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## **Financial audit of local government institutions providing services to the homeless in Hungary**

### **Homelessness – terms**

The homelessness has existed for thousand years and since the beginning it was in the eye of interest of primarily various religious organisations. In the Middle Ages the homelessness was not recognised as a problem, whereas the poor and the homeless were taken care of by church foundations and charitable organisations.

### **Despite that “homelessness” is ambiguous.**

Homelessness (staying without home) is generally defined as a state when people do not have an official place of residence, and consequently they spend nights at public places, outdoors or in night shelters.

### **Under the Act No. III on Social Benefits and Provisioning of 1993:**

- a) the homeless is a man who does not have a registered place of living or his place of living is a house or a hotel for the homeless;
- b) the homeless is a person who sleeps during night-time at public places or outdoors.

### **The professionals distinguish two large categories of the homeless:**

- a) people “living in the street”;
- b) people threatened with homelessness i.e. threatened with the loss of apartment or the right to live in an apartment.

### **Homelessness usually occurs in conjunction with:**

- debt (connected with general costs of living, rent etc.), and consequently a threat of eviction;
- no possibility to provide cheap accommodation for the people who work far from home during a working week;
- denomination;
- unemployment, sickness;
- alcohol and drug addiction,
- release from prison after the penalty of imprisonment, release from correction centres;
- mental disorders.

### **Legal grounds**

**Act LXV of 1990 on Local Governments (hereinafter referred to as Local Government Act)**

The Local Government Act lays down responsibilities of all local governments. Pursuant to the Local Government Act one of the municipality duties is to supply healthy, potable water, to provide sewage system, to take care for cleanness at public facilities, to provide primary health and social care, to provide upbringing and education at primary level etc.

Public services and supplies are provided by the self-governments at the "komitat" level (komitat – a Hungarian equivalent of province) and local governments that are peers for one another. The local governments administer the capital city, districts in the capital city, provincial cities, towns and villages.

Pursuant to Local Government Act also other acts may lay down the duties of the local governments.

After 1990 the social policy and health care system in Hungary were not ready for the occurrence of the homeless in big numbers.

The social welfare assignments at the local government level including general and specific principles of provisioning for the homeless were laid down first and foremost in the Social Welfare Act.

Pursuant to that act the local governments are responsible for the welfare benefits, both cash and non-cash, but also for basic social provisioning. Under the basic social provisioning in each administrative unit food and basic assistance must be provided on site, whereas the other responsibilities depend on the size of settlement and population.

Special benefits include old people's homes, nursing homes for the disabled, nursing homes for mentally disabled and homes for the homeless whose provisioning is an assignment of provincial governments and capital city authorities.

The situation in the cities with provincial rights is particular, because they are obliged to perform some of the assignments belonging to the provincial governments. With regard to social benefits the capital city authorities have the same assignments as provincial governments (at komitat level).

**The Social Act provides for the following benefits for the homeless:**

- a) work of welfare workers in the street,
- b) day-room (the so called „warming-up facility”),
- c) night-shelter,
- d) temporary hostel for the homeless,
- e) rehabilitation centre for the homeless,
- f) care home for the homeless.

Theoretically speaking in each municipality the homeless person is entitled to get benefits vital to prevent life hazards (food, financial aid, place to sleep).Locally such benefits have to be provided by the local government that has in fact jurisdiction over the territory in which the homeless person actually stays.

Pursuant to the intention of the law maker the social benefits should create a social benefit system.

Pursuant to the social act the accommodation for the homeless should be provided by the towns with population exceeding 30,000. In practice the homeless stay in larger cities, so smaller administrative units are not obliged to provide provisioning to the homeless.

### **Framework conditions, point of departure**

- Neither Social Act, nor amendments to it do not deal with the homeless with families, nor with the homeless at young age,
- Prevention of homelessness does not lie in the interest of local governments,
- It is not possible to establish a reliable number of people suffering from homelessness.

Regardless of the obvious problem which is no option to establish in a reliable manner the number of homeless, valuable information is provided by the annual census performed by the specialists for the purposes of competent ministry.

In Hungary there is no uniform statistical and informational service that could provide such information. However the specialists estimate the number of the homeless to be in the range of 25-30 thousand.

In their opinion pursuant to the economic crisis 1.5 million of families may not be able to pay back their loans or to pay lease fee for their apartment. They are threatened with a loss of apartment.

The consequences of having no apartment or not being able to maintain the apartment are numerous and change with time passing. Therefore the services responsible for provisioning of the homeless have various tasks to fulfil.

The consequences of the homelessness include inter alia: sicknesses, undernourishment, or malnutrition, no healthcare, necessity to use cheap, frequently worthless medicines, no opportunity to follow hygienic principles, no access to clean clothing, a threat of changes in personality, death due to hypothermia etc.

Social psychologists believe that already half a year in the street hampers the resocialization of the homeless.

