



Summary
**of the Audit on the Legality of the Financial Management of the
Foundation for a Civic Hungary in 2008-2009 (1102)**

Objectives and scope of the audit

The Foundation for a Civic Hungary was established by the FIDESZ - Hungarian Civic Union in 2003 and it was audited for the third time. The audit objective was to evaluate the legality of the financial management of the foundation, the compliance of financial statements and bookkeeping with legal provisions, as well as the termination of deficiencies revealed in the course of previous audits.

Main findings

The activity and financial management of the foundation complied with legal provisions and the deed of foundation. In the audited period the operation of the Board of Trustees was legitimate and respected the regulations stipulated in the deed of foundation. The property-related decisions of the Board of Trustees served the implementation of scientific, academic, research and educational objectives stipulated in the act on the foundations engaged in such activities in support of political parties and the deed of foundation. In all cases, it was the Board of Trustees who decided upon the acceptance of donations and the utilisation of the foundation's assets, in observance of the objective.

96% of the Foundation's **revenues** (HUF 919,481 thousand) resulted from the budget subsidy stipulated in the annual budget acts, on the basis of the Act on the Operation and Financial Management of Political Parties. Besides, the donation of HUF 17,580 thousand from external legal persons and liquid funds were put out at interest. The Board of Trustees accepted donations in harmony with the Act on the Foundations Engaged in Scientific, Academic, Research and Educational Activities in Support of Political Parties, in a transparent way, by means of bank transfer to the foundation's cash flow account, having published the transactions on the foundation's website.

83% of the **expenditures**, that is HUF 798,561 thousand, resulted from the direct costs of achieving the foundation's goals. The Board of Trustees performed their tasks by means of granting support to private individuals and organisations, as well as in the framework of their own organisational structure. The Board of Trustees decided about the subsidies re-granted, the Chairman of

the Board of Trustees concluded contracts with the beneficiaries. In accordance with the objectives of the deed of foundation, among others, training events took place, political essays and analyses were got prepared, events and international programmes were organised.

The foundation **kept its books** observing the applicable legislation and internal regulations; it applied an accounting policy stipulating the way of preparing the financial statements as required by law; as well as the related **regulations**. As regards these regulations, shortcomings were found in case of the system of accounts in force that did not reflect the unique organisational features when accounting for the given subsidies.

The foundation prepared the simplified **financial statements** within the deadline, which contained true and fair data about the financial management of the foundation. The financial statements were opined by the Supervisory Board, verified by a chartered accountant and approved by the lawful decisions of the board of trustees. The data indicated in the balance sheet and the consolidated statement lines corresponded with the related general ledger and its analytical records; they could be derived from the end-year general ledger statement.

The foundation prepared its **annual reports** on its management in the years 2008 and 2009 in harmony with the stipulations of the act on the foundations in support of political parties and published them in the Gazette of Official Announcements and on its homepage.

The **double-entry accounting** was performed in line with legal provisions and internal regulations, by a commissioned, registered external accounting services provider. The required analytical records related to the general ledger were kept, a comprehensive stock-taking took place in both years whose results were evaluated. In harmony with the provisions stipulated in the Government Decree on the Order of Financial Management of Foundations, the direct costs of activities aiming at the foundation's objectives, the indirect costs of the body managing the foundation and other indirect costs were separated in the accounting records. In case of the purchase of equipment and accounting for expenditures, the rules pertaining to commitments, issuance of money orders and official bank signature were applied.

The **documentary system and discipline** were considered, both the formal and content-related requirements of the accounting records were fully observed in both audited years.

The **monitoring system** set up at the foundation contributed to the legal financial management thereof. The Supervisory Board, in compliance with the

stipulations of the deed of foundation, examined the annual budgets, the financial statements and the professional reports on the foundation's activities in both years. Financial management control was performed at the foundation by the Chairman of the Board of Trustees and the Director either built in the process, or ex-post. Management control activity – in the course of exercising employers' rights, powers of representation, commitments, issuance of money orders and disposing of bank accounts – was appropriately performed by Chairman of the Board of Trustees and the Director of the foundation.

The measures initiated in the recommendations of the previous SAO audit were fully implemented.

Recommendation

We recommended the Board of Trustees to complement their system of accounts in order to ensure its harmony with the current accounting practice of re-granted funds.