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Control of the state budget during and after execution

SAI's competence includes the audit of the state budget (central government's budget), which is of extraordinary importance from the point of view of regular use of public money. The budget's extension, structure, classification system, execution, and the reporting on the execution represent national particularities. Some of them appear obviously during the related audits, i.e. during the financial-compliance audit of the execution of the budget as well. Meanwhile, efforts can be observed everywhere to develop and apply internationally accepted best practices, so that the use of public money should be appropriately regulated, traced and controlled.

The SAIs of different countries made their decisions in different periods of time to adopt internationally accepted best practice. In consequence, differences can be found in the conditions of the financial-compliance audit of state budget execution, in the applied methods and in the achieved results, too. Opportunities and solutions -that are necessary for the SAIs to audit the execution of the state budget according to that best practice, which is in line with the given requirements- can be indicated by presenting the differences and similarities.

In order to be able to reach proper conclusions and to work out useful suggestions on their basis, we should observe if there are any guarantees (and what kind of guarantees) in the different countries for creating the conditions of an efficient and controllable management of public money and what is the state budget execution's control system like.

Therefore, the assigned working group has elaborated as following the Sub-theme II „Control of the state budget during and after execution”, which is a part of the Congress-subject “SAIs and the audit of the state budget execution”. The legal regulation, prescriptions and practice of Norway, Lithuania, Moldavia and Hungary were compared and evaluated on the base of the country reports prepared according to the accepted aspects that were worked out together. Considering the state of affairs outlined in the papers, the internationally approved requirements and the INTOSAI standards, conclusions were drawn and questions were developed.

In order to reach the objective – namely, to put forward recommendations on developing the control of state budget execution, based on realistic analysis of the situation to the V. EUROSAI-Congress- it is required that all SAIs give answers to the attached questions and express their opinions, suggestions on the theme, taking our synthesis into consideration.

1. Legal frames for the execution of the state budget and for the accountability of the government

The existence, respectively the creation of appropriate conditions is required for the given country's SAI in order to audit the state budget's execution and the regular use of public money, whether the spending was in line with the Parliament's intentions and appropriations. The related question is, whether the frames necessary for the SAI to audit the state budget's execution according to international requirements, are granted by the country's legal regulation.

Namely, it is an important condition to regulate the state budget's periods, extension, structure, execution, and the reports on execution by high-level legal provisions (acts approved by Parliament) and to assure the stability of the audit's basis in this way.

The legal regulation on the budget's structure, execution, on the related accountability, audit responsibility and book-keeping is of similarly high level in the countries participating in the working group. In several among them, the constitution declares that the approval of the state budget is the Parliament's task. Acts or regulations approved by the Parliaments determine the principles and procedures of the state household and state budget, the principal rules on appropriation management and budget control. Acts or legal regulations define the most important instructions on accounting and bookkeeping. Detailed rules and requirements are comprised in lower level legal provisions – generally in government decrees, occasionally decrees of the Financial Minister- suiting the frames determined by the acts.

The legal regulation on the state budget and accounting has to incorporate the internationally approved principles, among others the principles of annual budgeting, completeness, uniformity, gross accounting, cash based accounting, transparency and publicity.

The **principle of annual budgeting** is enforced by the legal regulation of all four countries. It means that the appropriations have to be used (or can be used) for the needs arising in the calendar year. Generally, it is not allowed to carry forward an approved expenditure item to the next budget period.

The structure of the state budget, although it differs in some way, contains similarities. The administrative and the functional, economic classification is equally typical. The restrictions of the authorisation regarding the use of appropriations are connected with the structure and determined by the law or regulations (acts, government decrees). Despite of the differences in the central budget, we presume that chapters and high priority appropriations can be regarded as basic units of budget appropriations.

Regarding the disposability of appropriations in the following year, there are some regulated exceptions in the practice of the different countries. The allowing of carrying forward the appropriations charged with obligations is an example for it, represented in the Hungarian practice as well. An additional example is stated in the Norwegian regulations, according to which it is permitted to carry forward up to 5% of an appropriation for current expenses to the following budget period. Exceptions beyond this require special approval. Exceptions approved in the budget resolution are indicated by means of catchwords attached to budget chapter or item. The catchword 'estimated appropriation' can be attached to those expense appropriations, which are based on provisional calculations, and for which the possibility of a necessary overspending must be granted, like in the case of statutory subsidies. The catchword 'can be carried forward to the next year' can be attached to appropriations for construction and equipment and other kind of expenditures if decided so by Parliament. This appropriation is then available also in the next two budget periods. Carrying forward beyond that time is not permitted. If the catchword 'can be used under...' is attached, the respective appropriation can also be used under other chapters or items.

Meanwhile, by the exceptions, the given appropriation remains „open” after the closing of the fiscal year, too. That's why it can be important for the SAIs if they have and if they are obliged to have a uniform or special concept, opinion about the practice of allowing the exceptions, and what is the real content of the conception at all.

Beside the annual budgets, in some countries budgets for several years were prepared by the government and approved by the Parliament in the past years (for example in Lithuania from 2001 for 3 years, in 2000 in Hungary for two years, but this happened at the unchanged enforcement of the financial management principle of annual reporting).

