



**Hungarian
State Treasury**

Treasury activities and IT systems

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Budapest
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PEMPAL Executive Meeting



Headlines

- activities
 - central government budget execution
 - accounting & transparency
 - data
 - information technology
 - future
 - government securities
 - local governments
 - pensions & social transfers
 - agriculture & rural development
-

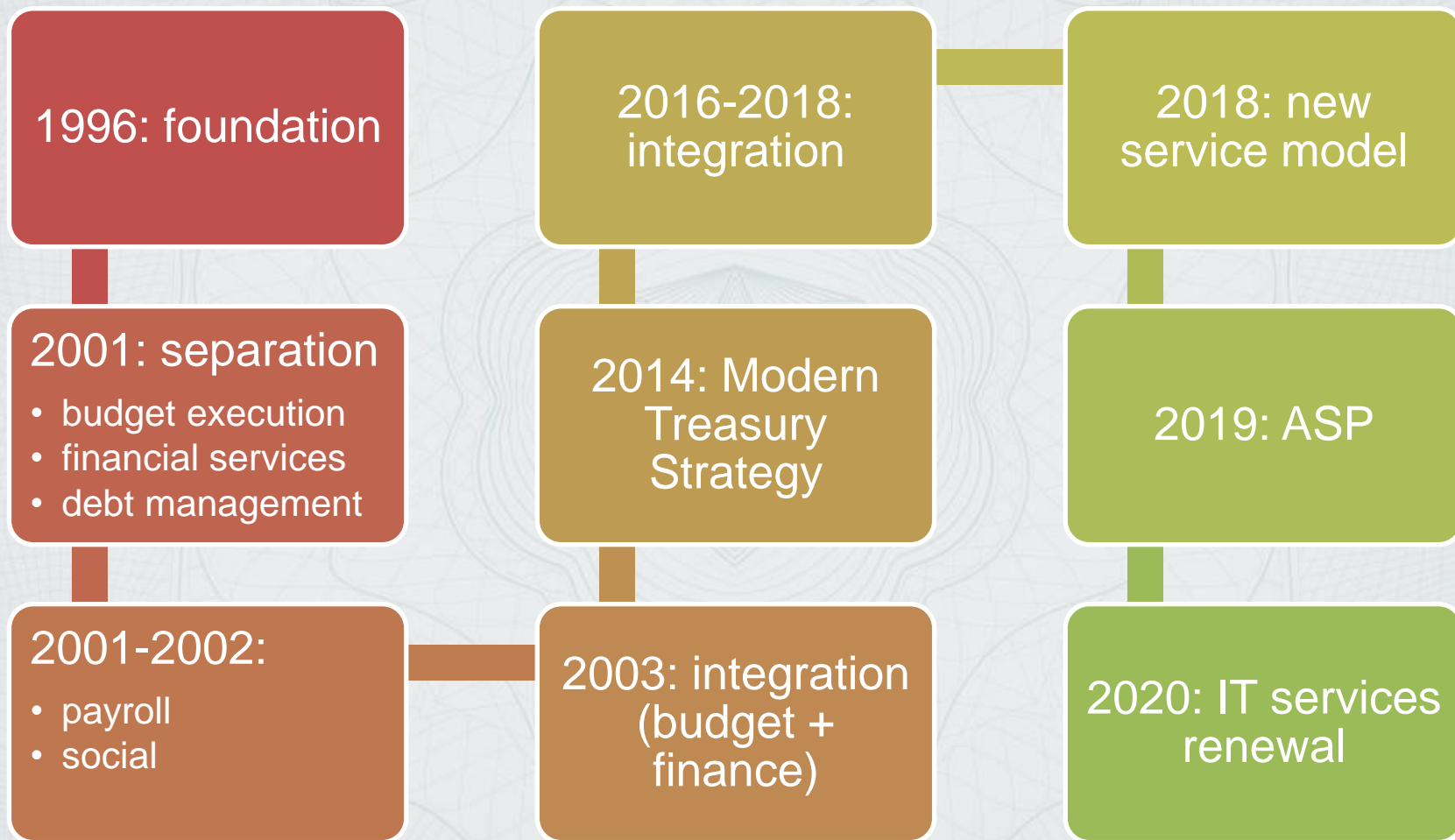
ACTIVITIES



The Hungarian State Treasury

- Established the 1st of January 1996 on the basis of State Development Agency and some departments of the Ministry of Finance and Central Bank of Hungary
 - The Hungarian State Treasury performs more than 200 public tasks, which form a list that is almost boundless. It is present in each county (19) in the form of directorates. In the frames of the directorates operate the following: Exchequer Offices, Payroll Calculation Offices, Financial and Coordinating Offices and State Budget Offices.
 - The Hungarian State Treasury is responsible for the tasks below – among others:
 - Implementation of the central budget: appropriation management, accounting and reporting
 - Manage payments and earnings, bank account management
 - Liquidity management
 - Centralized payroll calculation
 - Social benefits (pension, family allowances)
 - Government securities distribution
 - Funding and auditing of local government
 - Handling of EU and domestic funds / grants / transfers (e.g. agrarian and rural development)
 - Funding and control of non-state education and social care providers
 - Budgetary Institutions Register
-

