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SZÁMVEVŐSZÉK

**SUMMARY**  
**of the Audit of Zrínyi Miklós National Defense**  
**University (12105)**

**Objectives and scope of the audit**

The objective of the audit was to evaluate whether Zrínyi Miklós National Defense University's (ZMNDU) performance of tasks was effective in 2007-2011, whether the use of human, material and financial resources was efficient, and whether the report on the execution of its year 2011 budget presented a true and fair view of ZMNDU's assets and financial position. The audit covered years 2007-2011.

**Main findings**

ZMNDU operated as a central budgetary institution until 31 December 2011, and constituted an independent title within the Ministry of Defence chapter. During years 2007-2011, ZMNDU effected budget expenditure of HUF 24.4 billion in total, using budget support of HUF 20.6 billion as the funding thereof. The University prepared its regulations serving as the foundation for its operation and education/training activity. Despite the requirements of the Act on Higher Education, ZMNDU's two faculties had independent Rules of Organisation and Operation until September 2009, and the Institution Development Plan did not include an annual breakdown of tasks. The unity and interrelation of planning, auditing, measurement and evaluation processes was not provided for in the quality assurance system. The performance measurement and monitoring system was not comprehensive.

The education/training activity of ZMNDU was effective, as the military and civilian training targets specified by the institution, as well as the theory and practice related requirements stipulated for accomplishing graduate, master's and PhD training programs were fulfilled in the course of task performance. The organisational framework for education, training and other functional tasks helping education were developed in alignment with education/training goals and tasks, as well as in line with the training quotas stipulated by the Minister of Defence and the Minister of Education. The employment in the Hungarian Defence Forces was ensured for every graduated military officer in 2007-2011. The utilisation of education capacity released because of the decreased training of military officers was the primary reason for instituting education for civilians

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— prior to the audited period — at the university. Professionals with specialised training needs (e.g.: defence and security) were trained at most of the civilian departments; tuition fee based education and correspondence training dominated in terms of form of education. The training goal of developing the conditions for life-long learning was achieved once it was organised.

The expedient use of resources was implemented at ZMNDU in 2007-2011, and this was cost-effective primarily as a result of the structural, organisational and cost cutting measures instructed by the proprietor. Measures adopted in the institution's own scope of powers to increase the number of training venues, departments, institutions and other organisational units, furthermore failure to exploit the opportunity to increase revenue that stemmed from exploiting free resources had a negative influence on the proprietor's actions.

In 2007-2011, the university provided the HR criteria required for theoretical and practical training by engaging visiting lecturers parallel to the decreasing headcount of full-time instructors. Material criteria, the provision of accommodation, training and education technology tools required for educational and academic professional work were all provided for, along with the conditions for operation. The degree of the usability of tangible assets decreased continuously, falling to 13.4% by 2011 from 23.3% in year 2007. The institution used external sources to provide its material conditions.

Budget expenses and budget support also decreased, and the value of cost-efficiency indicators improved as the result of organisational changes and austerity measures. The number of students per instructor increased from 14.5 to 16.5; budgetary expense per instructor decreased from HUF 24.8 million to HUF 19.4 million, while budgetary expense per student dropped from HUF 1.7 million to HUF 1.2 million.

ZMNDU's financial management was balanced from the aspect of liquidity and the development of liquidity. It did not use any liquidity loans or grant loans during years 2007-2011 and did not have any long term liabilities. Its current liabilities were comprised of accounts payable, which dropped to HUF 15.3 million by the end of 2011 from HUF 274 million at the end of 2007.

The internal control system did not contribute to detecting irregularities or the efficient use of public funds, nor did it guarantee the filtering of errors because of the way it was set up and its functional inadequacies that existed in 2007-2011 in terms of audited documents. The university's Rector failed to provide for the appropriate implementation of the internal control system and monitoring its operation despite his obligation to do so as stipulated in the legal regulation, as well as for the proper operation of internal auditing as a part thereof in 2007-

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2010. The internal control system failed to achieve its goal specified in the legal regulation. All of this played a role in the development of the accounting irregularities that were discovered during the audit of the year 2011 report (e.g.: depreciation was not accounted from the date of actual utilisation and inventory was not comprehensive). A qualified opinion was given on ZMNDU's year 2011 report on account of the inadequacies that were discovered.

The audit conducted at ZMNDU found regulation related inadequacies in connection with the financial management control system, the way the audit trail was set up, with risk management and risk analysis. When developing internal controls, the Rector revoked the financial manager's powers in regulating rights related to countersignature and assertion; furthermore he only appointed individuals who could certify professional performance from November 2007. Despite statutory requirements, the form, substance and method of keeping sub-ledger records was not regulated in the institution's system of accounts, nor was the documentation of reconciliation between the general ledger and sub-ledger records.

Based on available documents, in spite of the applicable statutory requirements no internal audits were completed at the university in the years 2007-2009. Year 2010-2011 internal audit plans were not substantiated by risk analysis. Of the year 2010-2011 internal audits, recommendations were formulated only by the audit of year 2011. An annual breakdown of the stipulated records was not kept on the recommendations and the utilisation thereof, and no follow-up audits were carried out. No documents certified the utilisation of recommendations from audits.

### **Recommendations**

We recommended the Rector of the National University of Public Service to order the prompt completion of inventory that was not done at the Faculty of Military Sciences and Officer Training, the evaluation of inventory and, as necessary, the reconciliation of inventory, sub-ledger records and general ledger accounting, moreover the keeping of sub-ledger accounting records in connection with EU grants from which it is possible to determine the amount of funds advanced by the institution. Furthermore, we recommended him to review the recommendations made during ZMNDU's year 2011 internal audit and year 2007-2011 external audits, commissioning the examination of their timeliness having regard to transformation, and to take actions to utilise the relevant recommendations.