



Executive summary of the public audit report

## HUMAN RESOURCES MANAGEMENT IN THE PUBLIC ADMINISTRATION

(summarized results of the management  
audit of three ministries)

13 February 2017. No. VA-P-10-1-1



Full audit report in Lithuanian available on website of the  
National Audit Office [www.vkontrole.lt](http://www.vkontrole.lt)

## DEFINITIONS AND ABBREVIATIONS

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**Persons working in the Civil Service:** politicians, state officials, public servants, judges, intelligence officers, professional military officers, persons, working in the state and municipal enterprises, in the budgetary institutions and have administrative powers, persons, working in the public institutions and associations, which receive funds from the Lithuanian state and municipal budgets and funds, and having administrative powers, employees of Lithuanian bank, having public administrative powers (performing financial market supervision, consumer and financial market participants litigation out-of-court functions and other functions of public administration), public limited liability and private limited liability companies, which shares provide more than 1/2 of votes at the general meeting of shareholders owned by the state or municipality, heads and deputy heads, also other persons having administrative powers.<sup>1</sup>

**General area of activity:** an area, where the acting public servant perform the functions ensuring each institution's internal administration (structure management, documents, staff, material and financial available resources management), also the other undetermined functions of institutions Regulations, which contribute towards ensuring functioning of institutions (law, public relations, international relations, the organisation of public procurement, information and communication technologies systems maintenance, internal audit and other).<sup>2</sup>

**Employee, working by the contract of employment (CE):** public-sector employee, whose admission to work, work conditions, social guaranties, and responsibilities is applicable Labor Code of the Republic of Lithuania and it is not applicable the Republic of Lithuania Law on Public Service.

**Conflict of interests** – a situation, where the civil service employed person, performing duties or executing orders, must decide whether to take part in its adoption or to be executed in connection with his private interests.<sup>3</sup>

**Employees of the authorities:** public servants or employees, working by the contract of *employment (CE)*.

**Officer:** politicians, public servants or the other person performing public administrative functions and under the law having powers to give carry out the mandatory instructions under legislation for not subordinate persons.<sup>4</sup>

**Private interests:** person's, working in the civil service, or a person closely associated personal property or non-pecuniary interest that could affect the decisions of the official duties.<sup>5</sup>

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<sup>1</sup> Republic of Lithuania Law on the Adjustment of Public and Private Interests in the Public Service, 02-07-1997 No. VIII-371, Art.

2 (Edit 01-07-2008 No. X-1667).

<sup>2</sup> The Government of the Republic of Lithuania Resolution 20-05-2002 No. 685 (As last amended on 24 April 2008 - No. 356)

confirmed the civil servants jobs descriptions and evaluation methodology, p. 2.

<sup>3</sup> Republic of Lithuania Law on the Adjustment of Public and Private Interests in the Public Service, 02-07-1997 No. VIII-371, Art.

2 (as last amended on 1 July 2008 - No. X-1667).

<sup>4</sup> Republic of Lithuania Law on Public Administration, 17-06-1999 No. VIII-1234, as subsequently amended, Art. 2.

<sup>5</sup> Republic of Lithuania Law on the Adjustment of Public and Private Interests in the Public Service, 02-07-1997 No. VIII-371, Art.

2 (As last amended on 1 July 2008 - No. X-1667).

**Specific activities area:** an area, where the acting public servant perform functions ensuring the implementation of the tasks for institution of statutory.<sup>6</sup>

**Public servant (PS):** a natural person, who performs duties in the civil service and carries out public administration activities.<sup>7</sup>

**Status of public servant:** it is a legal status of public servant.

**The Public Service:** legal relations arising after the acquisition of the status of a public servant, the change or loss thereof, as well as those resulting from the public administrative activities of a public servant in a state or municipal institution or agency when implementing the policy of a particular sphere of state governance or ensuring the co-ordination of the implementation thereof, co-ordinating the activities of institutions of a particular sphere of state governance, managing and allocating financial resources and controlling their use, carrying out audits, adopting and implementing legal acts, decisions of state and municipal institutions or agencies in the sphere of public administration, preparing or co-ordinating draft legal acts, agreements or programmes and giving opinions on them, managing personnel, or having public administrative powers with respect to persons, who are not subordinate.<sup>8</sup>

**Internal administration:** an activity ensuring independent functioning of an entity of public administration (structure arrangement, management of documents, personnel, available material and financial resources) so that it could engage in public administration.

**Public interest:** persons working in the civil service, would take all decisions impartially and fairly.<sup>9</sup>

**Public administration:** it is activities of entities of public administration regulated by laws and other legal acts, which are intended for the implementation of laws and other legal acts.