Historical background



Tasks and personnel

central gov budget

- 89
- 249

payments

- 120
- 362

local gov

- 67
- 1670

payroll

- 71
- 1167

pension & social

- 1048

agriculture & EU funds

- 573
- 688

back office

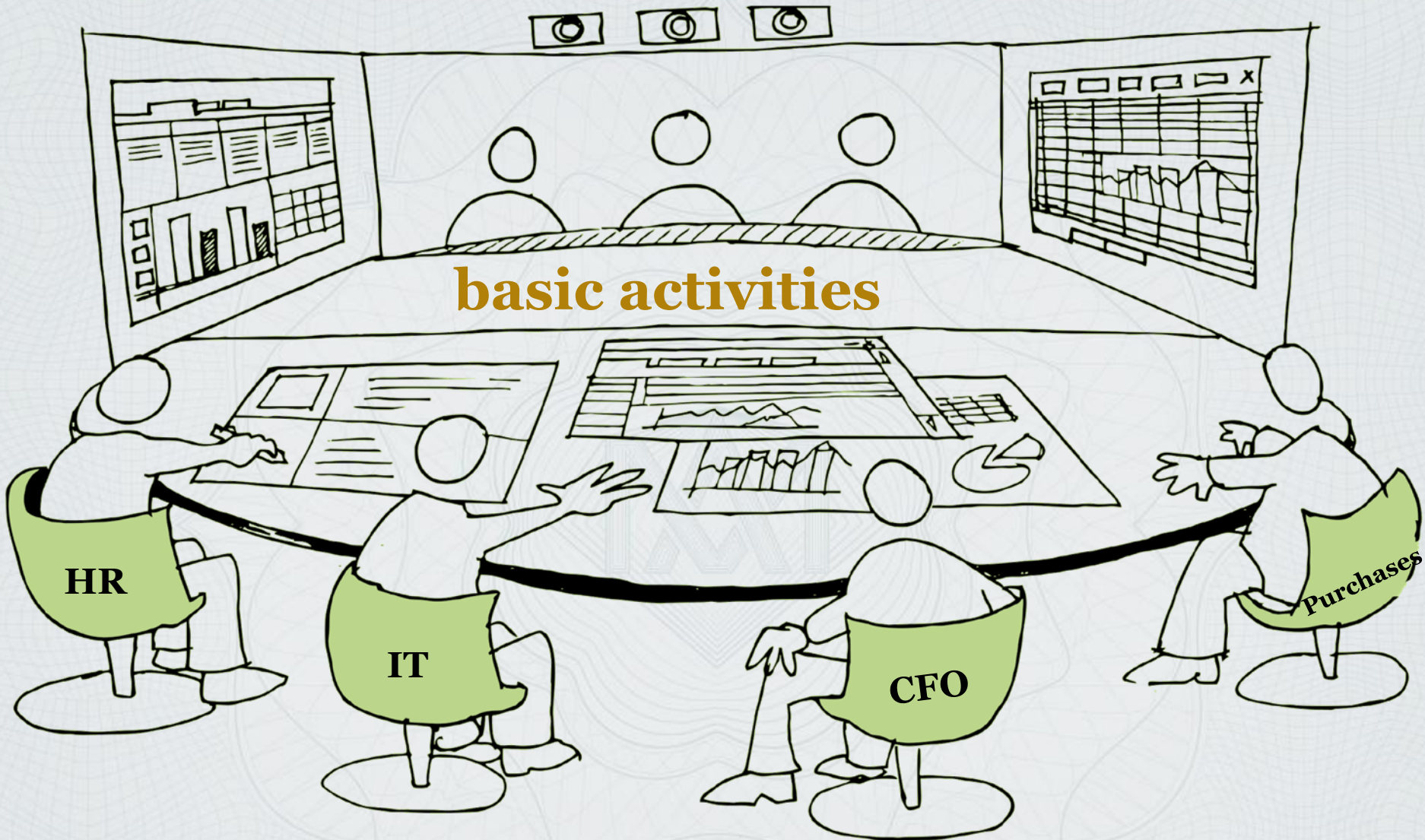
- 593

information technology

- 367



CENTRAL GOVERNMENT BUDGET EXECUTION



basic activities

Back-office

**~700
institutions
in central government**

**800+
programs'
appropriations**

**500+
centrally managed
appropriations**

EUR 61 bn

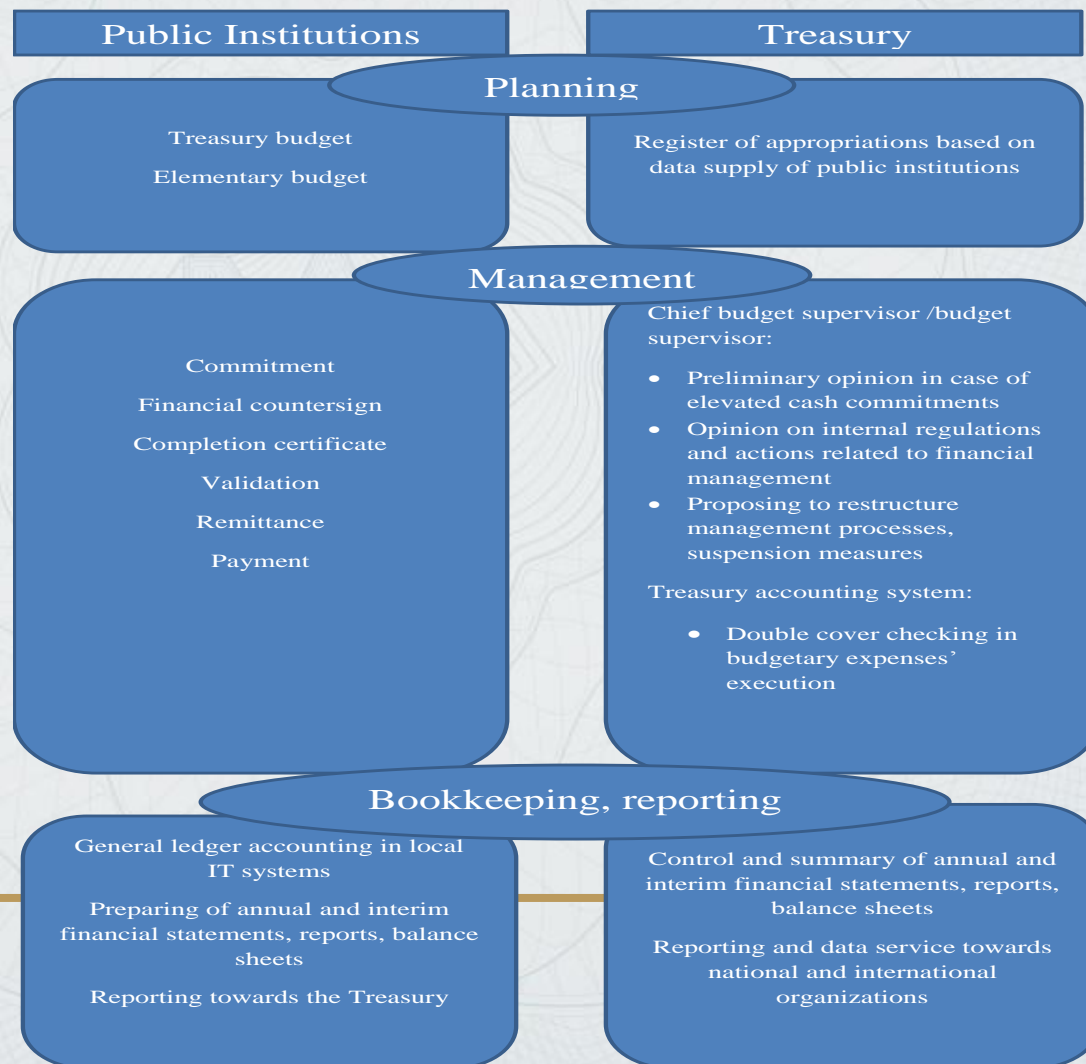
**locally
developed SW
+
Excel**



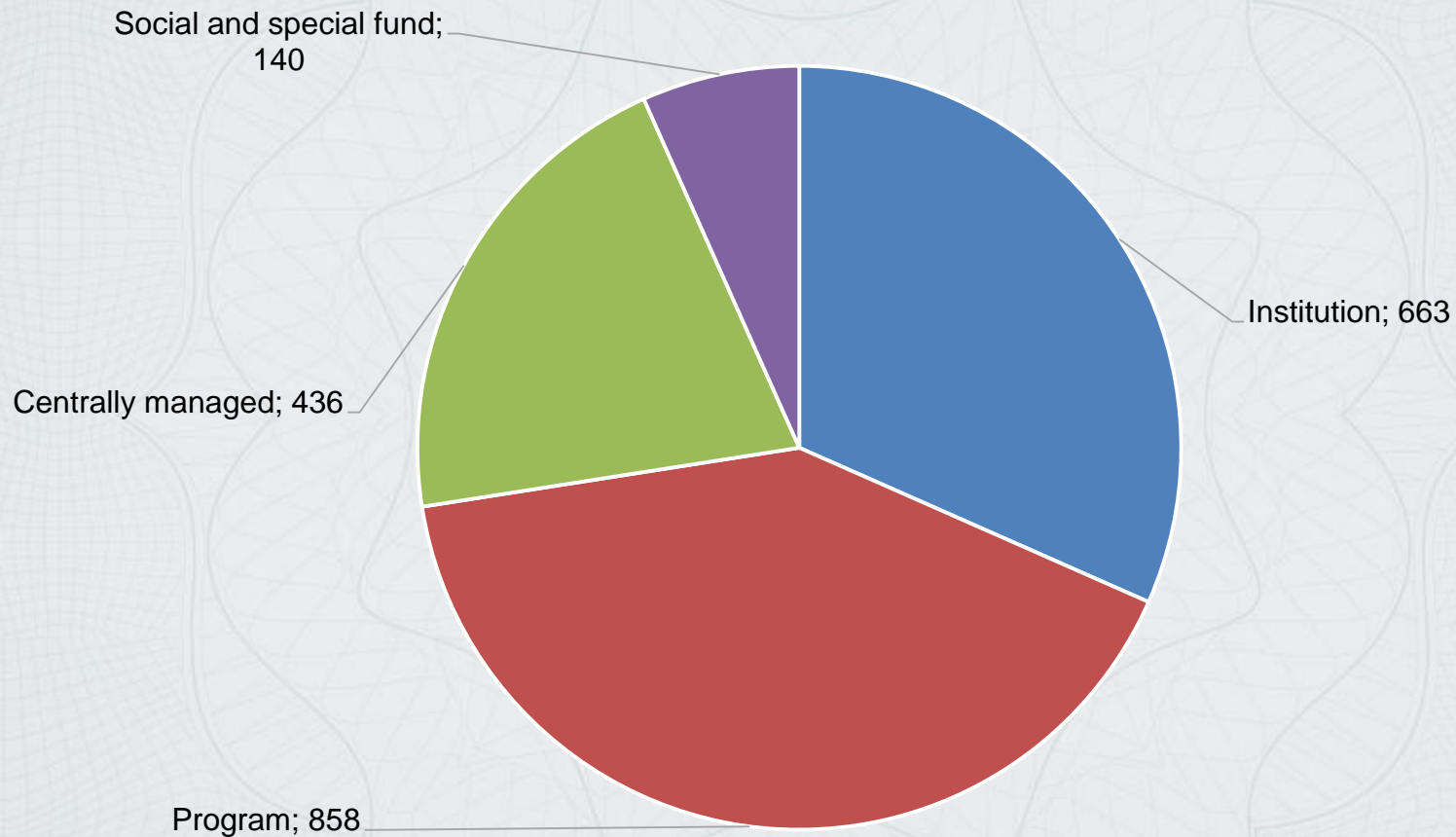
Execution

- keeps records of appropriations,
- renders financial services to public bodies
- provides
 - net financing (deduction of taxes)
 - double control: checks availability of appropriation and funds
 - obligation test
 - records of government and municipality debt
 - supervisors of public finance
 - centralised payroll system

The role of the Treasury in the control of public expenditures



Appropriations



Budget appropriations

- Registration of the original appropriations under budget law on the basis of
 - Detailed budgets
- Mid-year estimates modifications
 - Range of Scope: Parliament, Government, minister responsible for state budget
 - Chapter governing body
 - Budgetary body/chapter (in its discretion)

Release of funds

- YTD/Year-to-date allotment
 - Operating budget of governmental bodies.
- Performance proportioned allotment
 - Cumulative budget of governmental bodies, chapter-managed estimates.
- Modification of schedule
 - Institutions with temporary liquidity problems, chapter-managed estimates.
 - with different time-frame replacement
 - with non-different time-frame replacement
- Appropriations increases without amendment
 - Exceeded appropriations

Payments

- Submission of transfer orders
 - Paper-based
 - Electronic
- Prior notification of big lump sum payments
 - Transfers in excess of HUF 1,000 million to be announced at least 3 days in advance
- Double cover test
 - Liquidity coverage test
 - Appropriation line item test
