"Performance Audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014"
Table of contents

<table>
<thead>
<tr>
<th>No</th>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Abbreviations</td>
<td>2</td>
</tr>
<tr>
<td>I.</td>
<td>Introduction</td>
<td>3-4</td>
</tr>
<tr>
<td>II.</td>
<td>Social assistance system in Romania</td>
<td>5-6</td>
</tr>
<tr>
<td>III.</td>
<td>General overview of the social assistance benefits in Romania</td>
<td>8-23</td>
</tr>
<tr>
<td>IV.</td>
<td>General objective and specific objectives of the audit</td>
<td>24</td>
</tr>
<tr>
<td>V.</td>
<td>Findings and Conclusions</td>
<td>25-47</td>
</tr>
<tr>
<td>VI.</td>
<td>Recommendations</td>
<td>43-46</td>
</tr>
<tr>
<td></td>
<td>List of tables and charts</td>
<td>47</td>
</tr>
</tbody>
</table>
"Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014"

List of abbreviations:

CAPSI – County Agency for Payments and Social Inspection
NAFA – National Agency for Fiscal Administration
NEA – National Employment Agency
NAPSI – National Agency for Payments and Social Inspection
FA – Family Allowance
NPH – National Pension House
GDSA – General Directorate for Social Assistance
CRB – Child Raising Benefit
MoF – Ministry of Finance
MLFSPEP – Ministry of Labour, Family, Social Protection and Elderly People
GDP – Gross Domestic Product
NRP – National Reform Program
SAFIR – Integrated IT program for the management of social assistance benefits
GMI – Social assistance benefit ensuring the Guaranteed Minimum Income
I. Introduction

This report is for the Presidency, the Government, the Ministry of Labor, Family, Social Protection and Elderly People, the Ministry of Finance, the International Bank for Reconstruction and Development, in virtue of Law 68/ April 25th, 2012 ratifying the Loan Agreement, as well as for the general public.

The Government of Romania made a commitment for a wide reform of the social assistance system, through the Strategy for the social assistance reform, approved by Memorandum in February 2011, under the Europe 2020 Strategy.

The adopted strategy was incorporated in the National Reform Program 2011-2013 (NRP) and continued also in 2014, as a distinct measure along the first lines of action, as EU Member States had the obligation to translate, at national level, the Europe 2020 objectives.

In Romania, one of the national targets set was that of reducing by 580,000 the number of people at risk of poverty or social exclusion, compared to 2008, that is from 5.01 million people, to 4.43 million people in 2020. Against the benchmark (2008), in 2013 the number of people at risk of poverty or social exclusion had been reduced by 211,000, still 369,000 away from the national target to which Romania committed in the Memorandum (580,000).

Poverty eradication, in all its forms and dimensions, including extreme poverty, worldwide, is the biggest challenge, and a pre-requisite for sustainable development.

In September 2015, UN Member States set the 2030 Agenda for sustainable development, in order to end poverty, promote peace, promote welfare and protect the planet until 2030. To this end, they agreed on 17 sustainable development goals, which, for the following 15 years, will trigger actions in critical fields.

The Goals on the Agenda are integrated and cannot be divided, striking a balance between the three dimensions of sustainable development: economic, social and environment.

The first Goal is “End poverty in all its forms, everywhere. Poverty does not only mean being poor, it can also mean lack of other things we need in order to lead a decent life”.

In respect to this Goal, the conclusions were as follows:

- During the past two decades, extreme poverty has significantly dropped. In 1990, almost half of the population in emerging countries lived with less than $1.25 per day. The percentage has dropped to 14% in 2015.
- Worldwide, the number of people in extreme poverty has been reduced by more than half, from 1.9 billion in 1990, to 836 million in 2015. The biggest progress was achieved in 2000.
- The number of people in the middle class – living with more than $4 per day – almost trebled between 1991 and 2015, and this group represents, now, half of the workforce in the emerging regions, from 18% in 1991.

In Romania, for the purpose of supporting the implementation of the Strategy for the social assistance reform, the Project on the modernization of the social assistance system was designed, with the support of the International Bank for Reconstruction and Development, through a loan ratified on July 8th, 2011, as Loan Agreement between Romania and the International Bank for Reconstruction and Development, by Law 68/ April 25th, 2012.
Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014

The analysis presented hereunder is the result of the Loan agreement provisions. According to Annex 2, Project Implementation – Section II, point A.3 of the Agreement, “During the Project implementation period, the Borrower, through the Court of Accounts, will conduct an annual audit on the social assistance programs in the PEE and shall send the audit reports to the Bank, within twelve (12) months after the end of the audited calendar year, starting with the audit for 2011” (PEE – Program of Eligible Expenditures).

To this end, as of 2012, the Court of Accounts performed annual audit missions, during which it focused on the four social assistance benefits (PEE in Law no 68/2012), that is: child state allowance, child raising benefit (including the monthly/insertion incentive), family allowance and the social assistance benefit for the Guaranteed Minimum Income.

Moreover, the competences and responsibilities in Law no 94/1992 on the organization and functioning of the Court of Accounts were taken into consideration. These state that, by exerting the control function over how the financial resources of the state were formulated, managed and used, the Court submits to the Parliament reports on the resources use and management, in respect to the lawfulness, regularity, cost-effectiveness, efficiency and effectiveness principles.

The report was produced based on the findings, conclusions and recommendations in the documents prepared following the performance audit missions conducted at the Ministry of Labor, Family, Social Protection and Elderly People (MLFSPEP) and the National Agency for Payments and Social Inspection (NAPSI), and the financial audit missions conducted at NAPSI and all county Agencies for payments and social inspection, entities by which the right to social assistance benefits is assessed and payments are made.

The general conclusions, which resulted also during the previous years, is that the social assistance system is operational, but needs some improvements that would also allow for the error level to be within reasonable limits.
The national social assistance system is comprised of the social assistance benefits system and the social services system. The national social assistance system represents all the institutions and measures by which the state, through the central and local public authorities, the local community and the civil society intervene to prevent, limit or mitigate temporary or permanent consequences that could lead to social marginalization or exclusion of a person, family, group or community.

The current Romanian legislation on the national social assistance system grants the Ministry of Labor, Family, Social Protection and Elderly People (MLFSPEP) the capacity of central public authority, which develops and coordinates the social policy, in general, and the social assistance one, in particular.

The measures associated to the national social assistance system are implemented by institutions organized at central level (MLFSPEP and its subordinated institutions) and local level (public social assistance services, subordinated to local councils, or, if applicable, by the administrative-territorial units: municipalities).

The Ministry of Labor, Family, Social Protection and Elderly People (MLFSPEP) and its subordinated entities manage the national social assistance system and see to the implementation of the measures and actions in the legal documents related to the social assistance benefits and social services.

Moreover, the Ministry, as a specialized central public administration body, coordinating the implementation of the Government’s strategies and policies in the field of social protection, ensured the legal framework for the proper enforcement of the legal provisions specific for every social assistance benefit.

MLFSPEP adopted a series of measures for the implementation of procedures and instructions, in view of a correct implementation of the legal provisions on the social assistance system.

Thus, the general framework for the organization, functioning and funding the national social assistance system in Romania was regulated, by adopting Law no 292/2011 on social assistance, which created the legal and institutional framework defining the reform in this sector. The general rules, values and principles regulated by this law define the national social assistance system, with its two major components: the social assistance benefits system and the social services system.

Moreover, enforcing the new regulations in the Social Assistance Law required for some elementary pieces of legislation regulating the allocation of social assistance benefits to be amended.

Social assistance benefits are a form of adding to or substituting the individual/family income generated through labor, in view of ensuring a minimum standard of living, as well as a support for social inclusion and increasing the quality of life for some categories for which the social rights are clearly stated in the law.

Depending on their type, the social assistance benefits are granted only based on an income assessment, or based on a cumulative assessment of the income, the goods and revenues that could be generated by capitalizing/using the tangibles and intangibles owned or in use.

The total social assistance benefits are calculated based on the social reference indicator, by applying a social insertion index.

The Social Reference Indicator (SRI) is the RON expressed unit against which the social assistance...
Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014

benefits, covered from the state budget, are calculated.

The social reference indicator stayed at the same level between 2012-2014, namely at 500 RON, in line with the provisions in Law no 76/2002 on the unemployment insurance system and employment stimulation, as subsequently amended and supplemented.

The Social Insertion Index (SII) is the multiplying coefficient for the Social Reference Indicator, and it is calculated based on the type of family and the purpose of the social assistance benefit.

The total social assistance benefits received by an individual or a family cannot exceed a coefficient calculated based on the value of the social reference indicator. The coefficient is set, annually, in a Government Decision, and depends on the type of family and the social assistance benefits to which it or its members, or the individual, are entitled to.

The state grants social assistance benefits through the central and local public authorities, in line with the provisions in the legislation in force.

Social assistance benefits given by the central or local public administration authorities, directly or through their subordinated entities, are calculated as money or in kind and are financial measures designed to ensure a minimum standard of living, supporting the family and child, promoting and guaranteeing that people with special needs exert the fundamental rights and freedoms.

The MLFSPEP’s general goal is to create a single mechanism for the organization of the social assistance system, the funding mechanisms, types of benefits, defining the beneficiaries and their real needs. Moreover, the goal was to develop and diversify the social services, which would allow the promotion of suitable social policies, aimed at improving the quality of life by promoting social policies and solidarity for those in need.

The National Agency for Payments and Social Inclusion (NAPSI), subordinated to the MLFSPEP, is a legal entity, set-up in view of ensuring a unitary system for the management of the process by which social assistance benefits are given.

NAPSI operates at local level through 42 territorial agencies for payments and social inspection, as deregulated social services, legal entities, through which ensure the management of the social assistance benefits system nationwide, as well as the coordination, guidance and control over the activities performed by the territorial agencies, for the purpose of a unitary enforcement of the specific legislation and performing the responsibilities falling upon them, in virtue of the legislation.

By creating all the institutions provided by the Law on the national social assistance system, adopted in 2006, and later on by the Social assistance Law, adopted by the Romanian Parliament in 2011, the institutional consolidation of the national social assistance system is ensured, with applicability as of 2012.

The Ministry of Labour, Family, Social Protection and Elderly People, through the budget approved for 2014, allotted the amounts necessary for all the payments to the beneficiaries of social assistance benefits, and the county agencies for payments and social inspection made these payments to the beneficiaries, on time; no discontent and no issues were notified in this respect.

The public funds supporting the social assistance benefits system, given through the MLFSPEP, were, in 2014, of 8,100 million RON (EUR 1,822.4 million*), representing 1.21% of the Gross Domestic Product of Romania (in 2014, Romania’s GDP was of RON 669,500 million**).

The social assistance benefits, that were the subject matter of the audit missions (child state allowance, child raising benefit and the monthly/insertion incentive, the support for the guaranteed minimum income, family allowance, including the associated expenditures) represented, in 2014, a budgetary effort of RON 5,524 million (EURO 1,242.8 million*), that is 0.82% of the gross
domestic product.

The highest share of these payments was used for the child state allowance, for which 48% of the public funds received was spent, followed by the child raising benefit, for which 32% of the budget funds were spent.

*Average exchange rate NBR for 2014 – 1 EURO = 4.4446

** Source: National Institute of Statistics

In 2015, the Court of Accounts conducted the audit “Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits, in 2014” at the Ministry of Labor, Family, Social Protection and Elderly People and the National Agency for Payments and Social Inspection (NAPSI). Financial audit missions were conducted for the tertiary budget holders, respectively for all county agencies for payments and social inspection, since these are entities through which the social assistance benefits are assessed and payments are made.

The audit assessed how the need for budget resources was substantiated, how the audited institutions got involved in monitoring and overseeing the granting of social assistance benefits, in view of identifying the best outcomes resulting from the implementation of the measures taken, for improving performance in the social assistance benefits system, but also for identifying dysfunctions in the current system, focusing on the following four categories:

1. Child state allowance;
2. Child raising benefit and monthly/insertion incentive;
3. Social support for the guaranteed minimum income;
4. Family allowance.

The analysis performed during the audit considered the data reported in the financial statements prepared by the Ministry of Labor, Family, Social Protection and Elderly People, which included the economic operations performed by the county agencies for payments and social inspection throughout the year, operations reflected both in the quarterly reports, and in the annual one (annual execution account).

