



Summary
of the Audit on the Financial Management System of
the Local Government of Village Felcsút (1115)

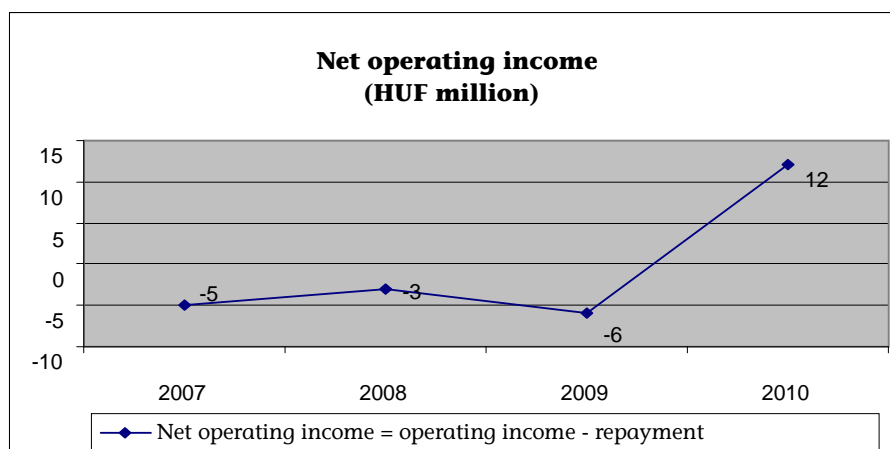
Background and objective of the audit

The State Audit Office of Hungary (SAO) concluded the audit on the financial management system of the local government of village Felcsút in 2011, the main findings and recommendations of which are presented below.

According to the strategy of the State Audit Office of Hungary, which came into force in 2011, *“during the audit of local governments, the SAO evaluates their financial-economic situation, explores their risks, and selects the sites of the audits on the basis of an objective indicator system”*. The SAO audits the financial management system of local governments according to its audit plan compiled in alignment with these objectives.

Main findings

The **financial balance** of the Local Government was ensured in the audited period between 2007 and 2010, because the available reserves (residue) covered the deficit of each year. In the audited period, the current budget of the Local Government showing its operating income was balanced, the current budgetary revenues were slightly lower than the current expenditures only in 2007 and 2009. Except for 2008, the budgetary expenditures of an investment and renovation nature exceeded the budgetary revenues received for these purposes every year. However, it did not constitute a financial risk, as financial balance could be ensured partly with loans, but even more with the residue available. The net operating income, reflecting also the impact of repayment after the loans borrowed is shown in the below figure:



The Local Government's decisions concerning property management had altogether a positive effect on the property status thereof. Compared to the end of 2007, the property increased by 3.6% (HUF 57.6 million). The shortcomings in the regulation of property management processes constituted high risk in terms of the appropriate implementation of tasks, because the rules – as they were not established or were deficiently established – did not sufficiently prevent the possible property management errors. In the Mayor's Office, the operation of controls in the property management processes was weak in 2010, as the controls operated with too many deficiencies to ensure the prevention, detection and correction of property management errors. Thus, the effective and appropriate property management was endangered.

Utilisation of former recommendations and formulation of recommendations

In the course of the follow-up audit of the implementation of recommendations made during the 2006 audit of the financial management system of the Local Government, it was found that 13% of the recommendations were utilised, while 87% thereof were not implemented. Apart from the findings of the on-site audit, for the purpose of meeting legal regulations and improving the level of the work, the State Audit Office of Hungary formulated recommendations on ensuring financial balance, as well as concerning the establishment and operation of the internal controls of property management. Furthermore, the SAO recommended the implementation of recommendations concerning regularity and expediency, which were made by the SAO in the course of the 2006 audit of the financial management system of the Local Government and were not implemented. SAO recommended that the body of representatives should discuss the findings of the report and they should prepare an action plan to address the deficiencies revealed.