- Identification of performance
 - Single Column headings established under the order number (ERA) and government ID are used to identify the transfer lines.

1.85 mn transaction monthly

>12k accounts managed



**Hungarian
State Treasury**

Accounts management

Banking arrangements

Treasury Single Account (TSA) at Central Bank of Hungary

- provision of funds for operations (performance or monthly basis):
 - gross expenditure – own income = net expenditure
(budgetary contribution)
- liquidity management
 - via TSA (central government)
 - municipalities can hold bank accounts at commercial banks
 - rolling cash-flow plan (T+2 months)
 - data exchange to prepare overnight operations
- new Accounts Management System (from 2020)
- other related fields

Cash forecasting

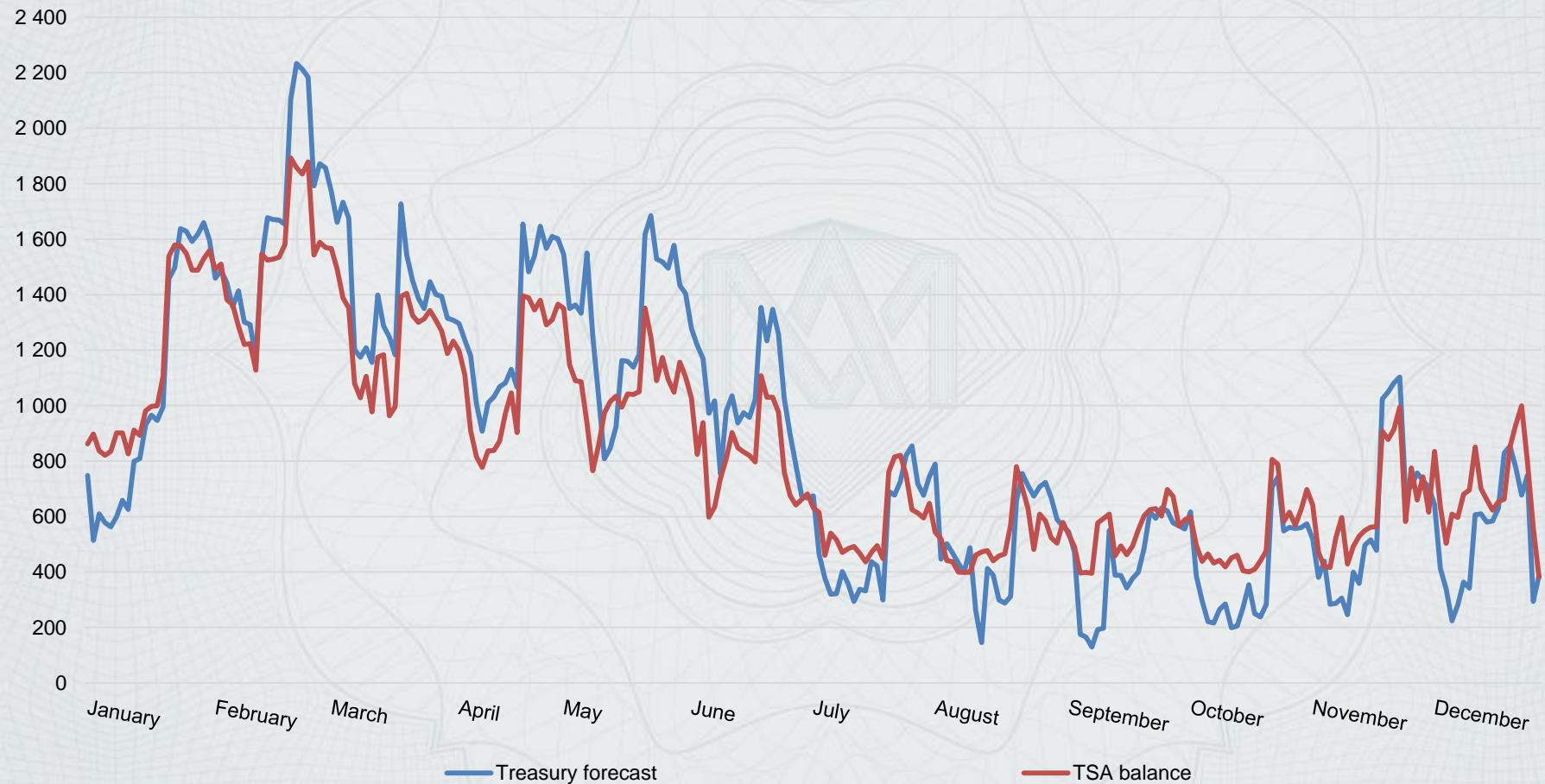
- Daily forecasts for three months
- Sources:
 - a large amount announcements
 - Bottom-up information: institutional reports, commitments, financing plans
 - Top-down information: planning on basis of last years and main information
- Liquidity Board

Cash forecasting

- Others:
 - Continuous information exchange with Central Bank, MoF, Tax Authority and other large entities
- Problems:
 - Large fluctuation of cash balance within a month
 - Lot of disbursements at the beginning of month (wages, family allowance, pension, disbursement of VAT, etc.
 - Incomes: in the second half of month
 - Difficult to plan some types of incomes (e.g.: payments from European Commission)
- Efficiency:
 - 91.7 % accuracy in 2017
 - 863 bn HUF TSA average balance in 2017
 - 61 billion HUF average deflection

TSA balance and daily forecast

Year 2017



ACCOUNTING & TRANSPARENCY



Accounting



Principles

Budgetary accounting

cash basis

appropriations

commitments

disbursements

budgeting and reporting

Financial accounting

accrual basis

performance

properties and
performance indicators

Mandatory reporting

Through the information system of state-finance KGR-K11

- Detailed budgets (annually)
- Annual Finance Report (annually)
- Interim Balance Report (quarterly)
- Interim Financial Report (monthly)

