to the public interests.

The state used the state budget allocation with the purpose to contribute to ERC's fulfilment of its provisional functions. According to the Gambling Tax Act, 3.9% of the receipts of gambling tax should be allocated to ERC. In 2003, ERC received 6.78 million kroons.

The present activities of Estonian Red Cross have been somewhat hidden from the public. Nevertheless, the ERC's potential in social work and provision of emergency services is large and they have long-term experiences. The network of local societies (in total, 16 societies) has been developed for the implementation of activities in counties.

The State Audit Office found out that the activities of ERC were aimed at the fulfilment of statutory functions. Activities were developed in regions where there was demand for the services offered by ERC and the other types of assistance available to individuals belonging into risk groups were not sufficient. As the result of the audit the State Audit Office finds that the Ministry of Social Affairs could manage the use of funds by ERC with more expedience, using the action plan devised by the latter and a contract to be concluded.

ERC had not set out clear expenditure groups or opened the substance of its activities in the budget and application for funding, submitted to the Ministry. From the other hand, the Ministry did not require it. Also, the Ministry of Social Affairs did not require ERC to submit the action plan for a current year.

In addition to the allocations, ERC could discharge its stationary functions on account of its own funds. When budgeting, the decision-makers had no idea whatsoever of the own funds accompanying the projects. ERC alleged that the own funds gained from the projects could not be estimated. It is the opinion of the State Audit Office that by supporting projects receiving their own funds – for example, the organisation of first-aid courses – a situation could be created where ERC has some competitive advantages compared to the other provides of similar services.

The most important function of ERC is the provision of assistance to needy persons. The volume of assistance provided depends by local societies. In local societies audited the activity level of operations depended, above all, on if and whether the local authorities allocated some additional funding to the societies. The criteria for providing assistance were not specified more accurately by the societies. Payments were made for school lunches, day camps, etc.

Activities related to health and prevention serve as another important statutory function of ERC. Audit revealed that the volume of work of this type was not remarkable in local societies. The expectations of the Ministry of Social Affairs for ERC to use volunteers in preventative activities were much bigger.

A relatively new trend in the activities of Estonian Red Cross is to prepare volunteers helping professional rescue workers in emergency situations. Tartu group has experienced this kind of work in practice; in other societies audited the activities of this type were not very actively practiced. The Ministry of Social Affairs had not analysed whether the state should support the preparation of volunteers in all the regions or would it be enough is well-supplied groups were only acting in larger towns.

Approximately one half of state budget allocations was used to cover the operational expenditures of the central ERC office and local societies.

The cost accounting practice applied by ERC did not make distinctions between the expenditures made on account of the allocation and own funds. This created problems with the assessment of reports, as there was no adequate information to proceed from.

The State Audit Office made the following main proposals to the Minister of Social Affairs:

- In case of projects earning their own funds, to require ERC to show its own contribution when applying for funding from the state budget;
- To require ERC to comply with the contract and observe the budget;
- To develop a concept for acting in case of emergencies in cooperation with the Red Cross, this would help to give more purpose to respective activities of the Red Cross while making the cooperation with rescue structures more efficient;
- To add a separate provision, requiring the entity receiving the allocation to keep separate records on the utilisation of allocation funds.

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Answers given by the Minister of Social Affairs

The Minister assured that in future, ERC is required to improve the planning of activities and, where necessary, make timely amendments to the budget, accompanied with the justification of the respective amendment. The contract shall be amended by adding a provision concerning ERC's own funds. A separate provision, requiring ERC to keep separate records on the utilisation of allocation funds, shall be inserted into the contract.

Action plans are being devised under the management of the Ministry of Internal Affairs for acting in situations of emergencies; after the specification of the process ERC shall be involved in the development of the concept.

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Answers given by Estonian Red Cross

Estonian Red Cross informed that the organisation has discussed the draft audit report and the Head Office of Red Cross has passed an appropriate decision to eliminate the omissions. The Red Cross still considers it important that the allocations are being used in harmony with the statutory functions.

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