

# Opinions of the National Audit Office

## Statutory tasks of regional state administration and providing them with resources (Regional State Administrative Agencies and ELY Centres)

The audit covered the Regional State Administrative Agencies and ELY Centres, the two regional state administrative authorities that became operational at the start of 2010. The aim of the audit was to evaluate the prerequisites of the Regional State Administrative Agencies and ELY Centres to manage their statutory tasks that must be taken care of regardless of how regional administration is organised. The agencies' operations and the manner in which their tasks are organised have been affected by statutory changes, some of which were introduced during the audit. The purpose of the audit was to examine the clarity of the division of responsibilities between Regional State Administrative Agencies and ELY Centres, effectiveness of the manner in which their resources are allocated, performance, and operational steering (steering of responsibilities). The aim was not to list tasks that might be transferred to other agencies or tasks that are impractical or to produce cost comparisons concerning tasks that could be transferred. Such changes are prepared at Government and ministerial level, while political decision-makers have the final say in the matter.

Based on the audit findings, the division of responsibilities between Regional State Administrative Agencies and ELY Centres has been changed in accordance with Government policies. So far, the adjustment and allocation of resources have had mixed effects on the agencies' operations and for this reason, achieving operational efficiency improvements would also require prioritisation. The details of spending and the number of personnel in the agencies in any given year are not directly comparable because in addition to personnel reduction targets the authorities have also been given new tasks and resources for performing them.

The achievement of the performance targets is hampered by the abundance of the targets. There were also deficiencies in performance reporting. Development of steering would also require a more streamlined steering system, less detailed guidelines and the setting of the performance targets in such a manner that the targets are achievable and that the carrying out of the tasks is in better accordance with the available resources.

### Centralisation has produced few of the envisaged benefits

No major overlaps concerning the division of responsibilities between Regional State Administrative Agencies and ELY Centres or the manner in which the two agencies use their responsibilities emerged in the audit. In addition to legislation, the agencies' work is also steered by strategy documents. However, according to the results of a questionnaire conducted as part of the audit, both the parties responsible for the steering and the agencies' representatives were of the view that some of the tasks could also be managed in a more performance-oriented manner.

It was found out in the audit that efforts have been made to put the management of the tasks of the Regional State Administrative Agencies and ELY Centres on a more efficient basis by making them more centralised at both regional and national level. In this respect, the measures taken by the ministries responsible for the Regional State Administrative Agencies and ELY Centres have been in accordance with the policies laid out in the Government report VNS 1/2013 vp. However, the view was that there are deficiencies in the coordination of the efficiency measures and few of the benefits that centralisation was expected to bring have actually materialised. Moreover, the synergy benefits concerning the management of tasks that

the Reform Project for Regional Administration (ALKU), which was started in 2007, was expected to achieve have not become a reality in all areas of responsibility. It has also been proposed that in order to improve operational efficiency some of the tasks should be transferred to other agencies. However, such transfers involve the risk of partial optimisation, in which case there may not necessarily be any changes in the total costs of the operations. For this reason, the cost impacts of any transfers should be assessed in overall terms.

### **Resources could be adjusted and used more flexibly**

In order to better allocate their resources and ensure more flexible use of them, Regional State Administrative Agencies and ELY Centres should take further measures to set operational priorities so that improvements in operational efficiency can be achieved. The fact that the allocation of resources to each administrative branch is on a fixed basis makes it more difficult for Regional State Administrative Agencies to use their resources in a flexible manner. There have been efforts to reform the legislation on Regional State Administrative Agencies and ELY Centres so that the resources could be used in a more flexible and efficient manner. Legislative changes provide a basis for more efficient operations. So far, Regional State Administrative Agencies have made less use of the flexibility arrangements than ELY Centres. In addition to the allocation of resources on a fixed basis, the fact that peak periods occur at the same time in all areas are considered a problem in Regional State Administrative Agencies in this respect.

Regional State Administrative Agencies and ELY Centres have been working to achieve efficiency improvements through centralisation of tasks and resources. For example, ELY Centres have implemented adjustment measures and prioritised operating expenditure between them on the basis of the workload information on different work tasks. However, problems concerning the knowledge base and measurement of differences in workload have made the task more difficult.