Disclosure provided by the Treasury

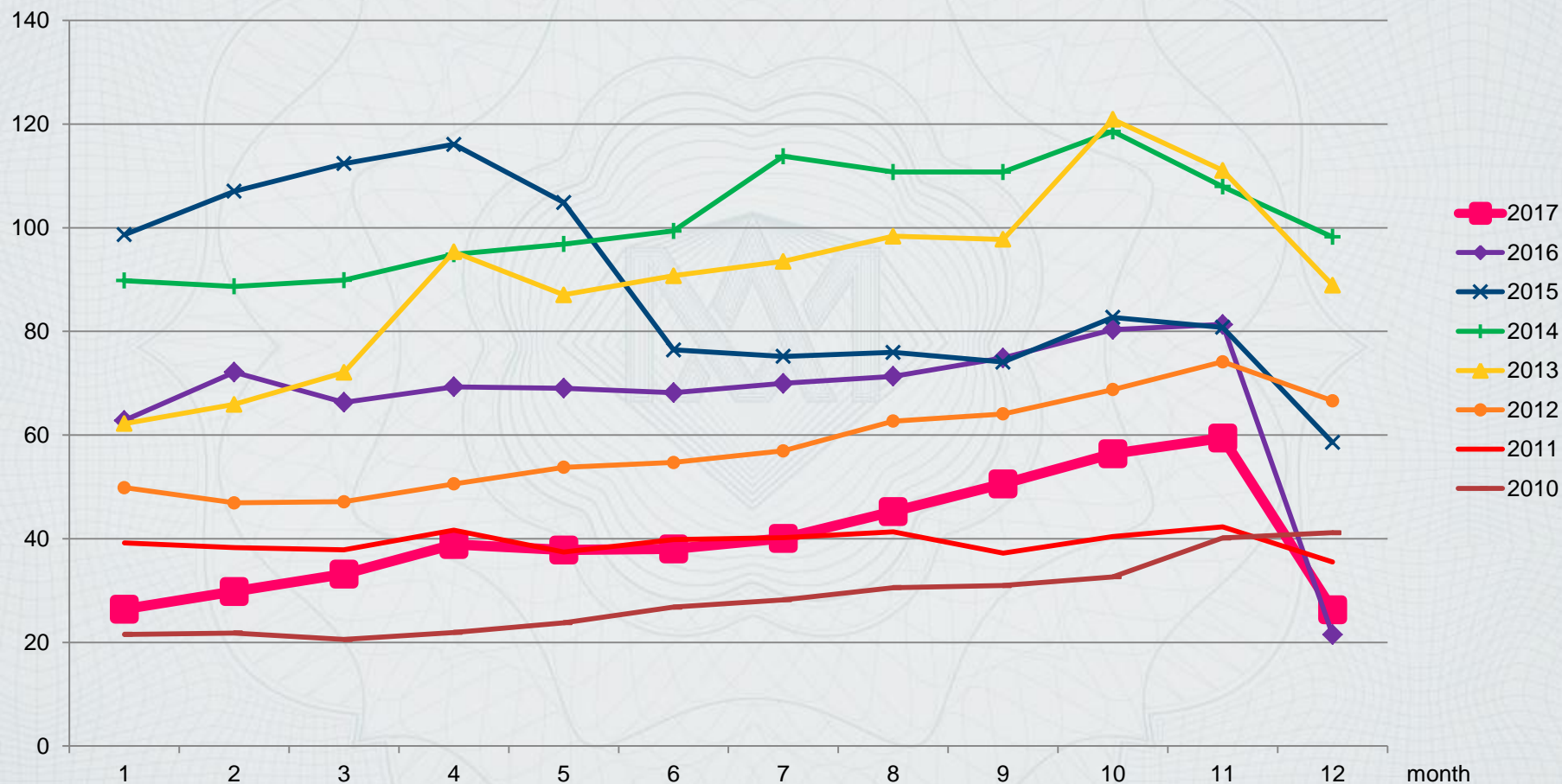
- Information available on the Treasury website published every month
- With access rights – for SPU data reconciliation
- Public data as:
 - The budget execution data structure corresponding to the breakdown of the budget law
 - Data in relation to the liabilities belonging to budgetary bodies of the central subsystem of public finances

