



The function and role of the Government Control Office (GCO) in the system of controls

dr. Hegedűs László
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The subject of the presentation

- 1. The presenting of the GCO**
- 2. Changes of the authority and function of the GCO 2010 – 2012**
- 3. New procedures of the GCO 2012**
- 4. The results of the work of the GCO over the past 2 years**
- 5. GCO control procedures**





1. The presenting of the GCO





THE CONTROL SYSTEM OF THE PUBLIC FINANCES

- a) External (legislative) control → State Audit Office
- b) Government level control
 - **government control organization(GCO)**
 - organization for the control of european funds
 - State Treasury
- c) Internal control system → Realised by the internal control system of the budgetary institutions (including internal audit)





Government Control:

- Independent from the controlled organization,
- Primarily examining the use of public funds, the management and safekeeping of national wealth, the effective, efficient and economic fulfillment of public tasks
- objective, fact-finding, conclusion-drawing and proposal-making
- Controlling or consultative function.

The GCO reports on investigations conducted.





THE LEGAL STATUS OF GCO

- The GCO is the government control organization appointed by the Government
- Central office (established by the decree of the Government, central administrative organization functioning under the control of the minister)
- Controlled by the Minister of Administration
- The president of the GCO is appointed (or dismissed) by the Prime Minister on a proposal made by the Minister of Administration





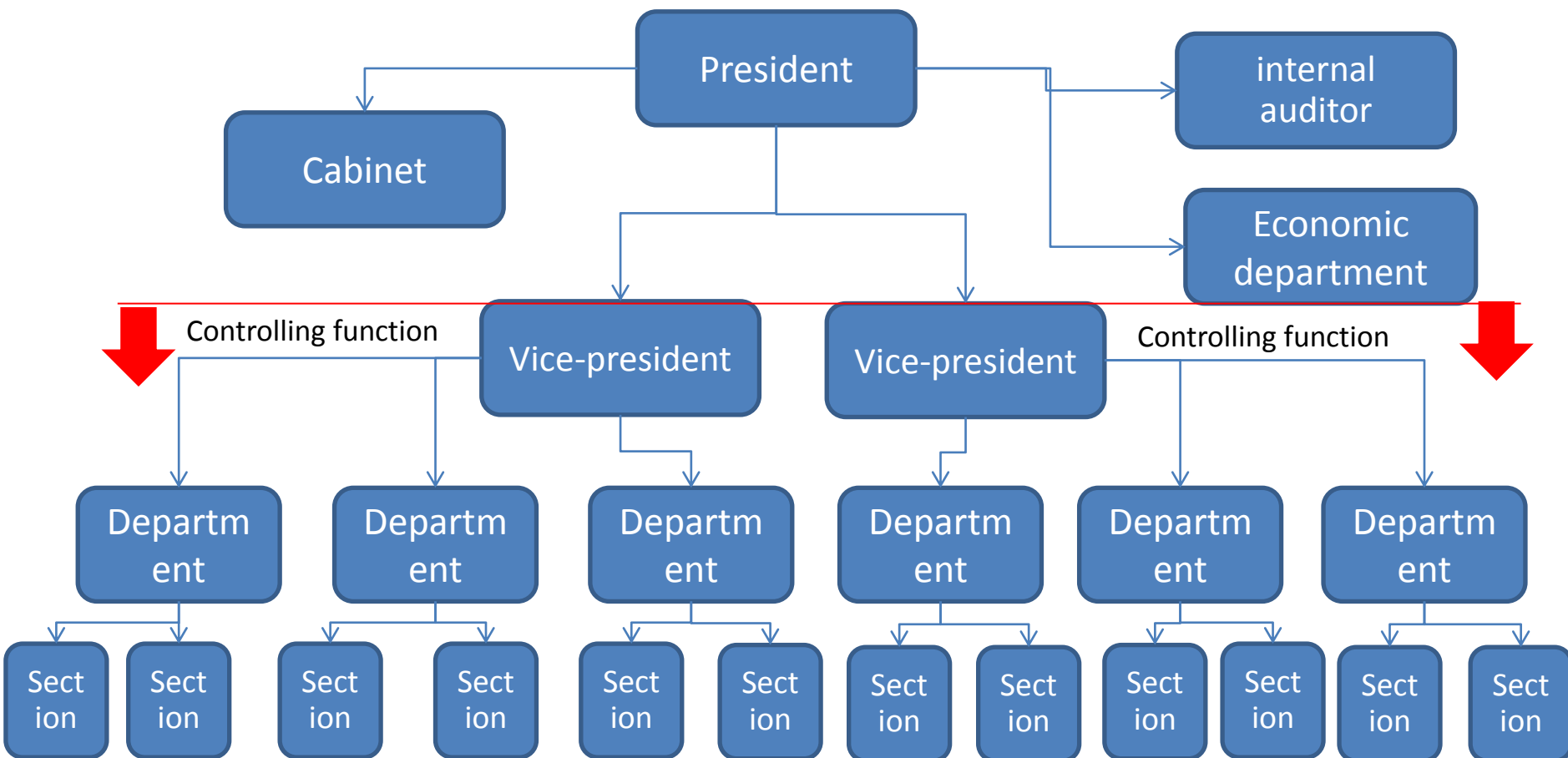
THE LEGAL STATUS OF THE GCO II.