III. General Overview of the social assistance benefits

The financial statements submitted by the MLFSPEP to the Ministry of Finance show that the payments made in 2014 for all social assistance benefits amount to RON 8,100 million (EUR 1,803.8 million). The share of all social assistance benefits given through the MLFSPEP budget, as well as of the 4 social assistance benefits audited, from the gross domestic product, between 2012 – 2014, is the following:

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross Domestic Product (GDP)*</td>
<td>596,682</td>
<td>637,456</td>
<td>669,500</td>
</tr>
<tr>
<td>2</td>
<td>Payments for insurances and social assistance</td>
<td>7,961</td>
<td>7,971</td>
<td>8,100</td>
</tr>
<tr>
<td>3</td>
<td>Payments for the 4 social assistance benefits audited</td>
<td>5,256</td>
<td>5,193</td>
<td>5,370</td>
</tr>
<tr>
<td>4</td>
<td>Share represented by the payments for insurances and</td>
<td>1.33</td>
<td>1.25</td>
<td>1.20</td>
</tr>
</tbody>
</table>
**Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share represented by</td>
<td>5.256 mil.lei</td>
<td>637,456 mil.lei</td>
<td>669,500 mil.lei</td>
</tr>
<tr>
<td>the social assistance</td>
<td>596,682 mil.lei</td>
<td>5,193 mil.lei</td>
<td>GDP</td>
</tr>
<tr>
<td>benefits audited,</td>
<td>5,370 mil.lei</td>
<td>0.88%</td>
<td>0.81%</td>
</tr>
<tr>
<td>out of the GDP (line</td>
<td>GDP</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>3/line 1*100)</td>
<td>0.88</td>
<td>0.81</td>
<td>0.80</td>
</tr>
</tbody>
</table>

*) Source: National Institute of Statistics

The above table can be graphically presented as follows:

*Chart 1*
The share in GDP of all social assistance benefits paid from the MLFSPEP budget decreased between 2012-2014, from 1.33% in 2012 to 1.20% in 2014, but in terms of absolute value, the payments increased from one year to another.

The same goes for the share of the 4 social assistance benefits audited. The share decreased, from 0.88% in 2012 to 0.80% in 2014, although, in terms of the absolute amount, things are different.

Here is a graphic presentation of the evolution of total payments made for social assistance, including the audited benefits, between 2012-2014:

Total social assistance payments made in 2014 successively increased, both against 2013, from 7,971 mil. Lei to 8,100 mil lei, but also against 2012.

The ascending trend of the total payments made in 2014, against 2013, was mainly influenced by an increase in the total value of social assistance benefits and, in some cases, in the number of beneficiaries.

Out of these payments, a significant share goes to the 4 benefits audited, presented in detail in the table below, which, in 2013 recorded an insignificant drop (1%) compared to 2012, followed by an increase (3%) in 2014, against 2013, as can be observed in the chart below.
Evolution of the payments made for social assistance, as well as for the audited benefits, between 2012-2014, is the following:

**Chart 3**
It should be mentioned that during the three years that were analyzed, the payments for the four audited benefits hold a significant share out of the total payments made for social assistance and insurance, of roughly 66% (that is, 66% in 2014, 65% in 2013, respectively 66% in 2012).

Between 2012-2014, the payments made for each of the four categories of social benefits audited, including associated expenses, are presented as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Audited social assistance benefits</th>
<th>Payments made</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Year 2012</td>
</tr>
<tr>
<td>0</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>Child state allowance</td>
<td>2,763</td>
</tr>
<tr>
<td>2</td>
<td>Child raising benefit and the monthly/insertion incentive, of which:</td>
<td>1,858</td>
</tr>
<tr>
<td></td>
<td>Child raising benefit</td>
<td>1,760</td>
</tr>
<tr>
<td></td>
<td>Monthly/insertion incentive</td>
<td>98</td>
</tr>
<tr>
<td>3</td>
<td>Family allowance</td>
<td>217</td>
</tr>
<tr>
<td>4</td>
<td>Social support for the guaranteed minimum income, including payments for the compulsory house insurance</td>
<td>418</td>
</tr>
<tr>
<td>5</td>
<td>A. Total social assistance benefits audited (line 1+line 2+line 3+ line 4)</td>
<td>5,256</td>
</tr>
<tr>
<td>6</td>
<td>Total fees incurred with sending the benefits</td>
<td>29</td>
</tr>
<tr>
<td>7</td>
<td>Total transfers for the health social insurance contribution</td>
<td>121</td>
</tr>
<tr>
<td>8</td>
<td>B. Total associated expenditures (line 6+rd 7)</td>
<td>150</td>
</tr>
<tr>
<td>9</td>
<td>GENERAL TOTAL (A+B)</td>
<td>5,406</td>
</tr>
</tbody>
</table>

If in 2013 the payments made for the four categories of social assistance benefits audited, excluding associated expenditures, decreased by 63 million lei (by 1%) against 2012, in 2014 they increased by 177 million lei (by 3%) against 2013.

The payments made for the child state allowance saw a decreasing trend during the audited period, whereas the social support payments successively increased both in 2014 against 2013, and in 2013 against 2012, which was generated by a higher number of beneficiaries together with an increase in the value of this benefit.

The other two social assistance benefits (child raising benefit and family allowance) saw the same trend: an increase in 2014 against 2013, but a drop in 2013 compared to 2012.

Overall, between 2012-2014 there is a descending trend in terms of monthly average number of beneficiaries, for the four categories of social assistance benefits that were audited, as can be seen in the table below:

<table>
<thead>
<tr>
<th>Social assistance benefits audited</th>
<th>Monthly average beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 2012</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1. Child state allowance</td>
<td>3,825,080</td>
</tr>
<tr>
<td>2. Child raising benefit, including the monthly/insertion incentive, total, out of which:</td>
<td>178,913</td>
</tr>
<tr>
<td>2.1. Child raising benefit</td>
<td>160,028</td>
</tr>
<tr>
<td>2.2. Monthly/insertion incentive</td>
<td>18,885</td>
</tr>
</tbody>
</table>
3. Family allowance  301,586  260,416  247,620  
4. Social support for the guaranteed minimum income  192,713  217,109  240,617  
Total (line 1+line 2+line 3+ lined 4)  4,498,292  4,443,592  4,389,327  

* A minus 13,223 gap reported by the ministry, for the number of beneficiaries, was noticed, resulting from the computation method.

However, for the number of beneficiaries of the 4 social assistance benefits audited, it can be noticed that during the audited period, the number of beneficiaries for two of these benefits (social support and monthly/insertion incentive) increased successively.

The number of beneficiaries of the monthly/insertion incentive increased as a result of a successive decrease in the number of beneficiaries of child raising benefit.

For the other two audited benefits, namely child state allowance and family allowance, there were successive decreases, from one year to another, both in 2014 against 2013, and in 2013 compared to 2012.

The evolution of the monthly average number of beneficiaries for the audited social assistance benefits, between 2012-2014, can be graphically represented as follows:

**Chart 4**
Performance audit on the substantiation of sources needed and on granting some categories of social assistance benefits in 2014

The chart presented earlier shows that in 2014 the total number of beneficiaries, for the 4 benefits audited, decreased compared to 2013 (1%), whereas in 2013 the decrease was higher (2%) against 2012.

The main cause for this decrease in the number of beneficiaries, from one year to another, is mainly a drop in birth rate, but also more strict conditions for granting some of the audited benefits, imposed by the legal regulations.

For the average monthly number of beneficiaries in 2014, of 4,389,327, MLFSPEP, through NAPSI, managed, funded and ensured that social assistance benefits were granted, through the county agencies for payments and social inspection. These were: Child state allowance, Child raising benefit (including the monthly/insertion incentive), Family allowance and Social support for the guaranteed minimum income.

Payments for these 4 social assistance benefits that were audited entailed, in 2014, public funds amounting to 5,524 mil lei (that is, 68% of all payments made, which amounted to 8,100 mil lei), out of which:
- 5,370 mil. lei – social assistance benefits actually paid;
- 31 mil. lei – postal fees, for sending the audited benefits;
- 123 mil. lei – contributions to the health insurance fund.

5,524 mil lei were allotted for the 4 audited benefits, as follows:
- Child state allowance required payments amounting to 2,685 mil lei (48% of the total);
- Child raising benefit required payments amounting to 1,760 mil lei (32% of the total);
- Guaranteed minimum income required payments amounting to 663 mil lei (12% of the total);
- Family allowance required payments amounting to 261 mil lei (5% of the total);
- Postal fees incurred when sending the benefits amounted to 31 mil lei (1% of the total);
- Contributions to the national health insurance fund amounted to 123 mil lei (2% of the total).

The share of the payments made in 2014 for each of the four social assistance benefits that were audited can be graphically presented as follows:
Just like in the previous years, in 2014 the highest share of the budgetary resources was allotted for paying the child state allowance, about half of the amount, followed by the child raising benefit (including the monthly/insertion incentive), benefits for which roughly 80% of the payments were made. The other two social assistance benefits represent smaller percentages, that is 12% for the social support and only 5% the family allowance.
In terms of the percentage of the number of beneficiaries for each of the audited benefits, out of the total number of beneficiaries, here is a graphic representation of 2014:

**Chart no 6**

- 85%: Social support (GMI), including the compulsory insurances
- 6%: Monthly child raising benefit (including the monthly/insertion incentive)
- 5%: Family allowance
- 4%: Child state allowance
As can be seen from what was presented above, in 2014 the monthly average number of people that received social assistance benefits was of 4,389,327, which directly influenced the level of payments made.

Out of these beneficiaries, the biggest share, about 85%, is that of children who are beneficiaries of the child state allowance, 3,727,859 in total. Family allowances were given to 247,620 people, that is 6% out of the total number of beneficiaries. Child raising benefits were given, as an average, to 173,231 beneficiaries, that is 4% of the total, whereas social support as guaranteed minimum income was given to 240,617 people, representing 5% out of all beneficiaries analyzed.

**Based on the data presented above, the following issues arise in respect to each social assistance benefit that was audited:**

**Child state allowance**

The child state allowance is a way by which the state protects all children, without any discrimination, until they turn 18, as well as young people who have already turned 18 but are attending high school or vocational education, until they have completed them.

At national level, the state child allowance, amounting to 2685 million lei, represented 48% of total payments made for the audited social assistance benefits.

The amount paid as child state allowance for children under 2, respectively 3 if they have a handicap classification, is of 200 RON/month/child. Moreover, for children older than 2, that don’t have a disability, the state allowance is of 42 RON/month/child, whereas for those older than 3, with a disability, the allowance is double, that is 84 RON.

The evolution of the monthly average number of beneficiaries of child state allowances, the payments made to them, and the average amount monthly received by them, between 2012-2014, is graphically presented as follows:

*Chart no 7*
Auditul performanței asupra modului de fundamentare a necesarului de surse și de acordare a unor categorii de beneficii de asistență socială în anul 2014

- Monthly average number of beneficiaries:
  - 2012: 3,825,080
  - 2013: 3,793,117
  - 2014: 3,727,859

- Average amount/month/beneficiary:
  - 2012: 60 lei
  - 2013: 60 lei
  - 2014: 60 lei
As the chart above shows, the total payments made for child state allowance in 2014 decreased by 1% compared to 2013 and by 3% against 2012. This was mainly the result of a drop in the average number of beneficiaries compared to 2013, by 65,258 (2%) and to 2012 by 97,221 beneficiaries (by 3%).

Based on the previously presented data, the average monthly amount corresponding to this audited benefit did not change between 2012-2014, staying at 60 lei, because during this timeframe the value of this benefit did not incur any changes.

When calculating the average amount given to a beneficiary, both children receiving 42 RON/month (the highest share), as well as those who received 84 Ron/month and 200 Ron/month were taken into consideration.

The reduction in the number of beneficiaries and, thus, in the associated payments was mainly caused by:

- Lower birth rate
- A high number of children going out of the system, since they turned 18;
- A lower number of children enrolled in the educational system, as there are cases when they dropped out or were expelled.

### Monthly child raising benefit, including the monthly/insertion incentive

The child raising benefit and leave for children under one, respectively two, is given to people if they generated income subject to personal income tax for 12 months during the previous year prior to the child being born.

At national level, the child raising benefit and the monthly/insertion incentive represented 32% of all payments made for the audited social assistance benefits, amounting to 1,760 million lei.