Also at this point emerges the question of how the SAI judges the approval of budgets for several years from the aspect of the **enforcement of the completeness principle**. The requirement of the completeness principle means that the state budget has to contain the total income and expenditure of the government for the entire budget period in that very extent as it can be foreseen at the moment of the budget approval. So the state budget has to be realistic. It is specially important to have a realistic estimation for the extent of inflation.

Regarding the requirement of employing the **gross accounting principle**, the practice of the concerned countries is not uniform and comforting. The interdiction of settling incomes and expenditures against each other is not defined everywhere by acts or regulations approved by Parliament, but by lower level decrees. In addition, we have not received any positive indication from the Lithuanian SAI concerning the enforcement of this principle, which is also important for the transparency of the report on the budget execution.

In all four countries, the accountability is built upon the **cash-basis** accounting system. Another similarity is that the budgetary organisations (ministries, subordinate agencies) disposing of budget appropriations are obliged to prepare annual budgetary statements. Naturally, there can be and there are surely differences in the structure and specification of the annual budgetary statements, but the adjustment to the international accounting standards assured the presentation of their assets and sources beside the presentation of appropriations and of their use.

Meanwhile, beside the application of cash-basis accounting, the expansion of accruals based approach can be perceived, which is realised in different ways or is just intended to be realised. This change in the approach is reflected in the fact that the following questions come into the very focus of the budget and of the execution: how much does the state spend, on what objectives and tasks, how big are the foreseeable effectiveness and the benefit for the society and economy. In other words, the tendency of concentrating on the desired achievements, outcomes (outputs) is clearly outlined in the shifting of the traditional „input” budget systems. The related accruals based accounting expand the budget’s scope with the possibility to recognise the future opportunities and barriers and also serves as a measure to distribute and regroup economic-financial resources.

It can be regarded as an outcome of the expansion of the accruals based budget system approach that the Lithuanian and Moldavian SAIs indicated the application of accruals based approach elements beside the conservation of the cash-flow system.

The question comes up: **why and to what extent does it affect the auditing work of SAIs on the execution of the state budget?** We presume it is beyond dispute that the requirements of budget transparency are in need of consultations to a certain extent also in respect of the international accounting standards and SAIs have to prepare for changes concerning both the actual audit tasks and the methodological developments.

Does the SAI have to form an opinion and put forward suggestions to the legislative bodies on the relating legal regulation in the frame of auditing the execution of the state budget?

It comes from the above that the answer is yes, if the opinion or proposal relating to deficiencies in legal regulation is based on audit findings. Namely, the compliance audit demands, on one hand a harmonised legal regulation for the requirements by the appropriate state administration level (The different levels of regulation – e.g. agency, government, Parliament - have to be in line with each other). Such regulation enforces the internationally approved principles concerning the budget, its execution and the system of auditing the accountable entities. On the other hand, the execution of the budget according to the Parliament's respective intentions authorisation can be guaranteed by allowing exceptions in high-level regulation, namely in acts or regulations approved by Parliament. Such exceptions should be restricted to the possible narrowest scope. Promoting the enforcement of these requirements is the task of the SAI.

However, it is a subject of debate, whether the SAI can provide his professional expertise, opinion to the Parliament and public administration during the process of the legislative work – including the working out of proposals for acts and other legal provisions on financial subjects - and which area can the SAI's support focus on. This supplementary task may not influence the future audit findings of the SAI and may not disturb the efficiency of its auditing work.

The question of the legal regulation of accounting is an exception in this regard. Regarding the legislation on accounting, bookkeeping, the SAIs have some special tasks of “non-auditor character”. This means that the countersign of the SAI (its agreement) could be required to approve legal provisions on accounting. This task offers an important instrument for the SAI to enforce the requirement of auditability of the statements submitted by auditees on the use of public money. **The question is, how can the SAI fulfil this task in the most effective way. (Is it enough to express opinion on the drafts of legal provisions or should the SAI rather suggest or initiate concrete proposals for solutions?) It can be a further question if the SAI in this role should support the centralisation or rather the decentralisation tendency regarding the development of the state household accounting.** Does the regulation of the state accounting system assure the transparency, the closed system of the public money managed in the central budget system and the accounting for the state property as well?

2. The system of accountability in regard of the state budget execution

The question is, whether the system of reporting on the execution of the state budget (the different closing account documents) provides the conditions for the efficient execution of financial-compliance audit tasks.

In all four countries, acts approved by Parliament and/or government decrees contain prescriptions on the content, structure, specification of the financial statements on the execution of the state budget. The principle of transparency and comparability with the budget is enforced in these, because the final accounts are required to be of the same specification as the state budget.

The order of different tasks, functions relating to the preparation of the final accounts on the state budget execution, the responsibility for the correctness and authenticity of the data in the documents that serve as a basis are regulated – generally in line with the hierarchical order of authorisations for using the appropriation. The Hungarian practice presents the following example for that. There are three different responsibility levels at the preparation of the closing account of the central budget: each organ (institution), which dispose of a budget appropriation and is obliged to prepare a budgetary statement, is responsible to draw up its own statement and to forward it to

the host of the chapter¹ (usually a ministry or a central agency). The minister is responsible to prepare the closing account at chapter-level, which includes, according to the division in the structure of the budget act, the statements of the chapter's own budgetary institutions, and the statements of the budgetary institutions supervised by the chapter. The minister forwards the chapter-level financial statement to the Ministry of Finance.

