



ÁLLAMI
SZÁMVEVŐSZÉK

AUDIT OF THE DEMOCRATIC COALITION

Summary for the Press

on the audit of the lawfulness of the 2013–2014 financial management of the Demokratikus Koalíció receiving budget support (16120)

Based on statutory authorisation, the State Audit Office of Hungary (SAO) audits the financial management of political parties funded regularly from the central budget every two years. During the audit of the financial management of the Demokratikus Koalíció (Democratic Coalition) (DK) for the years 2013–2014, the auditors assessed whether the annual reports disclosed were in compliance with the statutory requirements, whether in the course of keeping the accounts and financial management the relevant legal and internal requirements were adhered to, and whether the resources used for its operation were legitimate and eligible.

According to its published reports, the current year revenues of DK were HUF 49.0 million in 2013, HUF 237.3 million in 2014. Its current year expenditure was HUF 46.5 million in 2013, and HUF 233.2 million in 2014. In the audited years, no credit was used by DK.

DK prepared and published its report for 2013 and its financial statement for 2014 within the deadline provided for in the Act on Political Parties. The SAO stated that DK's annual report for 2013 and its financial statement for 2014 did not comply with the statutory requirements as they ignored the basic principles of authenticity and completeness set out in the Accounting Act. The data of the report and of the financial statement did not fully correspond to the data in the general ledger records and the valuation of in-kind asset contributions was not performed and they were not stated among the revenues. The amount of the discrepancies concerning revenues and expenses recognised in the accounts and contained in the report and the financial statements did not reach the materiality threshold of 2% of the total revenue in the audited years.

Overall, the accounting and management of DK was not in compliance with the regulations. The regulation of the accounting system of DK—with the exception of the lack of regulation of the frequency of stocktaking by quantity recording concerning the inventory policy, and the discrepancy regarding the maximum extent of the daily closing balance of cash in the cash management policy and the failure to attach the list of those eligible to manage bank accounts to the cash management policy—was in compliance with the legal requirements. The financial management and bookkeeping of DK—due to the lack of the obligation to compile the inventory and the formal shortcomings of the documents supporting accounting settlement—did not meet the requirements of the Accounting Act. DK complied with the other statutory requirements related to financial management. DK's audit system was inadequate. DK's decision-making and governing bodies performed their assigned duties, but they did not set up the DK Supervisory Board. The Financial Control Committee set up based on the provisions of the financial management regulations did not prepare the reports required by the regulation. The operation of the financial-accounting information system was adequate.

DK used legitimate and eligible resources for its operation—budget support, revenues from membership fees, financial contribution from private individuals—, the use of its assets was regular.

The SAO made recommendations to the president of the DK, based on which an action plan must be prepared by DK within 30 days.

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The State Audit Office of Hungary, as the supreme financial and economic audit institution of the Hungarian National Assembly, is an independent fundamental institution of the democratic system of institutions. Its mission is to promote the transparency of public finances through value creating audits, performed on a solid professional basis, thus contributing to 'good governance'. Through its recommendations, the SAO promotes the regular, economical, efficient and effective use and utilisation of public funds.