In 2014, the previously adopted legislation, Law no 126/2014 was amended, which lead to changes in GEO no 111/2010 on the child raising leave and monthly benefit, as well as for setting some measures for recovering the liabilities recorded as child raising allowance, as follows:

- The child raising benefit shall not be suspended if the beneficiary has an income of 3,000 lei (6 SRI) during a calendar year;
- If the income generated in a year exceeds the legal ceiling, the amount unjustifiably received shall be calculated as a difference between the monthly amount of the benefit received and the monthly insertion incentive to which that person was entitled;
- Phased-out restitution, as of the 1st of January 2015, during 5 calendar years, through equal annual payments, of these debits recovered between January 1st 2011-09.23.2014, in line with the law.

In 2014, every month, an average number of 173,231 people received a child raising allowance (139,572 people) or a monthly/insertion incentive (33,659 people).

Here is a chart of the monthly average number of beneficiaries, the payments made and an evolution of the monthly amount received by each beneficiary, between 2012-2014, for the monthly child raising benefit:
Throughout 2014, every month, an average number of 139,572 beneficiaries received the child raising benefit, the number being lower than the one in 2013 by 2,598 and 2012, by 20,456 people.

The decrease is the result of the following factors:

- lower birth rate;
- higher number of beneficiaries of the monthly/insertion incentive, which is given to people who waive the child raising benefit in favour of the incentive, as they resume their professional activity;
- lower number of beneficiaries with taxable income during the 12 months prior to the baby being born, which is a pre-requisite for receiving this benefit.

Although the number of beneficiaries is smaller, the payments made in 2014 increased by about 18 million lei (1%) against 2013; however, they are still below the 2012 level by 208 million (12%).
The chart above shows that, although the monthly amount received as child raising benefit is smaller in 2013 than in 2012, when beneficiaries received 18 lei/month less, in 2014 the amount is higher than in 2013 by 28 lei/month.

The level of payments for the child raising benefit and, consequently, of the monthly amount, is directly influenced by the type of benefit requested.

Thus, given the fact that many people gave up the benefit in favour of the incentive, as they resumed their activity, one can conclude that child raising benefits were given to a higher number of people than in the previous years.

Contributions for health social insurance are paid for the beneficiaries of child raising benefits. The amount spent in 2014 to this end was of about 87 million lei, higher than in 2013 but smaller than the one from 2012.

Here is a chart of the monthly average number of beneficiaries, the payments made and an evolution of the monthly amount received by beneficiaries, between 2012-2014, for the monthly/insertion incentive:

Once they resume their activity and, thus, generate taxable income, beneficiaries of child raising benefits are no longer entitled to this type of benefit, but to a monthly/insertion incentive. Thus, in 2014, the monthly average of 33,659 people who received the monthly/insertion incentive was 2 times higher than the one in 2012, constantly on the increase.

Thus, the rights given as monthly/insertion incentives increased in 2014, compared to 2013, and
doubled against 2012.

The conclusion would be that the measure, implementing the monthly/insertion incentive, partly reached its goal, that of promoting work as the best way of protecting those who are able to work, alongside protecting the income received by the monthly/insertion incentive beneficiaries.

As can be seen from the chart above, even the monthly average paid to beneficiaries of monthly/insertion incentives increased in 2012-2014, by 18% in 2013 against 2012, from 433 lei/month to 513 lei/month at the end of 2013. The increase in 2014 against 2013 was barely noticeable, to 515 lei/month.

This increase in the monthly average amounts paid between 2012-2014 was also triggered by legal amendments that were adopted, as a result of which the benefit increased by 5 times, from 100 lei to 500 lei. These benefits were received by people whose rights had been opened prior to January 1st 2011.

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**Family allowance**

The family allowance is given to families with children, whose income is below the threshold set by law. Its value depends on the family composition and its income.

The family allowance is given to supplement the family income, in view of ensuring better conditions for raising, looking after and educating the children, but also to incentivize children of school age, who are in the care of low-income families, to attend a form of education.

At national level, in 2014 the payments made for family allowance amounted to 261 million lei, that is 5% of all payments made with the audited social assistance benefits.

In 2014 there were several legal amendments. By adopting GD no 65/10.15.2014 amending and supplementing some pieces of legislation, it was set that, starting with the benefits for November 2014, the value of the allowance would be higher.

Here is a chart of the monthly average number of beneficiary families, the payments made for family allowance and the monthly amount received by each beneficiary family, between 2012-2014:
Although the amount paid as family allowance was increased in July 2013, the amounts paid in 2013 for this benefit were 1% below those paid in 2012.

But this decreasing trend was not kept during the next timeframe. Thus, in 2014, although the number of beneficiaries continued to decrease compared to 2013 (by 5%), the payments increased by 18% (about 46 mil. Lei), as a result of an increase in the value of the allowance, as of November 2014.

The data in the chart above show that the monthly average paid as this benefit steadily increased during 2012-2014, from 60 lei/month/beneficiary family, in 2012, to 69 lei in 2013 and 88 lei/month/beneficiary family in 2014; a significant increase was in 2014, by 47% compared to 2012.

The increase in the average amount paid per month to every beneficiary family, between 2012-2014, was mainly caused by legal amendments that occurred during that period, by which the value of this allowance was increased.

The significant drop in the number of beneficiaries, during the analyzed period, was mostly influenced by the following factors:
- Low birth rate – the allowance is given to low-income families who are raising children under 18;
- High dropout rate – attending the education directly influences the granting of this benefit;
- More strict conditions for giving this social assistance benefit, set in the pieces of legislation adopted, although the value of the allowance was increased;
- Some beneficiaries failing to pay the taxes to the local budgets.

The value of the family allowance, depending on its composition and income, increased significantly starting with November 2014, and are as follows:

\[
\begin{array}{|c|c|c|c|c|c|c|}
\hline
\text{Family composition} & \text{Net average monthly income, per family member} & \text{Monthly value given in 2014, depending on the number of children} \\
\text{2 parent family} & \text{below 200 lei} & 40 & 82 & 80 & 164 & 120 & 246 & 160 & 328 \\
& \text{between 201 and 370 lei/530 lei*} & 33 & 75 & 66 & 150 & 99 & 225 & 132 & 300 \\
\text{Single-parent family} & \text{below 200 lei} & 65 & 107 & 130 & 214 & 195 & 321 & 260 & 428 \\
& \text{between 201 and 370 lei/530 lei*} & 60 & 102 & 120 & 204 & 180 & 306 & 240 & 408 \\
\hline
\end{array}
\]

*The provisions in GEO 65/2014 changed the value of the family allowance, starting with the benefits due for November 2014.

In 2014, an average number of 247,620 families received this type of allowance every month and the total amount paid was of 261 million lei.

Here is a distribution of the average number of beneficiary families, average number of children in the beneficiary families and the amounts paid, in 2014, per regions*):

\[
\begin{array}{|c|c|c|c|c|c|c|}
\hline
\text{Regions/ Counties} & \text{Average number of beneficiary families, per month} & \text{Percentage out of the monthly average number of beneficiary families} & \text{Monthly average number of children in the beneficiary} & \text{Amounts paid -million lei-} & \text{Average number of children per beneficiary family} \\
& & \% & & & \\
\hline
0 & 1 & 2 & 3 & 4 & 5 & 6 \\
1. North-East & 68,954 & 28 & 139,476 & 75 & 2.02 \\
2. South-East & 33,678 & 14 & 61,424 & 34 & 1.82 \\
3. South-Muntenia & 44,485 & 18 & 80,149 & 45 & 1.80 \\
4. South – West Oltenia & 35,073 & 14 & 60,772 & 34 & 1.73 \\
5. West & 9,226 & 3 & 19,330 & 11 & 2.10 \\
6. North-West & 25,638 & 10 & 52,288 & 29 & 2.03 \\
7. Center & 28,813 & 12 & 56,510 & 31 & 1.96 \\
8. Bucharest - Ilfov & 1,753 & 1 & 3,274 & 2 & 1.86 \\
9. TOTAL & 247,620 & 100 & 473,223 & 261 & 1.91 \\
\hline
\end{array}
\]

*Source: MLFSPEP statistics bulletin on Social assistance and social inclusion, for 2014

The data presented above shows that every beneficiary family had, in average, 1.91 children. The region with the highest number of children in beneficiary families is West, with 2.10 children; at the other end we have South-West Oltenia, with 1.73 children.
Thus, in 2014, the highest average number of families -beneficiaries of the family allowance was in the North-East Region (68,954), representing 28% out of the total average number of families -beneficiaries of the family allowance, at national level.

At the same time, the regions of South-Muntenia and South-West Oltenia had a high average number of families -beneficiaries of the family allowance, with a share of 14% out of the total number.

At the other end, with the smallest share (1%), we have the Bucharest-IIfov region, with an average number of 1,753 families -beneficiaries of the family allowance, and the West Region (9,226).

The highest number of children in families -beneficiaries of the child state allowance was in the North-East region (139,476) and in the South-Muntenia region (80,149), which, automatically lead to the highest amounts paid as family allowance, out of the total.

### Social support for the guaranteed minimum income

**The guaranteed minimum income** is ensured by paying a monthly social aid and is one of the most important programs promoting social inclusion and the fight against poverty.

In 2014, the payments made for this social aid, amounting to 664 million lei, represented **12% of total payments incurred for the social assistance benefits** that were audited, the third big category of social assistance benefits, after those given under the family policies framework (child raising benefit and the child state allowance).

The monthly social aid is given based on an application and an affidavit, as well as the documents in proof showing the family composition and income, and is calculated as a difference between the guaranteed minimum income provided by the law and the monthly net income of that family or individual.

The law-makers also intervened in this field; consequently, starting with the benefits due for January 2014, the level of the social aid was increased by 4.5% against the previous year, as stated in the provisions of **GEO no 42/2013 on amending and supplementing Law no 416/2001 on the guaranteed minimum income, as well as amending Law no 277/2010 on family allowance.**

The monthly level of the guaranteed minimum income is calculated based on the social reference indicator (1SRI = 500 RON), and in 2014 it was the following:

<table>
<thead>
<tr>
<th>No</th>
<th>Amount GMI 2014</th>
<th>Size of the family</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>141.5 lei</td>
<td>A single person</td>
</tr>
<tr>
<td>2.</td>
<td>255.0 lei</td>
<td>2 people</td>
</tr>
<tr>
<td>3.</td>
<td>357.0 lei</td>
<td>3 people</td>
</tr>
<tr>
<td>4.</td>
<td>442.0 lei</td>
<td>4 people</td>
</tr>
<tr>
<td>5.</td>
<td>527.0 lei</td>
<td>5 people</td>
</tr>
<tr>
<td>6.</td>
<td>36.5 lei</td>
<td>For every person, if the family has more than 5 members</td>
</tr>
</tbody>
</table>
Distribution of the monthly average number of beneficiary families and the amounts paid, in 2014, per regions*):

<table>
<thead>
<tr>
<th>No</th>
<th>Regions</th>
<th>Average number of beneficiary families</th>
<th>Percentage average no of beneficiary families, out of the total</th>
<th>Total amounts paid - million lei-</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>North-East</td>
<td>45,878</td>
<td>19</td>
<td>129</td>
</tr>
<tr>
<td>2</td>
<td>South-East</td>
<td>39,916</td>
<td>17</td>
<td>106</td>
</tr>
<tr>
<td>3</td>
<td>South-Muntenia</td>
<td>46,385</td>
<td>19</td>
<td>129</td>
</tr>
<tr>
<td>4</td>
<td>South-West Oltenia</td>
<td>38,082</td>
<td>16</td>
<td>106</td>
</tr>
<tr>
<td>5</td>
<td>West</td>
<td>12,124</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>6</td>
<td>North-West</td>
<td>25,767</td>
<td>11</td>
<td>71</td>
</tr>
<tr>
<td>7</td>
<td>Centre</td>
<td>30,431</td>
<td>13</td>
<td>88</td>
</tr>
<tr>
<td>8</td>
<td>Bucharest - Ilfov</td>
<td>2,034</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>240,617</td>
<td>100</td>
<td>663</td>
</tr>
</tbody>
</table>

*Source: MLFSPEP statistics bulletin on Social assistance and social inclusion, for 2014

According to the table above, in 2014 the highest monthly average number of families-beneficiaries of the guaranteed minimum income was in South-Muntenia (46,385) and in North-East (45,878), regions where, consequently, the highest amounts were paid.

At the other end, with the lowest number of beneficiary families, we have the Bucharest-Ilfov and West regions, with a monthly average of 2,034, respectively 12,124 beneficiary families.

