



ÁLLAMI
SZÁMVEVŐSZÉK

Summary
of the Audit on of the Audit on the Financial Management of
the MTI Hungarian News Agency Corp in 2010 (1109)

Objectives and scope of the audit

The State Audit Office of Hungary (SAO) carried out the audit on the financial management of MTI Hungarian News Agency Corp (hereinafter MTI) for the thirteenth time. Apart from auditing the legality and the regulation of the operation, as well as the financial management of MTI, SAO also evaluated the execution of tasks related to the transformation of the company's organisational form and ownership structure.

Main findings

In 2010 a relevant change occurred in the **operational environment** of MTI, which – following the review of the organisational structure of public service media – resulted in the transformation of the company's organisational form, ownership structure and control mechanism. Instead of the National Assembly the Public Service Foundation became the new proprietor of MTI, whose tasks and scope of authority, due to the amendment of law, became transparent.

The National Assembly – owner of the founder's and property rights until the last quarter of 2010 – did not fulfil its tasks specified in a resolution in 2002 (review and harmonisation of the Act on the National News Agency and the company's deed of foundation) for nearly 8 years and did not make any steps towards further changes. The act adopted 22 July 2010 on the amendment of certain acts regulating the media and communications resulted in more significant changes.

MTI's provision of public service tasks in 2010 bore the risks resulting from deficiencies in regulation, as the operation-level specification of public service tasks and the regulation of the rate of state support necessary for the completion thereof were missing.

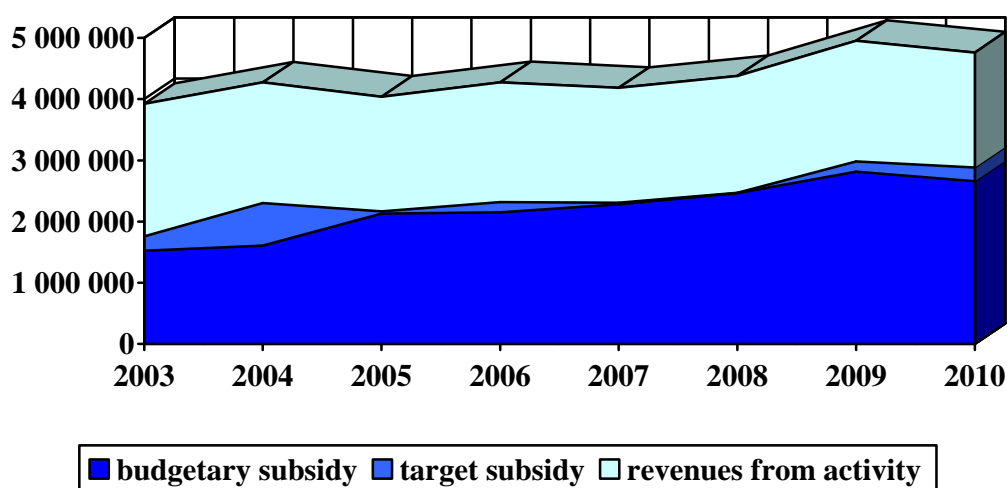
Throughout its operation, the Owners' Advisory Body at MTI did not put enough emphasis on the cost-efficient financial management, because it did not give priority to the aims of the act on the economical operation of public undertakings.

Due to the amendment of law, in 2010 the **operation** of MTI could be divided into three considerable parts. In the transitional period the President and vice-presidents of MTI maintained the operability of the company.

In the year 2010 MTI – keeping its liquidity – was effective in its financial management.

In 2010 budgetary subsidies amounted to 60.3% of MTI's total revenues, while its own revenues amounted to 39.7% thereof, which shows stagnation compared to the preceding year.

The revenues of the MTI Hungarian News Agency Corp. between 2003 and 2010 (thousand HUF)



The legislator defined the main measures necessary for **restructuring the organisational system** of the national news agency. The process of reorganisation was planned, decisions had been made before the organisational changes.

From the year 2011 the task performance and programme provision of public service media providers (e.g. **the MTI Hungarian News Agency Corp.**) is subsidised via the Media Service Support and Asset Management Fund (partly from the budgetary contribution for public services). In the first quarter of 2011 the subsidies are provided – similarly to the period before the organisational changes – without a detailed regulation (that is, a set of criteria) concerning state subsidies allocated to public service providers.

Recommendations

On the whole, SAO's recommendations for the National Assembly and for the Government in relation to legislation and regulation, as well as the statements formulated in previous years were utilised in 2010.

Taking into account the new regulation and organisational structure, in order to utilise the findings of the on-site audit, the SAO **recommended** the Chairperson of the Media Council and the Chairperson of the Board of Trustees of the Public Service Foundation to initiate the director generals of Service Support and Asset Management Fund and MTI into the establishment of a funding scheme that allows for the unambiguous recording of state subsidies allocated for the company's public tasks. Also, in relation to the organisational changes, SAO recommended the director general of MTI to provide for the publication of MTI's Operational and Organisational Rules.