

The management and financing of sector research activities in the Ministry of Social Affairs and Health's administrative sector

Ministries are responsible for research and development activities which promote social development in their administrative sector. Ministries' task is to finance, commission and utilize sector research. In addition to research institutes, sector research includes research and development activities conducted through independent financing.

The present audit concerned sector research in the Ministry of Social Affairs and Health's administrative sector. It focused on research and development activities financed under items 33.01.21 and 33.01.63 in the state budget. The former covers the ministry's operating costs and the latter certain special projects. A total of 2.52 million euros was appropriated for this purpose under operating costs and 6.0 million euros under certain special projects in 2003. In addition the ministry has a number of other finance channels for development purposes. The 2003 state budget includes 84.22 million euros in funds appropriated to the Social Insurance Institution and the National Research and Development Centre for Welfare and Health and state aid granted to the Institution of Occupational Health.

The main question in the audit was how the sector research system works as a strategic planning and decision-making resource, builder of the information base in the administrative sector and tool for development and management. The main question was approached by evaluating the effectiveness of the management and financing system for research and development activities in the administrative sector as well as procedures for utilizing research and development information.

The objectives of research and development policy in the administrative sector were found to be generally consistent with strategic planning and the lines expressed in general objectives. The audit indicated that multilevel strategic management makes it difficult for actors' to understand the relation between different lines and objectives and their hierarchy, whole and connection to research and development activities in the administrative sector, however.

Responsibility for promoting and coordinating sector research and development activities is in the hands of a commission which operates in connection with the ministry. The audit indicated that this commission has done a good job in coordinating activities and publishing information. The commission's possibilities to act as a strategic tool strengthening the ministry's activities are limited, however.

One factor which hampers the utilization of research and development information is the difference in research and development and decision-making cycles. The ministry has had to seek a balance between the production of long-term forecast information and timely information to meet the

rapidly changing needs of political decision-making. Problems were observed in procedures related to the analysis of these information needs, however. The audit also indicated that the ministry has not paid sufficient attention to the systematic analysis and utilization of project results and experience gained during the course of projects. Deficiencies were also observed in the supervision and monitoring of projects.

In order to ensure the connection between strategic management and research and development activities the ministry has also developed the result management of the sector research institutions which it supervises. The ministry reformed its system by adopting a balanced scorecard model at the beginning of 2003. The audit indicated that lengthening the term of result agreements was a positive solution, considering the special nature of institutions' activities. Transitional problems were observed in coordinating the concepts in the new model with the models previously used by institutions, however. Problems and deficiencies were also observed in the setting of institutions' result objectives and plans for monitoring their achievement.

Furthermore the audit indicated that the system used to finance sector research and development activities is complicated in structure and involves multiple sources which are regulated in different ways. Deficiencies were likewise observed in the availability of reliable follow-up information concerning the focusing of research and development funds. The use of multiple channels in financing research and development activities has made it more difficult to keep funding as a whole and the targeting of funds under control and has in turn weakened budget transparency.

The audit indicated that there is some confusion in the administration of funds with regard to whether activities are interpreted as purchased services or recipients of state aid. In this connection it was observed that the ministry has not put research and development projects out to tender, for example. Instead projects have been started on the basis of direct procurement. Financing decisions have not included proper grounds for failing to put projects out to tender. The procedure followed by the ministry has possibly weakened the balanced treatment of potential project implementers which is required by procurement regulations. The audit also indicated that the ministry has in some cases granted research and development funds in a manner which comes under the scope of the Act on Discretionary Government Transfers without properly publishing information on the availability of funds, the procedure for applying for funds and the general conditions for receiving funds.