- The fulfillment of the control function is based on an annual control plan approved by the Government.
- The Government, the Prime Minister or the Minister of Administration can order the GCO to perform extraordinary controls.
- The GCO reports on its activity annually, via the Minister
- Licensed manpower : 133 people



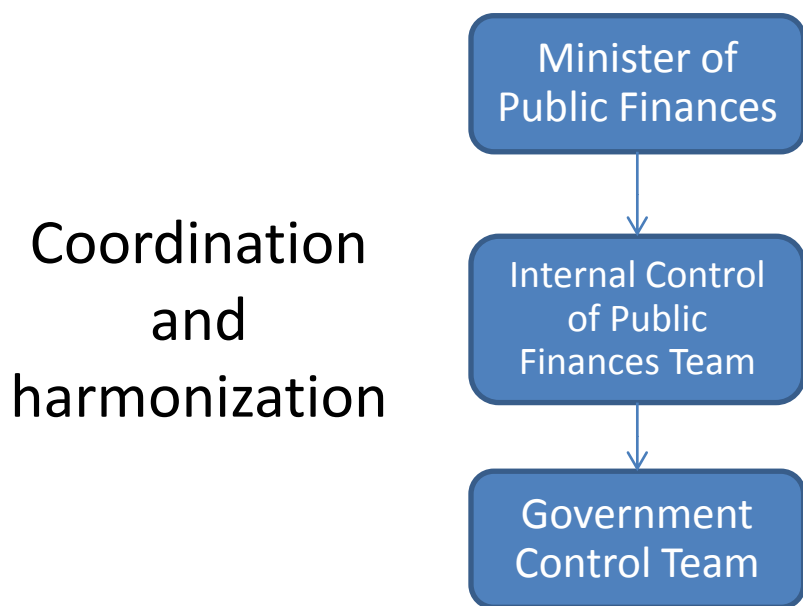


Structure of GCO





The connection of GCO and the internal control system



Functions:

- Coordinating the annual planning and the fulfilling of the government control and the control of the chapters
- Sharing the control experiences of the GCO and the Ministries, cooperation,
- Recommendations, notions regarding the government control
- Giving opinion on law-drafts, recommendations regarding public finance controls

Members:

- GCO, Ministries and the Catatsrophe Defense Directorat

GCO is the secretariat for the Government Control Team. The prsident of GCO is the president of the GCT.