Centralisation of resources and adjustment measures affecting individual task groups will lead to changes in service structures between the agencies. However, at the same time they also have an impact on agencies' total costs and costs per person-year. It was found out in the audit that change projects concerning the centralisation of tasks have involved additional costs. Moreover, assessing the implementation of the resource allocation and prioritisation targets is made more difficult by the fact that in addition to personnel reduction targets, the authorities have also been given new tasks and resources for performing them. For these reasons, it is also difficult to assess the productivity benefits of the change projects or to compare the cost-effectiveness of operations in different agencies.

### **Performance reporting has been inadequate**

It was found out in the audit that reporting on the performance of the Regional State Administrative Agencies and ELY Centres is inadequate. Reporting on ELY Centres in Netra has not been in accordance with the performance data that would have been required for analysing the implementation of the targets in the cost-equivalence calculations presented in the state budget. There were such deficiencies in the setting of targets and reporting in the Regional State Administrative Agencies that it was impossible to produce comprehensive assessments concerning the performance of individual Regional State Administrative Agencies.

## Performance targets have not been adjusted in accordance with the available resources

The fact that a large number of detailed performance targets have been prepared has made it more difficult to achieve them. Moreover, some of the performance targets are such that the Regional State Administrative Agencies and ELY Centres have very little influence over them.

Measures that are in accordance with the Effectiveness and Performance Programme (VATU), set out in the programme of Prime Minister Jyrki Katainen's government, have been taken by all actors in central government. The main aim of the analyses of core tasks in each administrative branch prepared as part of the programme was to provide central government with more freedom of operational and economic manoeuvre by prioritising and reforming tasks, processes and structures. However, it was found out in the audit that implementing the objectives set out in the VATU programme has not been entirely successful. One of the problems has been the scope of the objectives. Implementation of the targets set out in the VATU programme has also been inadequately reported in Netra.

## The targets concerning the streamlining of operational steering have not yet been achieved

Efforts have been made to streamline and simplify the steering model of the Regional State Administrative Agencies and ELY Centres. In ELY Centres, the streamlining has been with the help of the project involving the simplifying of the steering and planning system (OSY project), which is part of the programme aimed at improving the performance of ELY Centres (between 2013 and 2017). However, the work has not yet been completed. Reforming steering in Regional State Administrative Agencies has supported the efforts to make the steering system more strategic, lightweight, cross-administrative and unified. However, despite the improvements that have already been achieved, development of steering in Regional State Administrative Agencies still involves challenges. They are primarily a question of a more flexible use of resources.

The strategy documents separately prepared for each regional administrative authority have helped to put the steering on a more long-term basis. A joint strategy document that will be prepared for the Regional State Administrative Agencies and ELY Centres during the next government term will provide a basis for more simplified steering.

Based on the audit findings, streamlining and simplifying of the performance guidance system of the Regional State Administrative Agencies and ELY Centres would require additional streamlining of operational steering (steering of responsibilities).

## Recommendations of the National Audit Office

Based on the audit, the National Audit Office issues the following recommendations:

1. The ministries responsible for steering should determine the tasks of the Regional State Administrative Agencies and ELY Centres so that the management of the tasks and the resources allocated for them are in balance. Achieving this will require the introduction and implementation of statutory changes.
2. The efforts to adjust resources and to ensure more flexible use of them should continue. However, successful management of the critical tasks also requires prioritisation of operations in Regional State Administrative Agencies and ELY Centres. Responsibility for these tasks lies with the ministries steering the operations, Regional State Administrative Agencies and the ELY Centres.

3. The ministries responsible for the steering should set the performance targets of the Regional State Administrative Agencies and ELY Centres so that they are in accordance with the changes taking place in the economic operating environment and are achievable with the available resources.
4. Regional State Administrative Agencies and ELY Centres should develop their performance reporting so that the achievement of the performance targets can be monitored.
5. The ministries responsible for steering should continue their work to simplify and streamline the performance guidance system of the Regional State Administrative Agencies and ELY Centres.