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AUDIT OF CAMPAIGN FUNDS

Summary for the Press

Audit on the accounting of monetary funds spent on the parliamentary election campaign of 2018, to be conducted at the nominating organisations (19030)

The SAO has concluded the statutory audit of the campaign funds of the parliamentary elections of 2018. The SAO concluded that Fidesz–KDNP (Fidesz–Christian Democratic People’s Party), Jobbik (Movement for a Better Hungary), LMP (Politics Can Be Different), MSZP–Párbeszéd (Hungarian Socialist Party–Dialogue for Hungary) and the National Minority Self-Government of Germans in Hungary used the budget support provided to nominating organisations in accordance with the rules. Demokratikus Koalíció (Democratic Coalition) and Magyar Kétfarkú Kutya Párt (Hungarian Two-Tailed Dog Party) did not use the budget support provided to nominating organisations in accordance with the rules. Furthermore, the SAO revealed that Democratic Coalition and Movement for a Better Hungary used ineligible funds for the financing of their campaigns.

It is of prime public interest that the organisations using campaign funds comply with the applicable statutory provisions in order to ensure the transparency and accountability of the use of public funds, and the fairness of the elections. The Act on Accounting, the Act on Political Campaigns and the Act on Political Parties set out unambiguous and mandatory provisions for nominating organisations with regard to the use and accounting of campaign funds. Compliance with these acts and the provisions of the Act on the State Audit Office of Hungary ensures the regularity, transparency and accountability of campaign funds.

The State Audit Office of Hungary plays a prominent role and is responsible for the enforcement of societal control over parties, and, by conducting its audits, it promotes the regularity of the financial management of political parties, and, ultimately, a clean political environment. In accordance with the relevant legal provision, the SAO audits the use of the funds spent on the election by the candidates having gained a mandate and the nominating organisations having achieved a list result exceeding one percent, within one year following the parliamentary elections.

Budgetary and other resources used by the nominating organisations in the parliamentary elections campaign of 2018 (data in million HUF)

Name of nominating organisation	Budget support used (total of the support to be granted to nominating organisations and the support arising from the waiver by individual candidates)	Other resources used according to the data published in the Official Gazette until 8 June 2018	Use in total
Democratic Coalition	200.2	62.0	262.2
FIDESZ-KDNP	611.9	261.8	873.7
Movement for a Better Hungary ¹	720.6	275.7	996.3
Politics Can Be Different	559.8	111.5	671.3
Hungarian Two-tailed Dog Party	191.8	0.3	192.1
MSZP-Dialogue for Hungary	347.0	64.4 ²	411.4
National Minority Self-Government of Germans in Hungary	112.1	-	112.1

Source: Edited by the SAO based on the records of the Hungarian State Treasury and the financial accounts of the nominating organisations disclosed to the public in the Official Gazette

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 a ‘well-managed state’. Through its recommendations, the SAO promotes the regular, economical, efficient and effective use and utilisation of public funds.

During the audit on the accounting of funds spent on the parliamentary election campaign of 2018, the **State Audit Office of Hungary has determined that:**

Democratic Coalition did not use the budget support provided to nominating organisations in accordance with the rules. Despite the provisions of the Act on Accounting and the Act on Campaigns, the party did not specify its records system in a way that makes available the data proving the regular use of the campaign support. The Democratic Coalition complied with the limitation regarding the expenditures of the election campaign. However, it did not comply with the prohibitions of funding regarding prohibited support: Democratic Coalition used a service below the market price as an in-kind asset contribution and accepted a prohibited support of 430.0 thousand HUF as an interest rate differential from a legal person, based on a loan agreement, thus infringing the provisions of the Act on Political Parties. The use of the budget support waived by the individual candidates in favour of the political party was regular based on the audit of the documents requested from the Hungarian State Treasury.

Fidesz-Hungarian Civic Alliance-Christian Democratic People's Party used the budget support provided to nominating organisations in accordance with the rules. It complied with the limitation regarding the expenditures of the election campaign. It also complied with the prohibitions of funding relating to prohibited support. The individual candidates of FIDESZ-KDNP did not waive the budget support in favour of their party.

