



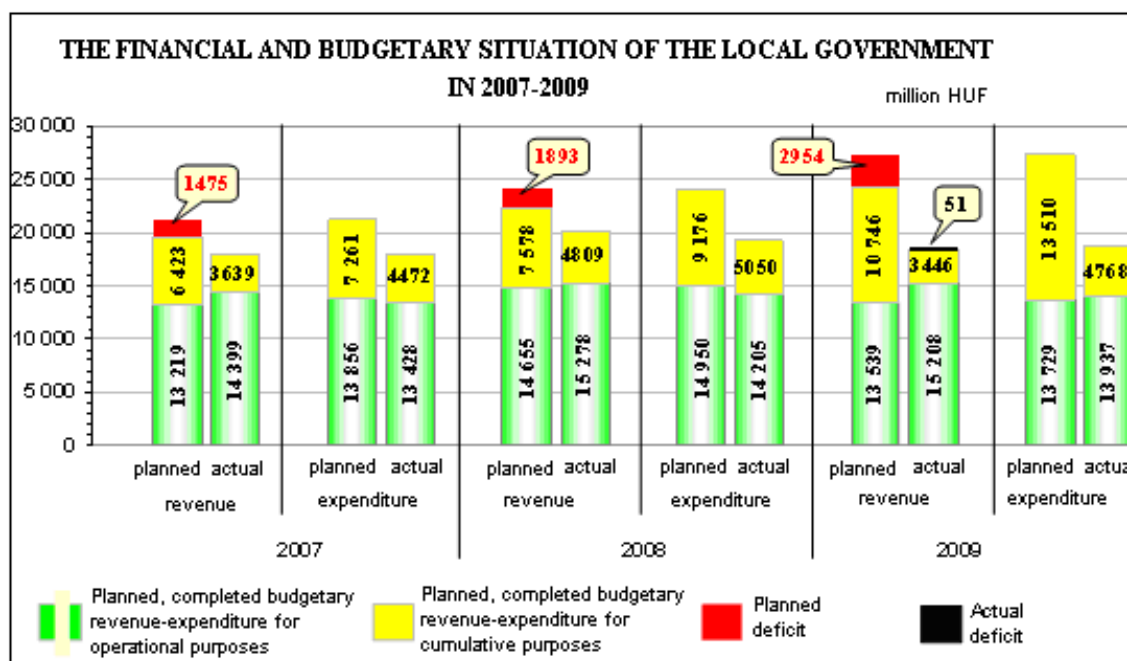
ÁLLAMI
SZÁMVEVŐSZÉK

SUMMARY

of the Audit on the Financial Management System of the Local Government of Town Veszprém with County Status (1017)

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

On 1 January 2010 the number of inhabitants of the town was 57,654. Nine standing committees assisted the work of the 25 member Municipal Assembly. In 2009, its 39 budgetary institutions and ten economic enterprises participated in the provision of the tasks of the local government. According to the accounting balance, at the end of year 2009 the local government had at its disposal assets worth HUF 73,668 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 budgetary equilibrium in the years 2007–2010; the budgetary revenues did not cover for the budgetary expenditures. In the course of the implementation of the budget of 2007-2008 a financial surplus emerged, while in 2009 **the financial balance** was not ensured. The Local Government borrowed long-term credits for cumulative purposes and implemented different measures resulting in the decrease of budgetary expenditures. Altogether, for its unchanged indebtedness and increasing solvency the financial situation of the Local Government did not change.

In respect of internal regularity and organisation the Local Government was successful in getting prepared for claiming and utilising **EU resources** from the 2nd quarter of 2008 merely.

The **disclosure obligation** regarding data of public interest concerning financial management was not fulfilled according to the regulations, as in 2009 the data of each non-normative support for operating and cumulative purposes was not published.

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 City Council in 2009 and **the adequateness of the functioning of internal controls** established in these processes 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 of the expenditures. Moreover, the counter-signer of the vouchers made sure that the rules governing financial management had been respected, and that the attestation of performance was issued and enforcement was implemented.

The establishment and regulation of the organisational framework of **internal audit** represented altogether low risk in the appropriate and regular implementation of the internal control tasks, the appropriateness of the established controls of the operation was altogether excellent.

The implementation of former recommendations

The SAO completed, above the comprehensive audit of 2005, four audits by the Local Government in the period of 2006-2009. 83% of the SAO recommendations formulated in the course of the audits were fully, 8% partially implemented. 9% of the recommendations were not realized.

Apart from the findings of the on-site audit, in order to promote the observation of the legal stipulations and the level of the work **the SAO formulated recommendations** concerning the regularity of the draft budget decrees, the disclosure of data of public interest and the enhancement of IT security. Additionally, the SAO recommended the Town Clerk to inform the Municipal Assembly – considering the rising indebtedness of the Local Government and based on annual calculations – on the conditions which may ensure paying the capital and interest paying obligation resulted by the long-term commitments generating debts. Most of the recommendations were implemented in the course of the on-site audit by taking the necessary measures. The SAO recommended that the Mayor should inform the Municipal Assembly about the audit findings, promote the further implementation of the recommendations and have an action plan drafted to thus assist their respective implementation.