

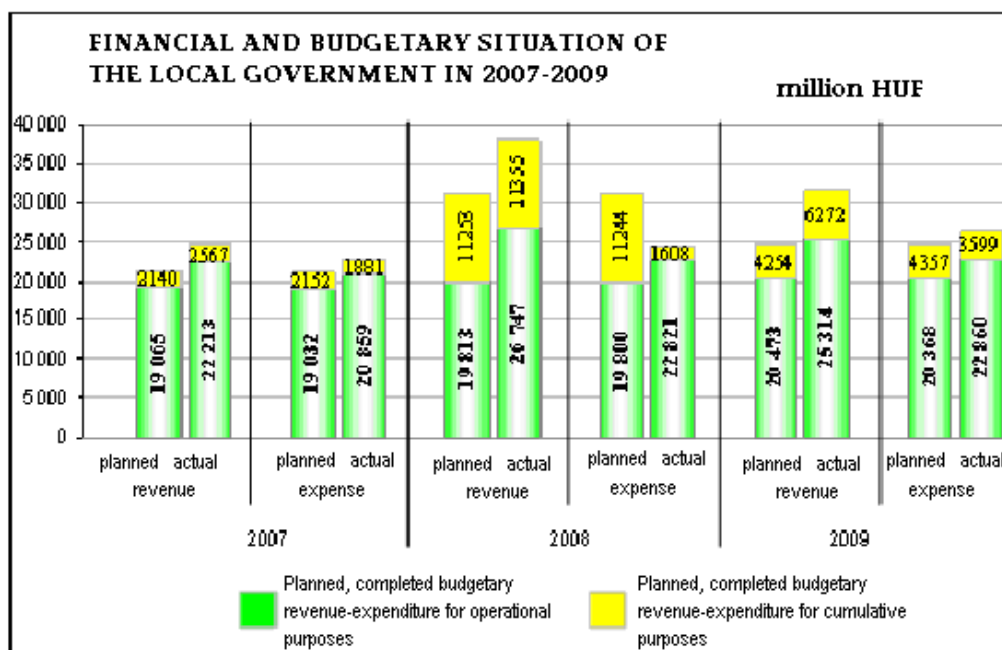


## SUMMARY

**of the Audit of the Financial Management of the  
Local Government of Békés County (1018)**

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 Békés 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 Békés county (without the inhabitants of the town of Békéscsaba) was 307,881. The work of the 40 member Assembly was assisted by eight standing committees. In 2009 it was mainly the 14 budgetary institutions and 6 economic enterprises of the Local Government that participated in the implementation of the Local Government's tasks. According to the accounting balance at the end of 2009, the Local Government had assets worth of HUF 41 732 billion. The following chart shows the trend of the Local Government's revenues and expenditures:



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**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 ensure the balance in their budgets for the years 2007 – 2009; the budgetary revenues covered the budgetary expenditures. For the year 2010 a deficit was planned. In the course of the realization of the budget the **financial balance** was ensured; a surplus showed. In order to finance its development plans the Local Government issued long-term bonds in 2007. In the period of 2007-2009 solvency was ensured and maintaining this situation did not require charge account credits. As a joint result of the improving solvency and the increasing indebtedness, in the period of 2007-2009 the financial situation of the Local Government altogether remained unchanged. Thanks to depositing the revenues from bond issuance, at the end of 2009 the liquid assets offered a cover that surpassed 21 times the short-term commitments undertaken by the Local Government.

As regards regularity and organization, in the period of 2007-2009 the Local Government **successfully prepared** for the claiming and the utilization of the prospective supports.

The County Clerk did not ensure the observance of the **obligation of disclosure** on the Local Government's website. That is, he had not disclosed the data regarding more than one third of contracts signed by the institutions in 2009 concerning the financial management of assets as well as the data concerning the non-normative targeted grants for operational purposes, as stipulated by the law. They supplied the deficiencies on 3 May.

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**The regularity of the processes** of budgetary planning and final accounts preparation represented low risk in the course of the appropriate and regular task performance. **The appropriateness of the functioning of internal controls** established for the prevention, revealing and correction of functional errors in the process of budgetary planning and final accounts preparation 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 development and regulation of the organizational framework of the **internal audit function** in the appropriate execution of the internal audit tasks altogether represented low risk as the method of providing internal audit met the legal regulations. The person of the head of the internal audit function had been decided upon, a strategic plan was prepared and the annual audit plans were approved by the Financial Committee according to their assigned scope of authority. The appropriateness of the developed controls altogether was excellent in the functioning of internal audit as the functional independence of the internal audit unit responsible for providing internal audit tasks was ensured; the audits based on an audit plan approved by the head of internal audit were carried out and the reports did contain audit findings and recommendations.

### **The implementation of former recommendations**

Altogether 78% of the SAO recommendations made during the comprehensive 2005 audit of the financial management of the local government were utilised; 17% of the above recommendations were partly implemented while 5% of them were not utilized at all. As a result of the implementation of the audit recommendations, the regularity of the financial management of the Local Government improved, together with the regularity and functioning of the financial management and financial accounting tasks.

Apart from the findings of the on-site audit, and with the purpose of improving the level of the work **we formulated recommendations** for the County Clerk regarding the execution of the so-far unrealized regularity and expediency recommendations made during the comprehensive SAO audit in 2005 (accounting with assets given for operation, completing the delineation of employees working in accounting). We recommended that the Chairman of the Assembly should inform the body about our audit findings, should promote the

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implementation of these recommendations and should have an action plan drawn up for their implementation.

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