ÁLLAMI
SZÁMVEVŐSZÉK

IN FOCUS: THE 2014 BUDGET

Summary for the press
on the audit of the execution of the 2014 central budget of Hungary
and on the macroeconomic analysis of 2014 budgetary developments

The State Audit Office of Hungary (SAO) has audited the execution of the 2014 central budget and has produced an analysis of the macroeconomic aspects of last year's budgetary developments this year as well. The SAO has found that last year's budget was executed in compliance with legal provisions, the final accounts bill is substantiated and data in the bill are reliable. With the macroeconomic analysis accompanying the report the SAO, in accordance with its statutory obligation, supports good governance and the work of the Fiscal Council.

The SAO has completed the audit of last year's budget according to the methodology renewed in 2015, thus the auditing coverage has reached 100% first time this year.

SAO's audit came to the conclusion that the implementation of the 2014 legal appropriations of the public finances' central subsystem, as well as the trends in the amount of public debt and deficit complied with the provisions of the Fundamental Law, the Act on the economic stability of Hungary, as well as the Act on the budget. The cash flow deficit of the public finances' central subsystem amounted to HUF 803.0 billion in 2014 that is HUF 348.5 billion (30.3%) lower than the estimate (HUF 1,151.5 billion). The rate of the public debt indicator decreased from 76.6% in 2013 to 74.1% in 2014; by 2.5 percentage points in proportion to the GDP (within that, the debt of the central subsystem decreased by 1.1 percentage points.)

The SAO's audit on the final accounts carried out according to a new methodology assessed the execution of the 2014 central budget divided into five main areas and revealed deficiencies regarding regularity and reliability in several areas, mainly in relation to internal controls, accounting settlements and public procurement procedures. The extent of reliability failures exceeded the so called materiality level (2%) out of the centrally managed appropriations – as regards the National Fund for Family and Social Policy – at the Hungarian State Treasury; out of the institutions with a reporting obligation to the National Assembly, at the Public Procurement Authority.

The separate macroeconomic analysis by the SAO points out that in 2014 the 3.6% GDP rise was the second highest in the EU, following Ireland. Among Visegrád countries Hungary reached the best growth rate last year. With this result Hungarian GDP has reached its pre-crisis level and started to approach the average EU level of development. The structure of the economic growth has become more balanced – as the analysis points out, highlighting the 11.7% record size increase of investments, which is the second fastest among the 10 countries which joined the EU in 2004.

The 1.7% increase in household consumption was grounded on the developing income situation of the population, as wages and pensions have increased but inflation was low. The analysis points out that the economy becoming more balanced is also underpinned by the fact that each production sector has contributed to the growth in GDP. In 2014 the number of employees increased by 5.4% (208 000 people) and with that it exceeded 4.1 million employees. From the central measures aiming to support the dynamisation of the economy, the analysis of the SAO highlights the settlement of the situation of those having foreign currency loans, the Funding for Growth Program and the Job Protection Action Plan.

In 2014 the budget deficit – calculating with the EU methodology – amounted only to the 2.6% of GDP compared to the 2.9% expected. The favourable balance was due to the more vigorous economic growth than it was anticipated and to the excess revenues resulting from the whitening of economy. The change in the structure of public expenditure reflects the more active economic participation of the government and the higher percentage of the utilisation of EU funds. In 2014 the EU funds totalled to HUF 1,668.9 billion, which is HUF 85.1 billion higher than in 2013. The financing of the municipal subsystem consolidated in 2014 – says the macroeconomic analysis made by the SAO.

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