The president of the GCO

- Briefing of the control managers of the ministries regularly
- Has the right of objection regarding the appointment, exemption and reassignment of the control managers of the ministries
- Organizing the professional conference of the control managers of the ministries two times a year
- takes charge of advanced training of the control managers





2. The changes in the authority and functions of the GCO





The authority of the GCO from 1. January 2012.

- a) The control of the implementation of Government decisions,
- b) Government Control of the budgetary institutions supervised by the Government, as well as that of the usage of the central budgetary chapters and budget appropriations handled as chapters supervised by the Government, that of extrabudgetary funds and funds of social insurance
- c) the control of budgetary or other support allocated from the central subsystem of public finance - including support and aid received under international treaties - given to commercial entities, public foundations, public bodies, foundations, regional development councils and associations, and the control of the use of property granted by the State gratuitously to the above-mentioned organizations for special purposes,
- d) the control of business organisations which, with respect to national economy, form priority part of national property and are permanently in state ownership, and the control of commercial entities - other than the National Bank of Hungary - in which the Government is a majority shareholder,





The authority of the GCO from 1. January 2012. II.

- e)* the control of foundations and public foundations the founder rights of which are exercised by budgetary institutions under the direction or supervision of the Government, or which receive state support from the central subsystem of public finance,
- f)* the control of the legitimacy of granting or drawing-down of public guarantees, including the control of the central budget and the compliance with the provisions of security documents both as regards the initial obligor and the obligee under the contract,
- g)* the control of the operation and financial management of private pension funds and organizations defined by Act No. LXXXII of 1997 on private pensions and private pension funds before the transfer of their portfolios, including the control of portfolio assets directly or indirectly managed by these organizations - with the aim of control of the legitimacy of financial management concerning portfolios transferred to the Pension Reform and Debt Reduction Fund under Art. 24(11) of Act No. LXXXII of 1997 on private pensions and private pension funds,
- h)* the control of legal relationships arising in connection with points a) - g), and of contracting parties who are directly or indirectly taking part in the fulfilment of the conditions of such a relationship,
- i)* the control of the legitimacy of the financial management of the Fund Against National Debt.





