



ÁLLAMI
SZÁMVEVŐSZÉK

Summary

**of the Audit on the Organizational
and Human Resources System of Performing Public Tasks (1022)**

The public sector is in a period of change and renewal. The renewal of the public sector includes the reconsideration of state/public tasks and the improvement of public services. The audit covered three large public distribution systems (public education, health, social and child welfare) comprehending a significant part of the state tasks (public tasks), which is 1/8 of the GDP, and the administrative services.

The audit objective was to evaluate whether the decisions and measures taken by the central and local levels of public finances have promoted the improvement of the professional level of public services and have contributed to the increase of the effectiveness of performing public tasks. On-site audits were carried out at the ministries and central agencies involved in performing public tasks, at nine sector institutions, economic organisations and at 55 local governments. The audit covered the period 2006-2009, but changes of the year 2010 were also taken into account.

From the areas covered by the audit, the proportion in the GDP of public education and health care decreased, while that of social and child welfare remained unchanged during the audited period. The weight of these in the government sector decreased in real terms by nearly HUF 200 billion overall in the period 2006-2008. Considering the data of health care expenditure per GDP in 2008, Hungary was at the bottom of the middle rank among EU Member States, and as to public education expenditure per GDP in 2008, Hungary was in the middle.

In order to restore the balance of public finances, the aim was to modernize the central institutional system, to centralize the provision of certain support functions, to renew the regulation of the financial management of the state budget, as well as the human resources management of the public sector. In the sector plans, the designation of the tasks and the necessary resources were not followed by the definition of the expected results, the elaboration of indicators and the full evaluation of the implementation of the aims. In 2006-2007, the structural reform was carried out relating to the central and regional bodies of state administration, as well as to a wide range of (public) foundations and economic companies under their management. By the end of 2010, the number of central budgetary institutions decreased by 12.2% to 556. In the absence of the comparability of registers in the local government sector, the change in the number of budgetary institutions could not be established for the audit period as a whole. Between 2008 and 2010, their number decreased by 10%, to 9089.

Because of the decrease in the real value of the resources and as a result of the decisions made by the managers on the basis of budget subsidies to encourage certain operational forms (such as multi-purpose micro-regional associations), a reorganisation occurred in the structure of the organisations providing tasks, and of the employees and managers ensuring the operation of the institutions. The costs of educational activities, health care, social and child welfare institutional services constitute more than the half of the operational expenditures of local governments. With the addition of the expenditures of administrative activities, the ratio reaches two thirds of the operational expenditures.

The system of supporting the performance of public tasks was not successfully rationalized in the audited period either; the complex approach to the tasks to be managed and/or supported continued not to be encouraged by financing. The normative subsidies contribute to the provision of the compulsory tasks stipulated in the relevant legal provisions and they differ within them.

The Government, in addition to the organisational changes, qualified human resources management in the public sector as a key area. However, they did not provide for the establishment of a human resources management strategy for the public sector. Despite the efforts of the Government to unify the regulation of public sector employment, its complexity did not decrease. The new system of the performance evaluation of civil servants involved the human resources fields only partially, relating to some of their institutions performing administrative tasks, because of the legal relationship structure characterizing their employment structure. No budgetary savings were detectable resulting from the growth of efficiency in this area.

The antagonistic effects of the organisational and headcount changes driven by fiscal constraints were found in the health care sector, where greater organisational changes have taken place. For example, the reorganisation of the National Public Health and Medical Officer Service – where no previous impact assessment based on risk analysis and public health was performed – resulted in the parallel reduction of the types of tasks, staff and institutions, which caused anomalies in task performance.

In the provision of public services, the participation of organisations outside public finances increased, but state participation still remained dominant. However, the assessment of the effectiveness and efficiency of task performance was complicated by many factors. In the applied budgetary and other registry systems, the necessary data supply structures, and standards qualifying the efficiency of task performance (specific costs) and the effectiveness of professional work are not established. The amount of resources utilised within the framework of various measures can be determined, but it cannot be followed whether they reached the goal, or whether and to which extent they resulted in savings. In the absence of these, it cannot be evaluated, which is the organisational structure where task performance is more

efficient, and whether it is appropriate to contract out the provision of services in whole or in certain elements to local government associations or organisations outside public finances.

It was typical that decision-makers (Government, ministries, local governments) did not evaluate the effects of certain measures (for example, the contribution of organisational changes, or of staff reduction to the cut in budgetary expenditures) on the level of task performance, their effectiveness, not even in those cases when this could have been carried out.

We recommended the Government to ensure the establishment of indicators reliably supporting the determination of the objectives and the evaluation of their implementation as well as the establishment of an information system. Our recommendations addressed to the Minister of National Resources and to the Minister of Interior related to the development of sector monitoring systems. We called the attention of the audited local governments to prepare the plans and concepts specified in the legal provisions relating to public services, to the preliminary and ex post assessment of expediency and efficiency in measures taken relating to task performance, and to observe accounting discipline.