



ÁLLAMI
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THE FOLLOW-UP AUDIT OF THE STATE PROPERTY WAS COMPLETED

Summary for the Press Follow-up audits – On the follow-up audit of the activities related to the exercise of proprietary rights over state property (17099)

The State Audit Office of Hungary has performed the follow-up audit of the activities related to the exercise of proprietary rights over state property for the period between 29 December 2015 and 3 January 2017. The SAO concluded that out of the 23 tasks determined in the action plans, the auditees performed eleven by the deadline, four after the deadline, by which they contributed to establishing the conditions for the regular financial management of state property and for the enforcement of transparency. Because of the three measures that were only partially performed, and the five measures that were not performed, some of the shortcomings identified earlier by the SAO still exist.

Responsible management of state property is an essential prerequisite for the performance of state responsibilities and thus for the fulfilment of social needs. The State Audit Office of Hungary, therefore, in order to facilitate responsible management of public property and to comply with its statutory obligation, annually audits the exercise of proprietary rights over state property and during follow-up audits it assesses the task performance of the organisations exercising proprietary rights.

The aim of the follow-up audit was to assess whether Állami Egészségügyi Ellátó Központ (National Health Care Services Centre – ÁEEK), Emberi Erőforrások Minisztériuma (Ministry of Human Capacities – EMMI), Földművelésügyi Minisztérium (Ministry of Agriculture – FM), Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian National Asset Management Inc. – HNAM Inc.), Magyar Fejlesztési Bank (Hungarian Development Bank – MFB), Nemzeti Földalapkezelő Szervezet (National Land Fund Management Organisation – NFA), and the Nemzeti Fejlesztési Minisztérium (Ministry of National Development – NFM) have performed their tasks undertaken in the action plans prepared to utilise the report published in 2015 on the audit of activities related to the exercise of proprietary rights over state assets.

The SAO concluded that MNV Zrt. carried out the tasks it undertook in relation to the sample tenancy agreements and free use agreements compliant with the statutory provisions, and the tasks undertaken to amend its system of accounts, inventory and asset registry policies. The handover-takeover agreement executed because of the handover of MÁV Co. to NFM was modified by the deadline in order to determine the actual derecognition value, and the internal audit was performed with regard to the irregularity revealed in connection with the agreement. NFM prepared the procedural rules of its main departments performing the tasks related to the exercise of proprietary rights by the deadline. Also by the deadline, MFB updated its organisational and operating rules, ÁEEK determined the procedure for owner's and technical inspections, and performed the owner's inspections, NFA carried out the three measures ensuring regularity that were prescribed in connection with the registering of assets.

With the measures they carried out, MNV Zrt., NFM, MFB, ÁEEK and NFA contributed to creating the conditions to manage state assets in accordance with the regulations, and to enforcing transparency.

The follow-up audit revealed, however, that MNV Zrt. only partially modified the tenancy agreements, as they still do not include the transparent organisation requirement in accordance with the provisions of the act on national assets, and also, a part of the agreements do not include the obligation set forth in the implementation decree of the act on the state assets. FM also only partially performed its measure to modify the system of accounts, because, contrary to the statutory requirement, it requested to document the alignment of detailed registries with the related bookkeeping and holding accounts only in the balance sheet line for shares.

MNV Zrt., ÁEEK and NFA did not register the real estates that were placed into asset management with asset management organisations within the national budget in holding accounts. In addition, the inventory regulation of NFA still does not comply with the provisions of the accounting act. ÁEEK did not review its asset utilisation agreements and it did not prepare a new sample agreement, either. EMMI did not perform owner's audit with regard to the social security funds.

The measures partially performed or not performed by MNV Zrt., ÁEEK, NFA, FM and EMMI still pose a risk to the reliability of the registry of assets and the regularity of asset management; therefore, the SAO addressed the leaders of the organisations affected in warning letters.

The State Audit Office of Hungary, as the supreme financial and economic audit institution of the Hungarian National Assembly, is an independent fundamental institution of the democratic system of institutions. Its mission is to promote the transparency of public finances through value creating audits, performed on a solid professional basis, thus contributing to 'good governance'. Through its recommendations, the SAO promotes the regular, economical, efficient and effective use and utilisation of public funds.