



Summary

of the Audit on the Legality of the Financial Management of FIDESZ - Hungarian Civic Union in 2008-2009 (1101)

Objectives and scope of the audit

The objective of the regularity audit of the 2008-2009 financial management of FIDESZ - Hungarian Civic Union was to ascertain whether the financial statements prepared by the Party and published in the Hungarian Official Journal conformed to the legal provisions, whether the data they contained was fair and in line with general ledger records, whether the related legal provisions and internal regulations were observed in the course of accounting and financial management, whether the resources used for operation were eligible for such purposes, and whether the financial management activity carried out was allowed by the act on political parties.

Based on their officially published financial statements, the Party accounted for an amount of revenue of HUF 1,677,736 thousand in 2008 and of HUF 2,788,464 thousand in 2009, the 50% and 30% of which was received as state budgetary subsidy. The total expenditures amounted to HUF 1,789,556 thousand in 2008 and to HUF 2,721,959 thousand in 2009. The audit on the legality of financial management of the Party was justified by the biennial audit obligation stipulated in the Act on the State Audit Office of Hungary (SAO).

Main findings of the audit

The Party published its financial statements on the financial management in the Gazette of Official Announcements and on its homepage within the deadline set in the act on political parties. The financial statements showed a true and fair view of the financial management of the Party.

The accounting regulations of the Party complied with the related provisions of the act on political parties and the Act on Accounting. The financial management and other regulations were set in the financial management regulations in force.

Double entry accounting was performed by a chartered external bookkeeping service provider based on a commission contract. Accounting showed a true and fair view of the changes in assets and liabilities used by the Party, in a closed system and in a continuous and transparent manner. Analytical records were regularly kept and they were reconciled with the general ledger accounting in line with the Act on Accounting and the provisions of internal regulations. Stocktaking, which substantiates the annual closure, was performed as stipulated

by regulations, and in the course of the assessment of inventories there were no deviations.

The economic events registered in bookkeeping records were supported by regularly issued accounting records and they were registered in chronological order. The form and content requirements of accounting records were met. The practice of undertaking commitments and the issuance of orders of payments complied with the regulation. The financial statements, the inventory, the general ledger accounting and its accounting records were kept by the Party.

Throughout the activities of the Party resulting in revenues and those of financial management, the Party observed the restraints applicable to its acquiring of resources and financial management stipulated in the act on political parties. Party revenues resulted from regulated membership fee payments, budget subsidies, other contributions and donations, as well as other revenues (sale of commemorative stamps, leasing real property not in its ownership, raising loans and credits, selling of tangible assets, compensations for damages and interest revenues).

The Party purchased twenty-two pieces of real property in 2009 in line with the act on state property in the amount of HUF 200,827 thousand. A credit ensured by the law and disbursed by the Hungarian Development Bank Private Limited Company was used for the purchase, mortgage rights were recorded in the land registry as the coverage thereof.

Employees were employed based on regular employment contracts. As regards personnel costs, the employees received meal vouchers in an amount below the tax-exemption limit.

The Party fulfilled the provisions of the taxation and social security legal regulation in connection with employment, its monthly and annual data provision, declaration and payment obligations, and it declared the changes in the insurance relationship of employees within the deadline. The obligatory records were maintained. The Party met its tax and contribution payment, declaration and payment obligation arising from the private use of the company car and landline telephones in its ownership.

The system of internal audit was regulated by the Party in the Statutes, financial and budgetary financial management regulations. The Auditing Committee carried out its audits in compliance with procedural provisions in the audited period. The regulations of financial management control were adequate; its operation facilitated the regular accounting and preparation of the financial statement of the Party. The operation of the information technology system in connection with financial management was regulated.

The measures initiated in the recommendation of the earlier SAO audit were completely implemented by the Party.

Recommendations

Besides the utilisation of the audit findings, the SAO recommends the Government to submit the amendment to the act on political parties in order to enhance the enforcement of the transparency of party financing as well as the accountability of parties, with regard to the resolution of contradictions affecting the accounting, recording and reporting system of parties, which have been existing between the act on political parties and the act on accounting for several years.

The SAO has recurrently indicated this contradiction to the Government in its published reports in the last ten years, and in order to resolve this, the Minister of Public Administration and Justice proposed that a draft amendment to the act be prepared with the cooperation of the Ministry of Public Administration and Justice, the Ministry for National Economy and the State Audit Office of Hungary.