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ÁLLAMI  
SZÁMVEVŐSZÉK

## SUMMARY

### **of the Audit on the Partnership and Task Performance of Local Governments (14194)**

**The State Audit Office of Hungary (SAO) audited the public service delivery of local government partnerships. The SAO found that a significant part of the audited multi-purpose and institutional partnerships irregularly operated in the period 2008-2011, which was a constraint for their transparent and efficient public service delivery.**

The restructuring of the local government partnership system was an essential component of the reorganisation of the Hungarian local government system in the recent years, therefore it is important to draw the experiences on how the partnerships operated in the past. The multi-purpose and institutional local government partnerships which were established before the entry into force of new statutory amendments at the beginning of 2013, delivered typically public education, social and health services. The SAO selected with representative sampling 66 local government partnerships, which were operating on 31 December 2011. (NB: In case of an 'institutional partnership', see above, the cooperating local governments set up and run a joint institution, entity to provide a public service.)

Basically, the SAO evaluated the regularity of the partnership agreements concluded by the local governments and also that of the partnerships' operation. The SAO's audit covered the period 2008-2011, addressed also the local governments, where the seat of the partnerships was located, and the responsible line ministries as well. The SAO's examination of the decisions on the restructuring and dissolution of the partnerships affected the year 2012 and the first half of 2013.

The SAO found that the several relevant statutory regulations and the partnership agreements concluded by the local governments failed to set down measurable and enforceable criteria on goal achievement and the effectiveness of implementation. This shortcoming and other substantive shortcomings of the partnership agreements and internal regulations, and the irregularities in the partnerships' operation arising from all these shortcomings constrained the transparent, harmonised and law-compliant delivery of public services by the partnerships. Due to the lack of statutory regulation, a legality supervision of partnerships was not in place from 1 January 2009 until 1 September 2010.

At about two fifths of the multi-purpose partnerships and about two thirds of the institutional partnerships the statutorily required substantial points, issues were not completely included in the respective partnership agreements.

Three-quarters of the multi-purpose partnerships did not update its internal regulations on accounting in accordance with the Act on Accounting. At two thirds of the institutional partnerships the mayors of member local governments did not meet their duty to report to the representative body of their local government on the partnership's activities, financial position and the achievement of the partnership's goals.

At half of the institutional partnerships which had a Partnership Board, detailed rules on operational arrangements were not adopted in infringement of the law, and it was not the Partnership Board which adopted the decisions. At two thirds of the institutional partnerships having a Partnership Board an examination of corporate operation in terms of propriety and reasonability was not performed, either.

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*The State Audit Office of Hungary as the financial and economic audit organisation of the National Assembly, is one of the key basic institutions of the democratic state organisation. Its mission is to promote the transparency of public finances with its value creating audits performed on a solid professional basis, thus contributing to 'good governance'. With its recommendations, the SAO facilitates the regular, economical, efficient and effective utilisation and use of public funds.*

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The SAO made a number of audit recommendations on rectifying the deficiencies and irregularities. In response to the recommendations, the addressees have to prepare an action plan. Based on the audit experiences, the State Audit Office prepared an analytical paper, which promotes "good governance", and a more efficient operation of local government partnerships.