**Institution of public administration:** state and municipal budgetary institution, legally authorized to perform public administration.<sup>10</sup>

**Entity of public administration** – a state institution or agency, a municipal institution or agency, an officer, public servant, a state or municipal enterprise, a public establishment whose owner or stakeholder is the State or a municipality, an association authorised in accordance with the procedure laid down by this Law to engage in public administration. Institution of the public administration is collegial or autocratic entity of public administration, the manner prescribed by law authorized to adopt normative acts of administration.<sup>11</sup>

**Human resource management system** – consists of the following functional areas: 1) the selection and recruitment; 2) the scope of work determination and human resource requirements planning; 3) establishment of the organisational structure and distribution of functions to the workers; 4) the salary system (work payment solutions and promotion measures); 5) staff training; 6) work safety administration.

<sup>6</sup> The Government of the Republic of Lithuania Resolution 20-05-2002 No. 685 (As last amended on 24 April 2008 - No. 356) confirmed the civil servants jobs descriptions and evaluation methodology, p. 2.

<sup>7</sup> The Republic of Lithuania the Law on Public service, 08-07-1999 No.VIII-1316 (As last amended on 23 April 2002 - No.IX-855), Art. 2.

<sup>8</sup> There too.

<sup>9</sup> Republic of Lithuania Law on the Adjustment of Public and Private Interests in the Public Service, 02- 07-1997 No. VIII-371, Art. 2 (As last amended on 1 July 2008 - No. X-1667).

<sup>10</sup> Republic of Lithuania Law on Public Administration, 17-06-1999 No. VIII-1234, as subsequently amended, Art. 2.

<sup>11</sup> There too.

## SUMMARY

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Approved budgetary appropriations of salaries constituted 960,3 million Euro in 2015: in health field – 32.6 million Euro, in social security and labor field – 51.5 million Euro, agriculture – 35.4 million Euro.

Growing public demand, limited financial possibilities of the state, public service attractiveness decline among high qualified personnel, and state's requirements for strategic objectives to improve public management – all these trends prompted the National Audit Office of Lithuania interest in human resource management in public administration institutions and its improvement possibilities and reserves search.

One of the State Progress Strategy "Lithuania 2030" under public management improvement initiatives – to achieve that the public service would be limited in scope, flexible, professional, accountable and would be focused on to the results of activities. In the national program of progress for 2014–2020 years, the aim is to improve public sector institutions management – to increase their efficiency and attractiveness of the public service.

By observing the systematic human resource management issues across the public sector, we conducted our audit on the three public management fields' models (health care, social security and labor and agriculture) with the aim to assess whether the state budget funds are used to manage human resources efficiently. During the audit we have assessed:

- Effectiveness of functions distribution/appropriate distributed common and special functions to the staff of institutions;
- Wage fund planning on employees based needs.

We did not analyse the staff training and work safety administration during an audit.

We analysed the requirements and the scope of responsibilities of career public servants and employees with public administrative powers, and who have an employment contract in the budgetary and public institutions that receive funds from the Lithuanian state budget and funds. We did not analyse the requirements for state officers, political trust and alternates of the public servants, people who have administrative powers and working in state enterprises and associations that receive funds from the Lithuanian state or municipal budgets and funds.

Subjects to be audited – three ministries (Ministry of Health, Social Security and Labor, Agriculture) and their subordinated public administration institutions<sup>12</sup>, information was also collected from the Ministry of Interior, Public Service Department, in some issues (for comparison) – from the Prison Department under the

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<sup>12</sup> Subsidiaries institutions of Ministry of Agriculture - National Paying Agency, National Land Service, The State Plant Service, Fisheries Service and State Animal Breeding Supervision Service. Under the Ministry of Social Security and Labor and other bodies of public administration institutions whose founder is the Ministry: the Department of Supervision of Social Services, State Labor Inspectorate, Disabled Affairs Department, Children's maintenance fund administration, State Child Rights Protection and Adoption Service, The Department of Youth Affairs, Disability and Working Capacity Assessment Office, Contention Commission, State Social Insurance Fund Board and local offices, Lithuania Labor Exchange and 10 territorial labor exchanges, European Social Fund Agency. Subsidiaries institutions of Ministry of Social Security: National Health Insurance Fund, State Health Care Accreditation Agency, Radiation Protection Centre, State Medicines Control Agency, National Transplant Bureau, Lithuanian Bioethics Committee, Health Emergency Situations Centre, National Public Health Center (from 01-04-2016).

Ministry of Justice, subsidiaries institutions of the Ministry of Interior: State Border Guard Service,

Police Department and audited under the Ministry not Public Administration at budgetary institutions<sup>13</sup>.

The audited period – 2015, assessing trends and changes data have been used for previous periods and 2016.

Taking into consideration the collected evidence (applying legislation, documents and data analysis, calculation, comparison methods) we provide audit generalized results (in health care, social security and labor and farm management areas).

