

# Main findings and opinions of the National Audit Office

## Central government transfers to local government for expenditure on basic social assistance

### Payment of central government transfers to local government for expenditure on basic social assistance

The first aim of the audit was to determine whether central government transfers to local government for expenditure on basic social assistance have been paid in compliance with the relevant statutes.

In the view of the National Audit Office, the Regional State Administrative Agencies have approved and made the advance payments of central government transfers in compliance with the Social Assistance Act. In essential parts, the Regional State Administrative Agencies have approved the final central government transfers as provided in the Social Assistance Act. The Regional State Administrative Agencies have paid the final instalments of the transfers or reclaimed excessive payments in accordance with the Act.

As justifications for the opinion and conclusions and recommendations complementing it, the National Audit Office states the following.

On the basis of the audit it can be noted that basic social assistance has been appropriately kept as a separate entity in local government accounts. The majority of the expenditure on basic social assistance (over 90 per cent in large cities) is usually based on data derived from the support system. The links between basic social assistance expenditure concerning individual social assistance decisions and the local government accounts can in most cases be verified. The data contents of the support systems should be developed so that the expenditure on supplementary and preventive social assistance could already be more clearly identified from decision types and reason codes, which would facilitate the internal control of the support process.

Approving the advance payment of the central government transfer is a technical procedure, and the payments are reviewed at the end of the year. This means that the monthly advance payments made during the budget year are reasonably correct and in equal amounts.

A period of three months is sufficiently long for approving the final amount of the central government transfer. Most importantly, the approval should not be a mere formality and the reports on central government transfers should be carefully examined at the Regional State Administrative Agency. As the amounts of advance payments are reviewed at the end of the budget year, the determination and payment of the final central government transfers do not have any practical impact on the financial position and liquidity of the municipality.

## Consistency of municipalities' practices in granting social assistance

The second aim of the audit was to determine whether the practices observed in municipalities in the granting of basic social assistance are essentially consistent.

The opinion of the National Audit Office is that there are inconsistencies in the practices of granting basic social assistance between municipalities. The differences between the practices affect the funding relationship between the central and local government, the mutual positions of municipalities and the equality of citizens.

As justifications for the opinion and conclusions and recommendations complementing it, the National Audit Office states the following.

The boundaries between social welfare services provided by the local authorities, for which universal central government transfers for basic services are granted, and basic social assistance funded on cost basis, are not sufficiently clear. The definition and funding methods of housing services, in particular, should be clarified.

To the extent that services or functions can be regarded as being part of social welfare services, fees may be charged for them as provided in the Act on Client Fees in Social Welfare and Health Care (asiakasmaksulaki 734/1992). As the support provided under the Social Assistance Act is last-resort assistance, reducing or waiving client fees takes precedence over social assistance. The audit results indicate that this principle has not been consistently observed.

Based on the Constitution, municipalities exercise extremely broad case-by-case discretion when granting social assistance. However, the Ministry of Social Affairs and Health should provide more specific general guidelines on the practices of granting assistance. Particular attention should be paid to the right to receive social assistance, reduction of the basic amount, income and assets to be taken into account and their allocation to the period for which assistance is specified, and the recovery

practices. The Ministry should also pay more attention to the practices of the Regional State Administrative Agencies in the approval of the final central government transfers.

The National Audit Office stresses the principle derived from the Social Assistance Act according to which basic social assistance cannot be granted without preparing a social assistance calculation, and basic social assistance cannot be granted if the calculation shows a surplus. If it is necessary to grant social assistance without preparing a calculation, it should be granted as supplementary or preventive social assistance.

### Data provided by municipalities as the basis for providing central government transfers

The third aim of the audit was to determine whether the municipalities have provided true and fair information for the payment of the central government transfers.

The National Audit Office states as its opinion that the municipalities have provided the required sum-level data on the expenditure on basic social assistance, which are based on the reports on central government transfers and the signed extracts from the accounts attached to them. However, items that do not entitle municipalities to central government grants have been included in the actual expenditure.

As justifications for the opinion and conclusions and recommendations complementing it, the National Audit Office states the following.

Major items of expenditure were uncovered in the audit that the municipalities had incorrectly included in their reports on central government transfers as basic social assistance. Because of the shortcomings observed in the audit, the reports on central government transfers should be based on signed final accounts and they should be audited by municipal auditors as laid down in section 73 of the Local Government Act. The audit should ascertain not only that the data can be appropriately derived from the municipal accounts but also that the expenditure is in essential parts based on the provisions of the Social Assistance Act. In this context, particular attention should be paid to ensuring that expenditure incurred for providing the local authorities' social welfare services is not included in the basic social assistance expenditure shown in the reports on central government transfers.