There are significant deviations among the different countries in the content of documents on the execution of the state budget (final accounts) submitted to Parliament.

The Norwegian central government's financial statements comprises a statement of 'appropriations accounts' (the final accounts) and also comprises 'capital accounts'. The appropriation accounts have to show expenditures and revenues for each budget item, appropriations carried forward from the previous to the examined budget period, each appropriation of the period, and the amounts carried forward to the following year. The appropriation accounts also show how much the state has borrowed in the budget period. The 'capital accounts' contain a statement of the assets and liabilities of the central government and show how these relate to the appropriation accounts.

Hungarian law prescribes that the presentation of the draft law on closing account act has to contain – for information- the balance sheets of the central budget, the balance sheets of the state household, the public debt and the portfolio of the state credits, the balance sheets of the Funds, the consolidated balance sheets of local authorities and separate balance sheets of the local minority authorities, the balance sheets of the social security, the statement on the property status of the sub-systems of the household system and statements on financing the budget deficit.

In Lithuania, the statements on the execution of the state budget shall be prepared and approved on the basis of the following: budget indicators (approved in the Law on the Approval of the state budget and financial indicators of municipal budgets); use of the Government reserve resources; and amounts of carried forward excess and unused payments into the state budget meant for the funding of special programs.

Question: What should be covered by the SAI's audit on state budget execution? Is it enough for its financial compliance audit to cover the annual budget statements of the agencies managing appropriations (the budgetary institutions) and the aggregate data of statements as well, or should it cover more than this, should it extend entirely to all information comprised in the final accounts document?

The statement on the state budget execution submitted to Parliament (draft law and the supporting documentation) is prepared by the Ministry of Finance in each of the four countries on the base of data, evaluations from the annual budgetary statements of the agencies managing appropriations (supervisory bodies/ ministries/and subordinate organisations) and on the base of the accounts managed by the Ministry of Finance itself (for example national accounts). Meanwhile, besides deviations in the content there are some technical and time-related differences regarding the final accounts documents of the concerned countries.

For example in Norway, the central government financial statement is prepared by the Ministry of Finance, primarily on the basis of electronically transferred monthly accounts reports from all government agencies and Ministries. The accounts reports are entered in the central government

¹ The chapter is the biggest unit of the central budget in Hungary. The whole central budget consists of 27 chapters.

general ledger, which is kept by the Ministry of Finance. It is stated in the Financial Management Regulations that every agency and Ministry is required to use an IT-based financial accounting system, which must be able to communicate with the central government accounting system at the Ministry of Finance. Every agency that has received a letter of allocation authorising it to use its part of the appropriations is obliged to submit accounts reports to the Ministry of Finance. In addition, each ministry is obliged to submit accounts reports for the part of the ministry's appropriation that has not been allocated to a subordinate agency. The Ministry of Finance is responsible for the entering in the central government general ledger of accounts data that is not covered by the accounts reports of government agencies or Ministries.

The Hungarian and Lithuanian regulations are similar in the way that the budgetary organisations with accountability (appropriation managers) prepare their statements on the budget execution from their accounting data and forward them according to the order defined by national regulations. The Finance Ministry prepares the document on the state budget execution on the basis of the data from the budgetary statements, after having supervised the annual budgetary statements according to determined procedure and aspects.

Because of the deviations outlined above between the solutions, there are different deadlines in the countries – prescribed by legal provisions of different levels- for submitting the final accounts to Parliament, and therefore there also different deadlines for the SAIs of the different countries to conclude their relating audit tasks and to submit the report on final accounts (e.g. November in Norway, June in Lithuania, August in Hungary) as well.

It is a requirement by legal provisions of different levels in the countries that the concerned agencies (ministries, controlled institutions) should prepare a textual evaluation for their financial management of budget appropriations, for the use of appropriations and within that, explain the reasons for deviations between appropriations and implementation, and for appropriation remains.

SAIs have access to all annual budgetary statements as a basis for the state budget execution statement and to the draft law on final accounts (documents) prepared by the Finance Ministry. But the possibility of the access is different.

In order to audit the state budget in a proper way, it is important that the budgetary and accounting prescriptions and rules, the objectives of appropriations, the expectations on achievements, the accountability requirements, and the access of the SAI to accounting data, profit and loss accounts are all covered and dealt with by a joint framework regulation of the central government, which covers each level of the central government's operation and functions well. SAI must work on the development of this frame, if it operates unsatisfactorily.

The content of the final accounts documents, the system of aggregating and processing the data from accounts on using appropriations and from budgetary statements – that is formed differently from country to country – raise different demands in connection with the related audits. Thus, it has an importance for SAI what methods and means are used for composing the final accounts document in its country and what solutions are able to develop it rationally in order to assure efficient audits.

Question: Is it useful, is it necessary to have statements on the state budget execution (final accounts documents) with a uniform, standard content in a given country? If yes, what role can the SAI play in it?

