

Submission of data to national databases in municipalities, towns and cities

Do database managers compensate for the expenses of local authorities and do enough to ensure that the data in the databases are complete and correct? What burden and expenses do local authorities face in submitting data to national databases?

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Summary of audit results

The National Audit Office audited the activities of state agencies in the management of the database selected for the audit, to which local authorities are obliged to submit data. The National Audit Office analysed the activities of the database managers following a ruling made by the Supreme Court in 2010, which stated that the public functions assigned to local authorities must be clearly financed from the state budget. It was assessed whether database managers had analysed data submission as a function of the local authorities from the viewpoint of whether it is local or national and made conclusions on the basis of this on covering related expenses from the state budget. The expenses of local authorities in the submission of data were regarded in the audit in relation this. It was also assessed whether the measures taken by database managers have been sufficient to guarantee that local authorities submit all required data and that these data are correct.

The audited databases were the information system of the address data system (whereby the responsible processor is the Land Board); the Estonian Education Information System (Ministry of Education and Research); the Register of Economic Activities and the State Register of Construction Works (Minister of Economic Affairs and Communications); the Register of Social Services and Benefits (Ministry of Social Affairs); the National Register of Roads (Road Administration); and the Population Register (Ministry of the Interior).

It is important for taxpayers that the local authority of their place of residence or place of business has enough money to provide all the necessary services and to do so well. This in turn requires that the local government funding system be structured in such a way that the functions assigned to local authorities are adequately covered with revenue. The Constitution states that the expenses of local authorities incurred in the performance of national government functions must be covered from the state budget. If local authorities are not compensated for expenses related to national functions, they will have less money left for the performance of local services and their accessibility and quality may suffer.

Local Government Associations find that submission of data to national databases is an example of a function that is national in nature but where the related expenses are not usually compensated to local authorities by the state. Local authorities submit data to 36 national databases in total. It is also important that the data collected in national databases are correct and actually needed, and that the expenses incurred in submitting them are not a waste of money.

The collection of data from local authorities has generally been well organised in the audited databases and the collected data have been necessary for national statistics as well as in the work of the state and local government agencies. Some exceptions aside, this applied to all of the auditees, which is good to see. However, this has partly been achieved by ignoring the constitutional

guarantees of local authorities, which is not right and cannot continue. The problem is actually much more far-reaching than the topic of the databases covered by the audit and concerns the classification and financing of the functions of local authorities on a broader scale. The National Audit Office finds that the state still has a long way to go in streamlining the local government funding system.

Key observations made by state as a result of audit:

- The submission of data to public databases is predominantly a national function whose cost to local authorities is an estimated 1 million euros. The state does not compensate these costs. The National Audit Office finds that the elements of the data submission function mostly make it possible to regard the function as a national one. Data submission is mandatory and must be done according to rules, so local authorities cannot choose how they perform the function. This is one of the main features that differentiates national functions from local ones. There are other signs as well, but in general it can be said that the reason for data collection in this manner cannot be justified with community interests in local authorities – if this were the case, local authorities could be allowed to decide whether and how they collect such data. The interest in the data is broader, which is indicated by the diverse use of the data in national statistics as well as elsewhere, and the data has usually also made efforts to obtain the data from local authorities.

Database managers have so far mostly disagreed, claiming that local authorities also benefit from the data. This is probably true, but does not determine the nature of the function. It also seems that database managers have not wanted or been able to recognise the other important characteristics that indicate the public status of the function. When this was pointed out in the course of the audit, some managers admitted that data submission may indeed be a national function. The state's omissions are also obvious when the impact of legislation is analysed. The costs incurred by local authorities due to the assignment of data collection to them have generally not been analysed.

No account has been kept of the costs of local authorities and there are no agreements on which costs could be considered for compensation. The National Audit Office focussed on labour costs, although money must also be spent on the management of assets (e.g. equipment and inventory). The labour costs of local authorities in relation to the submission of data to the audited databases range from 0.5 to 1 million euros according to the data for 2012. The key factor here is the time spent on the function, which is not the same in the estimates of the local authorities and database managers. The amounts sometimes differ many times. All in all, this is purely mathematics at present and the compensation local authorities have received for their costs is nowhere near the actual amounts. Local authorities have only been paid money from the state budget for the submission of data to the Population Register.

- The data collected from local authorities are predominantly necessary. However, necessity should be monitored more often. There is a lot of interest in the data collected from local authorities in the case of most databases. These data have been used by state agencies, private companies, third sector organisations and also local authorities themselves. The use of data is largely organised electronically via X-Road, but queries are also made in other ways. In the case of most databases more than half of the data submitted by local authorities have been data that have interested other

state agencies in addition to the database manager. In the Register of Economic Activities, address data and Register of Construction Works the proportion of such data is almost 100%.

The situation is not as encouraging with the Register of Roads, where even database managers themselves have not needed a significant share of the data. The quantity of collected data should be reduced if the data are not used. Since the collection of data costs money, they should not be collected on the principle that they might be needed at some point in the future.

■ The measures taken by database managers to reduce the risk of incomplete data have usually been adequate. The management of the State Register of Roads and the State Register of Construction Works should be made more efficient. In most of the audited databases the receipt of important data is guaranteed by adequate IT measures, i.e. the information systems are structured in such a way that local authorities cannot leave important data fields blank when submitting data. The information system also checks the compliance of the submitted data with the prescribed language, logic or other rules. Such so-called automatic checks cover most of the data fields in the majority of databases to which local authorities submit data. Checks are insufficient in the Register of Roads and Register of Construction Works, which lack a lot of important data. For example, the data in the Register of Roads suggest that only 11 local authorities have intersections on local roads, seven have bus stops and six have street lightning, which is obviously not true. The managers of the Register of Roads and the Register of Construction Works are facing important choices on how to improve the management of the databases.

The National Audit Office advises the ministers in whose areas of government the databases are kept to agree on the principles of financing the function related to the submission of data with local governments. The National Audit Office is of the opinion that the precise compensation of the expenses of the national functions performed by local authorities should be discussed every year in the state budget negotiations between local governments and the Government of the Republic. The National Audit Office advises the Minister of Finance to amend the State Budget Base Act in relation to this.

The National Audit Office also advises the Minister of Economic Affairs and Communications to update the rules of database management so that the managers regularly assess the usability of data and stop collecting data that are unnecessary. Recommendations about the improvement of the quality of data were also made to the managers of the State Register of Roads and the State Register of Construction Works.

In their responses to the audit report the ministers generally found that data submission to national databases is not a national function assigned to local authorities. They find that the arguments of the National Audit Office are not sufficiently convincing to claim otherwise. In their responses they once again point out that local authorities also need the data and that data submission is often closely related to the other procedures of the local authorities. They also add that strict regulation of the data submission obligation is justified by the need to secure the uniform quality of services related to the data, but this does not make the function a public one.

They basically agreed with the recommendations made in the audit in regard to updating the database management rules and improving the quality of the data in the Register of Construction Works and the Register of Roads and promised to take the recommendations on board.

After reviewing the responses of the ministers the National Audit Office maintains its view and deems it necessary to emphasize the following: a function can be a local government one if local authorities have at least some freedom to decide how to perform it. The data submission obligation assigned to local authorities does not give them any such freedom. This raises the justified question: where is the so-called local government root or community essence of this function? The state needs these data first and foremost – otherwise it would make the submission of such data voluntary. The National Audit Office admits, however, that the difference in understanding this issue is probably not easy to overcome and the problem requires further discussion between local authorities and the state. It is therefore positive that the Regional Minister is prepared to analyse the essence of data submission as a function with Local Government Associations.

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