The chart below presents the evolution of the monthly average number of beneficiaries, the payments and the monthly average amount paid to each beneficiary family, between 2012-2014, for the social aid:
In view of ensuring the guaranteed minimum income, the social aid given in 2014 exceeded those from 2013, by 24%, and those from 2012 by 59%.

During 2012-2014, the same increase tendency was noticed for the monthly average number of families- beneficiaries of social aid, which in 2014 increased by 23,508 beneficiary families, compared to 2013 (11%), and by 47,904 beneficiary families compared to 2012 (by 25%).

This increase in the paid benefits was mainly influenced by the following factors:

- Increase in the monthly average amount given to beneficiary families, by 4.5% as of the benefits due for the month of January 2014;

- The higher number of beneficiaries was also influenced by the adoption of Law no 166/2012 which stated that, starting with November 2012, when calculating the monthly net income of a family or of an individual, based on which the right to social aid is assessed, the following shall be disregarded: family allowance, additional personal budget, state aid paid to farmers, education scholarships, social scholarships, as well as the financial aid given to students as part of the national Social Protection Program “Money for high school”.

The chart above also shows that between 2012-2014, the average amount/month/beneficiary family increased, from 181 lei in 2012, to 206 lei in 2013 and 230 lei in 2014, a 12% increase on 2013 and 27% compared to 2012.

Contributions for health social insurance are paid for the GMI beneficiaries. The amounts allotted to this end, in 2014, were of 36 mil lei, higher than during the previous years, this also due to the fact that the payments for this right increased from one year to another.

As of the end of 2013, Law no 270/2013 amending Law no 500/2002 on public finances provided that payments that were deemed as losses of public funds shall be recovered by charging the accessory obligations enforceable for the budget revenues, calculated from the moment they were paid until they were actually recovered.

To this end, in 2014, a piece of legislation was adopted, waiving, under certain circumstances, the payment of these accessories for the social assistance benefits unduly paid, including the four audited benefits.

The piece of legislation that was adopted (GEO 44/2014) stated that losses/payments unduly maid from public funds, given as social assistance benefits, shall be recovered without calculating penalties or interest, if they are paid back by the beneficiary within 180 days as of the moment when the decision was issued. After the 180 days, amounts representing social assistance benefits which were unduly paid shall be recovered by calculating interest and payments, starting from the moment when the unduly payments was made/loss was incurred until the amounts have been recovered.
IV. General objective and specific objectives of the audit

The general objective of the audit was to identify, in an independent way, the main phenomena encountered in the social assistance benefits system in terms of substantiation and use of public funds given for the four categories of social assistance benefits, including an assessment of how they are managed, overseen and controlled, and how MLFSPEP, through NAPSI and county agencies, acted in 2014 for reaching the set goals.

The specific objectives are of assessing, based on cost-effectiveness, efficiency and effectiveness, the consequences of having implemented the measures aimed at improving the performance of the social assistance benefits system, but also the efficient use of public funds for the 4 categories of benefits that were audited.

The scope of the audit specific objectives covers:

1. How the Ministry of Labor, Family, Social Protection and Elderly People performs its role as public entity with responsibilities for ensuring a unitary enforcement of the legislation in its specific field of activity, as well as the surveillance, monitoring and control mechanisms used for the social assistance benefits;

2. Assess how the need for budgetary resources is substantiated, in view of ensuring their fair distribution and eliminate amounts blocked as approved resources, which were not used, as well as an accurate presentation, in the annual financial statements, of the resources received and the expenses incurred for the four social assistance benefits;

3. Assess whether the information in SAFIR is correct and complete, as well as the system’s capacity of being operationally adjusted, as new pieces of legislation are issued;

4. Assess the internal control systems from the territorial agencies, for the 4 social assistance benefits subject to the audit;

5. Assess how the tools and mechanisms for prevention, detection and deterrence of fraud and corruption work, including the activity of the social inspection bodies, in order to ensure that social assistance benefits go to those that are entitled to them;

6. Assess level of achievement for the indicators set for the activity performed by the National Agency for Payments and Social Inspection and the County Agencies for Payments and Social Inspection.

The aim of the audit is to assess the activity performed for substantiating the budgetary resources needed, how the audited entities were involved in monitoring and overseeing how social benefits were given in 2014, to identify the best outcomes generated by the measures implemented, but also to identify objectives with a low achievement level and find the causes that prevented fully reaching the goals set for improving the social assistance benefits system.
The audit tried to provide information on the performance of the four categories of social assistance benefits, to identify risk areas and suggest several recommendations.

V. Findings and Conclusions

Having reviewed, processed and interpreted the data and information comprised in the documents collected during the performance and financial audit missions, findings and conclusions were formulated that are presented hereunder in relation to each of the audit objectives.

1. How the Ministry of Labor, Family, Social Protection and Elderly People performs its role as public entity with responsibilities for ensuring a unitary enforcement of the legislation in its specific field of activity, as well as the surveillance, monitoring and control mechanisms used for the social assistance benefits

Within the scope of its operations, MLFSPE is responsible for harmonising the national laws with the European Community regulations, strategies and programmes, in compliance with the signed convergence agreements.

In terms of regulations, its efforts materialised in adjustments made this year to the programmes it manages, in view of ensuring improved focus of support and administrative efficiency.

By and large, the changes in the laws applicable in 2014 were the following:

- **GEO no. 42/2013** amended Law no. 416/2001 on the guaranteed minimum income, whereby the law-makers intervened in the granting of social benefits, so that starting from January 2014 the social benefit was raised by 4.5% compared to the previous year.

- **GEO no. 44/26.06.2014** instating measures for recovery of social benefits debts and amending Article 101 of Law no. 448/2006 on the protection and promotion of the rights of disabled persons, establishes that:
  - Overpayments/illegal payments from public funds disbursed as social benefits shall be recovered without any interest or late payment penalties, if the claimant pays back such amounts within 180 days from the date of the decision.
  - After the 180 days deadline, the overpaid/illegal social benefits shall be recovered with interest or late payment penalties calculated from the date of overpayment/illegal payment up to such time that the amounts due are paid back.

- **Law no. 126/23.09.2014** amending the Expeditious Ordinance of the Government no. 111/2010 on child raising leave and monthly benefit and establishing measures for the recovery of debts resulting from the payment of undue child raising benefits, introduced the following changes:
  - Child raising benefit shall not be suspended, in case the claimant has an income of 3000 Lei (6 RSI) in one calendar year;
  - Undue payments shall be recovered by calculating the difference between the amount of monthly benefit received and the monthly insertion incentive entitlement, if the yearly income exceeds the legal limit;
from the 1st of January 2015, pay back in equal yearly instalments, over 5 calendar years, of any amounts repayable for the period 1st of January 2011 – 23.09.2014, as provided by law;

The effects of these changes may only become visible in 2015, given that the amendment came into force on the 27th of September 2014.

- **GEO no. 65/2014** brought about the following changes:
  - the family allowance (regulated by Law no. 277/2010) was increased by 42 Lei for each child in a family, starting with the entitlements payable in November 2014;
  - by Law no. 125/2015 approving GEO no. 65/2014, the child benefit was doubled in amount, starting with June 2015.

Unfinished regulations:

- At the time of the audit, the Ministry has not yet completed the procedure for adopting a Regulation instating a **consistent system of sanctions** and its related Guide of Application. Currently, the Regulation is pending internal approvals.

- The Law on the status of the social inspector has not been finalised and shall be developed in consideration of the GEO no. 86/2014 and the reorganisation of NAPSI, including the instatement of a new professional category, namely the labour and social security inspector.

- **Draft Law establishing the minimum insertion income**. The initial deadline for being presented to the Government was April 2014, but was delayed and is now scheduled to be presented to the Government in October 2014. Adopting this regulation is aimed at establishing the minimum insertion income as the main social assistance benefit paid for preventing the risk of poverty and social exclusion. The establishment of the minimum insertion income is an objective to be achieved within the Project to Modernise the Social Assistance System supported by a result-based loan from IBRD, extended until 31.12.2017.

# In 2014, the **General Department for Social Assistance (GDSA)** of the Ministry elaborated, implemented and monitored social policies aimed at reforming the social assistance system by transforming it from a passive into a proactive one, by taking measures to activate social categories at major risk of exclusion.

No changes occurred since the previous year in the direct subordination relation between NAPSI and the Ministry, in that, in 2014, NAPSI continued to communicate and work together with the Ministry via its GDSA.

In the financial area, in its relation with NAPSI, GDSA carried out tasks specific to then main budget holder, thus: develop annual social assistance budget and allocate it by quarters; establish the monthly budget appropriations of funds allocated from the annual budget law for social assistance benefits and programmes; review, verify and approve financial statements.

Same as in the previous year, GDSA received the information required for verifying the monthly funds requirements, based on the documents supporting the budget appropriations for social benefits submitted by NAPSI, but did not have the technical capacity to verify the accuracy/reality of such information, this being an obstacle in the Ministry’s managing important information on the social assistance system.

Same as in the previous year, the specialised unit of the Ministry did not carry out specific analyses on the audited social benefits, but only issued specific responses to queries, questions from the mass-media and other requests.

In as far as ensuring the **dissemination and promoting the primary/secondary regulations for social assistance** to the agencies involved and providing training to its personnel, the audit found
that:
- the regulations were communicated to the own personnel during the development of the regulation in question – the personnel being involved in all the development stages – and no specific training sessions were organised;
- concerning the dissemination/promotion of amendments made to regulations in 2014 to social assistance agencies, such were only communicated in writing to NAPSI;
- no additional meetings or debates were organised (with representatives of the local and central government, social partners and civil society) on the development and amendment of regulations specific to social assistance;
- the application in the territory (CAPSI) of the social benefits regulations was not monitored and no formal reviews/debates were organised in view of identifying potential shortcomings of the developed regulations.

The main method used to promote the regulations was publishing on the Ministry web-site the draft regulations (laws, ordinances, decisions) supporting the agencies that play an active role in social assistance.

To conclude, in 2014, the Ministry’s GDSA carried out a limited number of actions to promote/disseminate the regulations and any such actions were only directed to one agency (NAPSI) providing social assistance services. Furthermore, only a limited number of public debates were organised to promote the social assistance regulations.

**# Implementing procedures and instructions aimed at correctly applying the legal provisions**

- Implementing procedures and instructions aimed at correctly applying the legal provisions governing the social assistance system – aimed at initiating and developing draft regulations in the area of social assistance – was carried out in the meetings organised mainly by NAPSI, with the participation of Ministry representatives.

The regulations developed by the General Department for Social Assistance of the Ministry were disseminated and popularised exclusively via methodological guidance provided to the territorial payment and social inspection agencies, but only on their specific request, given that the Ministry lacks the capacity to monitor the application of the regulations in the territory.

Thus, the efforts were continued to ensure consistent application of the social regulations, the Ministry organising via NAPSI an Information and counselling campaign on the major changes in the regulations in the area of social assistance, with the participation of 6,455 persons, of which: representatives of 2,804 town halls (88% of the total 3,185 town halls in Romania), 266 representatives of other public agencies and 1,070 representatives of private entities.

The purpose of the information and counselling campaigns was to inform local public authorities, natural and legal public and private persons with roles and responsibilities in social assistance, as well as the public at large, on the latest changes in the regulations applicable to the determining and awarding social benefits and to guaranteeing citizens’ social rights.

Moreover, in 2014, 3,833 audiences and on-site and/or telephone counselling/information missions were carried out at the level of NAPSI and its regional offices providing counselling to 9,674 claimants or potential claimants who requested information on the legal requirements for them to qualify for social services and benefits.

To conclude, same as in the previous year, the main methods used for providing counselling to beneficiaries in 2014 were the audiences where four times more claimants and potential claimants received advice (9,674 in 2014, compared to 2,394 in 2013). They requested information on the requirements stated by the law for social services and for social benefits.

**# Concerning the administration of funds allocated by the Government for disbursement of social benefits.**

Specific responsibilities were allocated to NAPSI, but such responsibilities were only
discharged in part, because of certain shortcomings, namely:

- Inconsistencies in the amounts of payables recorded in SAFIR computer-based information system and the payables recorded in the books and reported in the financial statements at the end of 2014 to the MLFSPE. An additional amount of 18,698 thousand Lei (representing 40% of the total\(^1\)) is only reported in the SAFIR computer-based information system, because the centralised payables report generated by SAFIR does not include all the transactions entered in the application for cancelled payables and therefore, the analytical reports produced by the computer-based system for each debtor cannot form the basis for preparing the financial statements.