CHALLENGE

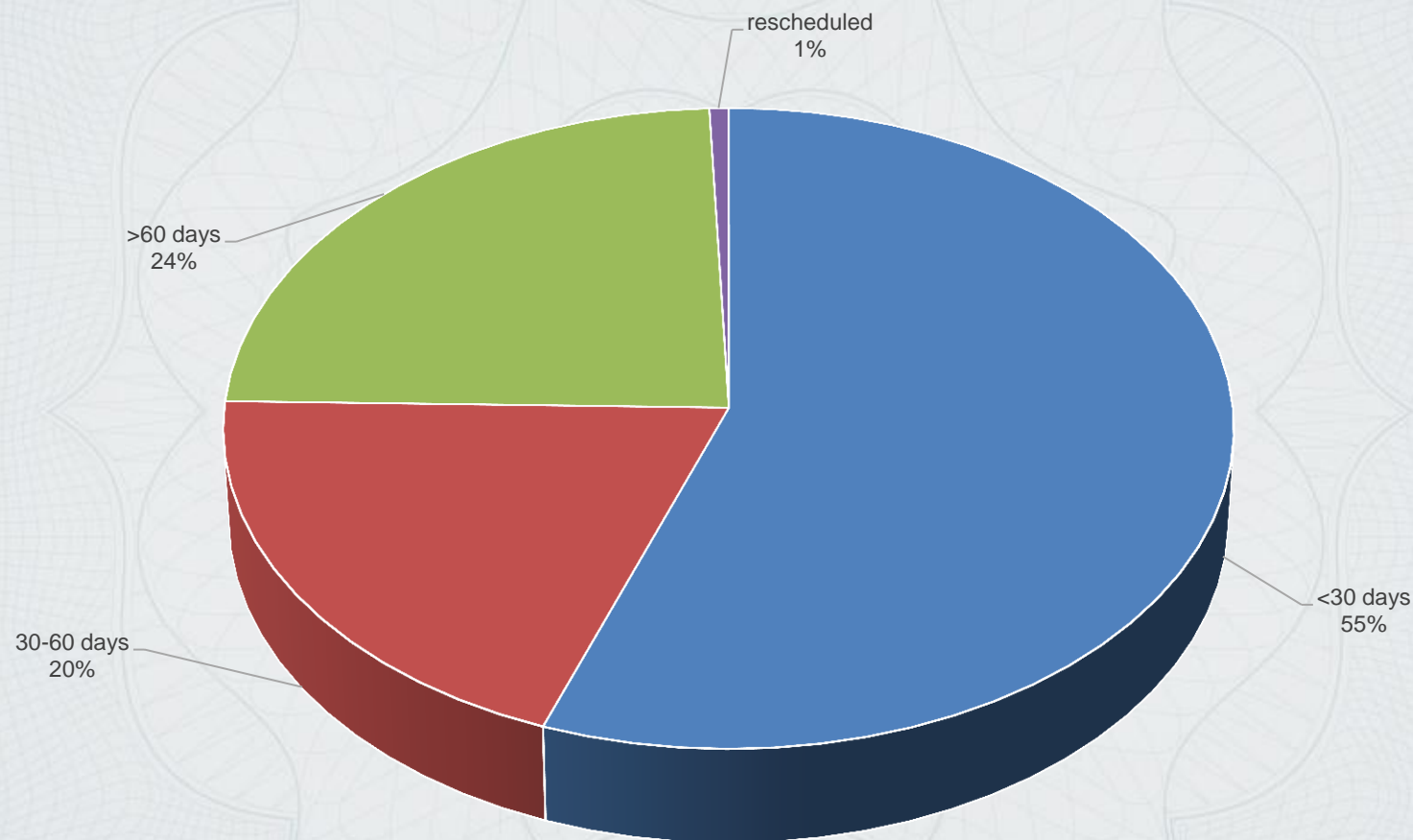


Central Budget Institutions' Arrear

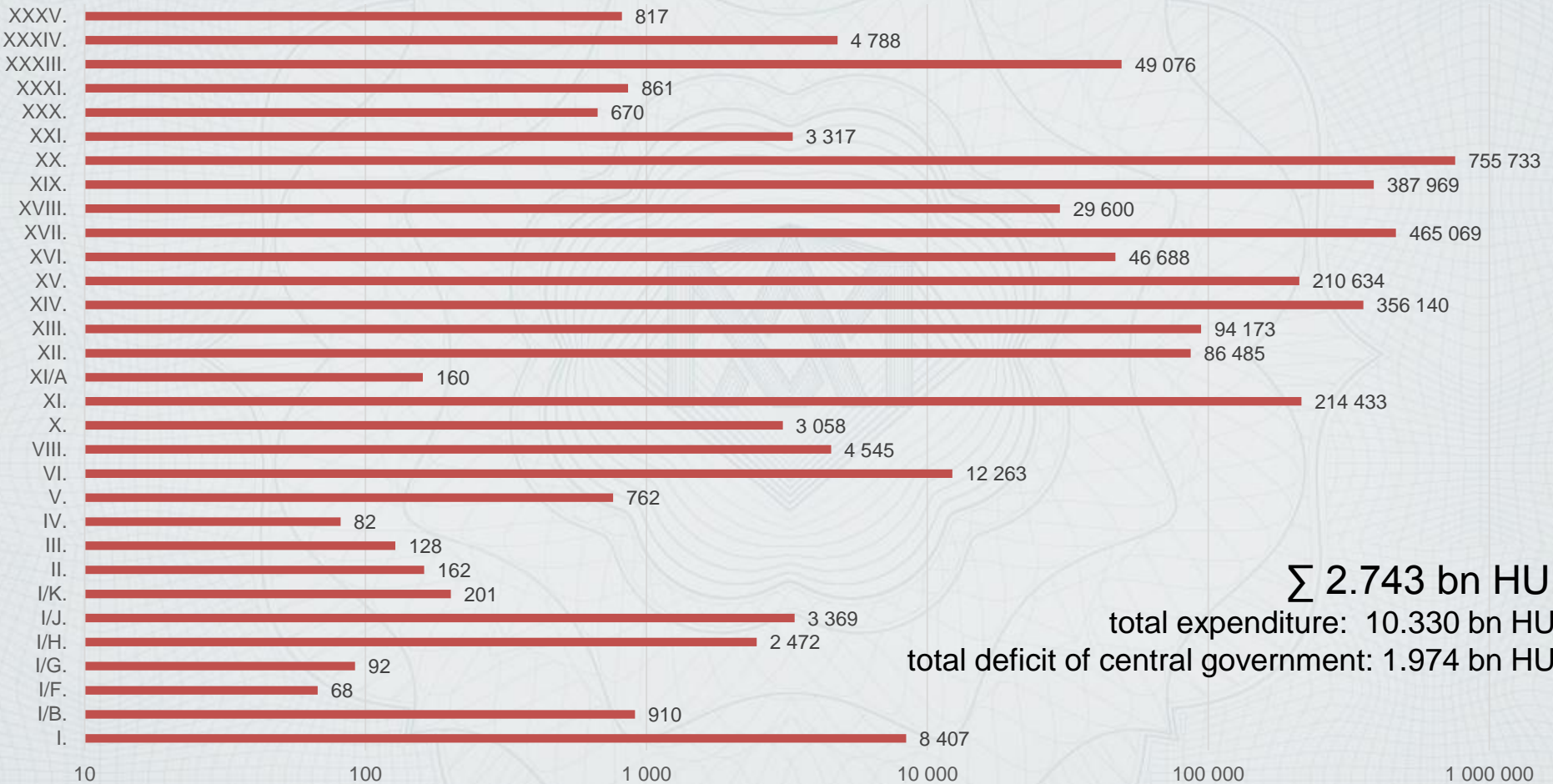
bn HUF



Arrear Portfolio Report



carryover of chapters I-XXXV



Σ 2.743 bn HUF
 total expenditure: 10.330 bn HUF
 total deficit of central government: 1.974 bn HUF

Carryover in 2017 (referred to financial reports)

penalty on late reporting



HR of accountants

Accountants' exam taken (2005-2018):

- male: 1,501
- female: 10,534

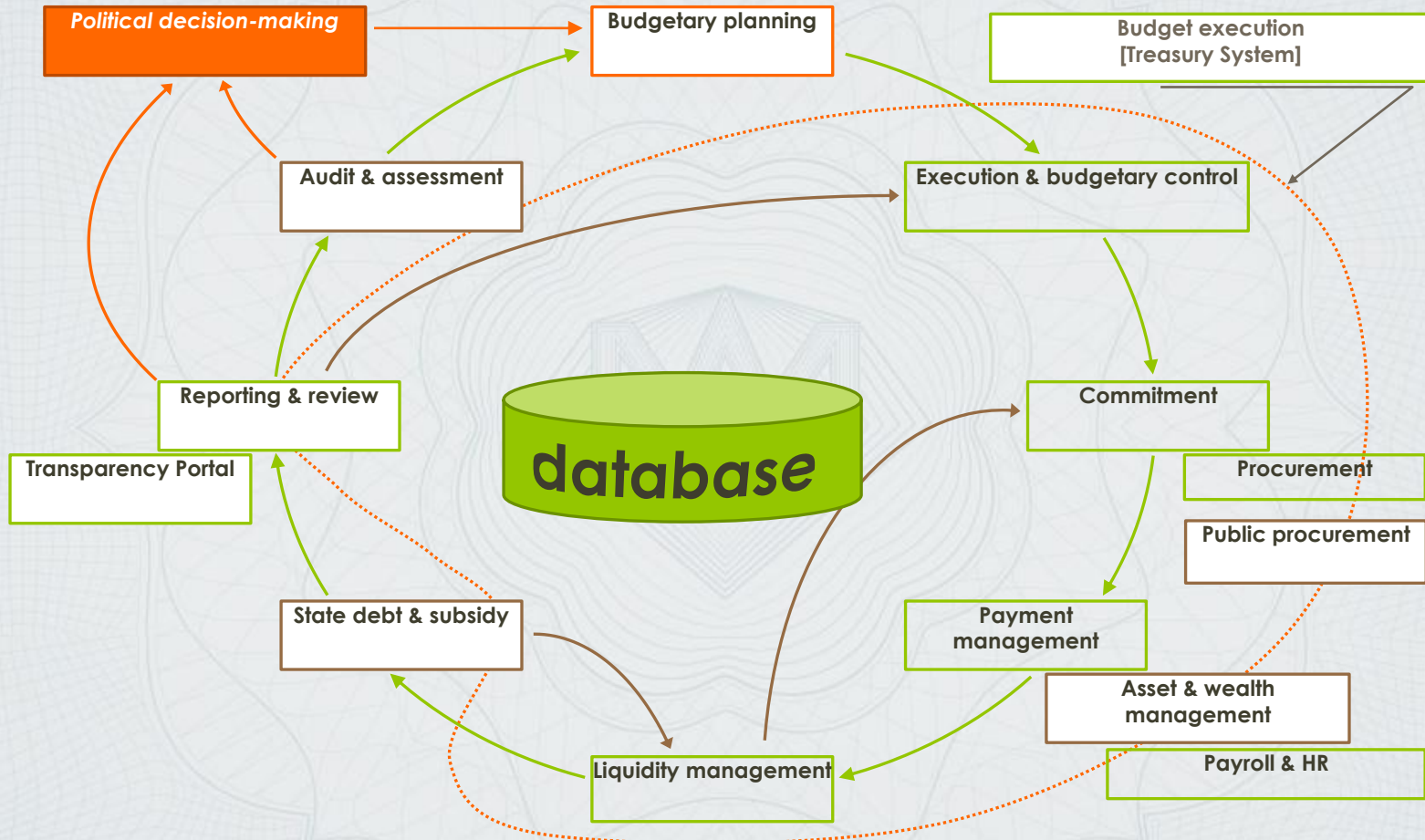
Accreditations:

budgetary	3354
budgetary, other, financial, business	1
budgetary, other, business	2
budgetary, IFRS	16
budgetary, IFRS, pénzügyi	1
budgetary, IFRS, business	15
budgetary, financial	15
budgetary, financial, business	4
budgetary, business	1123
Total	4531

