

Summary
of the Audit on the Financial Management of
the MTI Hungarian News Agency Corp in 2009 (1004)

The State Audit Office of Hungary carried out the audit on the financial management of MTI Hungarian News Agency Corp (hereinafter MTI) for the twelfth time. Apart from auditing the legality, regularity of the operation and the financial management of MTI we also evaluated the functioning of the elements of the internal control system.

The risks that can be traced back to the deficiencies of the regulatory system in the legal environment specific to MTI – which is different from that of other media agencies – were present also in 2009. This means that the regulation of operation concerning the tasks, scope of authority and responsibilities, and the regulation on the transparency of the amount and the utilization of public support necessary for performing public tasks, were missing. The present public financing system of public tasks represents the highest risk because it is not in harmony with the relevant EU regulations. The fact that the strategic plan of MTI, for the period of 2008-2012, was drafted without formulating the expectations of the owners concerning the financial management and without the endorsement of the National Assembly also poses a risk. All of the above indicates that the task formulated by the 2002 Resolution of the National Assembly, namely the supervision of the Act on the National News Agency and of the Deed of Foundation have remained topical, since our recommendations aiming at the solution of the problem have not been enforced yet by law.

In the audited period, the majority of MTI's internal regulations were in harmony with the valid professional, corporate- and financial management-related legal provisions. The exceptions were the following: the Collective Agreement covering the employees of MTI, the procurement rules supporting the execution of public procurement procedures and the Rules on Remuneration stipulated by the Act on the Economic Operation of Companies in Public Ownership. The latter does not constitute a guarantee for the more economic operation of MTI, and complying with the stipulations of this Act also means additional burden for public finances. The managerial information and control system of MTI is altogether established, the system of risk management is regulated.

In 2009, it could be considered a significant progress that the registry of the signed contracts became transparent and fit for ex post audits. The integration of the three, big registry system of MTI was executed and the uniform data traffic between the administrative services was established. In order to ensure the achievement of the set goals, MTI executed downsizing and parallel with this introduced measures rationalizing the organizational system. As a result, MTI started to arrive at an organizational size proportionate to its activities. The measures taken however did not imply the regulation of the order of

assignments, waging and performance appraisal of the employees. In 2009, MTI started the renewal of its human resource management. Beyond the establishment of the major criteria and their respective representation in regulations, this renewal also covered that priority was given to the strict management of workplace.

In 2009, MTI maintained its financial balance and its financial management was profitable. Budgetary supports made up 60% of MTI's total revenues while 40% were of own revenues, which represented a change of 4% compared to the previous year, due to the increase of public support. The total expenditures and revenues of MTI exceeded the factual data of the previous year by 11%; within this, in the field of staff costs – in connection with collective redundancy – the growth was bigger than average. In relation to the mentioned tendency, in comparison to the previous year, in 2009 the per capita cover of the expenditures from own revenues did not grow.

Our former recommendations related to legislation, regulation and registry, addressed to the National Assembly and the Government, essentially had not been utilized – apart from the preparation of the action plan, therefore we repeated them in our presently published report. We formulated as a new recommendation to the attention of the National Assembly to supervise the specific ownership and management system of MTI; to the Government to initiate the supervision of the Act on the Economic Operation of Companies in Public Ownership, to refine the conceptual system of publicly owned business associations functioning by specific legal regulation, taking into consideration that these business associations did not regard the stipulations of the Act obligatory for themselves.

In 2009, we formulated a recommendation for the Chairman of the Owners' Advisory Body to modify the Deed of Foundation and to utilize the experts model that assist to report on the amount of public support received for performing public service tasks. Our recommendation has been partly realized – by the limited application of the experts model. The examination on whether the conditions for providing public services were fully established, and the expansion of the Rules on Remuneration to the members of the Owners' Advisory Body – in harmony with the goals of Act on the Economic Operation of Companies in Public Ownership – were new recommendations.

From among our recommendations made for the President of MTI in the previous year there was improvement in connection with human resource management however, taking measures related to the enforcement of the individual provisions of the Act on Public Procurement and related to publishing data of public interest lasted. We formulated a new recommendation concerning the observance of the stipulation of the Act on the Economic Operation of Companies in Public Ownership related to disclosure, the supervision of the Collective Agreement of MTI and the enforcement of the stipulations of the Labour Code.