The expansion of the authority and functions of GCO



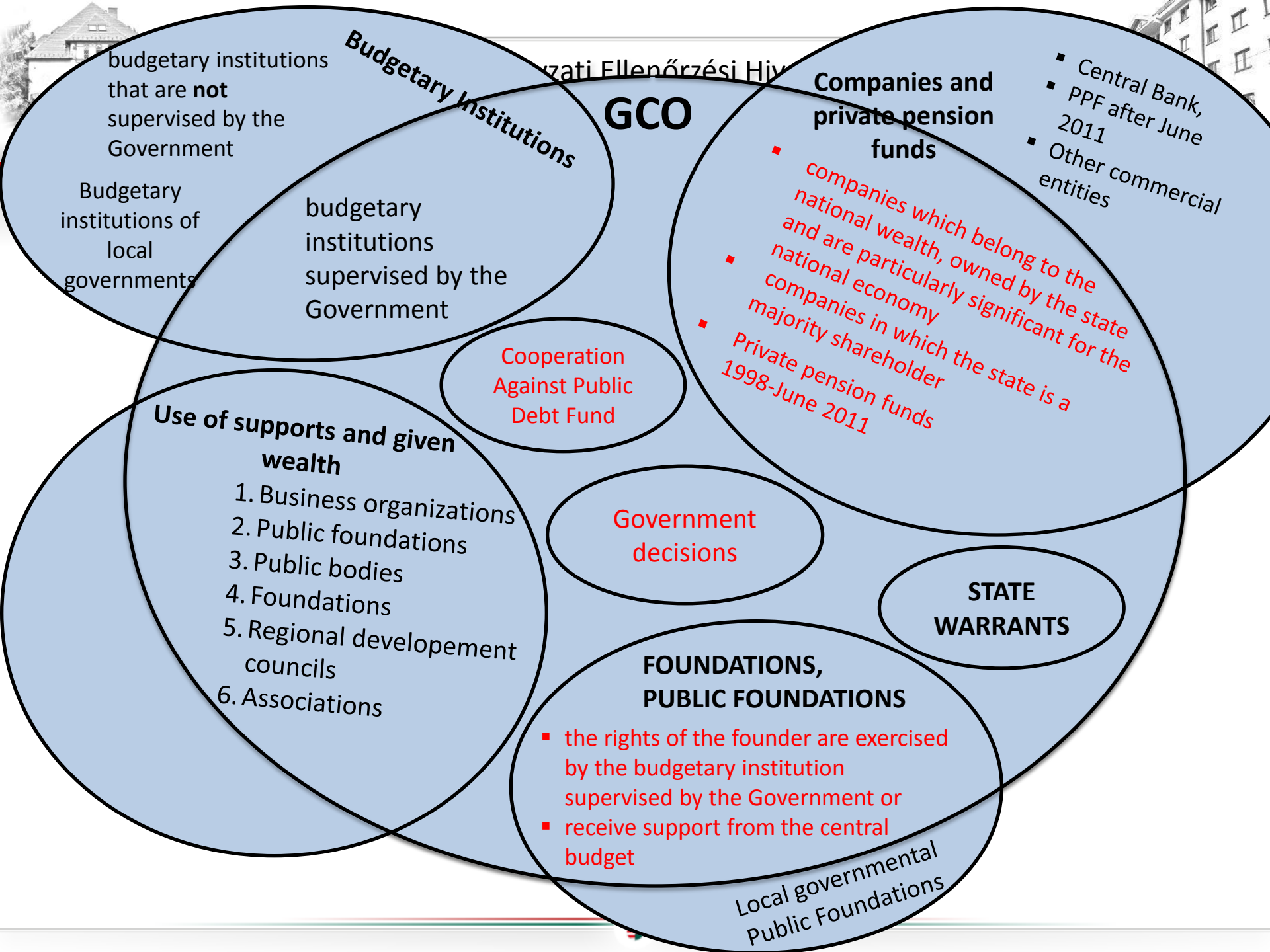


GCO has no controlling authority over:

Chapters of

- the Parliament
- the Presidency of the Republic
- the Constitutional Court
- the Office of the Commissioner for Fundamental Rights
- the State Audit Office of Hungary
- the Courts of Justice
- the Prosecution Service of Hungary
- the Hungarian Competition Authority
- the Hungarian Academy of Sciences
- budgetary institutions belonging under the chapter of the Hungarian Academy of Arts
- the Central Bank of Hungary.







3. New procedures of the GCO 2012





Act on Public Finance (*authority rules*) +

- **Before 1 January 2012**

Government Decree 193 of 2003 (XII. 26.) on the internal control of budgetary institutions (*general rules of control*)

Government Decree 312 of 2006 (XII. 23.) on the Government Control Office (*special rules*)

- **From 1 January 2012**

Government Decree 355 of 2011 (XII. 30.) on the Government Control Office





New functions



Expanding toolkit

1. Administrative fine;
2. Means of loss prevention and reduction
 - a) Blocking of accounts,
 - b) Suspension of the disbursement of budgetary supports,
 - c) Suspension of the disbursement of offerings from the 1% of Personal Income Tax,
 - d) Suspension of refunding of Value Added Tax;
3. Right of enforcement of civil law claims and direct repayment of budgetary supports;
4. Joint control based on cooperation agreement;
5. Consultant activity.





1. Administrative fine

During the control process the **GCO may impose a fine on:**

- the leader or the employee of the controlled organization or other personality
- who possesses data, facts, information necessary for conducting the control and
- who wrongfully violates the principle of co-operation, of the supplying of data, or any obligation regarding the facilitation of the conduct of the government control.

The penalty is imposed:

- by the president of the GCO
- In accordance with the rules of administrative procedure
- in a resolution.