## CONCLUSIONS

The current human resources management system in the public sector is not a sufficient tool for institutions to achieve the objectives in the most efficient way, does not encourage a transparent recruitment and effective state budget use, because:

The current number of staff positions in ministries and their subordinate institutions is unfounded actual need calculation (not set an optimal number of public sector employees), without review of functions and volumes of ministries and their subordinate institutions and the unidentified factors affecting institutions volumes. The maximum number of staff positions of civil servants or employees working under an employment contract and receiving a salary from the state, municipal budgets or public funds, is determined by the last number of years and does not reflect the real need of positions. Therefore, some institutions have permanently vacant positions unfilled and others have a deficiency although the total number of employees in the public sector remains the same (varies slightly). In addition, the payroll planning is not associated with the real (actual) positions need.

Public administrations have different legal forms of legal entities and public administration personnel are identified by the different requirements of acceptance, activity and responsibility. By law<sup>14</sup>, internal administration activities attributed to public administration activities, which are carried out by public servants. Therefore, in analysed institutions, the support functions mainly (56 percent.) perform public servants, to whom are imposed higher requirements than those required by the nature of their work, and it is paid an average of 35 percent higher wages, and the main activities are carried out by employees, who are covered by the lower acceptance qualification, loyalty and responsibility requirements than those imposed on public servants. Furthermore, it consists of non-transparent conditions for staff selection.

There is necessary information about public administration institutions, their number of employees to make reasonable management decisions, but there is not one of the institutions that would manage this information. There are also no authorities supervising public administration functions assigned within the institution. Public Service Department is authorized and supervises the management of the public service.

Performing general service positions failure to assign the activities to public servants, the saved resources could be used for the ministries and their subordinate institutions to improve the

<sup>13</sup> Subsidiaries institutions of Ministry of Social Security: *The State Forensic Medicine Service*, **Institute of Hygiene**, National Service of Forensic Psychiatry in Lithuania; Subsidiary institution of Ministry of Agriculture - The Centre for LEADER Programme and Agricultural Training Methodology.

<sup>14</sup> Republic of Lithuania Law on Public Administration, 17-06-1999 No. VIII-1234, as subsequently amended, Art. 11.

quality: to attract higher quality staff, to improve existing staff skills also to improve the quality of service to the public.

### For the public administration delegation of power

1. There is assigned all the bodies of internal administration to public administration in laws, so the three ministries, where was analyzed the management of institutional general business functions are carried out by public servants (on average 56 percent, healthcare sector – 50 percent, social security and labor – 54 percent, agriculture – 66 percent), who are subject to higher requirements than those required by the nature of their work. Their nature of the work (service, auxiliary) and the activity results are basically the same as the counterparts engaged employees working under an employment contract, and it is not related to the main execution of the tasks. They are paid an average of 35 percent higher wages (health field an average of 32 percent, social security and labor – 41 percent, agriculture – 27 percent) than counterparts engaged employees working under an employment contract (Section 1.1).
2. There is unidentified in laws the same acceptance, activities and responsibility requirements for public administration personnel, so similar to their content, special activities functions are performed by two categories of employees: public servants and employees working under labor contracts, who are applicable by different laws to different acceptance, activities and responsibility requirements – stricter for public servants (public tendering, qualification, loyalty, age limits, mandatory declaration of assets and income, the higher responsibility volumes and so on) (Section 1.2):
  - 2.1. Public administration law gives the right to public institutions, state enterprises or other legal entities to carry out functions of public administration became the unclear of the distinction between public institutions, public enterprises and budgetary institutions – there are not essential differences between activities carried out in them. There can not be public servants in public bodies and state enterprises under the Public Service Act (Art. 2), so the public administration powers in them are assigned to employees working under labor contracts without public servants requirements. Therefore, analogous functions (eg., The European Union funds administration) in different legal forms of agencies are performed by personnel, who are subjected by different acceptance, performance and responsibility requirements of the European Social Fund Agency – employees working under contract, and the National Paying Agency – public servants.
  - 2.2. There are created by law preconditions for budget heads to recruit persons under an employment contract, avoiding public servants requirements (public competition and so on).

The fact that the adoption of the employee under an employment contract are not subjected open competition and other to public servants requirements and restrictions, may have a negative impact on their work quality, in addition, it loses the meaning of public service exclusivity as the public interest guarantees and special responsibility to society for their assigned functions with a legal institute, which emphasizes the Constitutional Court.

3. There is not given insufficient priority for public administration policy on the state level: there is no single authority responsible for public administration and oversight functions within the public administration data on persons carrying on the accumulation of it. Therefore, public administration and public policy is formed to improve the management decisions are made in the absence of detailed information on all persons carrying on public administration. Public

Service Policy, which oversees the implementation of the Public Service Department, does not cover the entire public administration (Section 1.2).