3. The control of the state budget execution

3.1. The system of external audit

The external audit of the state budget execution in the working group's countries is managed only by the SAI. Some exceptions can be found in the Hungarian practice. Except for the central (governmental) budget, in this country statutory prescriptions require the other sub-systems of the state household to get the annual statements on the execution of their budget certified by auditors. (It means that the annual budgetary statements of the "Separated State Funds", the Social Security Financial Funds, and local authorities must be audited by an independent auditor, if the budget or, in case of local authorities, the population is above a certain level.) Also in these cases, the regulations assure the possibility for the SAI to get acquainted with the report of independent auditors and authorise the SAI, at a certain scope, to make proposals for choosing the independent auditor.

Question: What approach should the SAI apply for the financial-compliance audit managed by the independent auditors when conducting its own audits?

Though it is not a legal requirement, the Hungarian SAI employs an independent audit company to carry out a financial-compliance audit of the SAI's annual budgetary statement.

Is the question of the external audit of the SAI's budgetary statement solved, is the audit by an independent auditor of it needed or required by legal provisions?

In respect of auditing the state budget execution, it is a particularly important requirement that the supreme audit institutions (SAI) can fulfil their role objectively and effectively only if they are independent of and protected from the influence of controlled organisations – in this case from the government that submits the final accounts documents to the Parliament and from the institutions that are accountable regarding the execution of their own budget. At the same the SAI - on the basis of its authorisation for auditing - has to be free to determine the priorities of the auditing work, the working program and the methods concerning the audits to be carried out.

Question: Does the SAI have the competence and the independence necessary for the audit of state budget execution? What does assure that the SAI can fulfil this task uninfluenced by and independent of the executive power?

The most important conditions for the requirement of SAI's independence are being enforced in the member countries of the working group. The SAI is the auditing body of the Parliament. Acts by Parliament, and other provisions, etc were approved concerning the SAI's tasks, powers, and in Hungary and Norway the creation of the SAI was assured by the Constitution as well. The Moldavian SAI has judicial power.

A task prescribed for SAIs by legal regulation (constitution, acts) is the audit of the draft act on state budget execution or of the central government financial statement (final accounts). But legal prescriptions do not define the method of the audit, and in some countries neither the content and form of the SAI's report on it. It is the SAI's own decision. By the need for adjustment to INTOSAI standards, the SAIs decide on their own during the audit of the state budget execution on the development of audit methods and application of internationally accepted best practices.

In several countries of the Working Group it became a practice that SAIs prepare their strategic plans for several years. Strategies deal with audit tasks, objectives, methods and with the reasonable organisation and distribution of internal sources, capacities. Strategic planning builds upon

the expectable development in the central government and in the budget, and also takes into consideration the development being made within INTOSAI and the audit profession. Strategic planning provides a basis for determining the annual audit plan of the SAI. The SAIs themselves define their annual audit tasks, taking into consideration their legal obligations and audit capacity conditions.

Independence seems to be restricted in several of the concerned countries from the aspect of approving budgetary sources that are necessary for the SAI to operate, since the SAI's budget is determined through the state budget's planning and approval system. In Norway the SAI's budget proposal is dealt with by Parliament without prior consideration by the Government."

Question: Are the conditions for the SAI's operation influenced by its auditing activity targeting the state budget execution, if yes, to what extent? What methods and measures could guarantee the SAI's financial independence of the government?

The SAI's audit of the state budget execution statement has, in each of the three countries, a financial-compliance character, and to some extent a performance audit character." The differences indicated above between the countries regarding their state budgets and the statements on execution (final accounts), are reflected by the objectives and aspects of the state budget execution audit.

Comparative evaluation shows that the Norwegian SAI's practice of financial compliance audits is the most advanced, regarding both the system of conditions and the execution. The Hungarian SAI in 1998 and the Lithuanian SAI in 2001 have drawn up in their strategy the further development of their audit methods, considering the internationally approved standards (INTOSAI, EUROSAI, IFAC).

For implementing the audits, it is important for the SAIs to work out their audit methodology and standards. An example for this is the Norwegian practice, where SAI developed its own audit standards on the base of the INTOSAI standards. It also uses other international and national standards to develop its own standards. SAI-standards must be used at all types of audits, including the audit of financial statements of central government.

3.2. The system of internal control

There are important differences in the establishment, functions and operation of the internal control system of the state budget sphere, which appear by the annual final accounts as well. In some countries, legal regulations prescribe for the management only the responsibility to assure the continuous control of the harmony of expenditures with the approved appropriations. In other countries, there are also provisions on the obligation to establish an internal control body.

Generally, internal control bodies do not manage financial-compliance audits on the budget execution. Annual statements of budgetary agencies are not getting audited by their own internal control body or supervisory control institution by the means of the financial-compliance audit method. Meanwhile, in several countries, it is prescribed for the supervisory institution (ministry) to control the annual budgetary statements of the subordinate agencies during the preparation of the final accounts documentation. The control is managed by different aspects in the practice of the countries. There are countries, where it only aims at numerical accuracy and compliance (required signatures, appendices, etc.), in other countries it is based on aspects required by legal provisions (fulfilling professional tasks, numerical accuracy, correctness of relations in the content of accounting).

