



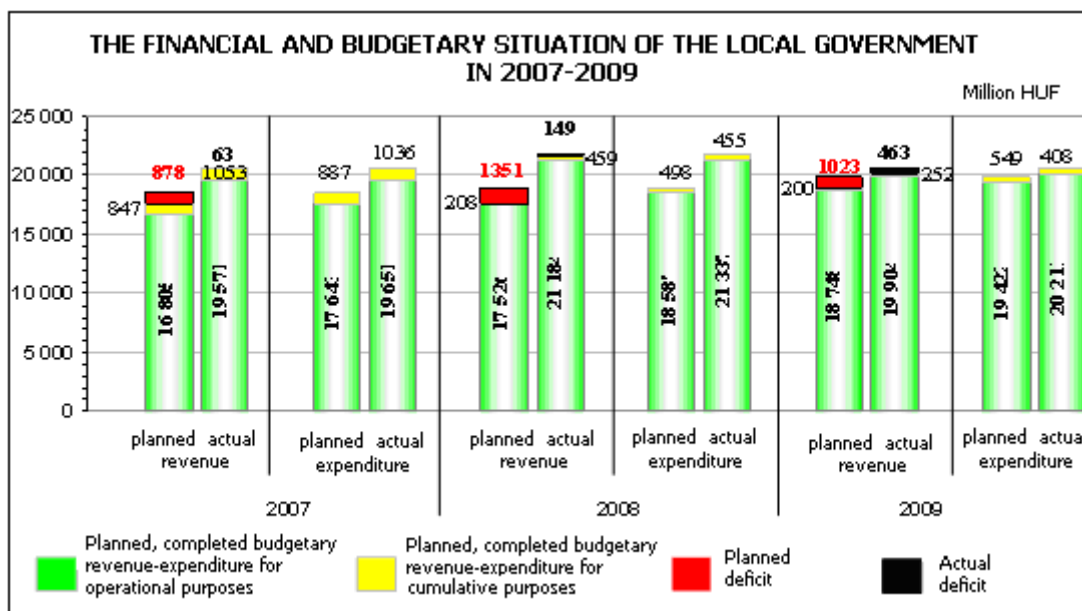
ÁLLAMI
SZÁMVEVŐSZÉK

SUMMARY

**of the Audit on the Financial Management System
of the Local Government of Győr-Moson-Sopron County (1012)**

Since 2003 the State Audit Office of Hungary (SAO) has been auditing the financial management system of local governments of counties, towns with county rank, districts of the capital city of Budapest and towns, in alignment with the municipal elections, once in a four-year cycle, according to a uniform national programme. The first such audit of the financial management of the Local Government of Győr-Moson-Sopron County took place in 2005, and now the SAO completed its audit of the four-year period 2007-2010.

On 1 January 2010, the population of the county (without the inhabitants of the two towns with county rank) was 262,128. Eight standing committees assisted the work of the representative body counting 41 members. In the year 2009, primarily its 21 budgetary institutions and three economic enterprises, owned by the Local Government, participated in the provision of the tasks of the Local Government. According to the accounting balance, at the end of 2009 the Local Government had assets worth HUF 12,464 million. The following chart shows the trend of the budgetary revenues and expenditures of the Local Government:



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

transactions aimed at financing changed in respect of covering the missing revenue resources; whether the Local Government was effective in respect of regularity and organisation in its preparation for the claiming and utilization of EU resources; whether it implemented and operated the supported objective; furthermore, whether it ensured the conditions of electronic public services, the publicity of the financial management by making management data accessible; and whether in 2009 the Local Government established and reliably operated the internal controls of the financial management; whether financial management control and internal control contributed to the regular completion of the tasks. Based on an ex-post audit the SAO 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 for the years 2007–2010; the budgetary revenues did not cover the budgetary expenditures. In the course of the realization of the budget, **the financial balance** was not ensured; however, in the course of each subsequent year, the deficit was less than planned. The Local Government borrowed current account credit annually, in order to continuously ensure their solvency. From 2007 to 2009 the financial situation of the Local Government altogether worsened, and because of the increasing indebtedness, their solvency also weakened.

In the period of 2007–2009, in respect of regularity and organization, the Local Government successfully prepared for the claiming and utilisation of expected EU sources.

The County Clerk met the **obligation of disclosure** of the Local Government revealing the beneficiaries; the aim; the amount and the site of the implementation of the targeted operational and development **subsidies** on the local government's website in 2009. Furthermore, he published the type; the subject matter of contracts; the name of the contracting parties; the contractual values; and the term of fixed-term contracts related to the utilisation of the Local Government's funds and the management of its asset in the case of building investments and services ordered of a net worth of HUF 5 million or more.

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. In the budget planning and final account preparation process, **the adequateness of the functioning of internal controls** established for the prevention, detection and correction of the operational errors was excellent. The regulation of the financial management, the financial-accounting and built-into-the-process audit tasks altogether represented low risk in the regular implementation of the tasks. In the course of

payments related to economic events, the appropriateness of the established operation of the internal controls was excellent, as the persons assigned by the Clerk to attest professional performance fulfilled their tasks of certifying the eligibility and numerical correctness of the expenditures. Moreover, the counter-signer of the payment orders made sure that the rules governing financial management, as well as those of the issuance of the attestation of performance and justification had been respected.

The establishment and regulation of the organization framework of the **internal audit** represented altogether low risk in the appropriate implementation of the internal audit tasks, as an audit team subordinated directly to the Clerk was set up; the legal status and tasks of the unit carrying out internal audit was defined; the head of the unit was appointed; a strategic plan was elaborated and the annual audit plans were approved by the General Assembly. The internal auditors had the required degrees; their functional independence was ensured. With the approval of the head of the internal audit function, the audit programmes necessary to carry out the audits were prepared. Audit reports were prepared; the utilisation of the recommendations was followed up.

The implementation of former recommendations

The SAO recommendations on regularity and expediency, formulated in the course of the comprehensive audit of the financial management of the Local Government in 2006, as well as in the course of the audit of claiming and accounting for normative contributions and subsidies from the state budget in 2007, were completely implemented.

The Clerk took issued instructions in order to assess the possibility and expected effects of the introduction of an integrated financial and accounting system in the course of the on-site audit. We recommended the Chairman of the General Assembly to inform the General Assembly about the audit findings.