## Because of improvement of human and financial resources planning of demand, allocation and efficient use of funds

The Ministries of Health Care, Social Security and Labor and Agriculture and their subsidiaries institutions payroll planning system is unreasonable requirement for the actual job, does not provide an effective wage for the use of appropriations, unused all possibilities to optimize the management structures of institutions and to keep personnel costs:

4. To optimize activities of the authorities scale, continuous analyzing the functions performed and refusing inappropriate or excess activities provided in the Lithuania Progress Strategy (Lithuania 2030), the Public Management Improvement Program and in its implementation plan. In the analyzed ministries across the country decreases of functions views each year (foresees two views in 2016, but there is no functional review of ministry), they are formal, because there is no mandatory, the ministries are performed on a voluntary basis, due to lack of motivation and lack of internal resources, it is difficult to make them qualitatively (Section 2.1).
5. When planning payroll fund in the three ministries and their subordinate institutions, there is not taken into account the actual need of employees and the number of staff shall be based on the previous year and the number of posts approved for the funds. Therefore, some institutions are lack of staff (eg., Children's Maintenance Fund created 8 fixed-term employment contracts in excess of the allowable number of posts in 2015), while the other have constantly vacant positions (eg., Health field budgetary public administration vacant posts at the beginning and the end of 2015 accounted for respectively 8.3 and 8.7 percent), since (Section 2.2):
  - 5.1. Unconfirmed maximum allowable public servants and employees working under employment contracts of positions number and criteria for establishing procedures, although parliament has to approve it under the Civil Service Law Article 8 of the proposal of the Government.
  - 5.2. Legislation does not establish the requirement that all the budgetary institutions assess factors affecting institutional features volume, workload and positions demand (population served by flow, territory, etc.), and they are unidentifiable in the Ministries of Health, Social Security and Labor and Agriculture. A procedure laying down these factors affection of the needs positions assessments, has not been established in the Ministries of Health care, Social Security and Labor and Agriculture, but the other ministries subordinate bodies have established procedures and the following factors in determining job requirement are assessed (Police Department, the State Border Guard Service and Prisons department).
6. More than in a half of the examined institutions is too big part of serving and managing staff, they do not meet government targets in the general performance criteria values (no more than 30 percent of the serving personnel and at least 5 subordinates per the head) (Section 1.3).
7. For the purposes of the promotion system for public servants and employees working under an employment contract, it is not intended for better activities results and does not guarantee an effective use of the state budget appropriations for wages: created preconditions annexes, premium and an increased ratio are given by the subjective decision of the head office,

depending on the institution's financial situation and payroll savings, often without the decision proper justification being given (Section 2.3).

It is likely that such a situation exists in other branches of government and municipal institutions too, and the Government, the Parliament and the municipalities should take steps to eliminate these deficiencies.

## RECOMMENDATIONS

### To the Government

While improving the human resource management in the public sector and to ensure that policy in this area would be an integral and consolidating (in terms of needs and resources aspects), and that it would include all employees of the different status in public service – and that it would cover all the different status of public service workers – both civil servants and those working under an employment contract, that decisions in this area would be taken in accordance with the rule of law and good governance, as well as cost-benefit analysis, so that they are equal, transparent and clear across the public service and are not exposed to the human factor or other subjective factors, as well as the field of activity (health, social, etc.) specificity or institution legal form (public institutions and et al.) features, we recommend:

1. To evaluate referred issues in the Report, their content, causes and the inclusion of interested parties, which are interested in to public administration development, including the academic sector and non-governmental organizations, to draw up an action plan and measures that would:
  - 1.1. To formulate and to improve the evaluated field legal regulation, that it would be clear, consistent, transparent and exclude the possibility of different interpretation of legislation, which presupposes the report findings, and would ensure the efficient use of funds (1, 2, 5, 6, conclusions);
  - 1.2. To review the measures already established and their progress, draft legislation and to ensure that the problems identified in the report would be solved (1, 2, 4, 5, 7 conclusions);
  - 1.3. To assign authority, which would be responsible for all the public entities involved in the administration of methodological guidance, supervision, data collection and to identify those operators involved in legal relations coordination inter-institutional relations (3rd conclusion);
2. Initiate systemic functions reviews and to promote the state and municipal institutions to perform such functions reviews, of which decisions are based on the results ensuring effective and less costly public administration (4 conclusion).

Recommendations implementation plan is presented in Annex 8.

In order to organise not only the state, but also municipality's activities of institutions and the more rational use of municipalities' budgets, we will present a report to Lithuanian Association of Municipalities, which will decide the general municipalities' issues and coordinate their activities.

The Supreme Audit Institution will continue to pay attention to public management process improvement during the other audits and to the implementation of strategic state priorities of progress in the field.