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SAO: THE BUDGETARY PLAN FOR 2020 IS WELL SUBSTANTIATED

Summary for the Press

On the opinion on the 2020 central budget appropriation bill of Hungary (19097)

The 2020 central budget appropriation bill is well substantiated and contributes to the macroeconomic stability of the Hungarian economy, the State Audit Office of Hungary has concluded. The budget appropriation bill complies with the public debt rule defined in the Fundamental Law, as well as with all applicable legal regulations. The SAO points out in its opinion submitted to the National Assembly that the 2020 budget appropriation bill contributes to the sustainable ‘whitening’ of the Hungarian economy and to predictable and stable economic processes, and it provides a suitable framework for implementing social policy objectives.

Fulfilling its statutory obligation, the State Audit Office of Hungary has compiled its opinion on the budget appropriation bill submitted to the National Assembly for the 30th time this year. In its opinion on the 2020 central budget appropriation bill, the SAO comments on a specific state of budgetary planning, for which it has evaluated the regularity of the drafting of the budget appropriation bill, the substantiation of the planning, the substantiation and corroboration of the appropriations, the feasibility of revenue appropriations, the sufficiency of expenditure appropriations and the enforcement of the public debt rule.

The aim of the SAO when it submits its opinion is to enable the National Assembly to adopt a budget act that is in compliance with the legal regulations. For its opinion, published before the discussion of the bill in the National Assembly, the SAO took its previously published, budget-related analyses into consideration.

In its opinion the SAO concluded that during the drafting of the 2020 central budget appropriation bill, the organisations involved in budgetary planning observed the legal regulations. The structure and the content of the budget appropriation bill comply with the legal provisions, and thus fulfill the requirement of transparent budgetary management.

The revenue and expenditure appropriations of the 2020 budget appropriation bill are substantiated. The total amount of reserve-type appropriations was HUF 488 billion, from which HUF 378 bn is the expenditure appropriation of the Country Protection Fund, which accounts for almost 0.8% of the GDP. The risks revealed can be managed with budgetary measures and the planned reserves guarantee that the budget risks that occur can be managed, so the 2020 budget helps maintain macroeconomic stability, revealed the SAO’s opinion.

The 2020 budget appropriation bill contributes to the sustainable ‘whitening’ of the Hungarian economy. In its opinion the SAO points out: for the direct revenues to be achieved, economic growth is vital, and so are measures planned to ‘whiten’ economic processes. These measures help simplify tax-related administrative tasks and improve the clarity of the tax system, and they promote law-abiding behaviours.

In its opinion the SAO points out that even appropriations that are ‘open from the top’ must be substantiated with documents, as the lack of those poses a risk during the execution of the budget, so responsible financial management should be strengthened.

The SAO has also established that according to the central budget appropriation bill, legal requirements regarding public debt are met, and the planned value of the deficit based on European Union methodology is in compliance with the provisions of the act on economic stability. However, the calculated level of the government sector’s structural balance is not in line with the Economic Stability Act of Hungary, but this does not pose a risk to the execution of the budget.

In summary, it can be established that the 2020 budget is in compliance with Hungarian and EU regulations, and it provides appropriate funds for the planned social policy objectives and more than sufficient reserves for foreseeable risks.

The SAO opinion on budget is available on the website of www.asz.hu/jelentesek/velemenymagyarorszag-koltsegveteserol

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.