In some countries, the responsibility to conduct financial-compliance audit regarding the annual budgetary statements is also a part of the internal control bodies' duties defined by legal provisions, or can be fitted to the provisions. Taking into consideration - among others - the accounting standards on „using others' work”, there are intentions for the supervisory institutions to audit the budgetary statements of a determined scope of subordinate agencies according to SAI standards, by employing their own control bodies – bearing in mind the responsibility of supervisory institutions for the authenticity of the data delivered for the final accounts. Naturally, the SAI audits those annual budgetary statements that are of important audit risk, or where the independence of the supervisory control institution is not expectable. **This effort can be judged as appropriate and it is reasonable that the SAIs encourage the development of the internal control with a system-based approach and provide help in the area of methodology.**

An important internal control function concerning the state budget execution is fulfilled by the treasury system's operation. Each treasury organisation conducts controls built in the work-flow (financing process), which is a fund control before the use of budget appropriations. SAIs in the working group think that it functions well, it ensures for the concerned agencies not to exceed their approved budget. Regulation guarantees that the treasury gets informed permanently of the approved re-arrangements, modifications of appropriations. We present the following Hungarian practice as an example for the control role and operation of the Treasury.

The Treasury manages the central budget agencies' (ministries, institutions) accounts for using appropriations. Beside the elementary budget, these institutions have to prepare a treasury budget and forward it to the Treasury. They have to inform the Treasury in a determined way, if the appropriations in their budget are modified. (The treasury budget contains appropriations in details according to the Budget Law, the elementary budget is more detailed.) These documents are the basis for the control built in the financing work-flow of the Treasury. The Treasury executes a double fund control before fulfilling the need for using appropriations. First, it controls if the budget of the institution that requires the use of appropriation has free sources to pay out. If yes, then it controls if the appropriation for the required purpose is enough to cover the requested sum.

4. The audit of the state budget during execution

Ex-ante control in the execution process of the budget is not general. It seems so that only the Hungarian Treasury controls ex-ante those appropriations earmarked for task-financing - prior to the financing. Documents confirming the regularity of the demands for using appropriations (regularity of the transactions) must be sent to the treasury. These are controlled by the treasury, and payouts are realised in case of regularity.

Question: Does ex-ante control exist in the state budget system, are there any intentions to introduce and develop ex-ante controls? What role can SAI play in this point?

A part of the SAI's audit activity is to evaluate the enforcement of legal requirements that provide protection against the unwanted use of appropriations. Each SAI finds the operation of internal controls, the measurement and evaluation of the risks implied in internal controls important, and applies internal controls in different forms and with different methods.

On the one hand, SAIs build upon the knowledge on internal control mechanisms, that they gain from audits of different kinds and themes, at a given budgetary agency. On the other hand, they evaluate the risk in the frames of financial compliance audits of the current year. Compliance

tests are executed to confirm whether the internal control mechanisms are appropriate and operate properly.

According to an Hungarian example the SAI evaluated during a special examination the internal control mechanisms at ministries (chapters) and at their subordinate agencies, in order to get an overview of the situation in this field, and to make suggestions for the central government on the actual general tasks of internal control systems' development.

Question: What is the SAI's practice in regard of the examination of internal control mechanisms/systems? Has the SAI worked out some methods for the uniform evaluation of the operation of internal mechanisms/systems?

Among the members of the working group, the Norwegian SAI carries out audit of all Ministries and subordinate agencies, as it is described below. In the other countries, SAIs audit the budgetary statements in a gradually increasing circle, respecting the schedule ("timetable for making progress") determined in their strategy. The personal, material, technical conditions for this are not ensured everywhere, their creation is under way. (The years 2003 and 2006 are foreseen in Hungary, respectively in Lithuania, for extending the scope of the audits for the whole circle).

Different conditions led to different solutions, as the following examples show.

On the basis of risk and materiality, the Norwegian SAI carries out financial audit of agencies and Ministries both throughout the budget year and after the end-of-year closing of the accounts. The auditing throughout the year is either based on the SAI's on-the-spot access to the general ledgers of agencies or Ministries, or by temporary agreement on electronically transferred accounts data from the general ledgers to the SAI. Every agency and Ministry must have installed or have access to an IT-based financial accounting system, that meets technical reporting requirements specified by the Ministry of Finance. Many of the agencies and all Ministries get access to this through state-run central accounting offices. In such cases the central accounting office transfers the periodical accounts data to the SAI for all its customer agencies. These accounts data makes it possible for the SAI to carry out preliminary audit procedures of analytical/statistical sampling nature before visiting the agency for possible following-up. The accounts data transferred to the SAI contains the information that the accounts reports to the Ministry of Finance shall be based on, and which are entered in the central government general ledger. After agreement with the Ministry of Finance, the SAI gets electronically transferred accounts data also from the central government general ledger after the first half of the budget year. Although most of the auditing throughout the year is directed at the agency level, it is thus possible also to verify the entering of accounts data in the central government general ledger after the first half of the year. The Norwegian SAI has not found it necessary to do this on a more regular basis.

An on-line computer connection operates between the SAI and treasury in Hungary. SAO concluded an agreement with the management of the treasury in order to receive data of the transactions of concluded years, so treasury transactions can be loaded down by SAI's computers. This connection allows the SAI to view the information tables made for the Finance Ministry and the management of the treasury.

