

## 0225 Summary of the audit made on the operation of the Ministry of Environment chapter

Under the distribution of labour within the Government, the Ministry of Environment performed the duties related to the management and supervision of environmental protection and nature conservation. As a result and in recognition of the job done by the Ministry, at the end of June 2001, the European Union temporarily closed the negotiations on the chapter of environmental protection with Hungary.

Accession to the European Union, as well as nearing to the international norms on the environmental protection and nature conservation appeared as priority tasks in the Ministry. The Parliament approved the National Programme of Environmental Protection in the form of a decision, and an act was passed on waste management. The Ministry has eliminated the backlogs in legal alignment, and prepared the adoption of the legal regulations of the EU. The country report of the EU for the year 2001 positively considered the fulfilment of the requirements of legal alignment related to the chapter on environmental protection.

At the same time, some backlogs also existed in the activities of the Government and the Ministry related to legislation: the Government Decree regulating the implementation of the obligation to make indemnification in connection with the limitations and prohibitions necessary for the protection of nature has not appeared. The Ministerial Decree regulating the management of nature conservation areas was issued with a delay of four years, at the end of 2001.

The chapter exercised supervision over 25 institutions, most of which were regional institutions (for nature conservation or environmental protection) operating also as public administration authorities. The chapter discharged its duties with a staff of 3019 persons in 1997 and with 2813 persons in 2001 due to the implemented transfer of tasks; the proportion of civil servants was about 90%.

The basic task and organisational set-up of the Ministry were changed more than once. The National Inspectorate for Environment and Nature Conservation, an organisation acting in administrative duties as a second-degree authority, was formed. Efficient organisational activities were adversely influenced by the badly founded measures connected to the changes in the senior management, among them the succession of four ministers. Due to these changes, frequent modifications and corrections were made in the organisational system, which were often repeated in the same professional field. The fact that the tasks of regional development were transferred to other ministries, as a result of which certain fields, especially the professional field dealing with legal matters, became slimmer, a process that strongly affected the personal and professional backgrounds. In this connection the country reports of the EU for the years 1999 and 2000 formulated negative opinions. Thanks to the reports, the Ministry's organisation responsible for international relations was remodelled.

To discharge its duties, in 1997 the Ministry had an appropriation of HUF 15.3 billion, and in 2001, as a result of the integration of the Central Fund of Environmental Protection (CFEP) into the chapter in 1999 under the name of the Target Tasks on Environmental Protection (TTEP), it had an appropriation of HUF 50.5 billion. It was the owner or part

owner of seven business companies with a capital interest of HUF 1.7 billion; their balance sheet result was negative (HUF –11 million) in the audited period.

Due to the regulation of the Ministry of Finance in force until 1999, the residue of its appropriations was significant, amounting to more than 40% (HUF 26 billion) of the grand total of expenses at the end of 2001. As of 1999, the residue came from TTEP. The planning shortcomings in TTEP was indicated by the fact that almost half of the previous year's residue amount and of the current appropriations was not used in 2000.

In 1997 and 1998, the implementation of the tasks related to environmental protection was financed from the chapter-managed CFEP, and, following that, from the resources of TTEP. Their revenue in the audited period amounted to HUF 137.1 billion. As of 1999, the size of revenues was limited by the qualification of the fuel product fee as a kind of excise tax and by the fact that the size of the budgetary subsidy replacing it lagged behind the earlier proceeds. In the audited period, an amount of HUF 109.2 billion was spent on environmental programmes operated mostly through tenders. The transfers of money to finance the continuous operation of the institutions, to settle the debts towards the Tax and Financial Auditing Office and to investment purposes too, limited the size of the resources that could be spent on environmental protection.

Due to the suspicion of careless asset management, raised in connection with the National Park of the Upper Lake Balaton Area, the Ministry initiated a court proceeding and police procedure, which were still in progress at the beginning of 2002. Following the audit made on the Danube-Ipoly National Park, the State Audit Office made charges with identical reasons. The police headquarters proceeding in this case transferred the matter, on the suspicion of violating the accounting discipline, to the competent directorate of the Tax and Financial Auditing Office.

Financial management and the accounting system are regulated, but the regulations related to the utilisation of the TTEP were in cases missing or appeared with delays and sometimes they were incomplete. The annual balance sheets did not reflect the property situation in accordance with reality, because the analytic registration of the assets and elements of property were not documented with the inventory, and, in cases, this did not comply with the provisions of the accounting Act.

The amounts of money spent on the appropriation entitled Plan of Action for the Lake Balaton and the Protection of the Large Hungarian Lakes were adapted to the objectives set in advance, the results of measuring and the preparation of studies became visible already as of the year 2000. They offered a basis for several development concepts related to our large lakes and to the preparation of the investments made by an association of local governments.

The annual plans of the appropriation aimed at restoring the protection level of the protected nature areas were implemented, but they ensured resources for the purchase of about half of the area that was previously scheduled. Due to the backlog, increasing as a result of this from year to year, the originally set deadline of 2001 was changed to 2006 in a modification of the relevant act, but it is likely that the new deadline cannot be met either. At the end of 2001, the proportion of the backlog was some 60%.

It became possible to resort to the EU subsidies through the ISPA and the PHARE programmes. In the framework of the PHARE programme a total support amount of EUR

98.2 million was received, against Hungarian co-financing, for various environmental protection programmes. In the case of the audited projects, there were no financial irregularities. On the contrary, as a result of applying the strict FIDIC rules of procedure, in one case cost economies were made. In the case of the ISPA programmes, the preparation of program implementation was completed, the Euro appropriation totalling 88 million for 2000 and 2001 was committed, but actual investments have not yet started.

Despite the earlier SAO proposals and Ministerial Orders, the Ministry did not define the quantitative and qualitative indicators that are necessary to assess the success and utility of the objectives with respect to the applications for subsidies for environmental protection projects, in order to substantiate the objectives to be attained. Of the applications and subsidised projects no complex computer records were made that would contain all the data and which would be continuously updated. They did not always attach quantitative indicators to the objectives that they intended to attain through the professional programmes, or the contents of the indicators were not defined. These shortcomings did not make it possible in the case of either the TTEP or the international subsidies to monitor and assess the processes.

Due to the lack of documentation, the investments and the public procurement procedures could not be fully audited.

In accordance with our proposals made following the earlier SAO audits, the Ministry has taken the necessary steps, but the proposals made in respect of applying the principle of balance sheet authenticity, as well as regarding the inventory and the property registration have not been implemented.

Based on the present audit we have made proposals to the Government in connection with issuing the decree it failed to issue earlier, and to the Minister in connection with preparing the lacking regulations, for performing the information technology tasks and with respect to the management of records.

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