



ÁLLAMI
SZÁMVEVŐSZÉK

Further information, Public Relations:

Bálint Horváth, Head of Department, Senior Counsellor
State Audit Office of Hungary, Department of Communication and Institutional Relations
Phone: +36 1 484 9145 Mobile: +36 20 238 6939
E-mail: sajto@asz.hu Web: www.asz.hu; www.aszhirportal.hu Media:
[ASZ Youtube](https://www.youtube.com/channel/UCzUgYisZemle); www.facebook.com/penzugyiszemle



FOCUS ON THE IMPLEMENTATION OF THE 2016 BUDGET

Summary for the Press

on the audit of the implementation of the 2016 central budget of Hungary (17208) and of the macroeconomic audit of budget processes of 2016

The State Audit Office of Hungary has audited the implementation of the central budget for the year 2016, and has also prepared an analysis of the macroeconomic relationships of the budgetary processes of the previous year. The SAO found that the implementation of the budget of the previous year was regular, the change in the deficit and the public debt were in compliance with the statutory provisions and EU requirements, the bill on the final accounts is substantiated, the data contained therein are reliable. With the macroeconomic analysis attached to the audit, the SAO, in compliance with its legal requirements, supports the well-managed state and the work of the Fiscal Council.

With the audit of the final accounts and the opinion on the final accounts bill, the State Audit Office of Hungary (SAO) aims to support the National Assembly in the decision-making related to the admissibility of the bill, and to facilitate with its findings the responsible financial management of public funds. The SAO has so far audited 152 organisations.

The final accounts audit performed by the SAO concluded that the implementation of the 2016 budget was in accordance with the legal requirements. In the bill on the final accounts, the data on the settlement of revenues and expenditure from the central budget being part of the central subsystem, from the financial funds of the social security, and from the separated state funds are reliable. The bill truthfully shows the financial data and information related to the performance of the budget.

The revenues of the central subsystem of the public finances in 2016 were realised at HUF 18,229.9 billion, expenditure was realised at HUF 19,054.9 billion; therefore, the cash deficit was HUF 825.0 billion, which constitutes 2.3% of the GDP. The achievement of the statutory appropriations for 2016 of the central subsystem of the public finances, the change in the deficit and the public debt were in compliance with the provisions of the Fundamental Law, the relevant laws, and the European Union requirements. At the end of 2016, the government sector's debt based on EU methodology was 73.9% of GDP (HUF 26,164.4 billion), compared to 74.7% (HUF 25,654.0 billion) in 2015. The SAO audit concluded that Hungary fulfilled the debt reduction requirement under the EU criteria.

The audit revealed irregularities at one third of the audited organisations, which were related to regulatory deficiencies and the inappropriate exercise of financial management powers. The stakeholders were instructed to eliminate irregularities by the SAO in writing. The SAO concluded that the majority of the shortcomings identified in the warning letters a year ago during the audit of the implementation of the 2015 budget were corrected by the recipients.

The macroeconomic analysis of the SAO points out that the government schemes launched in the earlier years continued in 2016 in order to improve economic growth and employment. The decrease of the labour taxes was a highlighted aim in order to facilitate economic growth, in accordance with the recommendations of the SAO. Tax whitening was an important area in 2016, as well, for the purpose of establishing a stable budget, which contributed to the launching of the "sustainable whitening" model proposed by the SAO. To foster economic growth and to support families, the budget expenditure that can be spent on housing subsidies significantly increased last year—states the macroeconomic analysis of the SAO.

Following the end of the economic crisis, the Hungarian economy was launched on a path of expansion and was characterised by this growth in 2016, too. The rate of GDP increase, compared to 3.4% in 2015, was 2.2% in 2016. This rate of growth was the same order of magnitude and was in line with the average economic performance existing in the European Union. One of the decisive factors of why this rate is lower than the one in the previous year is the decrease in the amount and the use of European Union funds, which directly affected the change in gross fixed capital formation. In production, the performance of the industry and the construction industry fell behind 2015 more significantly, while the value of agriculture and community services slightly grew.

The unemployment rate continued to drop, the number of those in employment was the highest since the change of regime, and the 72.1% rate of those in employment in 2016 for the first time exceeded the average of the European Union member states. The upward trend of the centralisation rate seen in the previous years took a turn and dropped by 3.4 percentage points from 48.2% in 2015. The change in this indicator reflects the taxation policy measures of the government as well as the decreasing tax burdens on the earnings from labour—highlights the SAO analysis.

The [report](#) and the analysis of the budgetary [processes](#) can be found on the website of the SAO (www.asz.hu).

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.