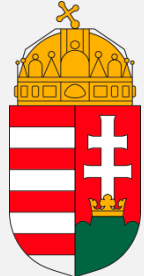


The system of management accountability regarding hungarian public budgetary organizations

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Bern, Switzerland, March 21-23, 2023

**Barbara Kokas J.D.
Head of Department
Department of the Public Financial Regulatory**



Governing bodies of the chapter

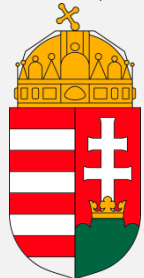
Ministries

Ministry of Agriculture
Ministry of the Interior
Ministry of Energy
**Ministry of Construction and
Transport**
**Ministry of Economic
Development**
Ministry of Defence of Hungary
Ministry of Justice
**Ministry of Culture and
Innovation**
**Ministry of Foreign Affairs and
Trade**
Prime Minister's Cabinet Office
Prime Ministry
Ministry of Finance

Public Internal Control System – Central Harmonization Unit

Ministry of Finance
**Department of the Public
Financial Regulatory**

- regulation
- harmonization
- coordination
- professional forums
- registration of internal auditors
- training system



The regulatory environment of the internal control system in Hungary

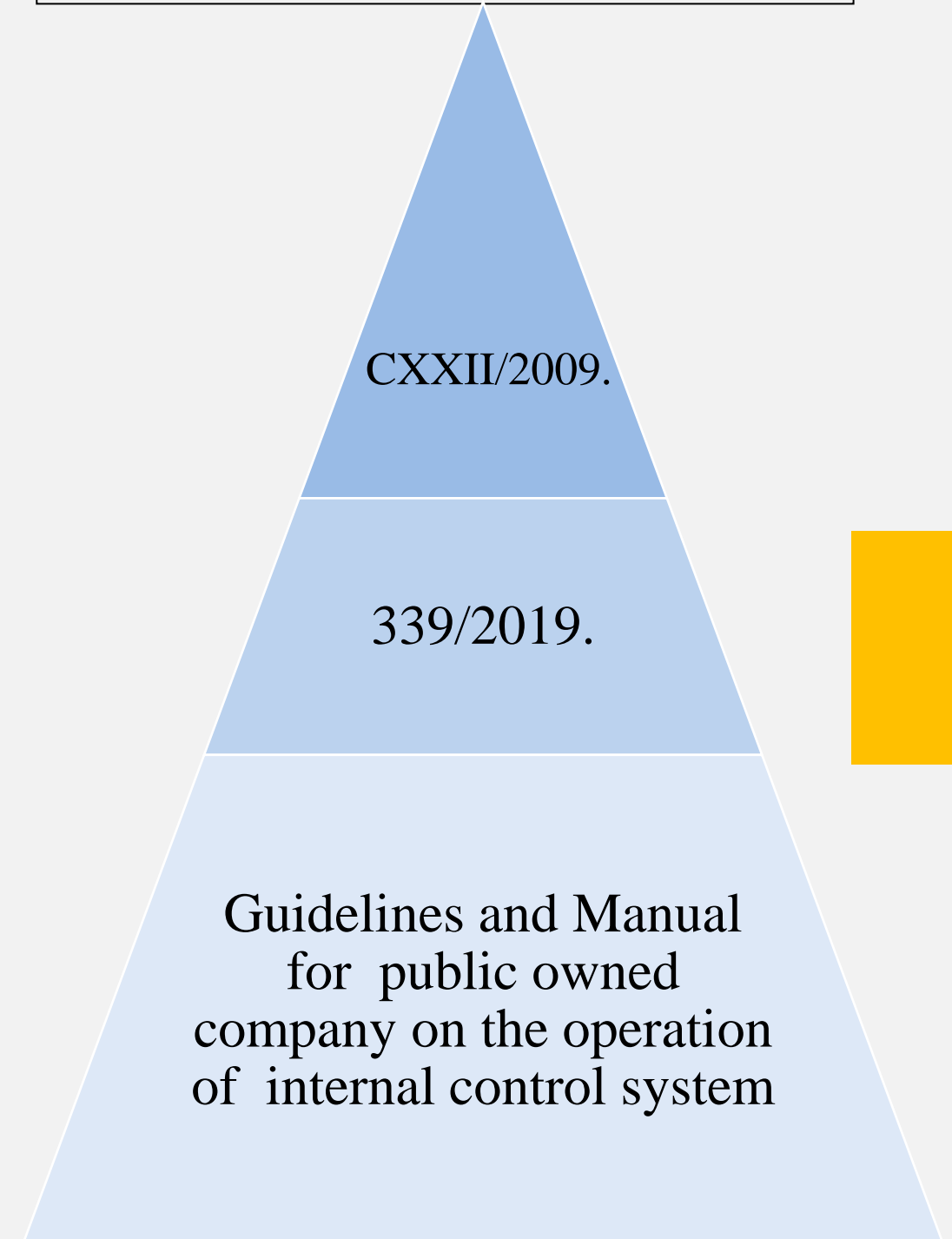
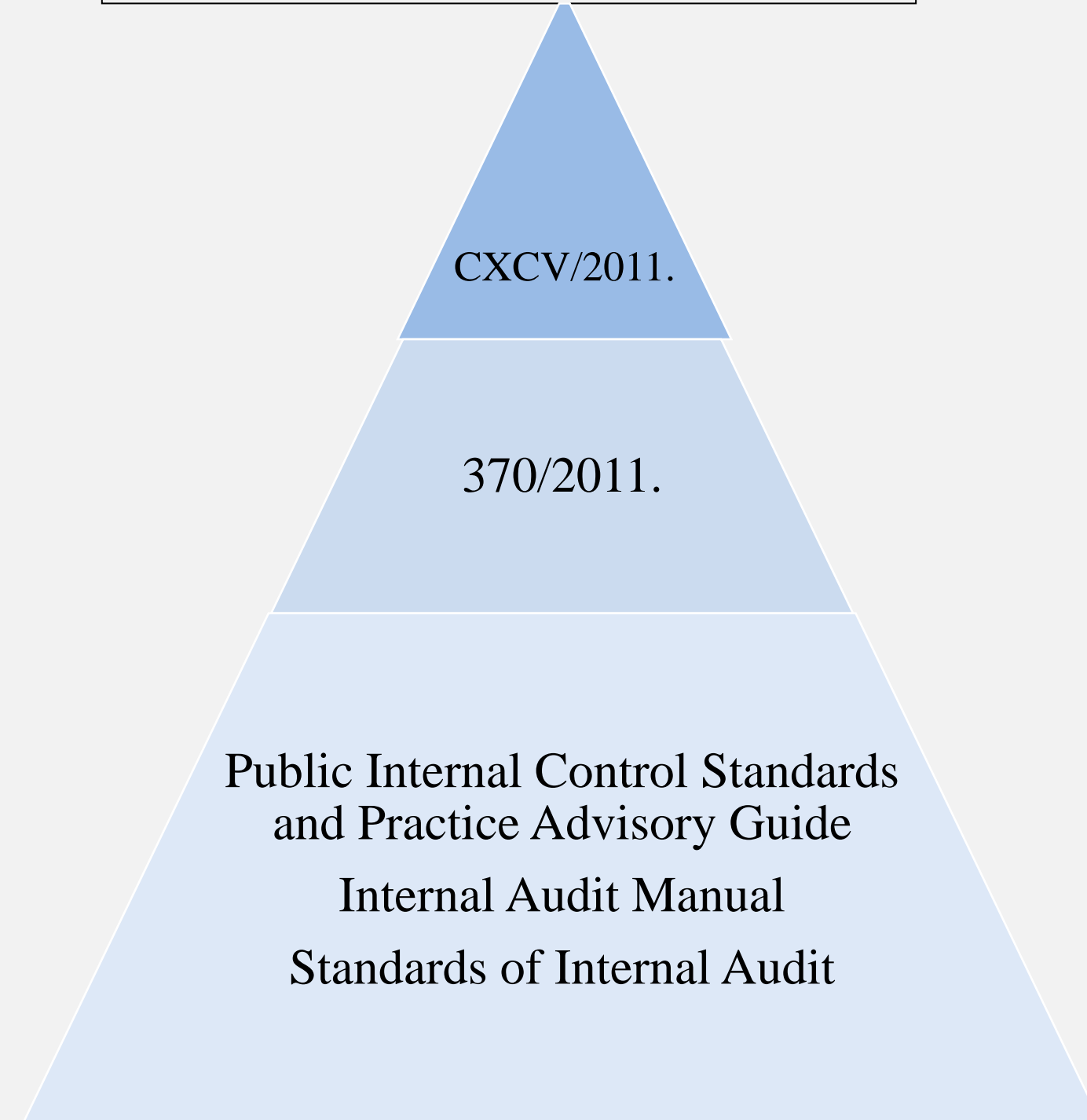
Public budgetary organization
(hereinafter: PBO)

