



STATE AUDIT
OFFICE OF HUNGARY



Audit of the State Support System of the Employment of Disabled Persons and Utilisation of Subsidies Allocated for this Purpose

EUROSAI Goal Team 2 Seminar
4-5 December 2013, Bonn

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Presentation Outline

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- Support System of Employment of Disabled Persons
- Planning
- Conducting
- Reporting
- Follow-up

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Support System of Employment of Disabled Persons

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- Definition of disability
- Low labour force participation rate of persons with disabilities in many countries
- Open labour market, protected environments, sheltered employment
- State subsidies help companies employing disabled persons and maintaining employment (supported employment, wage subsidies, cost compensation and rehabilitation cost assistance)
- Work in the open labour market started to become a real option

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Planning (1)

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- In accordance with INTOSAI standards (ISSAI 300, 3000 and 4000) and the SAO's internal methodology
- Preliminary study based on research, documents, brainstorming, assessment and evaluation of risks
- Classification of audit according to ISSAI 100 (39-41)
- Detailed audit programme (objectives, criteria, resources and competencies needed, time schedule)
- On-site audit:
 - Ministry of Human Resources (Ministry)
 - National Office for Rehabilitation and Social Affairs
 - Hungarian State Treasury
 - Government Offices
 - Companies

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Planning (2) (ISSAI 300)

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Background information

- Socio-economic problems
- Concept of disabled persons determined differently by law
- Frequent changes in legislation
- Transformation of support system in 2007
- Several actions were taken, but no available strategy regarding the entire system (Ministry)
- No clear data available on potential target areas, number of persons with disabilities, their relevant characteristics
- No measurable criteria (either domestic or international)
- Not equal chances of access to subsidies
- Supervising/monitoring bodies
- Parliamentary Committee's request (21 companies)



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Planning (3) - Audit objectives

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Main objective: to assess if State Support System has ensured increased participation of target groups in employment, the creation of social value and equal opportunities for all

To assess whether:

- the established objectives, legislation, institutional framework has contributed to a transparent, coordinated operating support system;
- the support system fostered an effective and transparent utilisation of available resources;
- monitoring, reporting and evaluating system of subsidies helped their effective utilisation.

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Planning (4) - Audit objectives

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ISSAI 3000 and SAO's internal methodology

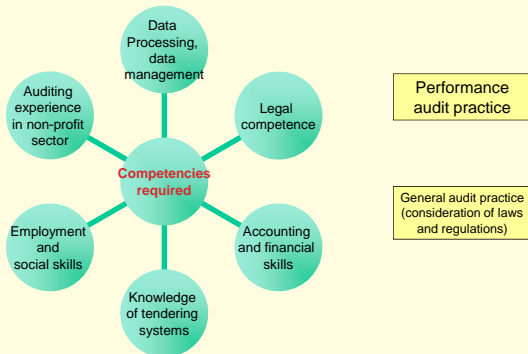


- **Criteria for effectiveness:**
 - elimination of legal and professional circumstances/barriers that prevent disabled persons from accessing a workplace in the open labour market
 - positive shift towards integrated employment
 - increase in employment of disabled persons
- **Criteria for efficiency:**
 - reduced amount of subsidies per capita with constant or increased participation by disabled persons
 - increase of the ratio of disabled persons in proportion to the total number of employees with the same or declining amount of subsidies

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Planning (5) – Competencies (ISSAI 3000)

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Conducting (1) (ISSAI 3000)

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- Contact the Ministry and companies
- Surveys
- On-site audit of
 - the Ministry for the period between 2007-2011 concerning legislative proposals and professional supervision
 - Institutions engaged in financial activities
 - Companies selected through random sampling
 - 13 out of 21 companies with contract for protected employment

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Conducting (2) (ISSAI 3000)

Audited organisations (on-site)

- Ministry of Human Resources (Ministry)
- Hungarian State Treasury
- Employment centers (Government Offices for Budapest, Csongrád, Komárom-Esztergom, Jász-Nagykun-Szolnok counties)
- National Office for Rehabilitation and Social Affairs
- Companies receiving wage subsidies (12 companies)
- Companies receiving cost compensation (6 companies)
- Companies receiving rehabilitation cost assistance (13 companies)

Gathering audit evidence

- Information gathered: documents, interviews, surveys
- Documentation, record of the work, release of working papers

Based on experience and evidence, additional on-site audit was necessary (risks controlled during the whole process ISSAI 3000)

- > irregular utilisation
- > company winded up

Indication to the Prosecution

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Reporting

Final stage of on-site audit (ISSAI 3000)

- Combining the results from different types of sources
- Combining main findings of work papers (ISSAI 300 [2.1.])
- Notes and observations in structured way

Draft report is made (ISSAI 300 [2.3, 2.4])

- Main findings
- Conclusions (in accordance with audit objective and criteria)
- Recommendations

First version of audit report

- Report sent to audited bodies for content examination (15 days)


Final audit report

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Reporting - Main findings (1)

- > The Ministry could not provide a detailed strategy (including quantified criteria) or short and long-term action program underlying the transformation of the system.
- > Regional distribution of subsidies showed inequalities.
- > Subsidies paid for employers were not predictable due to continuous change in the law, didn't provide stability.
- > Principle of equality didn't prevail in the process of obtaining grants.

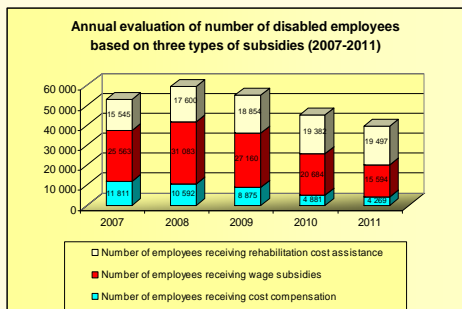


State support system hasn't ensured growing participation of target groups in employment, employers were not interested in moving back disabled persons to the open labour market, **resources were not used effectively and efficiently.**

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Reporting - Main findings (2)

Efficiency of subsidies for disabled workers reduced with respect to employment.



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Main findings (3)

- 60-70% of amount of subsidies paid for the 21 companies with contract for protected employment.
- No measurable goals, indicators defined in laws and contracts.
- Deficiencies while supervising and lack of measures taken.
- Reclaiming of ineligible subsidies was inefficient.
- Lack of compatible information system operated by Ministry and background institutions.



The Ministry has not implemented a transparent, prudent and effective management of public funds regarding the irregularities detected by the monitoring bodies.

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Impacts of the audit – Follow up



Recommendations:

To the Minister of Human Resources:

1. Take action for the extension of aspects of control upon documents, which will reduce ineligible subsidies.
2. Ensure the registration and management of ineligible subsidies in a closed system, and the establishment of rules and regulations.
3. Ensure – due to deficiencies of Support system – an inquiry concerning the responsibility for damages and take the necessary actions.
4. Check whether the ratio of employees with severe disabilities at certain employers was supported with the degradation of health condition.

The auditee made an action plan on the basis of the recommendations.

Making action plan is obligatory due to the new Act on the SAO since 2011, in case of non-compliance, legal consequences prevail.

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Follow-up

- Published report
 - Information sharing
 - Informing the public about findings
 - Helps to improve practice
- Contribution
 - to better knowledge
 - to a more effective, efficient Support System
 - to a better regulation and organising of process
- Reactions from audited bodies
 - Long term effects on the labour market
 - Feedback, indication towards Parliament
 - Follow-up audit



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