The use of money allocated from state budget to local governments for paying subsistence benefits

Audit Report No. OSIII-2-6/06/17 of March 28, 2006

Summary

Subsistence benefits have been paid since 1994. Subsistence benefits may be granted to persons living alone and families whose net income after paying fixed housing expenses stays below the established subsistence level. Starting from 2005, the subsistence level for the first family member is EEK 750 and EEK 600 for each additional family member. Subsistence benefits are being paid by local governments. The budget equalisation fund for 2005 provided EEK 328 million for this purpose.

In addition to the subsistence benefit, an additional support is paid from the funds allocated from the state budget for single parents, and also, in case of a surplus, additional social benefits or services, pursuant to the procedures established by the local government. The SAO analysed whether the amount of money allocated for subsistence benefits is sufficient and whether the established regulation ensures the paying of benefits to the entitled persons. Five local governments were audited to find out whether the benefits had been paid in the correct amounts, whether the surplus of the subsistence benefits had been used appropriately, and whether the benefits paid without legal basis had been refunded.

Main observations

Despite the changes in the Social Welfare Act that took effect at the beginning of 2005, the paying of subsistence benefits is at the moment too unstable and partly uncontrollable. The conditions laid down in the law still enable different interpretations in the planning of the amounts necessary for benefits and allow discretionary decisions in the granting of benefits. It is ambiguous which revenue and expenditure must be regarded in the granting of subsistence benefits.

In the recent years, the amount of money planned in the state budget for subsistence benefits has always been approximately 20 % higher than the amount that it is being used later. The subsistence level that remained unchanged for 8 years was raised at the beginning of 2005, but until today, it has not been bound to the minimum means of subsistence, although according to the law, the minimum consumption expenditure to satisfy the primary needs (food, clothing, footwear, and other goods and services) must be taken into account when establishing the subsistence level. At the moment, the subsistence level covers only the cost of the minimum food basket for the first family member.

The granting of subsistence benefits has been placed within the competence of local governments, but at the same time the Ministry of Social Affairs has not performed its duty of coordinating social welfare adequately. There are several deficiencies in the Social Welfare Act that significantly complicate the granting of benefits. The audit revealed that the granting and paying of subsistence benefits in local governments has been organised differently.

The SAO found that the existing audit systems do not ensure that the subsistence benefits are being paid only to those in need. The beneficiaries in the sample had often not informed the social workers of their incomes, which caused the overpayment of the benefit in the amount of EEK 188,000. This formed 4.6 % of the audited grants. Proprietary situation of families was also not taken into account when granting the benefits, although local governments are entitled to do that. Thus, many persons owing several real estates, vehicles or land received the benefit. The granting and paying of subsistence benefits to such persons/families became possible only because the social workers did not verify the data on the persons from the Tax and Customs Board database, traffic register or land register.

Main proposals

To the Minister of Social Affairs in cooperation with the Minister of Finance

- As in the recent years the supplementary budget has always reduced the amount of money allocated from the equalisation fund for the subsistence benefits, ensure that the planning of budgets in the next years will be based on the real needs.
- Continue to correlate the subsistence level and the statistical indicators and ensure the annual review and bringing into conformity with the real needs.

To the Minister of Social Affairs

- Initiate the amendment of the Social Welfare Act, so that ambiguous definitions would become clear, that the social workers of local governments would be entitled to require all the necessary documents from the applicants to identify their economic situation, that homeless people in need could also receive the benefit, etc.
- Encourage local governments to take more account of the applicants' proprietary situation when granting the subsistence benefit. For this reason, develop guidance documents in cooperation with local governments for the evaluation of the beneficiaries' proprietary situation and organise information days/seminars to introduce these guidance documents.

To the Regional Minister

- Prescribe that county governors would exercise supervision in local governments over the use of money allocated for subsistence benefits and monitor that the wrongfully paid benefits due to the concealment of income (in the total amount of EEK 188,210) will be recovered.

***

The Minister of Social Affairs explained in his response what the Ministry has done in coordinating the payments of subsistence benefits. In addition, the Minister notified that the Ministry is going to specify some of the definitions underlying the granting of benefits and enhance the exchange of information between the Labour Market Board and local governments. The Minister did not deem the amendments to the Social Welfare Act necessary and held that the paying of subsistence benefits can be improved by opening definitions and compiling guidance documents and by advocacy.

The Regional Minister agreed to the proposal to require that county governors would exercise supervision in local governments over the use of money allocated for subsistence benefits and monitor that the wrongfully paid benefits will be recovered.

Jüri Kõrge
Chief Auditor
Audit Department III