INFORMATION TECHNOLOGY



Budget cycle



380+ employees

Central budget: TSH

Reporting: K11

Payments management: T'20xx, DSZR

Securities: Clavis

Local governments: ASP

Payroll: KIRA

Pension: Nyugdmeq, Nyufur

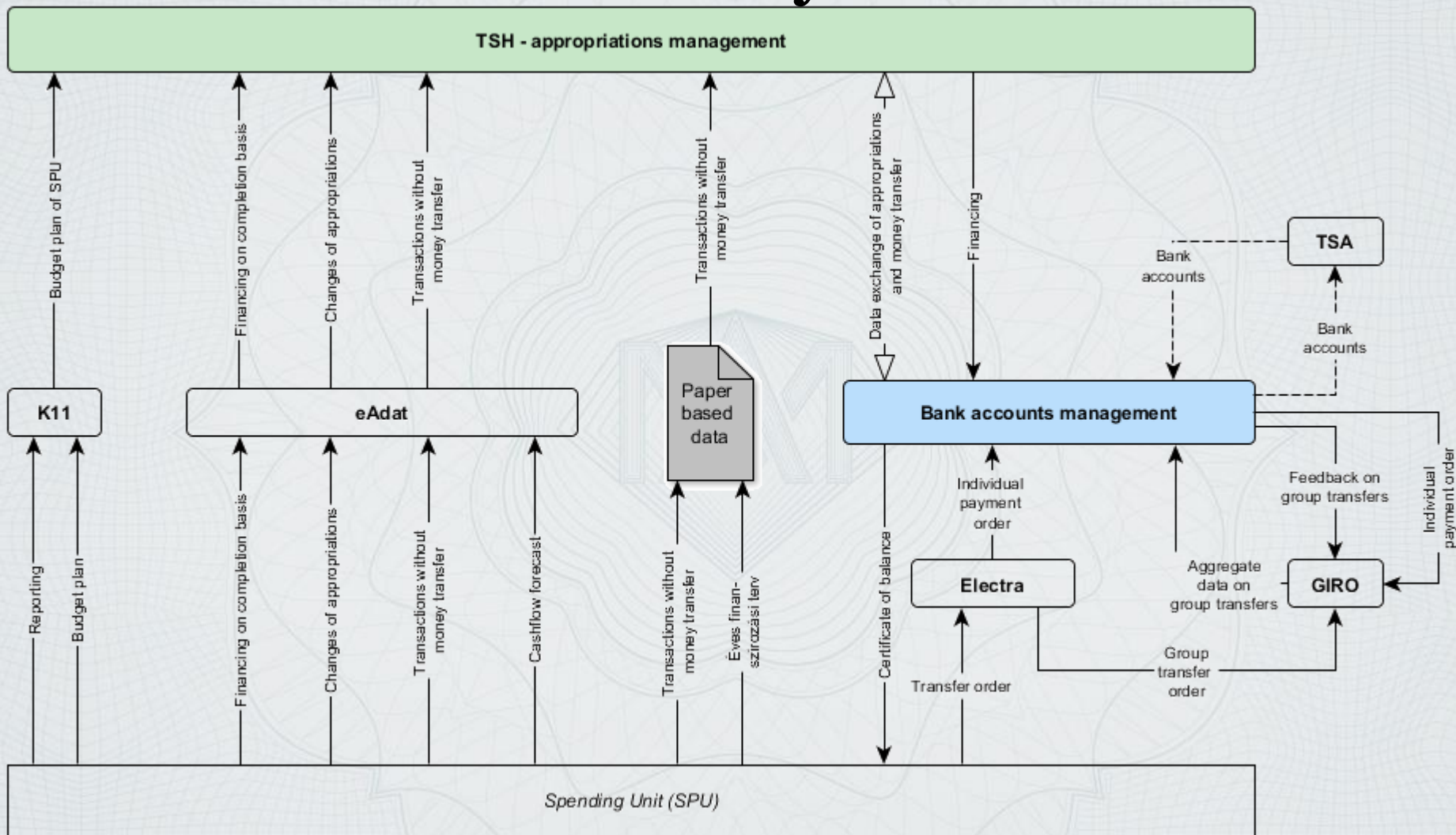
Social: TÉBA

Agriculture: IIER

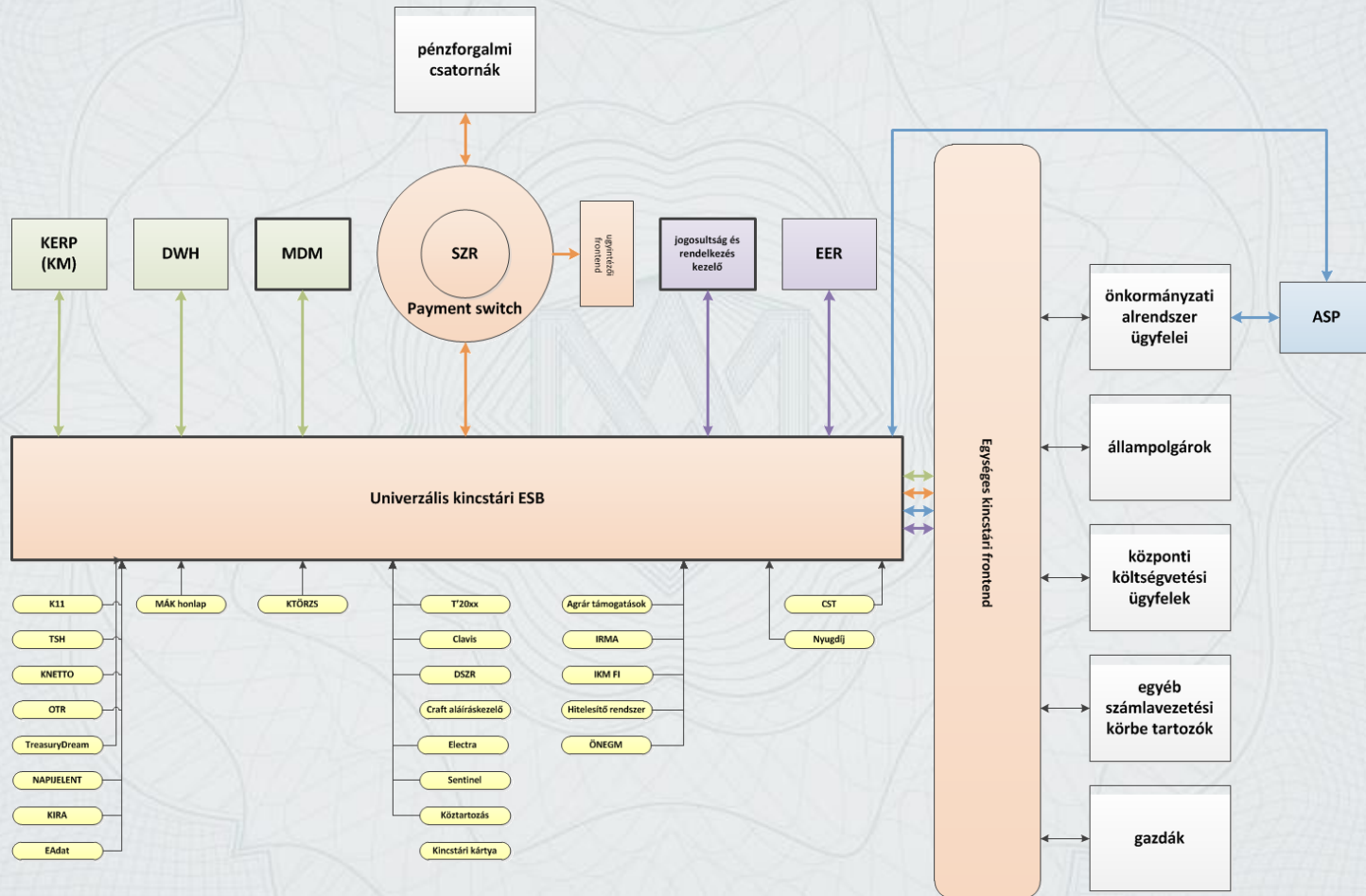
200+ systems

**IT
strategy for the
next 5 years**

Present system



Systems' transformation



FUTURE



Vision

- decrease back-office bureaucracy
- central accounting module
- standard workflows
- integrations
 - functional
 - SPU level
- information provision for decisionmakers
- change management

