

SUMMARY

of the Audit Report on the supervision of the municipal decree on the distribution of resources to be shared by the Municipality of Budapest and the districts in 2022

The process of resource distribution decree-making of 2022 of the Municipality of Budapest was in compliance with the provisions of the Resource Distribution Act, and the regularity of decree-making was ensured. The planned expenditure and revenue figures of the 2022 resource distribution were supported by calculations, and the resource distribution and its financial accounting were in compliance with the regulations. No corrections are required for the 2023 distribution, although supplements needed in case of certain provisions of the decree. The recommendations made in the previous SAO audit have been followed up.

THE SOCIAL REASONING FOR AUDITING

The conduct of the audit will provide the legislator with experience on the regulation of resource distribution, and by assessing the regularity of the resource distribution and the accounting, it will be possible to draw conclusions as to whether it is justified to initiate a legislative amendment. The audit provides feedback to the auditee on the regularity of the implementation of the resource distribution. It gives an indication to society that control over the use of public funds is assured. The SAO's supervision of the resource distribution between the Municipality of Budapest and the districts assures the districts and the public of the appropriateness and soundness of the local tax revenue distribution concerned.

MAIN FINDINGS AND CONCLUSIONS

The 2022 resource distribution decree-making process of the Municipality of Budapest was in order. The Mayor's Office of Budapest disposed of the office's rules and regulations defining its organisation and operation. The Municipality of the Budapest provided for the tasks related to the resource distribution decree-making process in the internal regulations and job descriptions of the Mayor's Office of Budapest, which complied with the legislation in force. The Organizational and operational Regulations of the Mayor's Office of Budapest designated the Budget Planning and Supervision Department and the Tax Department as separate departments for the tasks related to the drafting of the resource distribution decree. The order of business of the Tax Department's were not adapted in line with the organisational changes, with some tasks being assigned to the Department of Finance - abolished by the Organizational and operational Regulations of the Mayor's Office of Budapest with the entry into force of November 1, 2020 - instead of the Budget Planning and Supervision Department. The Municipality of the Budapest complied with the procedural rules and controls provided for in the Resource Distribution Act and its internal regulations during the process of the resource distribution decree-making. The content of the 2022 Resource Distribution Decree was in compliance with the provisions of the Resource Distribution Act. In order to ensure transparency and ex-post control, it is necessary to supplement the implementing rules of calculating the tax revenue collected and the calculation projection basis of

the fines and surcharge, the definition by decree of conditions for advance payments and to ensure consistency between the provisions of the Resource Distribution Decree.

The projections in the 2022 Resource Distribution Decree have been supported by calculations. The determination of the planned figures for revenues jointly entitled to and to be shared by the Municipality of Budapest and the district municipalities complied with the requirements of the Resource Distribution Act. The shares of the revenues received from local taxes and related surcharges and fines between 1 January 2022 and 30 September 2022 were determined in accordance with the provisions of the Resource Distribution Act and the Resource Distribution Decree, the financial accounting of the shared revenues was in compliance with the regulations. An advance payment was made to the municipalities against the collected tax revenue to be shared, but the concerning rules were not defined in the Resource Distribution Decree.

The determination and accounting of the local taxation expenditure related to the operation of the Municipal Tax Authority of Budapest was in order. The amount of the operating expenditure determined as an advance for the year 2022 in the Resource Distribution Decree was sound. The reconciliation between the expenditure advances declared and the expenditure actually eligible in 2022 was made and the difference recognised for the district municipalities was properly accounted for.

In the course of the resource distribution, the sharing and transfer of local tax revenues received in the months of January-September 2022 and the accounting of the expenses taken into account, the SAO audit did not reveal any unauthorised accounting or accounting with an amount lower than municipalities are legally entitled to, and therefore no correction is required for the 2023 distribution.

Tasks to remedy the shortcomings identified by SAO's previous audit in the preparation process of resource distribution regulation of the Municipality of Budapest - undertaken in the action plan of the municipality - were completed on time. The recommendations of the previous SAO audit have been followed up.

The SAO made four recommendations for action to the Chief Notary of the Mayor's Office of Budapest.