The final accounts on the state budget execution is not based on treasury registers, but mainly on the aggregation of the data from chapters' and their subordinate agencies' statements. The compulsory harmonising procedure for the preparation of the treasury's statement – which is made on base of treasury registers – has only a control role at the present. At the same, it is a problem that the accountable organisations (whose statements' data base the final accounts) do not have a

uniform computer accounting system and their systems are not connected to the SAI's computer network. Therefore, financial-compliance audits during the year are still carried out only by audits on the spot.

The auditors call the concerned agencies' attention to the revealed insufficiencies in a way that suits the standards (e.g. manager letter) in the interest of the correction of the faults. The experiences are getting used in the report on the annual statement if it is necessary. It also concerns the audit of the final accounts document prepared by the Finance Ministry, of which the plan is transferred to the SAI before submitting it. The correctable faults are rectified by the Finance Ministry during the SAI report's harmonising process.

Question: Is the computer accessibility solved for the SAI to conduct financial-compliance audit during and after execution? What are the chances – according to the SAI's view - to enforce or promote this accessibility?

5. The audit of the state budget after execution

The SAIs – as mentioned in the preceding pages - audits the document of the draft law on the state budget execution or of the central government financial statement (final accounts) by using financial-compliance, and other kinds of compliance audit methods and also to some extent, performance audit methods. The SAI carries out the audits through electronic connection and/or on the spot (in the Ministry of Finance, at the accountable agencies/ministries, subordinate organisations), depending on the opportunities of the technical conditions.

In many countries, there is no legal regulation for the SAIs on the aim, aspects of the audits regarding the state budget execution, neither on the content, form of the reports summing up the findings.

The Parliament does not discuss in all of the concerned countries the central government financial statements (or the draft law on central budget execution) and the SAI's report at the same time. The content and the form of the reports in the countries represent several national peculiarities. The practice is also different in that regard whether the SAI makes proposals, suggestions to the Parliament –and if yes, in what form does it make - on the approval of the central budget execution statement.

Among the members of the working group, the Lithuanian practice is partly different in this regard. In this country, the Law on the Budget Structure requires that the report of the SAI, which is submitted to the Parliament (Seimas), should include an evaluation of whether approved appropriations were used for the achievement of program goals, whether appropriations were used in the most effective way, whether there are no law violations in the use of appropriations, and to what extent program goals were achieved. While auditing the statement on the state budget execution the SAI examines: general issues, questions of the accounting of the state budget execution (in Ministry of Finance); budgetary institutions (appropriation managers and their subordinates); public bodies that allegedly have exceeded the determined limits of budgetary appropriations. The SAI includes in its Conclusion on the Report on the Execution of the State Budget only those data and conclusions that are material in its opinion. SAI formulates its opinion on the state budget execution into a clause. In addition to this annual Conclusion on the Report in the Execution of the State Budget the SAI submits to the Parliament those reports, statements - which are the most important ones from the SAI's point of view – prepared on the use of budgetary funds by appropriation managers and their subordinate entities.

In the Norwegian practice, the primary part of the auditing of the appropriation accounts is directed at the execution of the budget that is reflected in the accounts. The SAI assesses the deviations between accounts and appropriations, with special emphasis on budget overruns on expenditure items, and considers whether the provisions in the Appropriations Regulations for the use of the appropriations are fulfilled. In its assessment of the use, the SAI takes into account any premises for Parliament's budgetary decisions. In addition, the SAI may make use of the derived result requirements that are expressed in the Ministries' letter of allocation to its subordinate agencies, and the reporting of the results in the agencies' annual reports. The SAI audits the way the execution of the budget is reflected in the 'capital accounts' by concentrating on the changes to the last year's capital accounts. It is checked whether the raising of new loans and other financial instruments, and acquisitions or selling of shares in companies, etc., are effected within the authority given by Parliament, and correctly entered in both the 'capital accounts' and the appropriation accounts. SAI's report contains individual cases related to the central government financial statements and the execution of the budget, and concludes with a recommendation for Parliament's decision in each individual case. The cases are grouped in sections according to which Ministry is responsible for the individual case. The recommendations are presented in fixed forms of decision, stating to which degree the cases should be approved. The SAI's report also includes cases related to central government financial management, which the SAI wants to inform the Parliament about, without necessarily criticising the Government or Ministry. The question of whether central government financial statements can be approved as such, is only indirectly dealt with in the SAI's report to Parliament. If not stated otherwise, is to be implicitly understood that the SAI proposes the central government financial statements to be approved, with the criticism and remarks that are put forward under the individual cases.

In the Hungarian practice, SAI in the course of the state budget execution audit evaluates if the government and the agencies executing the budget have kept legal provisions on the household management; if the final accounts and the registries, documents as its basis comply with the requirements of legality and authenticity; if the information and data presenting the execution of the central budget properly reflect the financial processes of the year; if the draft law (proposal) contains fully and properly the provisions necessary to close the fiscal year. Beside the financial compliance audit, which is carried out only at determined chapters (ministries) and subordinate institutions at the present, the SAI evaluates in the course of compliance audits of other types among others the realisation of state budget's expenditure and income appropriations; situation and reasons of appropriation remains, changes in the assets of subordinate institutions, management of the treasury account, processes at the national debt, warrants assumed on the burden of the central budget, the use of the general reserve of the central budget. Based on the audit experiences and depending on the findings, SAI composes suggestions, proposals to Parliament, government, Finance Ministry and to the auditees as well.