Movement for a Better Hungary used the budget support provided to nominating organisations in accordance with the rules. However, in terms of compliance with the limitation regarding the expenditures of the election campaign, the party was not transparent and accountable. The accounting records of Movement for a Better Hungary did not justify its accounting disclosed to the public in the Official Gazette on 8 June 2018. Movement for a Better Hungary did not justify 52.1 million HUF of the 171.0 million HUF included in its accounts among the revenues as own resource by accounting records. By infringing the Act on Campaigns, Movement for a Better Hungary did not indicate real revenues but debts and accounts payable with the designation 'loan' of an amount of 84.3 million HUF as the resources of its campaign expenditures, which could not constitute the resources of its expenditures spent on the election campaign. Due to the material irregularities revealed in the accounting records and its accounts, the accounting of Movement for a Better Hungary did not provide a true and fair picture of the use of the state funds, other funds and monetary supports spent on the election. Thus, Movement for a Better Hungary did not observe the prohibitions of funding concerning prohibited support, and it accepted an overall prohibited support of 136.4 million HUF. The use of the budget support waived by the individual candidates in favour of the political party was regular based on the audit of the documents requested from the Hungarian State Treasury.

Politics Can Be Different used the budget support provided to nominating organisations according to the rules. It complied with the limitation regarding the expenditures of the election campaign. It also complied with the prohibitions of funding relating to prohibited support. The use of the budget support waived by the individual candidates in favour of the political party was regular based on the audit of the documents requested from the Hungarian State Treasury.

Hungarian Two-Tailed Dog Party did not use the budget support provided to nominating organisations according to the rules, as the use was not justified by accounting records. In terms of compliance with the limitation concerning the expenditures of the election campaign and the prohibitions of funding relating to prohibited support, the party was not transparent and accountable, as it did not justify the amount, source and use of the state funds, other funds and monetary supports spent on the election by accounting documents. The use of the budget support waived by the individual candidates in favour of the political party was regular based on the audit of the documents requested from the Hungarian State Treasury.

Hungarian Socialist Party-Dialog for Hungary Party used the budget support provided to nominating organisations according to the rules. In terms of compliance with the limitation regarding the expenditures of the election campaign, it was not transparent and accountable, as Dialog for Hungary did not ensure the transparency and accountability of its campaign expenditures. The Hungarian Socialist Party complied with the prohibitions of funding relating to prohibited support. The use of the budget support waived by the individual candidates in favour of the political party was regular based on the audit of the documents requested from the Hungarian State Treasury.

The National Minority Self-Government of Germans in Hungary used the budget support to be granted on the basis of the nationality list. It complied with the limitation regarding the expenditures of the election campaign.

The State Audit Office of Hungary found that the data of the audited invoices of political advertising of the nominating organisations corresponded to the data included in the advertising price list published on the website of the SAO.

The State Audit Office of Hungary informed the chairman of **Democratic Coalition** and the chairman of **Movement for a Better Hungary** as well as the chairman of the Hungarian State Treasury, acting in the enforcement of the legal consequences, on the statutory legal consequences of the prohibited support identified during the audit, which is not a 'fine' or a 'penalty'. As a consequence of the absence of accountability in the case of the **Hungarian Two-tailed Dog Party**, the SAO, based on the relevant legal provision, initiated the suspension of the budget support of the party at the Hungarian State Treasury, and based on the relevant legislative authorisation, the

SAO shall forward the facts and circumstances identified in the audit of the Hungarian Two-tailed Dog Party to the competent authority (prosecutor's office) so that the necessary procedures and measures can be implemented.

Separate reports were prepared on the audit of the use of the funds of **Momentum Movement** spent on the parliamentary elections of 2018 and the use of the other resources of **Dialog for Hungary** disclosed to the public in its financial settlement, which were published by the State Audit Office of Hungary on 16 January 2019.