The amount of the penalty shall be a minimum of 5 000 and up to 500 000 HUF (17 – 1680 EUR)





2. Loss prevention and reduction

In case the GCO finds unlawful, improper or wasteful usage of public funds or of the wealth of state, for the purpose of loss prevention and reduction, the GCO may request:

- a) the blocking of treasury account and bank accounts (except for that of wages and the relating common charges),
- b) the suspension of the disbursement of supports allocated from the central budget,
- c) the suspension of the disbursement of offerings from the 1% of Personal Income Tax
- d) the suspension of the refunding of Value Added Tax for the organization being controlled.

The authority or organization which is asked to take the above measures has to act within 15 days.





3. Right of enforcement of civil law claims and direct repayment of budgetary supports

The GCO can proceed without extra power of attorney on behalf of the entitled person in front of the courts and other authorities as well as third personalities for the purpose of:

- enforcing civil law claims and rights relating to the subject of the control or
- the repayment of budgetary support
- which behoves to a budgetary institution which, with respect to national economy, form priority part of national property and is permanently in state ownership and in which the Government is a majority shareholder,





4. Joint control based on co-operation agreement

- Based on co-operation agreements, the GCO can perform joint controls in co-operation with supervisory and official control organizations. (For example with the National Tax and Customs Administration or the Financial Supervisory Authority.)





5. Consultant activity

By decision of the Government or pursuant to the mandate by the Prime Minister or that of the Minister of Administration, the GCO pursues consultant activity.

- The assignment for the consultant activity
 - must be in written form if the purpose is written consultancy;
 - can be verbal if the purpose is verbal consultancy;
 - must contain the subject, tasks and goal of the consultant activity, as well as the form and deadline of the report.
- For the purpose of fulfilling the consultant activity, the GCO may ask data providing, information verifying, or document sending from any authority, governmental or selfgovernmental organization, business organization or person.
- No report of control is made during the consultant activity.





4. The results of the work of the GCO over the past 2 years





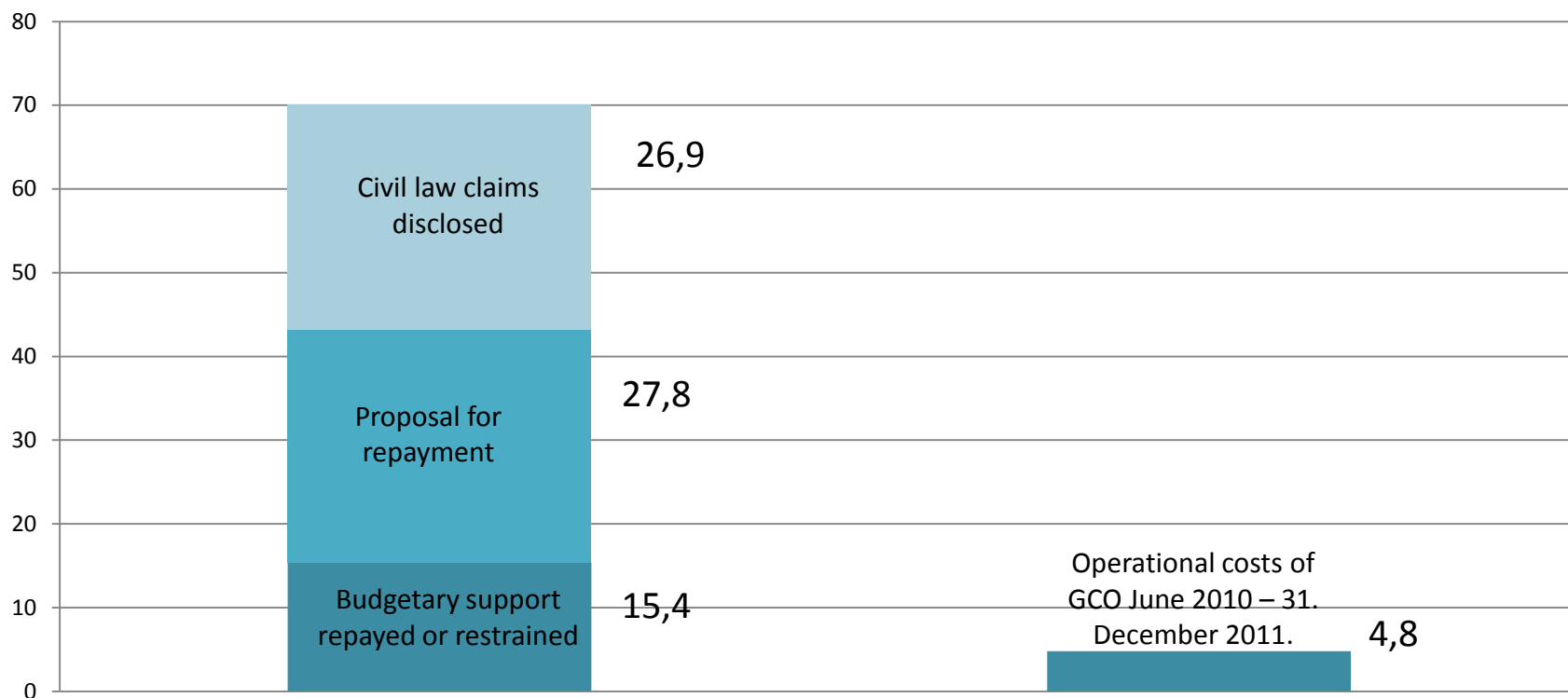
The results of the work of GCO from June 2010

