Payment of Food and Accommodation Subsidies to the Border Guard Officials

Summary

The State Audit Office audited the payment of food and accommodation subsidies in the Border Guard Administration and the Northern Border Guard Area and Narva-Jõesuu Border Guard Training Center, being the parts of the structure of the Administration.

The food and accommodation subsidies are paid according to the Defense Forces Service Act and the Border Guard Act. In 2001 and 2002, respectively, 65 million and 120 million kroons were allocated as the subsidies for border guard officials.

Resultant to the audit the State Audit Office concludes that the amounts of food and accommodation subsidies and the payment of thereof is mostly well-regulated and the Border Guard Administration has organized the payment of the said subsidies well enough.

Nevertheless, the State Audit Office has to point out some of the findings of the audit which evidence that not all the risks which could cause the non-expedient payment of the subsidy have managed:

- The border guard officials who had been relieved of duty but entitled to return to the relieved post or to be appointed to a post ranking higher were entered into the outside-of-service list with the respective decree issued by Director General of the Border Guard Administration. There are no legal acts which regulate the payment of subsidies to such individuals.
- There is no explicit provision in the law, enacting whether the food and accommodation subsidies should be paid to the border guard officials during their annual and additional holiday. In 2001, 7.4 million kroons were spent for that purpose.
- The border guard institutions used some of the funds intended for subsides for some other purpose, for example, for paying tuition fees, increasing the current assets of cafeterias, paying for the treatment costs of the conscripts, salaries, etc.
- Costs related to the catering of border guard officials at favorable conditions was added to the flat rate food subsidy. The Central Maintenance Center of the Border Guard Administration and the Northern Border Guard Area used their budgets to pay the salaries to the staff of their cafeteria and also covered the cafeteria's administration costs. The covering of the operating costs is not justified as the respective border guard institutions did not cater for the conscripts.
- The employer covered the accommodation costs of some of the border guard officials from the budgetary funds. Substantially, this means that such border guard officials were doubly subsidized, which is in conflict with the principles for granting of the subsidies. The provision of fringe benefits also meant unfair treatment: the number of dwellings provided by employer is rather limited and less than 100% of the officials could make use of such dwellings.
- The institutions should have paid to the state the income tax on fringe benefits for the provision of fringe benefits – this goes both for catering and accommodation – but, as a rule, this was not done (the only exception is the central institution of the Border Guard Administration). The payment of income taxes on fringe benefits was not compulsory in 2001, but individual's income tax was due on such amounts. In 2001, the Border Guard Administration declared the individual's income tax in amount which was by 100,000 kroons smaller than intended and was also not recorded as revenues.
- In 2001, the flat rate of food allowance, being 60 kroons per day, was increased at arbitrary basis by the Border Guard Ship Single Division and Border Guard Flight Troops, the increases amounted to 30 kroons and 10 kroons respectively.
- As the software used for the calculation of food and accommodation subsidies is rather primate, the calculation is labor-consuming and involves a serious danger of errors.

To help along with the solving of the problems described, the State Audit Office made the following recommendations to the Minister of Internal Affairs:

- As the payment of food and accommodation allowances as a subsidy is a very labor-intensive and includes a number of organizational tools, it would be more expedient if the respective amounts would be paid to the border guard officials as additional wages. For that purpose, the

Minister of Internal Affairs and the Minister of Defense should initiate an amendment to the law, enacting the payment of food and accommodation allowances as one part of service pay and unanimously requesting or refusing the payment of such subsidies during annual and additional holidays.

- It should be decided whether the present procedures applied for the keeping of the out-of-service list and the payment of subsidies to the officials entered into the said list is justified. If necessary, the regulations should be amended.
- The purchase of common software, enabling to implement automatic calculation of the amounts of subsidies and related taxes, should be accelerated.
- Budget funds to be paid as the wages to the personnel of cafeteria and warehouse should be allocated to the border guard institutions only in case the membership of such institutions also includes the conscripts.

***

The Minister of Internal Affairs reviews all the conclusions and recommendations in his answer to the control report and submits an action plan for the implementation of the suggestions of the State Audit Office.

The Ministry agrees that there is a need to specify the procedures for the payment of subsidies during the annual and additional holidays with legal acts; consent was also given to the recommendation to establish the payment of food and accommodation allowances as a part of service pay. The final opinion concerning the initiation of the drafts for making of the respective amendments is given after the Ministry of Defense has given its final position.

The Ministry has formed an opinion that the development of out-of-service lists and payment of subsidies to the officials entered into such lists is a wrong practice; the liquidation of such lists has already been started.

Court disputes arising of the public procurement have been the obstacle which aggravate the purchase of common software for the state institutions within the administration area of the Ministry of Internal Affairs. At the moment, the opportunity to continue the procurement process has been opened again.

***

The State Audit Office has approached the Minister of Finance for his opinion concerning the implementation of taxes on the subsidies paid to the border guard officials. The Minister of Finance is of opinion that the food and accommodation allowances should be taxed as fringe benefits.

Arising of the answer of the Minister of Finance the State Audit Office shall refer the materials to the Tax Board, pointing out the fact that, as a rule, the border guard institutions keep no track of the fringe benefits when providing the officials with catering and accommodation services, therefore, enabling them to avoid taxes.

Jüri Kõrge
Head of Department of Audit of Operational Risks