- Similar aspects have also been identified in relation to receivables, since the centralised receivables report generated by the SAFIR application shows a difference in amount of 3,836 thousand Lei compared to the financial statements.

It should be noted that, as early as 2012, the audit missions of the Court of Accounts revealed inconsistencies between the payables and receivables recorded in the SAFIR information system and the data reported in the annual financial statements.

# In relation to monitoring of debt (amounts to be recovered) submitted for collection to the tax authorities, the findings are thus:

- At the end of 2014, NAPSI reports debts in total amount of 28,044 thousand Lei, of which 7,680 thousand Lei submitted for collection to the tax authorities. The tax authorities confirm the collection of a significant part of the amounts, namely 5,004 thousand Lei (65%).

As pointed out in previous years, some of the territorial agencies are late in submitting debt to the tax authorities, in some cases at the risk of limitation, so that the auditors deems that the unconfirmed debt submitted by the territorial agencies remain on the centralised records of the secondary budget holder until they are confirmed. In fact, in the financial statements the entity reports receivables it no longer has the legal title to receive from the claimants of social assistance who have unduly received such payments, and the tax authorities cannot collect them because the amounts are communicated late by the territorial agencies.

Compared to the previous year, we note that the debt transmitted to the tax authorities is now better monitored, also given that they have about the same percentage as in the previous year (40%), but also in the context of an overall reduction of the total debt balance at the year end compared to 2013, whilst a relatively high percentage of unconfirmed debt still remains together with the risk of some debt becoming subject to the statutes of limitations.

- **One specific issue** is the debt resulting from undue payment of social benefit. Starting from the end of 2013, when the applicable regulations were amended (Article 36^1 of GD no. 50/2011, introduced by GD no. 778/2013), the territorial agencies are required to communicate such debt to the territorial authorities in charge with enforced collection, authorities that are required to confirm that they have taken over the responsibility to collect the debt.

From the analysis of the Situation of debt from the guaranteed minimum income, representing receivables determined and cashed-in, submitted to local authorities and the balance of such receivables for 2014, we found that, in 2014, debts in amount of 10,133 thousand Lei were submitted for collection to the tax authorities. One territorial agency only (CAPSI Caras – Severin) submitted debts in amount of 57 thousand Lei to the relevant territorial authorities.

In the light of the above and the responsibility the local authorities have in determining the benefit, we consider that this manner of work encumbered the tax authorities with debt that should have been pursued and recovered by the local authorities.

[^1]: 18,698 thousand Lei / 46,742 thousand Lei * 100
This legal context shows that it was mandatory for the territorial agencies to carry out a detailed analysis, in each County, of the administrative-territorial units that have enforced collection units and, only to the extent to which such units did not exist, to submit debts for collection to the tax authorities subordinated to the National Tax Administration Agency.

# Concerning the coordination of the national social assistance system by the MLFSPE, the main aspects noted are:

Among other responsibilities, the Department for Social Services and Inclusion is also tasked with preparing the *Statistical Report on Social Benefits and Services*, but no operational procedure exists for collecting data about social benefits and the manner for calculating the indicator *average number of claimants paid*, presented in the *Statistic Bulletin of Labour and Social Protection*.

Statistical data is collected by NAPSI by taking over the average number of claimants receiving payment quarterly from the County Agencies and reporting the figures to the main budget holder, without carrying out any preliminary analysis on the number of monthly claimants receiving payment and comparing the figures with data from other sources.

Although NAPSI uses the computer-based SAFIR application (it keeps centralised records of the recipients of social benefits and can generate reports on entitlements being audited, based on which various analyses and comparisons could be carried out with the data reported by the tertiary budget holders), the data available from this application is not used.

These deficiencies led to inconsistencies between the real average number of recipients of the four social assistance benefits and the numbers published in the Statistical Bulletin on the Ministry website and that is subsequently taken over by the National Statistics Institute.

The facts presented above led to incorrect data being presented in the Statistical Bulletin on the entitlements paid out as child raising benefit, the payments made for disabled child raising benefits not being included in the total amounts reported.

By and large, MLFSPE has discharged its role as a public entity responsible for the consistent application of the relevant regulations in its field of activity. However, some deficiencies are to be noted, in particular in monitoring, supervising and controlling social benefits, thus:

- the Ministry via its General Social Assistance Department (GSAD) carried out a limited number of activities to disseminate the regulations, and any such activities were addressed to one social assistance agency only (NAPSI). Also, only a limited number of public debates were organised to promote the regulations in the area of social assistance;
- the development and revision of policies governing sanctions in the area of social benefits was not completed;
- full accuracy of data presented in the Statistical Bulletin was not ensured on the entitlements paid as child raising benefits, since disabled child raising benefits were not included;
- centralised reports on payables and receivables generated by the SAFIR application at the end of 2014 do not reflect all the transactions entered in this program, and the analytical records do not reflect the reality;
- the possibility was not analysed for the territorial agencies to communicate debts related to social benefits to those local authorities that have enforced collection capabilities and only submit debts receivable for collection by the tax authorities if and when the local authorities lack such capabilities;
- debt unconfirmed by the tax authorities still represent a significant percentage and the risk exists for some to become subject to statutes of limitations;
- same as in the previous year, the main counselling methods were the audiences where four times more claimants and potential claimants were counselled.
2. Assess how the need for budgetary resources is substantiated, in view of ensuring their fair distribution and eliminate amounts blocked as approved resources, which were not used, as well as an accurate presentation, in the annual financial statements, of the resources received and the expenses incurred for the four social assistance benefits

MLFSPE’s General Department for Social Assistance (GDSA) has been assigned the responsibility to substantiate the financial resources required for the disbursement of social benefits. GDSA prepares draft annual budgets and budget correction proposals for funding the social benefits and social assistance programmes disbursed via the National Agency for Payments and Social Inspection, based on the proposals made by the latter.

The specialised department of the Ministry carries out monthly checks consisting of verifying the number of claimants against the amounts appropriated/spend during the previous month. Also, it compares current month data with the corresponding figures for the same month of the previous year.

Funding social assistance from the MLFSPE’s budget was based on: macroeconomic indicators communicated by the Ministry of Public Finances; evolution of the amounts paid out as social benefits during the previous period; changes in the number of claimants for each type of benefit; amount of social benefits; changes in the applicable regulations; arrears and cash available (balance).

The money required for disbursing all the social benefits was allocated in the approved budget for 2014.

The final budget appropriations were used almost entirely for payments, and no amounts were blocked, this leading to a high level of disbursement, same as in the previous year (99.9%). The same applies for the social benefits remittance fees, where the utilisation was 99.8%, and for the health insurance contributions due for two types of benefits, where the utilisation was 98.9%.

Adequate substantiation of budget appropriations and any corrections thereof (depending on the evolution of payments) was made possible by the fact that, since 2013 and through 2014, the territorial Agencies for Payments and Social Inspection and the NAPSI have been reviewing and corroborating the data recorded in their accounts with that from the electronic SAFIR data bases, including checking the number of claimants whose entitlements have been paid by post remittance, bank account or in cash.

However, this good practice in substantiating the projected budget appropriations was not applied by all territorial agencies of NAPSI.

- In order to make the payments, NAPSI centralises and reviews the monthly budget appropriation requests made by the Territorial Payments and Social Inspection Agencies.

To support this operation, at the recommendation of the Court of Auditors, NAPSI has developed and approved operational procedures for three of the benefits audited. The procedures cover the substantiation of the projected monthly budget appropriations for payment of child raising benefit, social benefit and family allowance.

During 2014, the Operational Procedure for substantiating budget appropriations for the payment of the guaranteed minimum income was revised and approved, and the reporting templates used by the territorial agencies of NAPSI.

Therefore, no operational procedures were developed in 2014 for substantiating the projected budget appropriations for one of the audited benefits (the national child benefit, which weighs most in the total, both in number of claimants and in amounts paid).

Operational procedures were developed and approved by the Ministry in 2010, including for the audited benefits, but such procedures were not updated and revised in the context where, in the period 2010 – 2014, changes occurred in the applicable regulations, both concerning the responsibilities of
GDSA and the social benefits themselves.

- The analysis of the methods (by postal remittance or via banks) used for the payment of the audited social benefits showed that the payments made via the Romanian Post increased slightly (by 0.1%), also due to the raise of certain benefits in 2014.

Given that the national child benefit accounts for half of the total payments for the four audited benefits and the remittance fees for this benefit account for more than the total amount paid in fees, the auditors consider that a more comprehensive analysis is required of the method used for the payment of this particular benefit.

Also, given the large number of claimants receiving their benefits via postal remittance, taking into account the resources used by the entity, the higher costs of remittance and the potential risks associated to cash payments (easier to fraud), the auditors consider that NAPSI should perform a more comprehensive analysis in this area.

- **Ensuring a balanced allocation and eliminating blocking of approved and unused resources**

As shown above, the monthly needs of budget appropriations for each of the four social benefits under scrutiny was substantiated based on: number of claimants, amount of benefit, arrears and cash balance.

Following the recommendations made by the Court of Auditors, the entity reviewed more closely the entitlements subject to statutes of limitation and transferred 634 thousand Lei more to the state budget compared to the previous year (9,755 thousand Lei in 2013 and 10,389 thousand Lei in 2014), so that the benefits not disbursed at the end of 2014 went down by 8% on the previous year.

The audited benefits form the largest part (93%, that is 9,668 thousand Lei) of the total amounts of benefits subject to the statutes limitation and transferred to the state budget in 2014.

Given the low value of the total national child benefits that is, however, paid to a large number of recipients, in the context of the shortcomings of the computer-based SAFIR information system (detailed in Objective 3), the auditors consider that the identification of entitlements subject to statutes of limitation, which must subsequently be transferred to the budget, encumbers the activity of the entity and requires considerable efforts for carrying out these operations in a timely and correct manner.

The review has also identified irregularities concerning compliance with the legal deadline for the transfer to the state budget of undisbursed amounts. Such amounts are those that have not been drawn by the claimants within the limitation period.

In this context, we point out:

- certain amounts were transferred later than the legal deadline, on average 45 later, which results in unnecessary blockage of the money;

- money has been transferred above the amounts transferable during the current year, money that was carried over from a previous period and that should have been transferred to the state budget within the legal deadline, this resulting in money being blocked that was owed to the state budget.

As a positive aspect, it must be pointed out that 11 County Agencies have organized adequately the records of amounts payable to the state budget and thus avoided their blockage.

Despite the positive aspect above, the auditors find that, in 2014, money was still blocked in payables accounts, representing social benefits not drawn by claimants and that were subject to statutes of limitations.

*It must be pointed out that not all the creditors were identified whose right to claim social benefits was limited by statutes. This had consequences in that payables were reported in the annual financial
Given that no final budget appropriations were blocked (these being used almost entirely for payments, at 99.9% utilization rate), the auditors find that a balanced allocation was ensured for the amounts intended for the payment of the audited benefits and blockages of such amounts were eliminated.

In order to diminish the cost of remittance of the audited benefits, the auditors deem that NAPSI should carry out an analysis of the methods of payment preferred by the claimants, analysis that should lead to cutting back fraud in the system and to savings in human resources, given the large number of claimants that receive post remittances.

Although the transfers within the legal deadlines to the state budget of amounts subject to statutes of limitations for not having been drawn by the claimants has improved compared to the previous year, some irregularities have been identified, such amounts being only transferred in part or late to the state budget. These irregularities have been caused by the territorial agencies not performing monthly reviews of the balance of the Payables account and NAPSI not performing such checks when centralizing the financial statement of the territorial agencies.

The auditors find that amounts due to the state budget may still be blocked, due to the existence in the payables accounts of unclaimed benefits that are past the term provided by the statutes of limitation.

3. Assess whether the information in SAFIR is correct and complete, as well as the system’s capacity of being operationally adjusted, as new pieces of legislation are issued

NAPSI, an entity subordinated to the Ministry, uses the computer-based SAFIR information system for ensuring a consistent management environment for awarding social benefits. This is an integrated computer application that allows centralised management via a sole database of claimants (persons, families) and amounts allocated from the budget for the social benefits to be disbursed.

The purpose was to develop a unitary system for the payment and management of social benefits. This vision is closely connected with the provisions of the Framework Law for Social Assistance and the Project to Modernise the Social Assistance System developed in partnership by the Government of Romania and the World Bank.