- 54 control procedures (25 ongoing)
- 44 denunciations/accusations
- 4,6 Billion HUF (15,4 Million EUR) budgetary support repayed or restrained
- Proposal for repayment of 8,3 Billion HUF (27,8 Million EUR) support (because of malpractice)
- 8,01 Billion HUF (26,9 Million EUR) of civil law claims disclosed behoving the state
- 31 Billion HUF (104 Million EUR) of financial damage caused by criminal activity





The influence of the GCO control on the budget (million EUR)

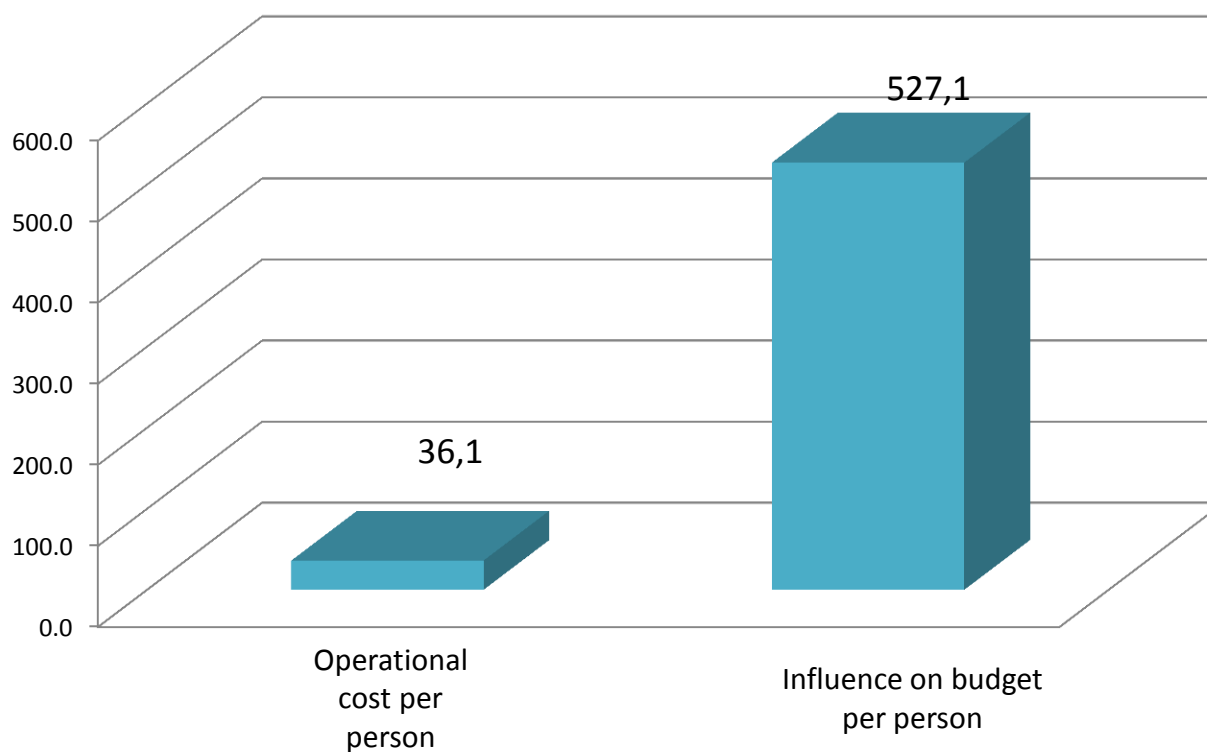


70,1 improvement on the
balance of the budget





Operational costs and influence on budget/person (thousand EUR)