- Primarily in large cities a system of services for the homeless was developed. Because many homeless people due to the lack of health care insurance, no money or due to ordinary unwillingness did not visit outpatient clinics, in a few large cities a free ambulatory treatment was organised in the street and in night shelters.
- The duties of the local governments were not defined unambiguously and specifically in the act and the local governments are not ready to handle the aforementioned homelessness consequences.

The liquidation or control of homelessness is a task for the local governments that combines social elements and risk prevention elements. The problem is, however, that it is not possible to determine beforehand that tasks that will be the most needed at a certain point in time. In other words it is not possible to envisage in advance precisely who, what, where and how long should perform certain activities.

- Joint actions taken by local and central government organisations

The institutions helping the homeless were established upon an initiative of non-governmental organisations in collaboration with local governments.

Also at present the contribution of non-governmental organisations to the activities taken to help the homeless is significant.

Though the performance of this task is a duty of municipalities, however, the size and way of implementation of this task they may establish on their own, in an autonomous manner.

- Financing system – independent from the sector

All institutions providing services (based on a permit issued by a competent authority) to the homeless are entitled to financing from the state budget. The terms and conditions of such financing were defined in relevant regulations. Additionally the non-governmental organisations may apply for subsidies through a competition.

- Efficiency in attaining set objectives

Efficiency is ability to attain set objectives.

The objectives have to be defined in such manner that their outcome is measurable.

The measurement of efficiency implies a necessity to assess the impact of activity or impact on a specific situation. For this purpose data has to be collected concerning not only the audited activity, but also similar activities.

This implies that our task was not easy.

In 2006 State Audit Office of Hungary audited provisioning of the homeless by the local governments.

The audit aimed at determining whether:

- the system of financing the provisioning of the homeless and expected subsidies supported the operations of institutions providing services to the homeless;
- the utilisation of additional payments and subsidies from the public purse complied with the rules and whether it supported the attainment of set objectives;
- expansion of outpatient clinics, ambulatory services and hospitals providing services to the homeless and their financing were performed in compliance with law.

During the audit we tried to find a general answer to the following questions:

Is their way in which they are doing it correct?

Is that what they are doing justified?

The circumstances that hampered the audit carried out by the State Audit Office were as follows:

- The scope of audit covered 143 various institutions/organisations, using various data formats and accounting principles concerned with services provided to the homeless;
- The Social Act, and consequently general conditions changed many times;
- The setting of standard is possible exclusively through comparison with other, comparable types of activities, in various periods, on the grounds of legislation applicable to the auditee. In the event of organisations providing services to the

homeless, we did not have data concerning exactly this portion of their activities, and consequently our ability to compare activities and periods was impaired.

- In some cases it was hard to find out whether the observed outcome was really a result of specific actions or maybe a result of other actions.

## **Elements concerned with implementation in practice**

### ➤ **Audit planning**

- Data collection

Data collection was started already in the audit planning phase, which implies that we collected information existing in a documentary evidence and through interviews with interested parties. (Ministry of Social Affairs and Labour, regional governments, city authorities, organisations)

- Definition of scope of audit, audit plan

Along with definition of specific issues also the scope of audit was defined (what, who, where and how). The scope of audit covered subsidies to provisioning of the homeless, efficiency and appropriateness of their use (and covered the 2003-2005 period). The audit was carried out by 10 auditors.

### **Statistical data**

### **Year 2005 at home / respondents**

No. of welfare workers working in the streets	70/21
No. of places at warming-up facilities	4841/955
No. of places in night-shelters	2944/902
No. of places in temporary hostels for the homeless	3454/948
No. of places at resocialization/support centres for the homeless	416/126
No. of places at homes for the homeless	286/111

### **Audit conduct**

- Selection of a way of collecting evidence/information

On the spot, during the audit, we applied such techniques as questionnaires, interviews and observations. To get as complete picture of reality as possible it was crucial to pose questions to interlocutors at various positions and with various viewpoints. (For instance: associates of the homeless service providers, local government officials, specialists.)

- Information analysis and evaluation

During the audit we analysed the evolution of the number of places in the institutions dealing with provisioning of the homeless, sources providing funds for their operations and development and changes of such sources. We also compared data about provided services and financial data of entities owned by individual local governments and non-governmental organisations, and also changes in such

data in various periods. We analysed the way of subsidy distribution and use, their efficiency.

### **Report preparation**

Pursuant to the analysis of information collected during the audit a financial/accounting report was drawn up.

Our major findings included:

- Tasks regarding services for the homeless laid down in the act do not match the needs;
- Ministry of Social Affairs does not have a long-term concept concerning the provisioning of the homeless;
- Taking into consideration the estimated number of the homeless the number of places is insufficient;
- The issue of health services for the homeless has not been addressed.

### **The audit recommendations of the State Audit Office included inter alia:**

- Amendments to the Social Act to implement regulations on necessary benefits for the homeless and to secure state subsidies.
- To develop a long-term concept how to provide services to the homeless and how to secure necessary state subsidies;
- To adjust the monitoring system in order to control subsidies and their utilisation.