



ÁLLAMI
SZÁMVEVŐSZÉK

Summary
**of the Audit on the Accounting for Funds Spent on the 2010
Parliamentary Elections at Nominating Organisations and
Independent Candidates (1105)**

Objectives and scope of the audit

According to the mandate set forth in the Act on Electoral Procedure, the State Audit Office of Hungary (SAO) audited ex officio the utilisation of state and other funds spent on the parliamentary elections at the organisations that obtained representation at the 2010 general parliamentary elections.

The audit objective was to evaluate whether the four nominating organisations and the one independent candidate that obtained representation disclosed the amount, source and the way of utilisation of the funds and the financial support allotted to the election within the deadline; whether they observed the cost limit stipulated by law; whether they provided for the regular registration and certification of the funds and the utilisation thereof.

Regarding the circumstances of the audit, the provisions effective since 1998 of the act did not ensure the conditions for the full transparency of the source and utilisation of funds spent on the electoral campaign in case of the fourth parliamentary election cycle either. The audit mandate of the SAO remained limited due to the inadequate legal framework, as it extended only to the examination of the nominating organisations' accounts.

Main findings

Within 60 days after the second round of the elections, the nominating organisations of Fidesz and the Christian Democratic People's Party (hereinafter: KDNP), as well as the nominating organisation of Jobbik disclosed their accounts on the sources and utilisation of funds spent on the 2010 parliamentary elections.

The nominating organisation of the Hungarian Socialist Party (hereinafter: MSZP) also sent their financial statement to the Editorial Office of the Hungarian Official Journal within the deadline, but according to their information, it was published with a four days delay through no fault of their own.

The nominating organisation of LMP and the independent candidate sent their financial statements with a delay, which were published in the issue No. 52 and 102 of 2010 of the Official Journal, respectively.

The data on the revenues and expenditures disclosed in the financial statements – with the exception of the nominating organisation of Jobbik – corresponded with the data included in the documents registered in the bookkeeping records and presented for the audit. From the financial statement of the nominating organisation of Jobbik, electoral expenditures amounting to HUF 394 thousand were lacking, out of which HUF 35 thousand were not indicated in the accounts, while HUF 359 thousand were registered among the political expenditures. Moreover, other revenues covering these expenditures were also lacking from the financial statement. Due to the irregularity, the accounting principle of full disclosure was infringed.

The nominating organisation of LMP specified the number of candidates inaccurately, indicating 304 persons instead of 300. In the financial statement of the nominating organisation of MSZP, the number of submitted candidates, i.e. 386 persons, was missing.

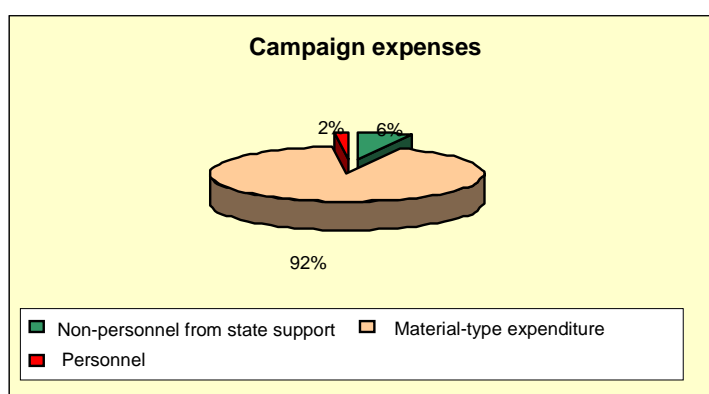
As per the accounts reviewed, the amount and distribution of the campaign resources of the nominating organisations and the independent candidate are shown below (in HUF thousand):

Revenues	Fidesz and KDNP	Jobbik	LMP	MSZP	Independent candidate	Total	Distribu tion %
	nominating organisations						
State support	18,838	18,838	14,641	18,838	49	71,204	6
Donations	385,883	84,236	51,481	60,911	0	582,511	53
Other own resources	0	7,207	45,188	325,086	36	377,517	34
Loans	0	0	80,658	0	0	80,658	7
Total	404,721	110,281	191,968	404,835	85	1,111,890	100

The budgetary subsidy proportional to the number of candidates was utilised regularly for non-personnel expenses by the nominating organisations, for which they accounted to the Ministry of Local Governments in due time, providing endorsed copies of the invoices. The independent candidate sent their account to the competent ministry with a delay of more than six months.

According to their records, the nominating organisations subject to the Act on Political Parties observed the provisions prohibiting and limiting the raising of funds stipulated by law, regarding the sources of the funds spent on the parliamentary election as indicated in the financial statements.

The distribution of the examined campaign expenses of the audited nominating organisations and the independent candidate is shown on the below figure:



Among the material-type expenditures, amounts spent on posters and the organisation of electoral meetings, expenses of political advertisement published in the media, as well as provision of data on the electoral register were accounted for.

According to the documentation provided, the audited nominating organisations and the independent candidate did not exceed the allocation available to be utilised without sanctions; the expenses indicated in their records were lower than the allocation. At the nominating organisation of Jobbik, the amount missing from its account did not result in an excess, either.

The nominating organisations audited on-site put into force internal regulation or instructions for performing the special recording and financial management tasks related to the elections. These provisions regulated the concepts of 'campaign cost' and 'campaign period' – not defined by law – in a uniform way within the nominating organisation, but differently at each of them; as well as the tasks of 'campaign accounting' and the division of resources and expenditure. The level of detailedness and the contents of internal regulations were different, depending on the respective nominating organisation's experience gained in the course of the electoral campaign, its characteristics and its strategy related to the campaign.

In keeping the accounting records substantiating the disclosed financial statements, internal regulations were observed and they ensured the separation of campaign revenues and expenditures according to the main legal titles. The nominating organisations of Fidesz and KDNP used a separate bank account for the collection of revenues and the payment of expenditures related to the campaign, and they separated these amounts from the cash flow related to the operation, in order to enhance transparency. In case of the other audited nominating organisations, the bank account maintained for the party's operation was used for accounting the cash flow related to the campaign.

The certification of the registered campaign revenues and costs – with the exception of the errors detected at two nominating organisations – complied with the formal and substantive requirements stipulated by the Act on Accounting and the internal regulations. At the nominating organisation of Jobbik, the contracts concerning the campaign activity and proving its legality as well as the documentation of further commitments were not available in case of 31% of the examined accounting records, while professional performance was not attested in case of 23% of the audited accounting records. According to their content, the accounting records not supported by contracts or commitments included costs related to the campaign. In case of the nominating organisation of LMP, out of the formal and substantive requirements of the accounting records on economic events related to the elections, those concerning the recording and attestation of the date of bookkeeping were not fulfilled. The formal errors did not influence the authenticity of the financial statement. The nominating organisations and the independent candidate provided for the retention of the accounting records.

Recommendations

Besides the utilisation of the findings of the on-site audit, we recommend the Government – beyond the recommendations made to the nominating organisations and the independent candidate – to initiate the amendment of the Act on Election Procedures, taking into account also the recommendation formulated in former SAO reports, in order to make the financing of the electoral campaign transparent and auditable.