



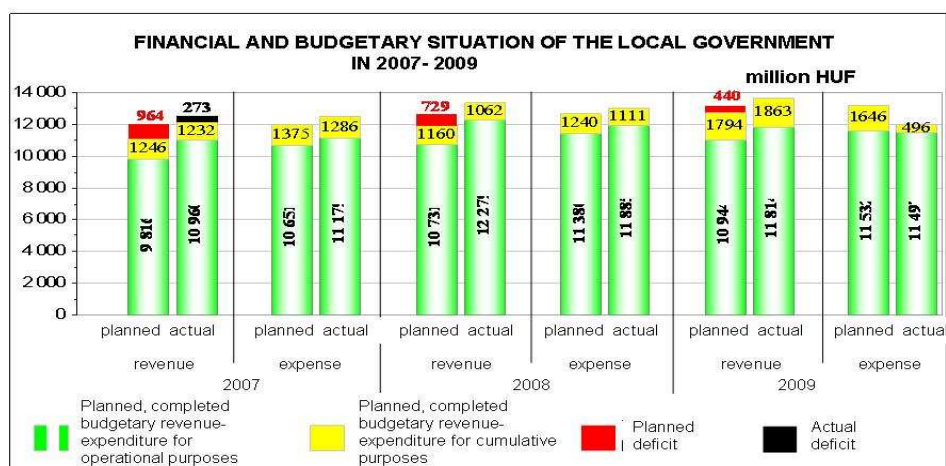
ÁLLAMI
SZÁMVEVŐSZÉK

SUMMARY

of the Audit of the Financial Management System of the Local Government of Nógrád county (1011)

Since 2003 the State Audit Office of Hungary has been auditing the financial management system of county-level, towns with county level rank, districts of the capital city and town level local governments – in alignment with the municipal elections – once in the four-year cycle, according to a uniform national program. The first such audit of the financial management of the Nógrád county local government took place in 2005 and now the SAO completed its audit of the period 2007-2010.

On 1 January 2010 the number of the population of the country (without the inhabitants of the town of Salgótarján) was 172 639. Eight standing committees assisted the work of the General Assembly counting 40 members. In the year 2009, primarily its 19 budgetary institutions and two economic enterprises assisted the execution of the tasks of the Local Government. At the end of 2009 the Local Government had assets worth of HUF 16 082 million – according to the accounting balance. The trends of budgetary expenses and revenues are shown in the following graph:



The purpose of the audit was to evaluate, how the Local Government ensured the budgetary and financial balance in its budget and in the course of

the implementation of its budget; whether the importance of the fiscal procedures aimed at financing changed in respect of the replacement of the missing revenue sources; if the Local Government was effective in its preparation for the claiming and the utilization of EU funds, in respect of regularity and organization; if it had implemented and operated the supported priorities; furthermore, whether it ensured the conditions of electronic public services, the publicity of the financial management by making data of the management accessible; if in 2009 the Local Government established and reliably operated the internal controls of the financial management; if financial management control and internal control contributed to the regular completion of the tasks. Based on an ex-post audit we evaluated, whether the Local Government had appropriately utilized the findings, the regularity and expediency recommendations made by the State Audit Office in the past four years.

Major findings of the audit

The Local Government did not ensure the balance of its budgets in the years 2007–2010; the budgetary revenues did not cover for the budgetary expenditures. In the course of the realization of the budget **the financial balance** was not ensured in 2007, however in the course of the subsequent years the balance was restored. In the period of 2007–2009 the Local Government implemented different measures resulting in the decrease of budgetary expenditures and in the increasing of budgetary revenues. Additionally, they borrowed current account credit and, in the years 2008–2009, they were claiming credit for the advancement of wages and salaries, while in 2008 they issued accumulation purpose bonds in Swiss Francs with variable interest rates, in the amount of HUF 1,500 million. Contrary to the improving solvency the financial situation of the Local Government from 2007 to 2009 altogether worsened as their indebtedness increased.

In the period of 2007–2009, in respect of regularity and organization the Local Government was successful in getting prepared for the claiming of and the utilization of EU funds. They partly met their **disclosure obligation** regarding data of financial management and support.

The regularity of the budget planning and final account preparation **processes** represented low risk in the course of the appropriate and regular implementation of the tasks. **The adequateness of the functioning of internal controls** established in the budget planning and final account preparation processes established for the prevention, detection and correction of functional errors was excellent. The regulation of the control tasks of the financial management, the financial-accounting and built-into-the-process tasks altogether represented low risk in the appropriate and regular implementation of the tasks. In the course of payments related to economic events the

appropriateness of the established internal controls was excellent as the persons assigned by the clerk to attest professional performance fulfilled their tasks of certifying eligibility and numerical correctness. Moreover, the counter-signer of the money-orders made sure that the rules governing financial management as well as of the issuance of the attestation of performance and validation had been respected.

The creation and regulation of the organization framework of **internal audit** represented altogether low risk in the implementation of the internal control tasks, as an independent internal control system had been established and conditions of functioning had been regulated. In case of the functioning of internal control the appropriateness of the established controls was good. In case of the completed audits, the initialisation of measures and controlling the realization of the recommendations contributed to the prevention, the detection and correction of functional errors, although in 2009 the risk analysis was not completed in harmony with the stipulations. Moreover, the head of internal audit did not keep a register on the audit recommendations and the measures taken upon the above recommendations.

The implementation of former recommendations

Eighty-nine percent of the SAO recommendations, formulated in the course of the 2005 comprehensive audit of the financial management of the Local Government and of the 2005 final accounts; of the audits related to the utilisation of financial resources allocated for hospitals and resident institutions with the purpose of nursing and care; and of the audits concerning the accounting of financial resources used for the performance of the national conclusive referendum held on March 9, 2008 were implemented. Eleven percent of the above recommendations were partially implemented. As a result of the utilization of the recommendations the regularity of the financial management of the Local Government has improved, together with the regularity related to the management, the financial and accounting tasks, as well as the functioning thereof and the level of chronic patients' care.

Apart from the findings of the on-site audit, in order to promote the observation of the legal stipulations and of the level of the work **we formulated recommendations** concerning the preparation of the budget, the regularity of the claiming of EU supports and in connection with the endorsement of the internal audit programme for the chairman of the General Assembly and the Chief Clerk. Most of these recommendations had been implemented in the course of the on-site audit by taking the necessary measures. We recommended that the chairman of the General Assembly should inform the General Assembly about the audit findings.