Public owned company

● Level of act

● Level of government decree

● Level of guide



Legal background of the management statement

The Act on public finances:

- ❖ 61. § (1) The purpose of public finance controls is to ensure regular, economical, efficient and effective management of public finance funds and national wealth, and the regular fulfillment of reporting and data provision obligations.
- ❖ 62. § The minister responsible for public finances performs the tasks related to the development, regulation, coordination and harmonization of the public internal control system in accordance with international standards, creates the related legislation and methodological guidelines, and also performs the tasks related to the operation of professional consultation forums and the organization of mandatory further training.

The Government Decree on the public budgetary organisation's internal control system and internal audit

- ❖ 11. § (1) The head of the PBO is obliged to evaluate the quality of the internal control system of the PBO in the statement according to Annex 1.
- ❖ (2) The head of the PBO sends the statement to the governing body with the annual budget report. The head of the governing body send to the minister responsible for public finances the statement and a copy of the statements relating to PBOs under his control or supervision by 30th of April in the year following the subject year.

The content of management statement

Consists of 2 parts:

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General statement:

- ❖ on the establishment of the internal control system and the regular, effective, economical and efficient operation of the internal control system ,
- ❖ on the intended use of the assets and on the performance of the activities specified in the founding document in accordance with the requirements set by law,
- ❖ on the appropriate use of the available resources,
- ❖ on validation the requirements of efficiency,
- ❖ effectiveness and economy in the activities of the PBO,
- ❖ the fulfillment of planning, reporting and information provision obligations and report on whether these obligations were complete and authentic,
- ❖ on the consistenting of management opportunities
- ❖ and obligations,
- ❖ on the accounting system of PBO,
- ❖ the submitted reports truthfully, transparently, fully and accurately indicate the expenses and income for the financial year according to the legal requirements.

The summary of 5 elements of internal control:

- ❖ Control environment
- ❖ Integrated risk management system
- ❖ Control activites
- ❖ Information and communication system
- ❖ Monitoring system

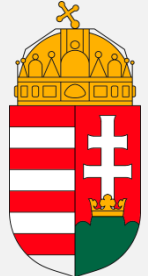
The process of reporting, use/utilization of the management statement

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Public Financial Internal Control Standards and Practical Guidance → guidance notes for the completion, self-check questions in related to the 5 elements of internal control

Statement is made from the bottom to the top, so-called pyramid-principle (declaration of head of units with same content → summary statement of the head of the PBO)

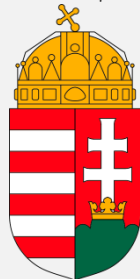
Utilization: collection, examination of the content, assessment in the Internal Control Report of the Public Finances, case-by-case State Audit Office review



Practical experiences: differences, identities

	Governing body (Ministry/ Big organization)	Controlled body (Background PBO/ Small organization)
Management statement	Obligatory	Obligatory
Extent	Appropriate	Minimal information
Information content	Appropriate	Formal filling
Evaluation	Appropriate	Missing (instead of definition)
Documenting handover (leadership change)	Appropriate	Occasionally is missing

Conclusion: nearly 700 declarations per year (data from 2021), deficiencies mostly at the controlled and supervised PBOs, but an improving error rate (10% in 2021, 25% in 2019, 20% in 2020)



Thank You for your attention!

Barbara Kokas J.D.
Head of Department

Ministry of Finance
Department of the Public Financial Regulatory
1051 Budapest, József nádor square 2-4.
Telephone number: +36 (1) 795 3492
Mobile phone number: +36 (70) 668 7140
E-mail: barbara.kokas@pm.gov.hu