The computer-based SAFIR information system is functional at the level of NAPSI and calculates each type of benefit awarded, checks the eligibility of the claimant (individual or family), amount of benefit paid, keeps record of the payment terms and overdue payments, and automatically issues award, suspension and termination decisions for the audited benefits, as well as decisions for amounts recoverable.

Same as in the previous year, in 2014, the computer-based SAFIR information system presented certain dysfunctions that led to management information being unavailable or incomplete and to inconsistencies in the analytical records of receivables and payables related to the payment of social benefits compared to the centralised records.

An external evaluation was carried out in 2013 on the comprehensiveness of the information stored in SAFIR. The audit concluded that no crosschecks were carried out in the system and the interoperability with various databases was not provided.

Consequently, the expert personnel form the Information Technology and Database Management Unit of NAPSI defined cross-references between the databases extracted from SAFIR and the databases received from other entities, in order to enable the identification of ineligible claimants in the social assistance system. This effort involved the allocation of extra time for data processing and a delay in determining the award/termination/recalculation of some social benefits.
In view of managing and developing the SAFIR information system, a Contract was signed in 2013 for consulting services with the same companies that initiated, designed and implemented the computer-based system starting from 2006.

The Contract for procurement of services for the consolidation and development of the integrated, computer-based, social benefits information management system (SAFIR) was further amended by 4 addenda, with modifications to the scope of services, the schedule of work and the reporting requirements. Thus, by the addenda, the deadline for the completion of the services was extended until 30.06.2014.

From 30.06.2014 until the end of the audit mission, no further addendum was agreed to provide consulting services for the integrated SAFIR information system.

After the conclusion of the contract, the Ministry took no further action to ensure continuity in the adjustment/development of the computer-based system used by NAPSI. Furthermore, the financial resources needed for the development of the computer application were not allocated, on consideration that it would be reconfigured starting in 2016.

The consultant delivered the last build (version) of the system to NAPSI on 23.06.2014 but, following the individual testing of the functions delivered in this build, only some of the services provided were accepted on reception, without the rejected ones being accepted subsequently. This was due to errors that impacted on the optimal operation of the SAFIR integrated information system and made unusable important existing or newly developed SAFIR modules/functions.

In order to test and put in operation the modifications made to the SAFIR information system by the services provided under the Contract, permanent liaison was ensured with the users from the territorial agencies, via “tickets” issued for pointing out errors managed individually.

Thus, compared to the tickets (errors) identified in 2013 (885 tickets for operation/use), a total of 3,004 tickets were raised in 2014, that is more than 3 times over the previous year.

This situation demonstrates the intensification of the efforts made by the NAPSI representatives and the users of the SAFIR information system form the territory to develop, implement and stabilise the IT services procured under the Contract agreed with the consultant.

Furthermore, one of the identified errors was the appearance of unidentified users signing decisions/orders issued from the computer-based system in certain Counties that pointed out this.

NAPSI notified the Ministry that the services delivered under the Contract would only be finally accepted when the computer-based system would work in compliance with the specifications set forth in the Contract and its Addenda.

At the time of this audit, the representatives of NAPSI have not yet signed the final acceptance report, because the identified errors have not been corrected.

In the context of the above, the SAFIR information system partially meets the purpose for which it was developed, allowing clearer and more comprehensive records of the social benefits awarded and paid out to the claimants of the audited benefits, through the automation and control of operations and information relating to the claimants of social benefits managed by this application.

# Concerning the capability of the SAFIR information system to be operationally adapted as and when new regulations are issued, an inventory was made of the amendments to regulations that needed to be input into the SAFIR information system. The finding was that the computer-based system was not up-to-date, a significant number of manual operations being necessary in order to ensure compliance with the relevant regulations. This situation may generate errors, given that a large number of claimants receive the audited benefits.

# Concerning the correctness and comprehensiveness of the information stored in the SAFIR computer-based information system, several types of dysfunctions were identified, thus:
Inconsistencies between the book entries and the computer records concerning the debtors and creditors reported in the financial statement for the end of 2014. In particular, plus figures were found in the analytical records, fact that is also pointed out in Objective 1 of this Report, thus:

- in the case of debtors (receivables), a difference exists in amount of 18,698 thousand Lei that is mainly comprised of debts that were not cancelled in the consolidated statements generated by SAFIR, even though the cancellations were operated in the application;
- in the case of creditors (payables), the difference is in amount of 3,836 thousand Lei. The explanation provided by the entity was that unpaid benefits are automatically recorded in the SAFIR application in the month when the entitlement was determined, which is not consistent with the financial statement. This is to be clarified by the entity.

Alongside the above (some of which were also identified in previous years), the audit missions carried out by the Court of Accounts at tertiary budget holders identified the following irregularities related to the correctness and comprehensiveness of the information held in the SAFIR computer-based information system:

- the system does not allow crosschecks of information from the entity’s data base with information supplied by other agencies for any of the audited benefits;
- it does not compile consolidated reports at national level that could be used by the NAPSI Units in charge of monitoring, funding and managing social benefits;
- it does not issue any kind of warning when two types of benefits are awarded at the same time for the same recipient, namely the family allowance and the guaranteed minimum income;
- it does not flag a benefit that is awarded several times to the same recipient, in the same month;
- it does not manage all the social benefits, come of them being recorded separately;
- it does not have designated fields for European forms (received from or sent to other states) and the manner of dealing with such (response and potential decisions to recuperate undue payments), as well as information on the main claimant’s and family members’ PIN (individual identification number), date of birth, address, possibility to send form by e-mail, notes on the family situation, information concerning the award of benefits, correlation with the SAFIR information system. Currently, the territorial agencies manage the European forms using Excell files;
- though at the level of the secondary budget holder (NAPSI) agreements were entered with other government agencies to use the databases, no standard format was agreed for the type of files to be forwarded (dbf, txt, xls, sml, html etc) and their structure (indication of the mandatory fields in correlation with the required information), thus facilitating the import into SAFIR;
- it does not provide information on preparing reports substantiating the entitlements, preparing rectification statements to Form 112 “Consolidated statement of social contributions, income tax and nominal records of insured persons”, operations that are carried out manually, mainly using Excel files;
- in Form 112 “Consolidated statement of social contributions, income tax and nominal records of insured persons” generated by the application, the legal guardians of underage mothers who receive child raising benefit are included, in the context where they are exempt from the payment of health insurance contributions;
- the application does not automatically regularizes the contribution to the health insurance fund, for debts and undue payments, all these being made manually;
- it does not archive payments in the case of persons transferred to other Counties;
Auditul performanței asupra modului de fundamentare a necesarului de surse și de acordare a unor categorii de beneficii de asistență socială în anul 2014

- it doesn’t have the capacity to avoid operational errors by identifying already existing information that could be automatically taken over and used for another benefit;
- some of the decisions issued by the SAFIR application are not updated with the newest legal provisions on the organisation and operation of NAPSI, and thus the risk exists for such decisions to be challenged in courts of law;
- the generated reports do not include date/identification code showing that the report was generated from SAFIR;
- the record of creditors in the SAFIR computer-based information system is incorrect. Creditors may be viewed in the application, in analytical format, but the software user is not warned when statutes of limitations apply. Moreover, the software does cannot issue a report of unclaimed amounts that are subject to limitation by statutes and that should be transferred to the state budget;
- in some cases, on awarding the national allowance for persons under 18 who are enrolled in vocational or high-school education (based on the files forwarded by the County School Inspectorate), the benefits are paid by postal remittance, though the claimant’s option to receive the money in a bank account is ticked off in the system;
- in the record of payments to the legal guardian, the amount representing the national child benefit is recorded globally, including the entitlements of all the children in the family, without individual records of the entitlement for each child and his/her name;
- it does not allow the recording of the period of residence of foreign or stateless persons resident in Romania, for the payment of the national child benefit, so that the entitlement may be cancelled at the end of residency;
- the application does not make correlations between all types of social benefits and does not automatically suspend the entitlement when the eligibility conditions are no longer met;
- distinctive records of alternative benefits (the other parent) are is not integrated in the system;
- no separate records are kept of the persons receiving child raising benefit and that have an income from freelance work, in order to request them to submit the annual tax returns needed for recalculating the entitlements;
- it does not yet generate a decision for awarding the benefit from 2 to 3 years of child’s age, the benefit being only awarded based on an application and submission of supporting documents to the town hall, in the case of disabled children between 2 to 3 years of age, if the application to extend the leave and the benefit is submitted before the child turns 2 years of age;
- the payment of child raising benefit is not automatically suspended in the application at the child’s age of 11/23/35 months, it being necessary to keep manual records of all files where both parent are in employment, in case the other parent does not apply for leave and child raising benefit;
- it does not allow extraction of data at local level for establishing the eligibility criteria (e.g. all members of a family for crosschecks with other databases, in order to determine the reality of declared income), for preparation of statistics or for substantiating or monitoring social benefit entitlements, these operation only being possible at the level of NAPSI.

The computer-based SAFIR information system partially meets the purpose for which it was developed, namely to achieve a consistent system for the management pf social benefits and for calculating each type of benefit awarded.

In 2014, same as in previous years, the computer-based SAFIR information system implemented and used by the National Agency for Payments and Social Inspection presented deficiencies that led to the supply of incomplete/incorrect or no information and to the recording of inconsistent and irregular
4. Assess the internal control systems from the territorial agencies, for the 4 social assistance benefits subject to the audit

The internal audit system was, by and large, suitably designed and developed, but it did not have the capability to identify all the risks that may impact on a good financial management.

The system continues to present vulnerabilities in terms of its capability to prevent, detect and effectively correct errors/fraud to the four types of social benefits audited.

The financial and management audit performed by the Ministry was also aimed at verifying the legality of the entitlements determined by the territorial agencies, but no irregularities were identified, conclusion that contradicts the aspects pointed out by the Court of Auditors following the audits it carried out in the same territorial agencies.

Overall, the identified shortcomings may be summarised within the following categories, some of them being similar to those identified in previous years:

- the efficiency of internal audit is not supported by the computer-based information system that cannot effectively process large quantities of data, thus allowing analyses to be carried out promptly, in support of achieving the entity’s objectives and reducing system errors;

- the operational procedures and the computer-based SAFIR information system are not up-to-date with the latest regulatory changes on the award of the audited benefits, and the high levels of error risk is maintained, this eventually leading to undue payments;

- not all the risks have been identified and managed that may negatively impact on the activities related to the audited benefits, so that no reassurance can be given that sufficient checks are being carried out to identify persons that receive undue payments form the state budget.

5. Assess how the tools and mechanisms for prevention, detection and deterrence of fraud and corruption work, including the activity of the social inspection bodies, in order to ensure that social assistance benefits go to those that are entitled to them

The social assistance measures and actions are aimed at directing social benefits to the entitled persons, and at ensuring that payments are made in the right amount and in due time.

In this context, the auditors intend to evaluate the extent to which the planned actions have contributed to the implementation of effective mechanisms for the prevention, detection and discouragement of error, fraud and corruption in the social benefits system.

# The main method for preventing errors or fraudulent access to the social assistance system is to verify the eligibility of claimants at the time of their applying for any entitlements. Thus, guaranteeing that eligibility is correctly determined form the very beginning is essential for ensuring the system’s integrity and for reducing the need (and cost) of subsequent verifications.
In dealing with the claims for these types of social benefits, the social investigation at the home of the claimant plays an important role for verifying the situation presented in the supporting documents accompanying the application, which, most often than not, are filled in summarily. The information provided by the claimants of social benefits does not always and entirely matches the reality found in the field by consulting data from the farm register, tax records, register of births, deaths and marriages, thus avoiding undue payments.

**The social investigation can provide reasonable assurance**, but not the certainty, that the claimants meet the eligibility criteria. This is an efficient method to identify any assets owned by the claimants, be such immobile assets (land, buildings) – information available on a local level (farms register, tax and duties unit) – or mobile, which can be identified by social workers visiting the claimant’s home.

In 2014, same as in previous years, the administrative-territorial units and the Territorial Payment and Social Inspection Agencies were incapable of identifying errors and fraud from the time of verifying the eligibility of claimants, because any exchange of information with other relevant sources only took place at the level of NAPSI.

# The main tools for identifying ineligible claimants that impact significantly on the efficient use of public funds destined for the payment of social benefits are **planned and on-the-spot verifications** (initiated based on notifications/petitions) carried out by the Social Inspection Department of NAPSI.