Question: Is it necessary that the SAI expresses its opinion definitely on the approval of the state budget execution statement (final accounts) to the Parliament? Is it enough only to evaluate and to make suggestions in order to correct the revealed faults, deficiencies leaving the decision "absolutely" to the Parliament on the approval of the budget execution statement?

Parliaments deal with the SAI-report on the state budget execution (final accounts) in different ways and at different time. There is no legal provision for this, generally the Parliament's Procedure refers to this question.

In Hungary, each Member of Parliament receives the SAI's report on the final accounts. This report is discussed at the same time with the government's proposal on final accounts draft law

by each committee of the Parliament, and then is presented to the plenary session for general and detailed discussion. At the plenary session the President of the SAO holds an exposé on the main findings and proposals of the final accounts' audit.

In Norway, the SAI's report is submitted to Parliament, and in the first instance dealt with by the Parliament's Committee on Scrutiny and Constitutional Affairs, who take a stand on the SAI's recommendations. The SAI's report, and the remarks from the Scrutiny Committee, is finally dealt with by Parliament in plenary session.

Question: In order to realise the findings, proposals of the SAI's report on the state budget execution, is it necessary to regulate – and with what measures- the time and way of Parliament's dealing with this document?

QUESTIONNAIRE

EUROSAI Working Group Sub-theme 2: Audit of the state budget during and after execution

I.	The system of determining, executing and auditing the state budget	... SAI
	Determining the state budget	
1.	<p>Are the basic principles for state budgeting and accounting dealt with in:</p> <p>Laws or regulations adopted by Parliament? <input type="checkbox"/></p> <p>Regulations adopted by the Government, the Ministry of Finance, etc.? <input type="checkbox"/></p> <p>Otherwise: (Please specify)?</p>	
2.	<p>In case the basic principles are dealt with in laws or regulations adopted by Parliament: Are further details on the budgetary process and state accounting dealt with in regulations adopted by the Government, etc.?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
3.	<p>Are there any provisions in laws or regulations adopted by Parliament,</p> <p>or in regulations adopted by the Government, etc., for the length of the budget period?</p> <p>One year? <input type="checkbox"/></p> <p>More than one year? <input type="checkbox"/> Please specify:</p> <p>No provision <input type="checkbox"/></p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>

<p>4. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., for carrying forward unused parts of the appropriation to the following budget period or periods?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>5. Are there any provisions in laws or regulations adopted by Parliament, or in regulations adopted by the Government, etc., on the scope of the budget? The total expenditure and revenues for the entire central government in the budget period? Otherwise: (Please specify)?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>6. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on the structure and specification of the budget?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>7. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on authorizing a subordinate agency, etc., to use its part of the appropriation?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>8. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on use of the appropriation for other purposes (e.g. other items) than originally budgeted for?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

<p>9. Are there any provisions in laws or regulations adopted by Parliament, or in regulations adopted by the Government, etc., on use of accounting principles, etc., that accordingly also applies in state budgeting?</p> <p>Cash-basis of accounting</p> <p>Accrual basis</p> <p>Gross entry</p> <p>Otherwise: (Please specify)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>10. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on description of objectives, envisaged results, etc., in budget documents?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
The system of the state budget's execution	
<p>11. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on how the execution of the state budget shall be reflected in the central government financial statements (closing account document), i.e. on the content, structure and specification of the central government financial statements?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>12. Does the required level of specification in the central government financial statements comply with the level of specification in Parliament's budget decisions/appropriations?</p> <p>Yes</p> <p>No (Please specify:)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

<p>13. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., for the central government financial statements to contain a statement of central government assets and liabilities?</p>	<input type="checkbox"/> <input type="checkbox"/>
<p>14. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., for the incorporation of accounts data from subordinate agencies in the central government financial statements (see question 7)?</p> <p>Yes</p> <p>No, accounts data from subordinate agencies are not incorporated in the central government financial statements.</p> <p>No, otherwise: (Please specify)</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>15. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., that require the Ministries accountable for the budget chapters/items, etc., to explain any deviances between the accounts figures and the appropriations?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes <input type="checkbox"/> No
<p>16. Does the SAI have access to these explanations?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>17. Are there any provisions in laws or regulations adopted by Parliament, and/or in regulations adopted by the Government, etc., on reporting of results relating to the execution of the budget?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes <input type="checkbox"/> No