data driven decisions

decrease bureocracy

fiscal control

standard workflow

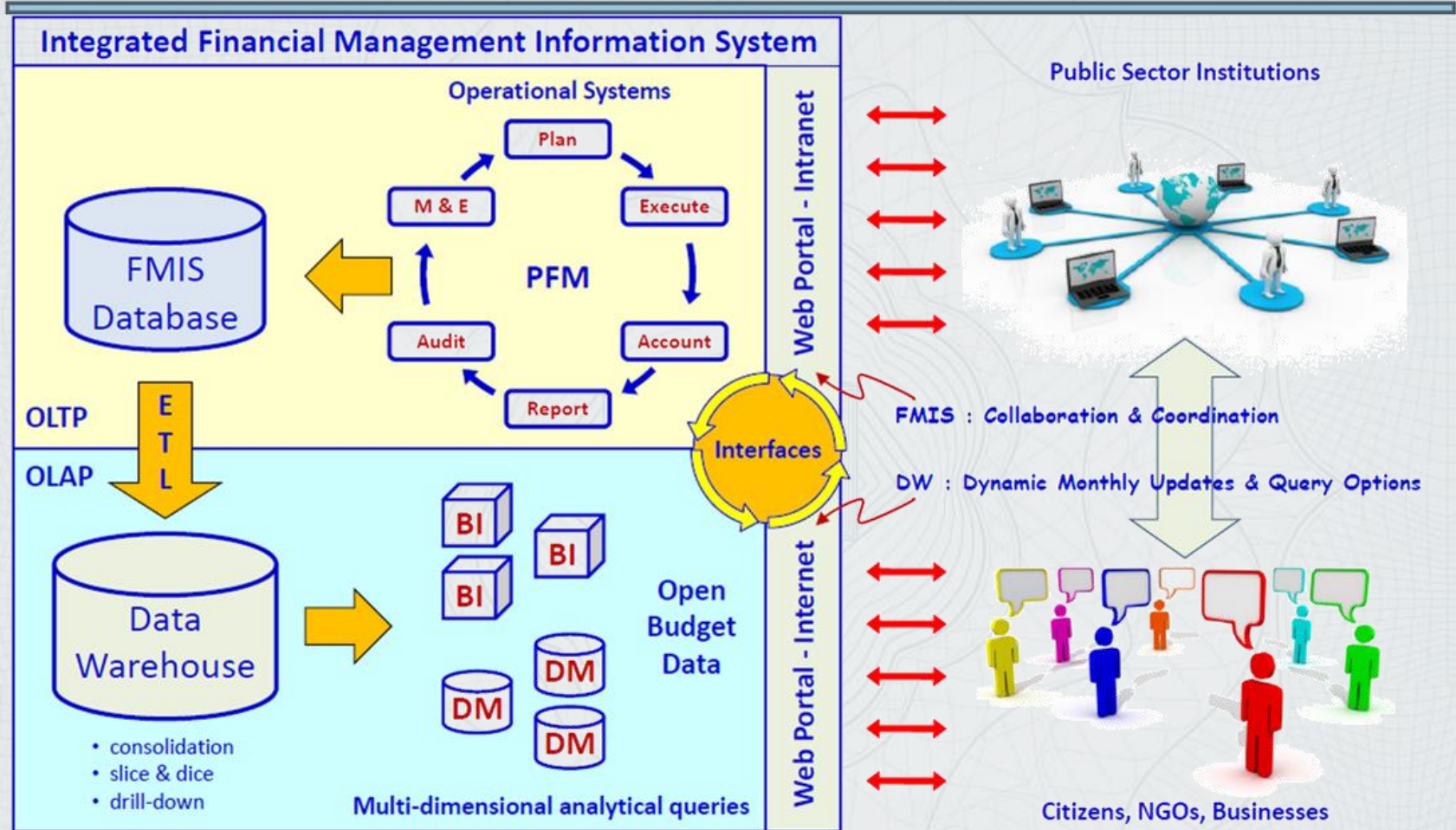
automatization

online

DM/BI

integrated system

PROJECT



OLTP : Online Transaction Processing

OLAP : Online Analytical Processing

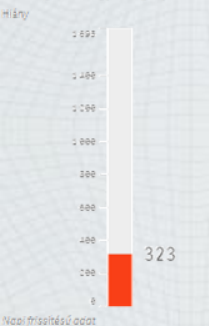
ETL : Extract, Transform, Load

BI : Business Intelligence

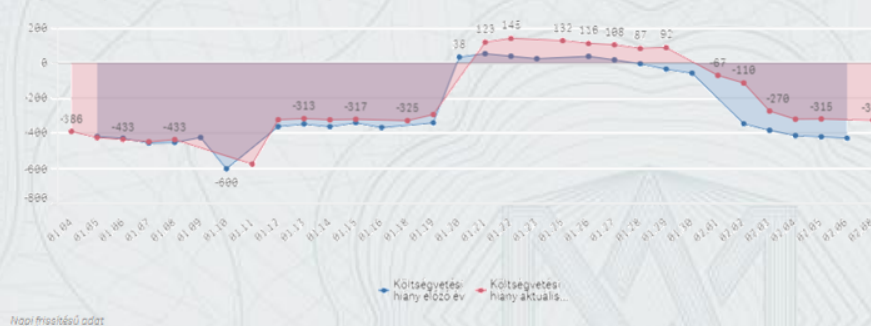
DM : Data Mining

Business Intelligence

Költségvetés egyenlege (Mrd Ft - 2015.01.05 - 2016.02.08)



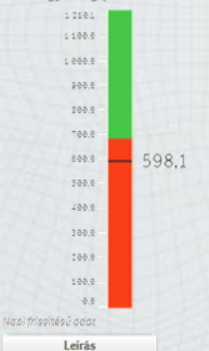
Hiány időSORA (Mrd Ft - 2015.01.05 - 2016.02.08)



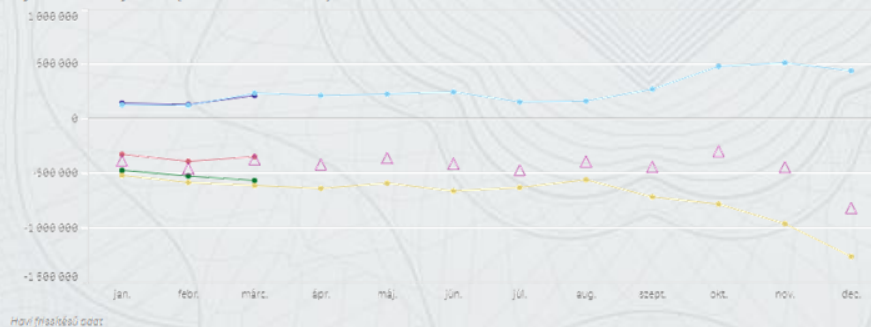
Előirányzatok időarányostól való jelentős eltérése - 2016.04.26

