

**Summary  
of the Audit on the Operation of  
the National Bank of Hungary in 2009** (1007)

Since 2002, the State Audit Office of Hungary (SAO) has been annually auditing the regularity of the operation and financial management of the National Bank of Hungary (NBH), the operation of the governance, decision-making system and audit arrangements, as well as the achievement of the institutional goals. The present audit evaluated the development of the operating costs with special regard to the implementation of the 2009 appropriation of the efficiency-improving project (hereinafter: EI project) launched at the end of 2008, the staff and wage management, the achievement of investment goals, as well as the management of fixed assets. In addition, the SAO evaluated the regularity of the accountings of NBH concerning the central budget.

The 2009 operation of NBH, its management and decision-making system were in line with the regulations of the Act on NBH and its statutes. According to his legal mandate, the President of NBH directed the operation of the Bank and decided in all cases which did not fall under the scope of authority of the Monetary Council. The Supervisory Board of NHB performed its duties in compliance with the statutory provisions, according to its operative rules of procedure and completed its work plan.

The NBH determined its duties for 2009 on the basis of its medium-term strategic goals. In its internal regulations, the Bank established the rules of procedure and accounting in connection with its operation and financial management in compliance with legal provisions.

The President of NBH determined the planned sum of operational costs for 2009 in HUF 14.5 billion, 3.4% lower than those for 2008. The utilisation of funds in 2009 was HUF 13.9 billion, HUF 1.1 billion less than in 2008. As a result of the austerity measures implemented in 2009, the Bank spent HUF 0.7 billion less for personnel costs, HUF 0.2 billion less for IT expenses and HUF 0.2 billion less for operating and other expenses.

In 2008 the NBH initiated an efficiency-improving project with the assistance of an adviser. With the implementation of the project, whose implementation was planned for the years 2009-2011, the NBH set the objective of saving an expected sum of HUF 1.7 billion, sustainable in the long run. The Bank reduced this goal to HUF 1.6 billion at the end of 2008. Besides downsizing the staff by nearly 90 employees, the adviser suggested further austerity measures, namely that the Bank should replace employees belonging to a higher income bracket by lower paid ones, or that this aspect should be taken into consideration as well in the course of workforce reductions, which did not comply with the regulations of the Labour Code. According to the documents of the EI project, planned permanent savings of operational costs were HUF 0.8 billion, planned diminution of investment expenses was HUF 0.02 billion and planned workforce

reduction was 67 persons for 2009. The audit found that the total workforce surplus of 29.5 persons compared to the plans included in the EI project and its financial implication of HUF 0.3 billion on personnel costs decreases the long-term savings related to the project, which was not taken into consideration during the evaluation of the project achievements of 2009.

In 2009 the NHB terminated the employment of 103 persons and recruited 52 new employees, which resulted in a final staff number of 593 persons, 48 persons less than in 2008. In its operational report the Bank gave an account of a workforce reduction of 69.3 persons in the framework of the EI project, but did not take into consideration the influence of the interim recruitment resulting in increasing staff number. The Bank assessed the results of the EI project in gross, according to the adviser's methodology, taking no account of the expenses in connection with the realisation. In the reports of the Bank, the implementation of the EI project was incompletely presented, and the pro rata project results of 2009 and their influence on the operating expenses were inaccurately and incomparably presented. The SAO recommended to the President of NBH to revise the goals of the EI project and reduce them by the savings related to other measures of the Bank, as well as to assure the regular assessment of goals and results of the project, based on the financial planning and reporting system of NBH.

The average earnings of the employees of NBH (HUF 7.8 million/person/year) increased by 4.6% in 2009, which exceeded the increase in the average earnings of national economy employees by 4.1 percentage points and by 12.5 percentage points the increase of the average earnings of budgetary employees according to the data published by the Hungarian Central Statistical Office.

The net closing stock of fixed assets of NBH recorded at the end of 2009 was HUF 34.0 billion, which was lower by 6.6% than the opening value. The cancellation from the register of properties and assets given free of charge to the Hungarian State Holding Company contributed by HUF 1.3 billion to the decrease, while the termination of the NBH Bank Welfare Company's activity contributed by another HUF 0.6 billion.

The appropriation of investments approved for 2009 was HUF 2.4 billion, out of which HUF 2.2 billion was in connection with priority strategic goals. The amount of investment expenses accounted for 2009 was HUF 1.8 billion.

The balance sheet of NBH for 2009 presented a profit of HUF 65.5 billion, which in 2010 increases the asset of the profit reserves of 2009 amounting to HUF 9.5 billion. According to the forecast published by NBH in May 2010, the balance sheet would present a deficit of HUF 69.0 billion in 2010 and a deficit of HUF 55.0 billion in 2011. According to the Act on NBH, the part of the deficit exceeding the profit reserves has to be refunded by the central budget, which will be expectedly HUF 49.0 billion in 2012.

The Bank partly complied with the government decree on the more transparent functioning of business associations of public ownership and the superseding act

on the more economical functioning of business associations of public ownership of 2009, when it published only the data of the President, Vice-Presidents, other members of the Monetary Council and the members of the Supervisory Board. The Bank fulfilled its obligation of publication on 20 April 2010, the information can be found on the website of NBH ([www.mnb.hu](http://www.mnb.hu)).

The President of NBH accepted and utilised the recommendations included in the SAO report published in 2009. Thus, he revised the influence of the launch of the Logistic Centre on the operational costs. The Bank showed an annual growth of HUF 0.3 billion in the operational costs, mainly in connection with the increase of the accounted depreciation, which changes to HUF 0.2 billion on the evidence of the audited documents.