



Summary
of the Audit on the Management System and Operation of the
Educational and Cultural Sectors (1106)

Objective and scope of the audit

The main audit question was whether the management and operational system of the educational and cultural sectors ensured the expedient and effective task performance in the period 2006-2010. The objective was to audit the management system and operation of the budgetary institutions directly controlled or supervised by the responsible ministry, as well as to audit the public foundations and business associations which are subject to the founder's and ownership rights of the ministry. The on-site audit was carried out by 7 auditors at the responsible ministry and the Tempus Public Foundation based on the examination of the data and documents of the former Ministry of Education and Culture (MEC). Regarding some issues, the audit also covered problems that appeared at the Ministry of National Resources, the legal successor of MEC.

Main findings

The report found that sectoral professional concepts and strategies were not prepared for the long and medium term. The legislative preparatory and legislative activities of the former MEC, managing the two sectors until the end of May 2010, were based on six-month work plans.

The tasks and the performance thereof were stipulated by the MEC's directives, which, however, failed to define the exact content of the professional supervisory power and the scopes of responsibility in an unambiguous way. Consequently, the task performance was cumbersome and lengthy, which reduced the effectiveness of the professional supervision and task performance.

Following the 2006 restructuring of the budgetary institutions of the cultural and educational sector, the professional task performance became more transparent and better organised. However, MEC failed to assess whether the restructuring measures triggered an improvement also in the efficiency and effectiveness of task performance. The lack of sectoral strategies and a ministerial strategy on the operation and development of the institutions, as well as the lack of mid-term plans and strategies to be approved by the individual institutions impaired the effectiveness of management activities. The Ministry failed to establish a system of incentives and sanctions which would have held the heads of institutions accountable and provided for a single and efficient professional management.

Government decisions on the efficient operation of public finances provided for the reorganisation of business associations, public foundations under MEC, but preliminary impact assessments and profitability calculations were only occasionally made (for example in case of the Educational Authority, Public Collection Supply Services and the National Theatre Ltd.) to substantiate these reorganisations. The relevant government decisions were frequently amended, contained contradictions, and their implementation was lengthy, or they were only partly or not implemented.

Based on the activities of those organisations which were established to deliver specific professional services, the practice of neither choosing the legal form of these organisations, nor that of declaring them to a non-profit organisation or a priority non-profit organisation was uniform. (For example the Opera House and the Hungarian Theatre of Pest, which are budgetary institutions, as well as the National Theatre and the Palace of Arts as profit-oriented companies perform priority cultural function.) The different professional areas failed to develop a set of criteria and indicators appropriate for measuring the professional activities carried out by the companies and did not formulate professional expectations for the annual business plans. The professional management and supervisory activities of the Ministry were characterised by a merely reactive conduct and not a proactive one.

The largest source of revenue for the business associations was the state subsidy for operational and other purposes. The companies operated with a loss or achieved only low profits in proportion to their income. Assessments on professional task performance and financial management were general and formal, the annual assessments did not deal with the termination of the loss-making financial management. The system of subsidies available for task performance, which included grants provided by the Ministry and other 'multi-channel' subsidies from different sources, was a setback for the transparency of accountability, operations and the financial management, as well as for the measurement and evaluation of performance. Transparency was decreased by the fact that the Ministry assumed costs in case of some companies, which were not charged on them. The introduction of stricter rules on the utilisation of subsidies (from 2009, but mainly from 2010 onward) was a favourable change. In case of the 2009 subsidies, 6 corporations were instructed to repay a total of HUF 277.6 million.

The government decisions on public foundations were adopted on the basis of analyses and assessments lacking due professional substantiation, reasonability and coordination. Besides, implementation of the decisions was not followed up. The implementation was not assessed in professional terms; the savings/additional expenses, the expediency and effectiveness of interventions of decision-makers were not analysed.

The Ministry performed the tasks arising from its founder's and ownership rights, but only in formal terms. However, the Ministry failed to set up an effective and efficient framework for the business associations and public foundations for their quality professional task performance and operation.

The Ministry did not have an IT strategy for either the cultural or the educational sector. The implemented IT-developments were isolated from one another, which caused duplication in the task performance. The goal of IT systems' developments and the indicators for their assessment were not defined. Thus, it was not possible to assess the efficiency of the IT systems. After the establishment of the Ministry of National Resources, the system of sector-level IT developments became decentralised. Currently, two ministries – Ministry of National Resources (MNR) and Ministry of National Development (MND) – and two background institutions carry out the related tasks, the separation of which is not unambiguous, which constitutes a further risk factor.

The MEC introduced the system of financial management control (FMC) in accordance with the relevant legal regulations. However, changes to the legislation and MEC's Operational and Organisational Rules were not reflected in the FMC system. The operational rules of MEC's individual professional areas and the job descriptions did not contain specific detailed tasks connected with the FMC system. The Operational and Organisational Rules of MNR provides for the task to set up the FMC system, however, the internal regulation was not elaborated in 2010. Recommendations made by the MEC's Audit Department were not utilised with the required efficiency. (On average, 61.8% of them were implemented.) The recommendations did not get the appropriate support through the minister's decisions, which led to shortcomings recurring from year to year.

Recommendations

The on-site audits drew attention to the former shortcomings in the accounts, the financial management and the control system.

Based on the audit experience, the SAO recommended the Minister of National Resources to arrange for an appropriate regulation on the sectoral management and on the exercising of the founder's and ownership rights held by the Ministry; to elaborate the respective mid-term strategies of the educational and cultural sectors, as well as the system of mid-term objectives for the task performance of the organisations subject to its founder's and ownership rights; to develop criteria for the task performance on the basis of indicators; to take measures to develop IT strategies and utilise IT-developments and the resources thereof in a coordinated and efficient way; to provide for the regulation, as well as the efficient and effective operation of the internal control system (with special regard to FMC), as required by legislation.