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## ÁLLAMI SZÁMVEVŐSZÉK

### THE SAO HAS ISSUED ITS OPINION ON THE BUDGET

Summary for the Press

on the opinion on the 2017 central budget appropriation bill of Hungary (16062)

**The bill on the 2017 central budget is substantiated, the revenue appropriations can be achieved if the macroeconomic forecast taken into consideration during the budget planning is realised—concluded the State Audit Office of Hungary. The appropriation bill complies with the public debt rule defined in the Fundamental Law, as well as with all budgetary legislative provisions—with the exception of one provision. In its opinion delivered to the Parliament, the SAO points out that the multi-component system of reserves and the expansion of the Government’s budget reallocation options improve the security and flexibility of budget implementation, the management of identified risks, and the triple grouping of revenues and expenditures increases the transparency of the budget.**

Fulfilling its statutory obligation, the State Audit Office of Hungary (SAO) has compiled its opinion on the 2017 central budget appropriation bill. In its opinion, the SAO comments on a specific state of budgetary planning. The purpose of the SAO’s audit is to enable the National Assembly (by the codification of missing acts or acceptance of amendment proposals) to adopt a budget that is substantiated and capable of managing the risks that may realistically arise upon passing new laws and adopting amendments.

The SAO found that the preparation, compilation, structure and content of the bill was in compliance with the relevant legal requirements. In the bill, a new element—increasing the transparency of the budget—is the triple grouping of revenues and expenditures (operational, domestic accumulation, EU development revenues and expenditures)—the SAO points out in its opinion.

The SAO stated that 99.9% of the audited revenue appropriations were substantiated, 0.1% were partially substantiated, 99.2% of the audited expenditure appropriations were substantiated, 0.5% were partially substantiated and 0.3% were not substantiated. The audit considers the implementation of the revenue appropriation of HUF 5.6 billion as risky and has identified the risk that certain expenditures exceed their planned appropriations by HUF 62.7 billion in total, which can be managed by reserves.

In its opinion, the SAO draws attention to the general risk concerning the fulfilment of the budgetary target that 53.3% of the expenditure appropriations are so-called appropriations open from the top, i.e. ones that can be exceeded without an amendment of the law. On the basis of an itemised audit of all such appropriations, the SAO identified four appropriations that were not designed with due substantiation.

The bill of 2017 sets the deficit of the central subsystem at HUF 1,166.4 billion, which—assuming that the operating budget breaks even as expected—comprises a planned deficit of HUF 472.4 billion in the accumulation budget and HUF 694.0 billion in the European Union development budget. This, calculated on the basis of the EU methodology, corresponds to a deficit of 2.4%. According to the data of the bill, by the end of 2017 the public-debt-to-GDP ratio will decrease to 71.9%, which is a decrease of 1.6 percentage points over the 73.5% expected on the last day of 2016.

Based on the above, the bill complies with the public debt rule defined in the Fundamental Law. At the same time, in its opinion the SAO points out that the calculated level of the government sector’s structural balance is less favourable than the medium-term target deficit, which does not comply with the mid-term budgetary target, in spite of the provisions of the stability act; this, however, does not pose a risk to the execution of the budget.

#### **Further information, Public Relations:**

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