



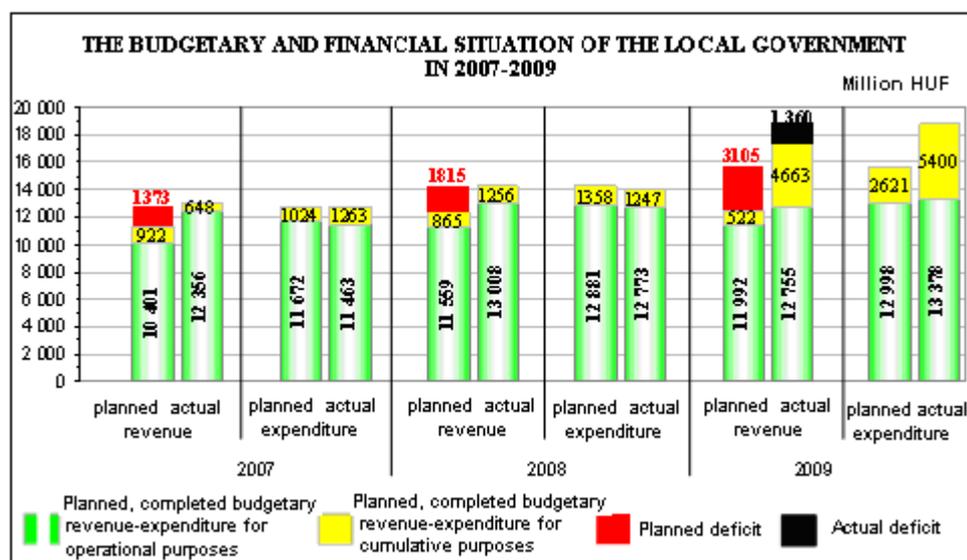
ÁLLAMI
SZÁMVEVŐSZÉK

Summary
of the Audit on the Financial Management System of the Local
Government of Town Dunaújváros with County Status (1043)

Objective and scope of the audit

Since 2003 the State Audit Office of Hungary (SAO) has been auditing the financial management system of the local governments of counties, towns with county status, the districts of the capital city of Budapest and towns – in alignment with the municipal elections – once in the four-year cycle, according to a uniform national programme. The first such audit of the financial management of the Local Government of town Dunaújváros with county status took place in 2005 and now the SAO completed its audit of the four year period 2007-2010.

On 1 January 2010 the population of the town was 49,522. Eleven standing committees assisted the work of the 26-member General Assembly. In 2009, its 27 budgetary institutions and six economic enterprises participated in the performance of the tasks of the Local Government. According to the accounting balance, at the end of 2009 the Local Government had assets worth HUF 51,163 million. The following chart shows the trend of the budgetary revenues and expenditures of the Local Government:



The audit objective was to evaluate how the Local Government ensured the budgetary and financial balance in its budget and in the course of the implementation of its budget; whether the importance of the fiscal transactions aimed at financing changed in respect of replacing the missing revenue resources; whether the Local Government was effective in respect of regularity and organisation in its preparation for the claiming and utilisation of EU resources; whether it implemented and operated the supported objective; furthermore, whether it ensured the conditions of electronic public services, the publicity of the financial management by making management data accessible; and whether in 2009 the Local Government established and reliably operated the internal controls of the financial management; whether financial management control and internal audit contributed to the regular completion of the tasks. By means of a follow-up audit it was evaluated, whether the Local Government had appropriately utilised findings and recommendations concerning regularity and expediency made by the State Audit Office of Hungary in the past four years.

Main findings

The Local Government did not ensure the budgetary equilibrium between 2007-2010; the budgetary revenues did not cover the budgetary expenditures. In the course of the implementation of the budget, the financial equilibrium was ensured in the years 2007-2008, but not any more in 2009. For the expenditures for accumulation purposes, in 2007 the Local Government borrowed long-term credit worth HUF 176.3 million, and in 2008 issued bonds worth HUF 8,500 million. In order to continuously maintain solvency, the Local Government borrowed current account credit every year. Despite the temporary improvement of solvency, the financial situation of the Local Government altogether worsened between 2007 and 2009, because of the increasing indebtedness due to borrowing credits and issuing bonds. The findings of the audit report did not contain that the Local Government, after the end of the on-site audit, in the second half of 2010 issued bonds worth HUF 7,000 million, instead of borrowing credit worth HUF 5,000 million as it had been planned before to solve its financial problems. From the revenue of bonds issued, the Local Government paid back the existing credits for both development and operational purposes.

In terms of internal regulation and organisation, the Local Government did not successfully prepare for the claiming and the utilisation of the funds of the European Union.

The County Clerk did not meet their disclosure obligation, since they did not publish on the Local Government's website within the deadline the data of contracts concerning property management, and the data of a subsidy for special

purpose granted by the Local Government in 2009. The disclosure was completed during the audit.

The regularity of processes related to budgeting and the preparation of final accounts represented altogether medium risk in terms of the appropriate and regular performance of tasks, since the County Clerk did not requested that the appropriate preparation of the proposed budget should be checked. In the processes related to budgeting and the preparation of final accounts, the adequacy of the functioning of internal controls established for the prevention, detection and correction of operational errors was good, since the decrees aiming at the substantiation of the budget had been harmonised with own resources and the data gained by the survey on indicators had been checked. The regulation of the tasks related to financial management, financial accounting and financial management control represented medium risk in the appropriate and regular implementation of the tasks, since the County Clerk did not completely regulate the tasks and duties of financial management. In the course of disbursements related to economic events the adequacy of the established internal controls was poor, as the persons who attested professional performance of the subsidy for special purpose had not been not authorised to do so, the counter-signer of the payment orders did not remark on that, and did not objected to the practice that no written commitment had been made before the completion of the tasks in the case of the payments concerning European Parliamentary election.

The organisational set-up and regulation of internal audit represented low risk, since the way of task performance and the procedural rules were appropriately regulated, a strategic audit plan based on risk assessment was in force and the annual audit plan was approved by the General Assembly. In the operation of the internal audit function, the appropriateness of the established controls was excellent, as the way of completing internal audit tasks, the audit programmes and reports met the legal requirements.

Recommendations

Out of the recommendations made by the SAO in the course of the 2005 comprehensive audit of the financial management of the Local Government; the audit of the execution of the budget of 2005; and the audit on the operation of public procurement system in 2008; 69% were implemented, 6% partially implemented, while 25% were neglected. As a result of the implementation of recommendations of the SAO audits, the regularity of financial management, the regularity and operation of financial management and financial accounting tasks improved.

Apart from the findings of the on-site audit, for the purpose of meeting legal requirements and improving the level of the work, the SAO formulated recommendations concerning the preparation of the budget; the disclosure of financial management data; the regularity of financial accounting, and IT operations of the Mayor's office; the establishment and operation of internal controls. Furthermore, the SAO recommended the implementation of those recommendations concerning regulation and expediency made by the SAO in the course of the 2005 comprehensive audit and the audit on the operation of public procurement system in 2008, which had not been realised. The SAO recommended the Mayor to inform the General Assembly about the audit findings, to provide assistance with the implementation of the recommendations, and to have an action plan prepared in order to accomplish them.