



SUMMARY
of the Audit on the Legality of the Financial Management
of Táncsics Mihály Foundation in 2009-2010 (1203)

Objectives and scope of the audit

The Táncsics Mihály Foundation was established by the Hungarian Socialist Party in 2003 and it was audited for the fourth time. The objective of the audit was to assess the legality of the foundation's financial management, the compliance of financial statements and bookkeeping with statutory requirements, and the elimination of deficiencies revealed during previous audits.

Main findings

In the audited period, **the operation of the board of trustees was legitimate** and respected the regulations stipulated in the deed of foundation. The resolutions of the board of trustees concerning assets and utilisation of budget subsidies were directed at achieving the scientific, public awareness, research and education goals defined both in the act on party foundations and the deed of foundation.

In the audited period, the foundation showed a total **revenue** of HUF 1,040,369 thousand (HUF 603,697 thousand in 2009 and HUF 436,672 thousand in 2010), 93% of which originated from the central budget in both years. Aside from that, it received support totalling HUF 229,000 from private individuals. Donations were received on the cash flow account of the foundation from the private individuals' cash flow accounts in line with the act on party foundations, making it possible to identify supporters. The board of trustees adopted resolutions to accept such donations on every occasion.

The foundation accounted for an **expenditure** of HUF 963,688 thousand (HUF 602,050 thousand in 2009 and HUF 361,638 thousand in 2010), 84% of which resulted from the direct costs of implementing tasks according to the goals, 8% from costs arising in the course of operation, and 8% from other expenditure. The foundation performed its activity according to goals in part through support provided to private individuals and organisations, in part through activities performed in its own organisational framework, and furthermore by way of the business association it incorporated.

The chairman of the board of trustees concluded agreements with supported private individuals and organisations and **support** was disbursed to them under the provisions of these agreements. The beneficiaries prepared accounts of the support

received, however, of the beneficiaries subject to the audit, 14 (26%) prepared accounts after the deadline. Cases of overdue account settlement were concluded by the decision made by the board of trustees after completing the documentation. One beneficiary failed to fulfil its accounting obligation, and the sanctions provided for in the agreement (payment order, termination of agreement) were imposed on it. **Kapcsolat.hu Communication and Service Nonprofit Llc.** established by the foundation operated an internet portal, which facilitated communication and the flow of information between the foundation and those interested. The foundation paid HUF 132,300 thousand in 2009 to the Llc. in 2009 and HUF 41,250 thousand in 2010 for the operation of the portal. The reduction of the contracting fee of the company did not entail a concurrent cut in the scope of its duties. The disproportionality of value between the service rendered and the price paid for it could be raised in connection with this contract and its amendments. A full investigation of uncovered circumstances, however, was not possible with the tools available to the SAO.

The foundation renewed its **accounting regulations** according to the recommendation of the previous SAO audit. The board of trustees approved the amendment of the regulations. Accounting regulations were in compliance with legal provisions, with the exception of the effective system of accounts, which did not contain the characteristics of the foundation.

The foundation fulfilled its **annual reporting** obligation, and prepared its simplified financial statements according to statutory requirements and internal regulations in both years. When preparing its financial statements, it applied the principles specified in the act on accounting. The supervisory board delivered an opinion on the financial reports, the auditor gave an unqualified opinion and the board of trustees accepted them. Value data of assets and liabilities recorded in the annual balance sheets were substantiated by taking inventory. The details in the revenue and expense rows of the profit and loss statement were substantiated through basic general ledger accounting documents and analytical records. The foundation drafted its **annual reports** on its financial management of 2009 and 2010 under the requirements of the act on the foundations of political parties, and disclosed them in the Official Journal and on its website by the deadline. The board of trustees accepted the reports consistently with the rules in both years.

Double-entry **bookkeeping** was performed by a registered external accounting service provider based on an assignment and in compliance with legal regulations and internal requirements. The analytical records stipulated in connection with general ledger accounts were kept, the inventory was complete in both years, and inventory results were evaluated each year. Analytical records supported annual closure. Costs were separated according to the requirements of the government decree on the financial management of foundations. Petty cash records were kept in

compliance with regulations. Rules on undertaking commitments, attestation of performance, remittance and bank signature were applied during purchases of equipment and the accounting for expenditures. The documentary system and discipline were applied in case of the 2009-2010 accounting records that were audited. The requirements of the act on accounting, applicable to the form and content of accounting records were entirely fulfilled.

Regulation of **audit assignments** was complete at the foundation. The supervisory board audited the annual budget, the financial statements and the functional report drafted on the foundation's activities according to the provisions of the deed of foundation in both years. The chairman of the board of trustees and the director of the foundation carried out managerial control appropriately in the course of exercising employer's rights, rights of representation, undertaking commitments, remittance and disposal over the bank account. Financial management controls operated in compliance with the provisions of internal regulations.

The foundation eliminated the deficiencies revealed during the previous SAO audit.