In 2014, in order to ensure that the social benefits are directed to legally entitled individuals, NAPSI carried out the following main types of verifications:

- **planned verifications**, organised based on an audit plan;
- **on-the-spot verifications**, initiated based on notifications/petitions;
- **follow-up verifications on outstanding suspicions** – that could not be finalised during the missions carried out in 2013;
- **counselling/information campaigns on changes in regulations** relevant for social assistance, this last type of activity also contributing to the prevention of errors and fraud in the social assistance system, as detailed above.

The audited social benefits were verified through **planned campaigns**, based on a verification plan, based on risk analysis and through **on-the-spot checks** initiated following notifications received by NAPSI and forwarded to its territorial agencies and/or by other public private entities. The verifications included the manner of determining and awarding three types of social benefits out of the four subject to this performance audit: guaranteed minimum income, family allowance and child raising benefit.

According to the Verification Plan for 2014 of the Social Inspection Department, approved by the Minister, 17 missions were planned that were performed between February 17th to May 30th, 2014.

Only 4 planned verification campaigns were delivered in 2014, the lowest number in the past three years. (Namely, 2 less than in 2013, when 6 campaigns were organised, and one less than in 2012, when 5 campaigns were delivered).

In the context where not all the risks derived from the award of benefits were inventoried, the Social Inspection Department mainly focused on verifying the income based on which the benefits were determined, namely:

- If a certificate issued by the County Agency was included in the claim file stating that fit-for-work individual was registered as a job seeker, did not turn down a job and did not refuse to participate in programmes aimed at stimulating employment. This check was carried out in the first part of 2015, at the recommendation of the Courts of Auditors made in 2014;
If the claimants of social benefits had paid their national and local taxes, if such payments were a prerequisite for qualifying for benefits;

- Entering agreements, in compliance with the law, with the local authorities and the Ministry of Agriculture and Rural Development (MARD), through the local entities, based on which to obtain information on the net value of the annual produce yield per unit of land, animals and birds owned by the claimants of social benefits (guaranteed minimum wages) and that were included on the list of goods excluded from benefits.

In view of the new approach to the activities of the social inspectors, we believe that a correlation is required between the work of the Social Inspection Department of NAPSI and the internal checks carried out by the territorial agencies, in order to ensure that as many risks related to benefits are mitigated.

As part of the planned verification campaigns aimed at checking the reality of the information based on which the benefits were determined, it was necessary to verify data from multiple sources.

In this context, in 2014, NAPSI signed 2 further agreements with institutions that can provide information on the situation of the claimants of social benefits, namely with the National Veterinary Health and Food Safety Authority and the Romanian Naval Authority.

These agreements were added to the 10 entered into in the interval 2011 – 2013, on the recommendation of the Court of Accounts, with the following institutions: National Tax Agency, National House of Public Pensions, National Employment Agency, Ministry of Internal Affairs – Department for Person Records and Database Management, National Companies Register, Labour Inspection, Agriculture Payment and Intervention Agency, Special Telecommunications Service, the Company Insurance Pool Against Natural Disasters SA and the Department for the Protection of Disabled Persons.

It must be mentioned that the agreement made by the National Agency for Payments and Social Inspection with the Agriculture Payments and Intervention Agency exclusively covers the supply of information about farming subsidies, and does not involve the provision of any data about the areas of land owned or farmed by the claimants of social benefits, given that, if the claimants of family allowance and/or guaranteed minimum income own land over a certain limit established by law, then they are disqualified from receiving such benefits.

In order to carry out the planned verifications, the specialised unit of NAPSI identified inconsistencies (suspicions) related to the eligibility of recipients of benefits by comparing (crosschecking) the data from the SAFIR information system with data from only two sources, namely the NATA and NHPP. The comparison was performed for the first 9 months of 2013 and 22,817 suspect transactions were identified.

All these suspicions were verified during the four planned verification campaigns carried out in 2014 (22,817 cases), but only 28% (6,486 cases) were confirmed. 5,457 debt (recovery) decisions were issued for the confirmed suspicions, in total amount of 9,435 thousand Lei.

Whilst in 2013 the number of debt decisions and their total amount was higher than in 2012, in 2014 a decrease in the number of debt decisions was noticed, with the only exception of debt decisions related to the guaranteed minimum income, which doubled.

Consequently, the number of debts determined by the social inspectors during the planned verification campaigns decreased accordingly, at the end of 2014, but the activities were much less intense than in previous years.

To conclude, the high percentage of unconfirmed suspicions (72%) leads to the conclusion that the risks associated with the award and disbursement of social benefits have not been sufficiently well analysed, such as to ensure a minimum use of resources with a maximum of results.

We point out that in 2014 the social inspectors carried out the planned verification campaigns almost
At the same time with the financial audit missions performed by the Court of Auditors at the territorial agencies and were also directed at checking the determination and award of social benefits in 2013.

By this manner of work, the prevention function was not fully exercised given that the social inspectors’ activity should have been focused on the current year (2014), at least in as far as the salaries are concerned (for which the employers submit statements to the tax authorities by the 25th of the subsequent month). This is also based on the fact that 2014 will only be audited by the territorial Courts of Accounts in 2015, and the social inspection would have been more effective if focused at least on the newly awarded claimants of child support benefit, given that this benefit weighs most in the total of the 4 audited benefits and is determined by the territorial agencies.

Furthermore, the missions carried out by the Courts of Auditors in the territorial agencies have already revealed certain irregularities for 2014, so it is our opinion that, at least form this point of view, NAPSI carrying out verifications for the same benefits, at the same time, cannot result in a reduction of the number of errors in the system of the audited benefits.

The verification campaigns of social benefits carried out in 2014 based on risk analysis carried out by the social inspectors at the territorial agencies revealed that certain progresses were made on the previous year.

The decrease in the number of debt decisions and, implicitly, in the amount of debt determined cannot be seen as a reduction of the number of system errors, it being due to the reduction in the number of verification campaigns in 2014 compared to previous years and to the efforts focused on verifying the awarding and disbursement of social benefits in the second semester of 2014.

# Concerning the tools used for discouraging fraud and corruption in the determination and awarding of the audited social benefits, we notice that only three of the four regulations governing the audited social benefits contain provisions on offences and penalties thereof, namely: monthly child raising benefit, family allowance and the guaranteed minimum income.

Each regulation is augmented by a clause stating that the provisions on offences are also subject to the GO no. 2/2001 concerning the legal status of offences, approved as amended by Law no. 180/2002, as subsequently amended.

In the context whereby the Litigation and Legal Unit has clear responsibilities for keeping centralised records of the offence finding and penalties reports issued at central and county level, on recommendation by the Court of Auditors, NAPSI developed a system for keeping such centralised records of the offence reports issued by the social inspectors. The system is based on a standard template used for reporting to NAPSI. Based on this system, it was possible to monitor the sanctions applied in 2013.

The issuance of offence and penalties reports continued in 2014, when 81 warnings and 25 fines were issued in total amount of 55 thousand Lei, and 41 claimants were prosecuted.

In 2014, the social inspectors applied a lower number of sanctions, so they did not have a significant impact on reducing errors and fraud in the social benefits system. Sanctions were only applied in 20 counties (48% of the total), compared to the large number of errors identified both in the audit missions carried out by the territorial Courts of Accounts at the County Agencies for Payments and Social Inspection and in the verifications made by the National Agency for Payments and Social Inspection. The number of errors did not decrease due to the claimants being penalised and discouraged to continue to fraud the social benefits system.

Concerning the sanction policies, in 2013, the Ministry of Labour, Family, Social Protection and the Elderly procured consulting services for the development of a draft regulation concerning sanctions applicable by the social inspectors in cases of error, fraud and corruption in social assistance programmes.

As a result of this contract, the “Guide for the Application of Sanctions by Social Inspectors” was
developed. Also, a draft regulation was developed to amend Law no. 416/2001 on guaranteed minimum income, Law no. 277/2010 on family allowance, GEO no. 70/2011 on social protection measures during the winter, GEO no. 111/2010 on the child raising leave and monthly benefit, Law no. 448/2006 on the protection and promotion of the rights of the disabled persons with provisions governing the finding and sanctioning of offences, but at the time of this audit it was not yet approved.

Following the audit missions carried out at NAPSI and its territorial agencies for payments and social inspection, undue payments were identified by type of audited benefit, thus:

- **Child raising benefits, including monthly/insertion incentive.** In amount of 10,161 thousand Lei unduly paid due to the claimant not declaring other income while receiving this benefit, the amount of entitlement not being calculated based on the effective income of the claimant (based on the tax certificate issued by the tax authority), payments for the last month in payment not being suspended when the other parent did not claim this benefit for the last month of the total child raising leave, payment of the monthly/insertion incentive when no evidence was provided that the claimant was in employment and was obtaining a taxable income – a legal requirement for the award of this benefit;

- **Social benefits (GMI) and family allowance.** In amount of 17,793 thousand Lei, the main causes being: claimants not declaring income, claimants owning goods that disqualify exclude the form these social benefits, claimants failure to pay due taxes on property, undeclared bank deposits in excess of 3 thousand Lei, failure to produce a certificate issued by the County Employment Agency showing that the claimant is a job seeker and did not turn down a job, all of the above leading by law to disqualification from such benefits;

- **National child benefit.** In amount of 176 thousand Lei, awarded to deceased minors, children expelled or who had dropped out from school or repeated a school grade, because the School Inspectorates did not forward the relevant document sin due time for claimants who no longer met the legal requirements.

Starting in 2012, the Court of Accounts of Romania has carried out several audit missions on the four benefits in question. A slight increase in the unduly paid amounts was found in 2015 compared to the previous year, in the context where the total amount of the audited benefits increased.

Furthermore, for the undue payments identified in previous years, the territorial agencies for payments and social inspection determined debts to be recovered from the claimants.

At the end of the audit missions the debts from previous years were also analysed and the findings were that the debt recovery rates are good, that is 96% for debt identified in 2012, 93% for debt identified in 2013 and 78% for debt identified in 2014.

The recovery rate for 2014 is only 78%, but in 2015, same as in previous years, the actions to recover undue payments also continued after the completion of verification missions in the territorial agencies for payments and social inspection.

By the adoption of Law no. 126/2014, part of such debts (those related to the child raising benefit and the monthly/insertion incentive) will be amnestied, so that the unduly paid amounts of this benefit will no longer be recovered by the territorial agencies.

NAPSI implemented the provisions of Law no. 126/2014 and the resulting consolidated report shows the following situation:

- total number of application submitted for exemption from repayment of amounts cashed-in: 1,555 applications in total amount of 5,998 thousand Lei;
Auditul performanței asupra modului de fundamentare a necesarului de surse și de acordare a unor categorii de beneficii de asistență socială în anul 2014

- total number of applications for exemption from payment of amounts cashed-in: 490 applications in total value of 1,579 thousand Lei;
- amount to be paid out to applicants in instalments: 605 thousand Lei;
- cancelled amounts: 799 thousand Lei;
- 175 thousand Lei is the amount of debts pending clarification and relates to 188 applications;
- total number of applications rejected: 877, in amount of 2,840 thousand Lei. The reasons for rejection, among others, were: undeclared income, intentional use of illegal documents, debt resulting form the fault of the claimant (debtor) etc.

The main findings of the audit missions are:

- poor cooperation between the entities subordinated or under authority of the Ministry that hold relevant information based on which potential ineligible claimants could be identified;
- the Ministry does not analyse the reports prepared based on the verifications carried out by the social inspectors of NAPSI for the purpose of identifying the beneficiaries with the highest error risks, so that the activities of the social inspectors may be focused on those areas with the highest number of claimants that fraud the social assistance system;
- social benefits have not always been directed to the neediest categories of beneficiaries, because, same in previous years, the risk remained of fraudulent claimants to penetrate the system, to the detriment of those effectively entitled to benefits;
- the SAFIR application is not interconnected with applications of other public agencies, such as to allow crosschecking of Agency data with that of other entities, before the award and disbursement of benefits. This greatly hinders the capacity to identify ineligible claimants in good time;
- double tier decision making – certain benefits are awarded by disposition of the mayor and disbursed by decision of the CAPSI Director. This leads to the local authorities being rather liberal in awarding social benefits, because the effective checks are carried out by the paying entity;
- the same problems with carrying out social investigations are found at the level of town halls as in previous years, in that such inspections are superficial, although records of some of the assets owned by the claimants are kept exactly by the local authorities, thus partially allowing for preventive checks;
- a minor improvement was noticed at the level of NAPSI and its territorial agencies in the work of the social inspectors directed at verifying the eligibility of claimants. Such checks are only carried out after the award of the benefits, even in the case of entitlements determined by the territorial agencies. This led to some reduction in errors, fraud and corruption, but the annual verification plan does not include all risk areas related to the audited benefits, being only limited to verifying income based on which a particular benefit was claimed;
- the lack of correlation of the activity of the social inspection with the missions of the Court of Auditors does not contribute to increasing the efficiency of the social inspection and reducing the system errors, given that, in 2014, the verifications...
overlapped with the audit missions in time, using the same sampling criteria and having the same scope, namely to verify the income of claimants.

