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AUDIT OF THE FINANCIAL MANAGEMENT OF THE HUNGARIAN STATE TREASURY

Summary for the press

Audit of the financial management of the Hungarian State Treasury (18086)

The State Audit Office closed the audit of the financial management of the Hungarian State Treasury. The SAO has concluded that the management system of the Hungarian State Treasury did not ensure accountability between 2013 and 2015. The Treasury's asset management activities were not compliant with regulations, while its financial management was in accordance with regulations. The Treasury did not properly carry out the tasks related to the introduction and implementation of certain IT systems, and did not fulfil its financial regulatory compliance audit tasks for local governments in accordance with legal requirements. The Ministry of National Economy's performance of duties as governing body was not compliant with regulations.

The essential function of the institutions that are part of the central subsystem is to ensure the performance of public tasks. Due to the importance of its financial and asset management activity and the performance of its tasks, the Hungarian State Treasury, as a key institution of the central government subsystem of public finances, has a significant impact on maintaining the balance of the budget, on the proper use of public funds, on the reliability of the reporting data of public finances, on the quality of the management of state assets and on the transparency of the management of public finances.

The Treasury is a central office under the supervision of the Minister of Public Finances, it is a central budgetary institution, which forms an independent title in the budget chapter of the Ministry for National Economy. The Treasury is responsible for the financial supply of the institutions in the central sub-system, for ensuring their solvency, and for the management and settlement of their cash flow within the state budget. It has a decisive role in the distribution of government securities and also contributes to the payment of EU subsidies.

The audit of the SAO concluded that the Treasury's management system did not ensure accountability between 2013 and 2015, because the establishment and operation of the Treasury's internal control system - due to the internal regulations of the management and the discrepancies in the risk management and monitoring systems - was not compliant with regulations. In the period from 1 January 2013 to 15 June 2015, the risks inherent in the Treasury's management were not assessed and identified in a documented manner, and the measures necessary to deal with each risk were not specified. The operation of the risk management and monitoring systems was carried out by the Audit Department which performs internal audit tasks, which is contrary to the legal requirements for the functional independence of internal auditors.

The Treasury's integrity controls that were worked out in 2015 were inadequate in relation to the risks, so they did not provide adequate protection against corruption risks.

The Treasury's asset management activity was not compliant with regulations because it did not fulfil its obligation to preserve public assets, and the utilization of state assets did not comply with statutory requirements. During the conclusion of lease contracts, they did not assess in a convincing manner that the transparency requirements with regard to the contracting parties were met. Changes affecting the professional duties of the Treasury were compliant with regulations; however, the handover of the managerial tasks was incomplete.

The Treasury did not properly carry out the tasks related to the introduction and application of the centralized payroll system and the electronic information system providing remote application services to local governments. The application of the centralized payroll system did not comply with regulations. The basic conditions for operating the system were not ensured because the information security controls of the system were not properly configured. The Treasury did not properly develop the rules for the operation of an electronic information system providing remote application services to local governments, and therefore no proper data management and protection was provided. The Treasury did not fulfil its regularity compliance financial audit tasks for local governments in compliance with legal requirements.

The audit of the SAO revealed that the Ministry of National Economy did not fulfill its governing role properly due to the shortcomings of the founding documents and the lack of performance appraisal of the president of the Treasury.

The State Audit Office made three proposals to the Minister of National Economy and 16 more to the President of the Hungarian State Treasury, for which they have to prepare a plan of action within 30 days.

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.