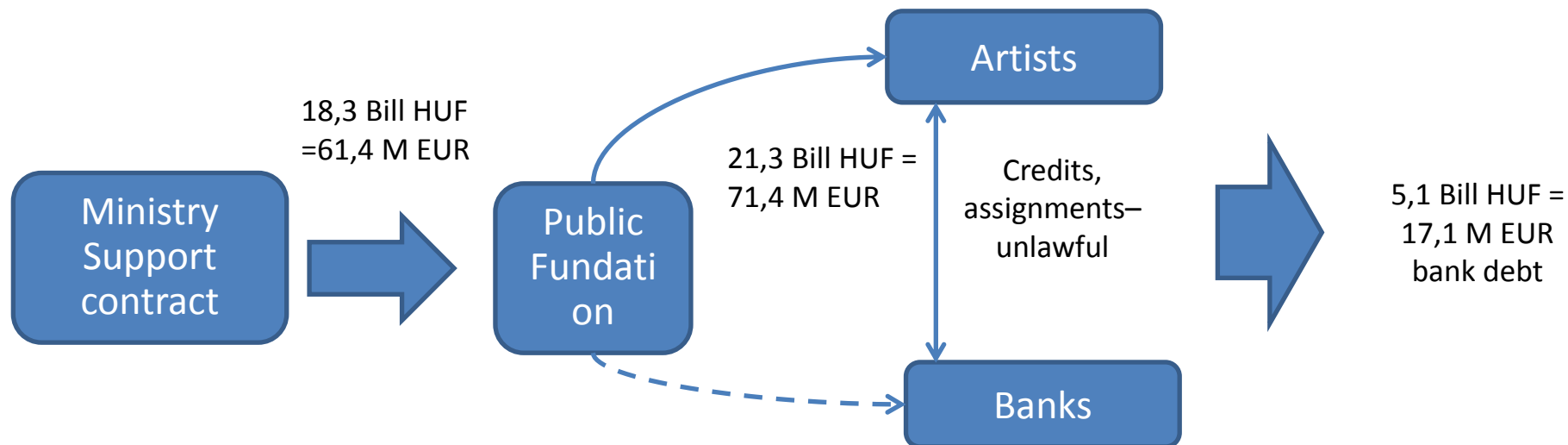


5. GCO control procedures





The functioning of a public foundation 2006 - 2010



Ministry: unfunded longterm commitments, acceptance of irregular pay-offs

Public Foundation: supports exceeding the budget, overspending operational costs, causless payments of contracts, irregularly given art awards, irregular interest subsidy, irregularly given art supports, 1,3 Bill HUF (4,3 M EUR) assets from refundable supports, ignoring public procurement procedure

3,7 Bill HUF
repayment of
support,
accusation of
misappropriation,
3 M HUF public
procurement
fine





Thank you for your attention.