Megnevezés	Időarányos	Korrigált
KIADÁS		
Unió támogatások utólagos megterüése	-32,05%	-5,70%
KAMATBEVÉTELEK	24,53%	10,00%
Megállapodás alapján fizetők járuléka	-7,86%	0,00%
Vám és cukoripari hozzájárulás visszatérítés	4,55%	-3,33%
BEVÉTEL		
Szakmai fejezeti kezelésű előirányzatok bevételei	24,71%	-17,97%
Helyi önkormányzatok befizetése	36,53%	98,53%
ÁLLAMI KINCSTÁRI VAGYONNAL KAPCS. BEFIZ.	-22,06%	-21,86%
Cégaudató	20,46%	7,64%

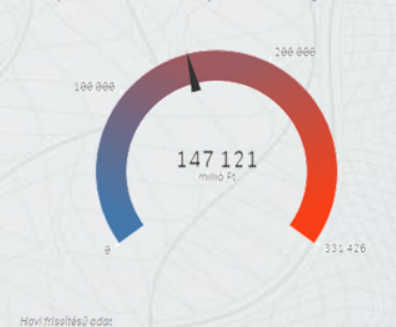
KESZ egyenleg (Mrd Ft - 2016.01.05 - 2016.02.08)



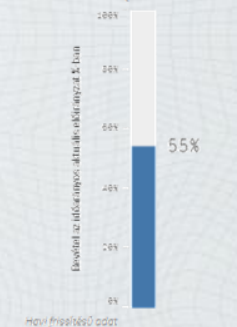
Fejezetek havi teljesítése (millió Ft - 2015 - 2016)



Át csoportosított tartalmak (millió Ft - 2016. január - m...)



EU-s bevételek (millió Ft - 2016. január - m...)



GOVERNMENT SECURITIES



81 point of sale

WEB & Mobile App

EUR 3 bn
resident stock

Babybond
150k customers

PAYROLL



KIR, KIR3, KIRA

PAYROLL

EUR 0.8 bn monthly

1,300 employees

13,304 institutions

CENTRALISED PAYROLL ACCOUNTING

Introduction of the Centralised Payroll System ('KIR') in 2002



Constantly changing legislative framework and professional demand



Need for the development and introduction of a new payroll system (2015)

'KIRA' application model

Treasury administrators

Institutional users

KTORZS K11

MDM



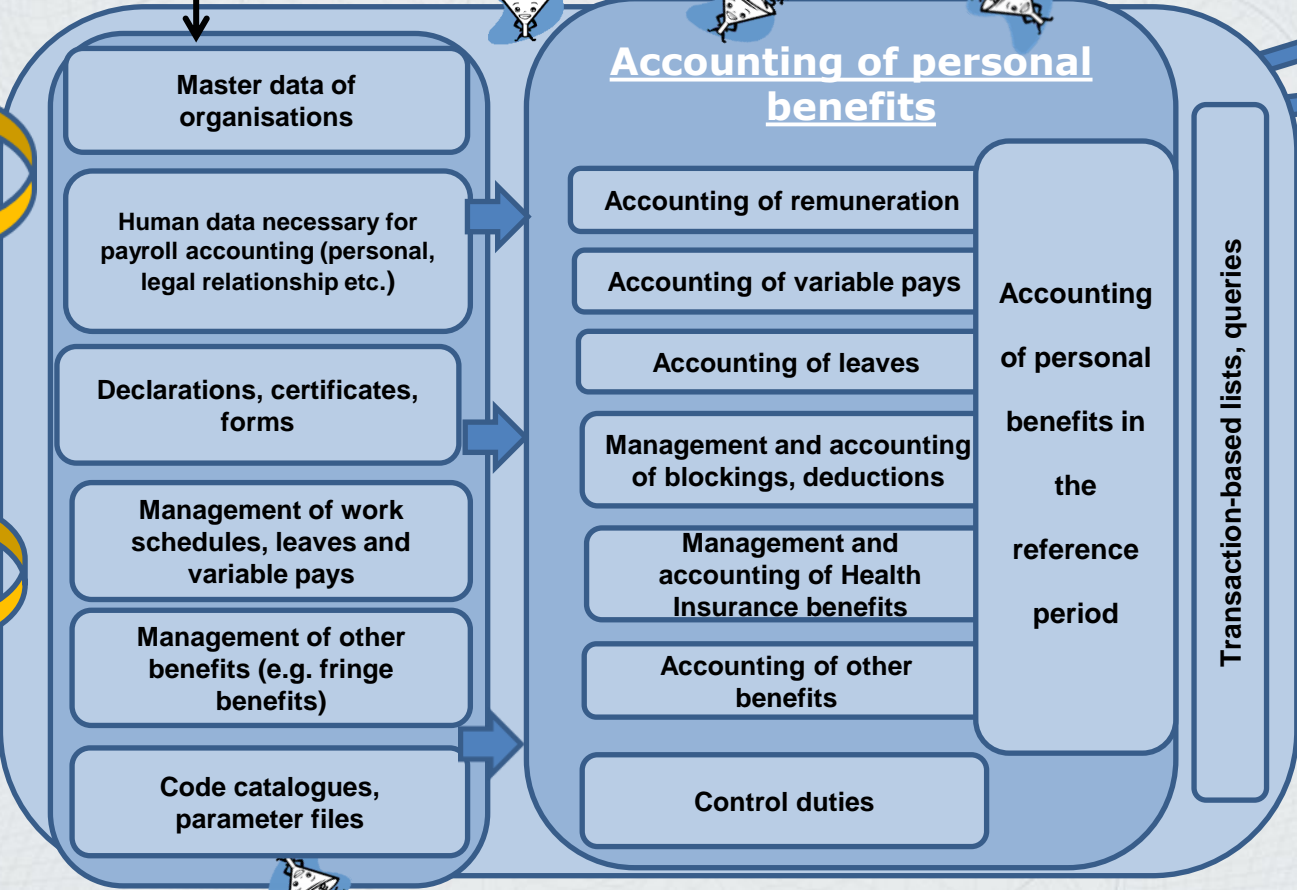
Maintenance of various organisations' data (e.g. insurance funds, blocking organisations etc.)



Preparation and conduct of payroll accounting, correction and control activities

Data reporting

- NTC A
- NHI F
- CSO
- Institutions



Transfers (remuneration, contributions...)

Bookkeeping

Payroll (electronic and hard copy)



Connection of human modules on the standard interfaces

LOCAL GOVERNMENTS



3,000 municipalities

Financial management

Local taxation

Property management

Industries, commercial

Docs management

Inheritance inventory

E-administration for citizens

Website administration

+ DWH

Standard platform & workflow

ASP 2.0

Goal:

- to provide **modern, integrated** and **cost-effective** state of the art IT solutions
- in SaaS model
- for **local governments**
- based on the application service provider's central hardware and software infrastructure
- fostering standardized internal operation
- common platform-based provision of local **e-government services** to citizens and businesses.

2,994 connected municipalities (more than 93% of Hungarian local governments)

- next step: (on 1 January 2019) cover the remaining approximately two hundred local governments as well.

ASP datawarehouse

Main goals

- Support of governmental and municipality decision making
- Monitoring of local government finance/management
- Support of local tax management
- Support of decision making for local government

Opportunities, expected results

- Possibility of providing economic forecasts that can prevent for example the excessive indebtedness of local governments
- Rationalisation of local government data supplying
- Support of planning and analysis tasks, providing big data analysis as well

PENSION AND SOCIAL TRANSFERS



Social transfers

Pension, elderly

2,6 mn pers
3 ,000 bn HUF



Rehabilitation

360 k pers
300 bn HUF



Families, disabled

- pregnancy , family support
- disabled

2.2 mn pers
400 bn HUF



Financial supply of health insurance

- sick pay
- baby & child care
- travel reimbursement

200 k pers
340 bn HUF



Modernisation of workflows

- Centralized digitalization,
- Centralized receiving procedure,
- Centralized registration,
- Centralized printing,
- Electronic Communication



AGRICULTURE AND RURAL DEVELOPMENT



200+ subsidy
schemes

EUR 2 bn in
payment

Standard
procedures

GIS
Workflow
E-sign

184k customers

Integration to HST

Central administration:



Local offices:





Hungarian State Treasury

Thank you for your attention!