



---

ÁLLAMI  
SZÁMVEVŐSZÉK

**SUMMARY**  
**of the Audit on the Hungarian Authority for  
Consumer Protection (1295)**

**Objectives and scope of the audit**

The objective of the audit was to evaluate whether the report of the Hungarian Authority for Consumer Protection (HACP) on implementing its budget for the year 2011 presented a true and fair picture of its assets and financial position, whether the HACP's organisational structure, functioning and internal regulation system were consistent with its remit and effective legal regulations; whether tasks related to organisational restructuring in 2007 and 2011 were performed in a regular manner. Furthermore, the audit evaluated whether the HACP's management, decision-making and control systems functioned in a regulated manner and in compliance with regulations; whether they ensured in the appropriate manner the implementation of the objectives set and helped the decision-making of the management of the organisation; whether they managed subsidies received for operational and other purposes to fulfil their public service remit lawfully; as well as whether they utilised the conclusions drawn from previous years' SAO audits and took measures to implement recommendations?

**Main findings**

Pursuant to Government Decree 225/2007 (VIII.31) on the Hungarian Authority for Consumer Protection (hereinafter: HACP Government Decree, HGD), the HACP was established on 1 September 2007 as the legal successor of consumer protection inspectorates and the Consumer Protection General Inspectorate. The organisational structure was laid down in the deeds of foundation and the operational and organisational rules. Contrary to the provisions of HGD, the HACP's legal status and role as legal successor were defined in its Deed of Foundation — as amended as of 1 July 2009 and 27 December 2010 — whereby the HACP did not have a direct legal predecessor. The deeds of foundation and the operational and organisational rules laid down the HACP's legal status and role as legal successor in a contradictory manner.

Tasks related to organisational restructuring in 2007 and 2011 were performed in compliance with regulations; the HACP's organisational structure, functioning and internal control system were consistent with its statutory remit in the period

---

2007-2011. It had statutory regulations and registers in place for performing its professional activities. However, among its year 2011 financial management, finance and accounting policies the accounting policy, the system of accounts, the inventory policy and the prime cost calculation policy were not consistent with specific institutional characteristics; there were inconsistencies between policy provisions, and policies were updated with delay.

Internal audit tasks were laid down by the operational and organisational rules and the internal audit manual. The mandatory capacity assessment to determine the required number of internal auditing staff was not carried out; no plan for an internal audit strategy supported by risk assessment was prepared, and annual audit plans were not supported by risk analysis. From 2011, an external service provider was commissioned to carry out the internal audit activity. Task performance was in compliance with the provisions of the Government Decree on the internal audit of budgetary institutions, and checking the elements of the internal control system was at the focus of the audits. No event indicating any corruption was exposed in the performance of official tasks.

The HACP's management, decision-making and control systems functioned in a regulated manner and in compliance with regulations in the audited period. It ensured the attainment of objectives in an appropriate manner and supported the organisation's management in making decisions.

The HACP carried out its professional activities according to the Control and Inspection Programmes (CIPs), which had been drawn up in compliance with medium-term consumer protection policies and government decrees stipulating their implementation, approved by the Minister responsible for consumer protection. The number and rate of irregularities to be sanctioned by fines and complaints as specified in CIPs and revealed by ad hoc audits showed a declining tendency. While in 2007-2008 nearly half of the audits uncovered irregularities, by 2011 this proportion was less than one-third. Fines ranked first among sanctions imposed at first instance under substantive resolutions issued by county inspectorates, but their number dropped by a significant 77.5% by 2011 from the level in 2007, the reason for which was that an amendment in 2010 to the Act on Small and Medium-sized Enterprises and the Support Provided to Such Enterprises gave preference to warnings over fines.

In the audited period, reorganisation in the field of consumer protection entailing significant changes in staffing levels took place on two occasions, from 1 September 2007 and 1 January 2011. Establishing the HACP in 2007 resulted in a staff increase of 387 persons compared to the staffing level of consumer protection inspectorates and the Consumer Protection General Inspectorate as legal predecessors, while the attachment of county inspectorates to government

---

offices in 2011 led to a staff reduction of 357 persons. The staffing level was adjusted to the tasks to be performed.

The HACP lawfully managed subsidies received for operational and other purposes to fulfil its public service remit. In budgeting and spending its operating expenditures in the years 2007-2011, the HACP acted in compliance with statutory provisions. The HACP was hindered in performing its tasks due to the Government's fiscal tightening measures in 2011, a blocking of HUF 40.1 million in the beginning of the same year, and the obligation to retain a residual amount of HUF 69 million, but due to measures to cut operating expenses and investment rescheduling it did not have liquidity problems.

Capital expenditures were used in compliance with statutory provisions on internal controls in all cases. Investments and equipment purchases subject to public procurement procedures were implemented in conformity with the Act on Public Procurement. Revenue appropriation planning and the collection and spending of revenues were in accordance with the provisions of the Act on Public Finances.

The SAO previously audited the substantiation of the HACP's budgetary statements in the framework of the implementation of the year 2007 and 2008 budgets of the Republic of Hungary. Out of the recommendations made on the basis of audit findings in 2007, the recommendation to supplement and clarify policies was not implemented, which was identified as a deficiency by an audit performed in the following year. The rest of the recommendations made on the basis of audits were complied with.

The balance sheet value of the HACP's equity decreased by 15.5% from HUF 2,223.1 million in 2007 by the end of 2011. The value of fixed assets in the years 2008-2011 declined steadily and dropped by 32.8% from HUF 1,300.2 million in 2007 by the end of 2011. The value of current assets varied between HUF 922.9 million and HUF 1,830.9 million in 2007-2011, which was determined by debts and changes in the year-end closing value of financial assets. In the years 2007-2011, accounting for the scrapping, sale and depreciation of intangible and tangible assets took place in compliance with regulations.

The budgetary statement for 2011 was prepared in the same format and structure as the budget, and modified appropriations fulfilled statutory requirements. The SAO issued a qualified opinion on the reliability of the institution's budgetary statement for 2011 since the balance sheet and cash flow statements were in violation of the accounting principles of authenticity and accounting in gross terms as laid down in the government decree on the specificities of the reporting and book-keeping requirements applicable to general government organisations.

---

Determination of the residual amount of appropriations for 2011 was not in compliance with regulations, as HUF 14.3 million was not included in the amount of fiscal deferrals and residual appropriations in the balance sheet, due to irregular bookkeeping. Two accounts payable were irregularly recognised in the balance sheet for 2011 as it was not until January 2012 that service delivery and its confirmation actually took place, and invoices were accepted after the required deadline for the budget freeze. These obligations totalled HUF 11.4 million. In order to create consistency between the institutional and Treasury reports, discrepancies were settled irregularly as aggregates.

### **Recommendations**

We recommended the Hungarian Authority for Consumer Protection to modify its financial management policies and extend them to special institutional features, to ensure consistency between policies and that they are updated in accordance with regulatory changes, and, furthermore, to take measures to enforce the accounting principles of authenticity and accounting in gross terms in preparing budgetary statements following the audited period.