



SUMMARY

of the Follow-up Audit on Parties not Receiving Regular State Subsidy (12111)

Objectives and scope of the audit

The State Audit Office of Hungary (SAO) carried out a follow-up audit on the implementation of calls formulated by SAO for measures to be taken by certain parties in the Audit on the Financial Management of Parties not Receiving Support from the Central Budget in 2005-2008 (0937).

Complete data for the audit was provided by the Independent Smallholders, Agrarian Workers and Civic Party (hereinafter: Party of Independent Smallholders), while the Hungarian Social Democratic Party (HSDP) supplied incomplete data. The MCF Gypsy Alliance Party did not meet its obligation of cooperation stipulated in the Act on the State Audit Office of Hungary, thus hindering the conduct of the audit. Owing to the deficient data provision and the incomplete fulfilment of the obligation of cooperation, the SAO informed the Prosecution Service of Hungary.

Main findings

The Party of Independent Smallholders published its financial statements regarding the period between 2005 and 2008 in February 2011, but failed to fulfil the reporting and publishing obligations regarding the period between 2009-2011 within the deadline set in the act on political parties. In order to comply with the accounting regulation, the party amended its regulation of fund management, entering into force on 1st January 2011, thus it was in accordance with the stipulations of the Act on Accounting. The party's accounting of the year 2011 complied with the regulations of the Act on Accounting and the internal rules, the stocktaking and the closure process were regularly implemented. Following SAO's call for taking measures, the accounting mistakes were corrected with self-audit, the commitments were covered from the sale of its own headquarters for HUF 1.32 billion.

The form and content requirements of the accounting records specified by law were not fully met; however the deficiencies detected by the audit did not have any influence on the financial statements of 2011. The Party fulfilled its obligation to declare zero revenue from business activities regarding the years

2005-2008, in May 2012. In 2011 it regularly implemented its obligations relating to tax- and contribution assessment, registration, deduction, declaration and payment. Its internal audit system was recorded in its regulations effective from 1 January 2011, in which the duties and competences of the appointed controlling body and the financial management control were defined.

The Hungarian Social Democratic Party has not verified the reporting and publishing of the modified financial statements of 2007 and 2008, as well as the ones regarding the period between 2009 and 2011. The act on political parties does not determine any deadline for the accomplishment of SAO's call for measures to be taken, furthermore it does not include any sanctions for the case if the party does not fulfil its obligations to prepare financial statements and publish them.

In spite of the regulations of the act on accounting, the party did not amend its accounting policy, and did not fulfil its accounting obligations, for which the persons authorised to represent the party are responsible. The amended regulations of stocktaking, evaluation and financial management entered into force on 24 September 2012. The amendment of the financial management regulation was not extended to the frequency of the cash closure and monitoring contrary to the provisions of the act on accounting. The party did not regulate its internal audit system; and it could not justify the functioning of the internal control system by any documents.

Recommendations

Based on the findings requiring measures, recommendations were formulated for the leaders of the audited parties.

We recommended the Party of Independent Smallholders to take measures to ensure that its financial statements be prepared and published within the time-limit set by the act on political parties, and entirely fulfil the form and content requirements specified by the act on accounting, regarding the accounting records supporting bookkeeping.

Furthermore, we recommended the Hungarian Social Democratic Party to prepare and publish the financial statements of 2007-2011, in accordance with the provisions of the act on political parties, amend its accounting policy and the rules of fund management with regard to the regulations of the act on accounting, provide for the fulfilment of the accounting obligations set in the act on accounting, and furthermore regulate its internal audit system comprehensively and in a coordinated way, and ensure the efficient functioning thereof.