<p>18. Does the SAI have access to these reports?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>The control system of the state budget</p>	
<p>19. According to laws and regulations, is the SAI:</p> <p>an agent of Parliament?</p> <p>a court of audit?</p> <p>an agent of Government?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>20. According to laws and regulations, is the SAI required to audit:</p> <p>the central government financial statements/accounts?</p> <p>the accounts of subordinate agencies?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>21. What kind of audit is carried out regarding the central government financial statements / the execution of the state budget?</p> <p>Financial audit (of financial-compliance nature)</p> <p>Performance audit</p> <p>Otherwise: (Please specify)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>22. Is there any central government internal control or audit organisation, or any independent internal control or audit organisation, which have a statutory obligation to audit:</p> <p>the central government accounts?</p> <p>the accounts of subordinate agencies?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>II The audit of the state budget during its execution</p>	
<p>23. Is there a preliminary (ex ante) audit regarding the use of the appropriations?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

<p>24. If so, who fulfils this role? the SAI? a central government internal control or audit organisation? an independent internal control or audit organisation? Otherwise: (Please specify)?</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>25. Does the SAI, or any internal control or audit organisation, audit the accounts of Ministries? subordinate agencies?</p>	<p><input type="checkbox"/> <input type="checkbox"/></p>
<p>26. Does the SAI assess the internal control systems of Ministries/agencies? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>27. Are significant findings from the ongoing audit communicated to the Ministries/subordinate agencies throughout the year, so that any omissions or mistakes can be corrected? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>28. Are the results from the auditing throughout the year used when the SAI audits the central government financial statements (closing account document)? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>29. Has the SAI access to the accounts data from Ministries/agencies on which the central government accounts shall be based? Yes, data are transferred electronically to the SAI. Yes, but data are not transferred electronically. No (Please specify, see questions 7 and 14:)</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>

<p>30. Has the SAI access to accounts data from the central government general ledger?</p> <p>Yes, data are transferred electronically to the SAI. <input type="checkbox"/></p> <p>Yes, but data are not transferred electronically. <input type="checkbox"/></p> <p>No (Please specify:)</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>III. The audit of the state budget following its execution</p>	
<p>31. Does any internal control or audit organisation audit the end-of-year closing of accounts of Ministries/subordinate agencies (see questions 7 and 14)?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>32. Does any internal control or audit organisation audit:</p> <p>whether the accounts data from Ministries/agencies are correctly incorporated in the central government financial statements? <input type="checkbox"/></p> <p>the central government financial statements in relation to the state budget/appropriations? <input type="checkbox"/></p> <p>whether the execution of the budget is in accordance with Parliament's premises and provisions in laws and regulations? <input type="checkbox"/></p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>33. Does the SAI audit the end-of-year closing of accounts of Ministries/subordinate agencies? (see questions 7 and 14)</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>34. Does the SAI audit:</p> <p>whether the accounts data from Ministries/agencies are correctly incorporated in the central government financial statements (see questions 7, 14 and 29-30)? <input type="checkbox"/></p> <p>the central government financial statements in relation to the state budget, i.e. assess any deviances between accounts figures and appropriations? <input type="checkbox"/></p> <p>whether the execution of the budget is in accordance with Parliament's premises and provisions in laws and regulations? <input type="checkbox"/></p> <p>any statement of central government assets and liabilities (see question 13)? <input type="checkbox"/></p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

<p>35. In its assessment of deviances between accounts figures and appropriations, and/or of whether the execution of the budget is in accordance with Parliament's premises and provisions in laws and regulations, does the SAI use:</p> <p>required explanations from Ministries, etc. (see questions 15-16)?</p> <p>any reporting of attained objectives or results relating to the execution of the budget, from Ministries, etc. (see questions 10, 17, 18)?</p> <p>reports from any internal control or audit organisation?</p> <p>SAI's own performance audits, etc.?</p> <p>Otherwise: (Please specify)?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>36. Does the SAI use internationally accepted auditing standards in its audit of the central government financial statements?</p> <p>INTOSAI-standards</p> <p>Other standards (Please specify:)</p> <p>No</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>37. Is the SAI's application of audit methods and techniques dealt with in regulations or other documents?</p> <p>In regulations (Please specify:)</p> <p>In guidelines, etc., adopted by the SAI.</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>38. Is the SAI required to report to Parliament on the results of the audit of the central government financial statements / execution of the state budget?</p> <p>Yes</p> <p>Otherwise: (Please specify)</p>	<p><input type="checkbox"/></p>

<p>39. Does the SAI's report to Parliament (or otherwise) contain:</p> <p>SAI's opinion on whether the central government financial statements can be approved? <input type="checkbox"/></p> <p>SAI's opinion on whether the execution of the budget – in specified parts of the budget, e.g. chapters/items – is in accordance with Parliament's premises and provisions in laws and regulations? <input type="checkbox"/></p> <p>Any recommendations made by the SAI on Parliament's decisions on the execution of the budget? <input type="checkbox"/></p>	
<p>40. Is the SAI's report to Parliament formally dealt with and decided on by Parliament?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/></p> <p><input type="checkbox"/> Otherwise: (Please specify)</p>	
<p>41. If so, after how long time is the report normally decided on?</p> <p><input type="checkbox"/> within 3 months after submission to Parliament <input type="checkbox"/></p> <p><input type="checkbox"/> 3-6 months after submission to Parliament <input type="checkbox"/></p> <p><input type="checkbox"/> 6 months - 1 year after submission to Parliament <input type="checkbox"/></p> <p><input type="checkbox"/> More: (Please specify) <input type="checkbox"/></p>	