6. Assess level of achievement for the indicators set for the activity performed by the National Agency for Payments and Social Inspection and the County Agencies for Payments and Social Inspection

In 2013, the Management Group and the Technical Support Group were set up for the central structures and the entities operating under the subordination, authority or coordination of the MLFSPE.

The establishment of these groups was aimed at the development of the internal/management control system of the Ministry of Labour, Social Protection, family and the Elderly and its subordinated entities.

Also, the Technical Support Group is responsible for the technical and methodological organisation, development, guidance and monitoring the internal/management control system, the National Anticorruption Staretgy and the Strategic Inter-institutional Plan at the level of the Ministry of Labour, Social Protection, family and the Elderly and the entities operating under its subordination, authority or coordination.

In this context, performance indicators were set for the NAPSI and its territorial agencies, in view of monitoring the efficiency and achievement of the objectives set forth in the establishment regulations, by correlating the envisaged objectives with the Regulation for Organisation and Operation.

According to the Activity Report, indicators were set at NAPSI to evaluate the objectives and the performance rate was between 17% and 103%.

From the review of objectives, calculation methodology and data used for determining the performance indicators reported to the National Agency for Payments and Social Inspection in the Activity Report of the National Agency for Payments and Social Inspection for 2014, the following conclusions were drawn:

- The reported performance rate was determined and reported incorrectly for the performance indicator “Number of ineligible claimants identified / Number of total claimants. The reported performance rate was 99%, which would mean that almost all the claimants were ineligible.

However, the audit team used the formula applied by the audited entity and recalculated the performance rate for this indicator, the result being 0.7%.

Compared to the previous year, when the achievement rate for this indicator was 3.2% and taking into account the real rate for the current year, there has been a decrease in the number of undue payments.

- The performance indicators were reported only with the Activity Report for 2014, in view of its approval, so that the main budget holder (MLFSPE) cannot evaluate regularly the performance, and thus take the required actions.

- The main budget holder does not receive with data and information on the rate of achievement of the performance indicators in the territorial agencies, though such information would provide an overall picture of the operations.

- The management of the territorial agencies assumed the performance indicators for 2014 by signing the Evaluation Report for 2013, when the performance indicators were also communicated that were to be achieved in the following year, namely 2014.

As found in the previous year, the Technical Support Group formally monitored the implementation of the internal control system in the subordinated entities.
Also, no regular performance assessments of the territorial agencies for payments and social inspection were carried out, such as to identify potential deviations from the objective and thus take the required corrective action, though some evaluation missions were carried out by the control unit of the Ministry.

The performance indicators presented in the Activity Report of the National Agency for Payments and Social Inspection for 2014 do not always reflect the reality and the level of achievement of the goals and objectives established for NAPSI.

Furthermore, the performance indicators for the NAPSI objectives were defined late and were not monitored. This led to difficulties in discharging the control, monitoring and guidance function for the subordinated entities, creating the possibility of reports that were not conforming to reality.

VI. RECOMMENDATIONS

Recommendations were formulated for each of the 6 objectives analysed in the performance audit mission, thus:

1. For the objective How the Ministry of Labor, Family, Social Protection and Elderly People performs its role as public entity with responsibilities for ensuring a unitary enforcement of the legislation in its specific field of activity, as well as the surveillance, monitoring and control mechanisms used for the social assistance benefits, the recommendations are:

- finalise the adoption of the legal framework regulating the sanctions applicable for offences in the area of social assistance;
- intensify actions to guide/monitor the activity of authorities and agencies with social assistance responsibilities and efforts to disseminate regulations;
- include in the Statistics Bulletin of social assistance all information on each social benefit;
- correlate data about debtors and creditors from the analytical records from the SAFIR application with that from the consolidated records, as per the data in the accounting books, and consider measures to eliminate all differences between the tow records, such that the data reported in the annual financial statement may reflect the economic and financial reality;
- monitor debts transmitted for collection to the tax authorities and request a confirmation of receipt from such authorities, in order to avoid debt being subject to statutes of limitation for not being collected within the legal deadline;
- only transmit debts related to social benefits for collection by the tax authorities after a preliminary analysis carried out by each individual county and the administrative units that have enforced collection units and only submit debts for collection by the tax authorities when the local authorities lack the capability to enforce collection, such as not to burden the tax offices with operations that could have been carried out by the local authorities;
- continue counselling in social assistance by informing as many claimants as possible on their rights and obligations, for the purpose of using public funds efficiently.

2. For the objective Assess how the need for budgetary resources is substantiated, in view of ensuring their fair distribution and eliminate amounts blocked as approved resources, which were not used, as well as an accurate presentation, in the annual financial
statements, of the resources received and the expenses incurred for the four social assistance benefits, the recommendations are:
- increase the number of claimants of social benefits who cash-in their respective entitlements in bank accounts, for the purpose of reducing the cost of remittances, diminish fraud in the system and save time, given that in 2014 a large number of claimants received benefits in cash, via the mail;
- carry out monthly analyses of the benefits not drawn by the claimants and entered in the records of the territorial agencies for payments and social inspection, in view of identifying and transferring to the state budget, within the legal deadline, of any amounts for which the right of claimants is subject to statutes of limitations, in order to avoid the blockage of budget appropriations.

3. For objective **Assess whether the information in SAFIR is correct and complete, as well as the system’s capacity of being operationally adjusted, as new pieces of legislation are issued**, the recommendations are:
- the Ministry should coordinate the NAPSI’s evaluation/monitoring the implementation of changes to the social assistance regulations, in order to ensure suitable management of the audited social benefits;
- ensure matching between the data on debtors and creditors extracted from SAFIR and that reported in the annual financial statements, such as to provide useful information for making the best decisions on the management of the social benefits system;
- timely update the information system based on the newest changes in the applicable regulations or the users’ needs, as identified in the process of administering social benefits, in order to avoid manual operations that may generate errors;
- point out to the users any potential errors or incompatibilities from the moment of inputting data into the information system, in order to avoid awarding benefits to persons who don not qualify.

4. For objective **Assess the internal control systems from the territorial agencies, for the 4 social assistance benefits subject to the audit**, the recommendations are:
- the Ministry should discharge its responsibilities in the area of determining the audited social benefits, as well as in correlating the verifications carried out at the territorial agencies, such as to avoid overlapping of verifications by the Ministry and NAPSI at the same agencies;
- identify and manage risks related to the audited benefits, for the purpose of identifying any persons receiving undue benefits and appointing persons responsible for identifying and updating risks in all the functional structures of the entity;
- update the operational procedures based on the newest changes in the applicable regulations, in order to reduce errors in the social benefits system.

5. For objective **Assess how the tools and mechanisms for prevention, detection and deterrence of fraud and corruption work, including the activity of the social inspection bodies, in order to ensure that social assistance benefits go to those that are entitled to them**, the recommendations are:
- the Ministry should support NAPSI to exchange information with other institutions, at least with those under the subordination/authority of the Ministry, institutions that provide data for indentifying potential ineligible claimants of the audited benefits;

- NAPSI and other entities with responsibilities in the area of social benefits should receive guidance for verifying claimants’ eligibility, by crosschecking data from multiple databases, such as to cover as many risk areas as possible;

- coordinate NAPSI in carrying out risk-based analyses, in order to classify the claimants and the areas into error or fraud risk classes, for the purpose of facilitating the identification of ineligible claimants;

- make best use of the information supplied by institutions with which agreement already exist, in order to confirm the reality of the income declared and goods owned by the claimants, before disbursing the audited benefits;

- correlate the activities of the Social Inspection Department of NAPSI with the internal verifications carried out by the territorial agencies, in order to ensure efficiency of the verification activities, for the purpose of maximising results and minimising efforts made for reducing errors and using public funds efficiently;

- verify the new claimants of social benefits, in order to prevent the award of undue social benefits and the efficient use of public funds allocated for this purpose.

6. For objective **Assess level of achievement for the indicators set for the activity performed by the National Agency for Payments and Social Inspection and the County Agencies for Payments and Social Inspection**, the recommendations are:

- correctly calculate and report the achievement of the performance indicators, for the purpose of accurately reflecting the activity of the territorial agencies of NAPSI;

- NAPSI should regularly report the performance indicators achieved by the territorial agencies to the main budget holder (MLFSPE), so that the Ministry might evaluate the yearly performances and take the required actions.

*The findings and conclusions resulting from the performance audit missions formed the basis for recommendations to eliminate the irregularities, deficiencies and dysfunctions found by the external public auditors.*

*In order for the audited entities to implement these recommendations, based on the relevant procedures, the Court of Accounts issued letters to the management of the audited entities containing recommendations or decisions to correct the irregularities identified in the audit.*

*Based on the above-mentioned procedure, the audited entities are required to implement the recommendations and communicate to the Court of Accounts within the set deadlines the actions taken to correct the irregularities found during the audit missions.*

*In subsequent audit missions and in targeted actions, the external public auditors shall verify the manner in which the audited entities have reacted to the recommendations made by the Court of Auditors, and repeat such verifications until such time that all the recommendations will have been implemented.*

*The Court of Account of Romania shall evaluate the effect of implementing the recommendations from the perspective of their impact on the operations of the audited entities.*

*Following the recommendations made, some improvement was seen in the operation of the audited entities.*
As mentioned above, although the activity is complex, it must be pointed out that some of the aspects identified have already been corrected, the management of the audited entities being open and ready to take corrective action. This attitude is further demonstrated by the high rates of recovery of debts form the previous period.
LIST OF CHARTS

Chart 1 Share of all social assistance benefits given through the MLFSPEP budget, as well as of the 4 social assistance benefits audited, from the gross domestic product

Chart 2 Evolution of total payments made for social assistance, including the audited benefits, between 2012-2014

Chart 3 Evolution of the payments made for social assistance, as well as for the audited benefits, between 2012-2014

Chart 4 Evolution of the monthly average number of beneficiaries for the audited social assistance benefits, between 2012-2014

Chart 5 Share of the payments made in 2014 for each of the four social assistance benefits that were audited

Chart 6 Percentage of the number of beneficiaries for each of the audited benefits, out of the total number of beneficiaries

Chart 7 Evolution of the monthly average number of beneficiaries of child state allowances, the payments made to them, and the average amount monthly received by them, between 2012-2014

Chart 8 Monthly average number of beneficiaries, the payments made and an evolution of the monthly amount received by each beneficiary, between 2012-2014, for the monthly child raising benefit

Chart 9 Monthly average number of beneficiaries, the payments made and an evolution of the monthly amount received by beneficiaries, between 2012-2014, for the monthly/insertion incentive

Chart 10 Monthly average number of beneficiary families, the payments made for family allowance and the monthly amount received by each beneficiary family, between 2012-2014

Chart 11 Evolution of the monthly average number of beneficiaries, the payments and the monthly average amount paid to each beneficiary family, between 2012-2014, for the social aid

LIST OF TABLES

Table 1 Share of all social assistance benefits given through the MLFSPEP budget, as well as of the 4 social assistance benefits audited, from the gross domestic product

Table 2 Payments made for each of the four categories of social benefits audited, between 2012-2014

Table 3 Monthly average number of beneficiaries, for the four categories of social assistance benefits that were audited, between 2012-2014

Table 4 Value of the family allowance, depending on its composition and income

Table 5 Distribution of the average number of families – beneficiaries of family allowance, average number of children in the beneficiary families and the amounts paid, in 2014, per regions

Table 6 Monthly level of the guaranteed minimum income is calculated based on the social reference indicator (1SRI = 500 RON), and in 2014

Table 7 Distribution of the monthly average number of beneficiary families and the amounts paid, in 2014, per regions