

SUMMARY

of the Targeted Audit on the EU Subsidies from the Rural Development Programme

The State Audit Office of Hungary (SAO) has completed its audit of the tender scheme under the Rural Development Programme, which aimed to increase the free availability of public welfare function of Hungarian forests. During the audit, the SAO identified a number of problems in the call for tender and the tender procedure which prevented that the key objective of the call for tender is achieved effectively and in case of all applications. The audit also contributed to the non-payment of a project which would not be able to fulfil the function undertaken by the beneficiary.

In the course of the audit, the SAO examined the compliance of application conditions, decisions on grant applications, payment of grants and the performance of control activities in 20 projects.

The audit found that although the managing authority had established the framework for the tendering system, the selection criteria set out in the details of the call for proposals did not sufficiently support the fulfilment of EU requirements and the achievement of the objectives set. In the case of the forest areas where the projects were to be implemented, the failure to take into account the forest management practices posed a risk to the maintenance of the functionality of the investments, due to the implementation of the scheduled timber extractions set in the forest plans. Furthermore, the lack of territorial concentration criteria may have led to the concentration of the sites of the supported projects in Hajdú-Bihar County and in a few municipalities within it.

According to the SAO's report, non-compliance with the legal deadlines and the lack of monitoring project implementation was also common during the evaluation and implementation of the projects, which hindered the achievement of the project objectives, too.

The SAO report also noted that irregularities in grant decisions have created a risk that the European Commission would not approve the financing of projects that have actually been funded, so that the funds paid out would be charged to the national budget.

In the light of these findings, the SAO has made recommendations to the Ministry of Agriculture acting as the managing authority, to review the process of evaluating grant applications and objections raised, taking into account the legal and internal requirements and the findings of the SAO's report, in order to prevent the occurrence of the irregularities detected in the future. In addition, the SAO recommended that the Hungarian State Treasury should take measures to establish and properly operate control activities to ensure, among other things, the eligibility of grant applications according to uniform principles and the monitoring and reporting of project progress. The SAO also recommended that the Ministry of Agriculture should initiate a review of

the forest plans at the government offices for the forest areas where the project is to be implemented, to ensure that the government office does not authorise any changes (e.g. timber extraction) that could jeopardise the achievement of the project objective until the end of the maintenance period, if possible.

Among the projects audited was the case of the treetop walkway in Nyírmártonfalva, which was also released in the press. In the case of the specific project, the SAO recommended to the Hungarian State Treasury acting as the paying agency to suspend the payment of the grant already during the preparation of the audit - in May 2023. Even then it was already obvious that, as a result of the clear-cutting in the forest area where the project was to be implemented, the treetop walkway constructed would not be able to fulfil the function undertaken by the beneficiary in the grant application. The Hungarian State Treasury had taken note of the SAO's indication, thus the audit contributed to the non-payment for the project concerned. Although the image of the treetop walkway without forest has become famous/infamous, no EU or Hungarian taxpayers' money has been paid in this case.