Organisation of payment of study allowance

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Summary

The aim of study allowance is to ensure access to higher education and to motivate pupils and students to study full time and successfully and to complete the study programme in the nominal period. The system of study allowance was implemented in fall semester 2003 when EEK 54 234 500 was foreseen in the state budget for study allowances and scholarships. In 2004 EEK 162 735 500 was foreseen in the state budget for study allowances and in 2005 EEK 203 265 700. The aim of the SAO was to estimate implementation of the system of study allowance and legality of payment of allowances. The SAO did not estimate the effect of implementation of the system of study allowance.

The main observations

The SAO is of the opinion that specific rules for payment of study allowance have to be provided by the law as study allowance is the state allowance. Situation where educational institutions, according to the legislation, are left free to regulate many of the issues connected with payment of study allowance, creates inequalities among students and increases the risk that the allowance is not paid in conformity with its aim.

As a result of the fact that the Ministry when assigning study allowance to the educational institutions according to the law, takes into account student places formed on the basis of state commissioned education or student training places financed by the state, and, when planning allowance for fall semester as well as with the first year students who cannot apply for allowance for this period, educational institutions are left with surplus of study allowance, the use of which is not regulated. This in turn creates a situation where educational institutions do not use the money, meant for study allowance, in conformity with foreseen funds. The SAO is of the opinion that if every educational institution, according to the legislation, has to distribute the funds of study allowance proportionately between the curricula that have the student training places financed by the state or the student places formed on the basis of state-commissioned education, then the later payments have to correspond to this distribution. At the same time the SAO admits that in a situation where the Ministry distributes the money in a way leading to formation of a surplus as a result of distribution of money on the basis of coefficient, it is difficult for educational institutions to do something about it. From the fall semester 2005 the schools are entitled to, if the fund’s money is not totally used, direct it freely to the other funds. This will deepen unequal treatment of students even more.

As in the state budget 2005 the money foreseen for payment of scholarships and travel fare concessions and study allowances was on the same budget line and because the money meant for scholarships and travel fare concessions for spring semester was not used up, additional money was left for educational institutions for study allowance in the fall semester. Although educational institutions used the money to pay study allowances in conformity with the guidelines, but the money was paid to the students who were not entitled to it. Altogether approximately EEK 1 million were paid in such a way by the audited educational institutions.

There were problems with application and assignment of the supplementary allowance in all the audited educational institutions. It became apparent that supplementary allowance fund was partly unused in the schools. As one of the essential requirements for assignment of application is the place of residence of the applicant that can be changed in any time it is almost impossible to check the fulfilment of the requirements during the whole period of receiving the allowance.

As the use of so called extraordinary allowance which can be assigned to the students who do not meet the requirements of the basic allowance is regulated by the law very generally (2 per cent of the fund of basic allowance during the audited period), then the educational institutions use it on the basis of different scheme. Even this is permitted this creates a situation where students are treated differently. Neither was specified the size of that allowance although upon payment the educational institutions proceeded from the size of the basic allowance fur of the audited educational institutions used the money to cover the expenses connected with payment of the allowance in a smaller volume than the permitted 3 per cent of the basic allowance fund and two did not use it at all. The SAO is of the opinion that the Ministry should consider reduction of the permitted percentage.

The main proposals to the Minister of Education and Research

- To initiate amendment of the Study Allowances and Study Loans Act and to empower the Government of the Republic or the Minister of Education and Research to establish a more precise order of distribution of study allowance. If this is considered unnecessary then to determine in the Act what do the organisation of payment of study allowance established by educational institutions have to regulate.
- To take a position in regulation to the educational institutions who used the money that was assigned for payment of scholarships and travel fare concessions in 2003 for payment of study allowances to them who were not entitled to it. To oblige educational institutions that were not comprised by the present audit to submit reports about the use of the surplus of scholarships and travel fare concessions.
- To initiate the amendment of the Study Allowances and Study Loans Act in such a way that when planning money for student allowance to the schools in the state budget one will not take into account the students starting in fall semester as they are not entitled to receive allowance according to the legislation.
- To consider amendment of the regulation of the Minister specifying coefficients of study allowance funds in order to reduce the volume of the supplementary allowance fund because the need for supplementary allowance fund is not so big as the existing fund enables to pay.
- To ensure that the educational institutions will ascertain that the receivers of supplementary allowance fund meet the requirements stipulated by the law. For this purpose to initiate amendment of the Act in order to specify the requirement concerning place of residence of the receiver of supplementary allowance has to be fulfilled during the whole period of receiving of study allowance to create the control system that enables educational institutions to ascertain that the beneficiary meets the requirements established to receive the allowance even after assignment of the allowance. If one does not manage to create the control system then there should be considered termination of payment of supplementary allowance on present terms.
- As educational institutions use different practice with respect to receivers of allowance who have submitted false data (some schools terminate payment of the basic allowance as well as supplementary allowance, some schools only payment of supplementary allowance) to initiate amendment of the Study Allowances and Study Loans Act in order to specify clearly whether to terminate, upon submission of false data, merely payment of that allowance application of which the false data was submitted or payment of all allowances.
- To consider reduction of the permitted percentage of the money that covers the expenses connected with payment of the allowance, taking into account the fact that most of the audited institutions used the money in a smaller volume.

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In its answer the Minister of Education and Research declared that it considers the organisation of payment of study allowance specified on the basis of the valid legislation enough precise because the aim of the valid legal acts is to leave educational institutions enough freedom to establish the organisation of study allowance. In order to estimate the effects accompanying implementation of different funds of study allowance, the Ministry of Education and Research has planned in co-operation with Federation of Estonian Student Unions to complete the analysis of the effects of study allowance by November 2005. On the basis of observations made by the SAO the Ministry will inspect in 2005 the schools where the money was used wrongly. The Ministry will inform all educational institutions that pay study allowance about the faults disclosed in the course of the audit of study allowances in the future.

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