



**Summary**  
**of the Audit on the Funds Utilised for the General, Municipal and  
National, Ethnic Minority Elections in 2010 (1272)**

**Objectives and scope of the audit**

The National Assembly approved an appropriation of HUF 10,850 million in the 2010 budget of the Republic of Hungary for conducting parliamentary elections as well as the election of municipal government and national and ethnic minority representatives. The budgetary support limit available for spending on the parliamentary election campaign was specified as HUF 100 million.

In respect of performing tasks associated with elections at the bodies conducting the 2010 elections, the purpose of the audit was to determine the following:

- whether the stipulations of the Decree issued by the Minister of Local Government and the Minister of Public Administration and Justice were observed and the tasks related to the elections were considered when drafting action plans and budgets,
- whether or not funds were used in line with the objective and statutory requirements,
- whether or not financial statements were prepared on time and in the manner specified in ministerial decrees, and whether the verification of such statements was provided for,
- whether or not the previous findings and recommendations of previous SAO audits related to elections and referenda were appropriately utilised.

On-site audits were performed at the Ministry of Public Administration and Justice, the Financial Management Department of the Ministry of Foreign Affairs, the Central Office for Administrative and Electronic Public Services (COAEPS), three government agencies, as well as the local governments of three counties and 20 settlements.

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## **Main findings**

### **Action and budget planning**

The Minister of Local Government approved the action and budget plans drafted in connection with parliamentary elections by the Head of the National Election Office – in accordance with the Chairman of COAEPS – which contained an expenditure of HUF 7,125 million for the first and second round of parliamentary elections. The Minister of Public Administration and Justice passed no decision concerning the approval of the financial action plan and draft budget applicable to local government elections despite the provisions of the ministerial decree. The proposed budget plan included expenses of HUF 5,351 million for the completion of local government election tasks. The ministerial decrees containing the stipulation of financial planning for the 2010 elections did not include the rules for drafting a financial plan, so this was not implemented according to standard principles in practice. The audited bodies budgeted expenses per priority appropriation. One third of regional election offices and one fifth of local election offices audited did not detail budgeted expenses per task. Nearly one third of the regional and local election offices audited budgeted the use of own resources beyond normative contributions centrally provided for implementing tasks related to the 2010 elections.

The funds necessary to conduct the 2010 elections were available on time as stipulated in the ministerial decrees, with the exception of the Government's regional public administration bodies with general powers that were audited. More than four-fifths of the audited electoral bodies failed to budget any original expenditure appropriation related to the parliamentary elections in their 2010 budget decree, thereby violating statutory requirements. As regards parliamentary elections, – contrary to the requirements of the Government Decree on the Order of Public Finances Operations – more than half of the audited local governments failed to modify the appropriation as warranted in the three-month-period pursuant to the allocation due to receiving the central normative contribution provided for elections, while in the case of municipal elections nearly one fifth of them failed to do so.

### **The utilisation of funds**

The audited election bodies regulated the order of exercising financial management (commitment, issuance of money orders) and verification (countersigning) powers regarding funds in connection with the 2010 elections in line with statutory requirements. Requirements applicable to exercising powers concerning commitment and issuance of money orders as well as attestation of professional performance were specified in contradiction with the ministerial

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decrees at COAEPS, such as the requirements concerning commitments at the Ministry of Foreign Affairs. Exercising financial management and auditing powers did not comply with statutory requirements at COAEPS in respect of a quarter of financial events related to conducting election, and at certain foreign representations in the case of the Ministry of Foreign Affairs.

General costs that arose in connection with conducting the 2010 elections were accounted consistently with requirements at COAEPS, the audited regional election offices and the Government's regional public administration bodies with general competence; accounts for general costs arising on election day, however, were not settled at 82 election offices at foreign representations, moreover at four out of five local election offices audited; therefore the full enumeration of funds spent on elections was not ensured.

The Minister of Local Government approved special allowances totalling HUF 23 million for the Head of the National Election Office and the members of this body in respect of the parliamentary elections, which amount has been paid. Personal allowances at an amount of HUF 15 million were budgeted for parliamentary elections at COAEPS, out of which HUF 6.5 million was effectuated. Fees for the heads, members and supplementary members of election offices at foreign representations were determined and paid in line with the normative amounts included in the ministerial decree.

The Minister of Public Administration and Justice did not specify any special tasks for the Head and members of the National Election Office or for the Chairman of COAEPS in relation to local elections; accordingly, no remuneration was paid. No personal allowances were budgeted in connection with local elections at COAEPS, and none were paid. In the case of the heads of audited regional election offices and of the Government's regional public administration bodies with general competence, the Minister of Public Administration and Justice authorised the payment of fees corresponding to the senior officials' fees specified in ministerial decrees. The heads of two local election offices did not provide for the payment of minimum remuneration to whom this was due despite the requirement in ministerial decrees.

COAEPS conducted a total of 16 public procurement procedures in the interest of performing the tasks related to the 2010 elections, and also purchased certain IT equipment and services in the scope of centralised public procurement. The aggregated value of public procurement associated with parliamentary elections was HUF 1,973.4 million net, and HUF 1,451.3 million for local elections. SAO filed for legal remedy proceedings against COAEPS due to its wrongful by-passing of a public procurement procedure for the purchasing of the accreditation and card-reader system, based on which the Public Procurement Arbitration Board

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passed a condemning resolution. IT expenses for the parliamentary elections amounted to HUF 1,793.3 million; IT expenses for local elections amounted to HUF 1,046.3 million. The actual expenses remained within budgeted expenditure in both cases.

### **Follow-up audit**

The SAO report on the 2006 audit of the financial management system of local governments and ethnic minorities' local self-governing bodies, contained six proposals for the Minister of Local Government and Regional Development, along with a joint proposal for the Minister of Finance and the Minister of Local Government and Regional Development. Of these, three proposals were utilised and four were not realised. The SAO report on the audit of the accounting for funds utilised for the European Parliament Election Held on 7 June 2009 contained three proposals for the Ministry of Local Government, while two proposals were addressed to the Foreign Minister. Of the proposals, two were utilised and three were not realised.

### **Recommendations**

We recommended the Minister of Public Administration and Justice to regulate the standard principles of financial planning for the next elections, the deadline for the ministerial approval of summary financial accounts, the requirements for the certificate to be drafted by the heads of local election offices, and the sanctions for false data provision. We recommended, furthermore, to enforce the implementation of the stipulations in the ministerial decree: by virtue of approving financial action planning and budgeting in the interest of substantiated monetary financing, making available the funds budgeted for conducting election on time, and monitoring the funds used for conducting elections by the Ministry of Public Administration and Justice.