



Summary
of the Audit on the Expediency of the Utilisation of
the Vocational Training Contribution (1201)

Objectives and scope of the audit

In accordance with its annual audit plan, the State Audit Office of Hungary (SAO) completed the systems audit on the expediency of the utilisation of the vocational training contribution in the period between 2007-2010. According to the SAO, in light of the economic crisis, it is particularly important that public funds available for education and vocational training are not only spent, but with the necessary and sufficient expenditures the possibly largest proportion of objectives are met. Thus, in the course of the audit, it was evaluated whether the systems set up to collect and account for the contribution, as well as to utilise the financial resources and to audit all these assist efficiently and effectively the implementation of the objectives concerning vocational training development. In the audited period, according to the declared data, obligations for economic enterprises towards the central budget, emerging from vocational training contribution, amounted to a total of HUF 270 billion.

Main findings

1. The SAO audit concluded that serious problems arose in connection with the efficiency and effectiveness of the utilisation of vocational training contribution, which can be attributed to the deficiencies in the regulation and in the control activities.
2. The regulation is complicated and unclear and it makes it possible that financial resources are utilised not merely for vocational training development objectives. Legal regulations were often amended; however, system deficiencies were not eliminated in the audited period.
3. Those obliged to pay vocational training contribution, effected payments of HUF 123.6 billion between 2007 and 2010, and HUF 146.4 billion was accounted for as costs under 3 legal titles stipulated by law. Due to the possibility of accounting for costs, more than half of the financial resources were not included in the system of the state budget in the years of the audited period.

-
4. In the four years audited, only one third of the financial resources, i.e. HUF 97.9 billion was spent on the organisation of practical training and the implementation of vocational training objectives. HUF 33.8 billion, i.e. approximately 12.5% of the financial resources were spent on objectives not related to the development of vocational training and operational expenditures. In case of HUF 49.9 billion spent on subsidies from the Labour Market Fund (LMF) and HUF 88.4 billion accounted for as development subsidies and the training of own employees – together with other deductions –, that is more than half of the financial resources, it is unclear what proportion thereof served objectives of vocational training and vocational training development.
 5. The vocational training development strategy for 2005-2013 determines the main objectives of the field and the directions of developments. However, the wording of objectives is too general and they do not include sub-objectives, priorities, focuses and measurable expectations. The competent ministries did not elaborate concepts determining which group of tasks should be implemented in order to achieve a certain objective entirely. The implementation of tasks was not scheduled and the financial resources necessary for the performance thereof were not planned. No measurement and evaluation procedures were established assessing to which extent strategic objectives were implemented as a result of task performance, and whether the results achieved were proportionate to expenditures. The system of planning and reporting does not prompt the participating organisations to the economic and efficient task performance.
 6. According to legal regulations, the system set up to process and audit declarations is not closed. Tasks are performed by two organisations and neither of them examine whether those obliged to submit declarations fulfilled their obligation, thus the collection of all the contributions is not ensured. The SAO audit revealed that those obliged declared contributions HUF 40 billion less in 2009-2010 respectively than the amount of the obligation calculated taking into account the contribution basis.
 7. The checks on the National Institute of Vocational and Adult Education (NIVAE), checking the organisers of practical trainings are neither effective, nor efficient. In 2007-2010, NIVAE carried out altogether 222 controls with the involvement of own employees and external expert company, which concerned 1.6% of the entities controlled each year on average, but this percentage of controls did not exceed 2.3% in none of the years. In total, 1 organisation was audited in 2010. The increase of the number of audits would have been justified by the fact that NIVAE

revealed irregularities in the course of one third of its audits in 2008 and nearly half of them in 2007 and 2009.

8. The Regional Development and Training Committees did not comply or complied only partly with the provision stipulating that they should follow the utilisation of the vocational training contribution in the respective region and evaluate the efficiency thereof. It was not revealed that part of the Regional Integrated Vocational Training Centres transferred development subsidies after 6 months to member institutions. In 2007, approximately 70% of development grants were accounted for in the subject year. In 2008, this proportion decreased to 25.5%. In 2009-2010, on average 93% of the financial resources was utilised in the year following the subject year.
9. The organisations participating in the auditing of the vocational training contribution carry out financial regularity audits and they examine whether funds were utilised according to the contracts. However, their audits did not cover the economy of the utilisation of funds, thus none of the organisations evaluate whether the performance reached by means of the utilisation of funds was proportionate to the expenditures.

Recommendations

In the course of the discussion of our recommendations, we took into consideration the provisions of Act CLV of 2011 on Vocational Training Contributions and Support for the Development of Training Programs, published on 25 November 2011. According to the findings of the audit, we recommended the Minister of National Economy to take measures for the suspension of the payment of future subsidies granted from the training segment of the National Employment Fund (formerly the Labour Market Fund) within 30 days after the publication of the report, until the entry into force of the amendment of the act pursuant to the recommendation of SAO. We recommended the amendment of the Act on Vocational Training Contributions and Support for the Development of Training Programs, so that the current opportunity to account for vocational training contributions as costs ceases to exist and the contribution is included in the system of the state budget, as well as the whole sum of the training segment of the National Employment Fund (formerly Labour Market Fund) may be utilised or reimbursed only for purposes related to the development of vocational training and the declarations are managed and controlled by the National Tax and Customs Administration.

Furthermore, we recommended the Minister of National Economy to take measures for the elaboration of a new medium-term strategy of vocational

training development, which specifies objectives, sub-objectives, priorities among the objectives, focuses and measurable expectations. Moreover, we recommended the Minister to provide for the establishment of the system measuring and evaluating the implementation of objectives set in the strategy; to have the control tasks of the institutions involved in the control of vocational training contributions reviewed and have the method of auditing from the value for money and the performance-expenditure perspective elaborated.