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SZÁMVEVŐSZÉK

## AUDIT ON THE NATIONAL DEPOSIT INSURANCE FUND

Summary for the Press  
of the Audit of the Operation, Financial Management and Task Performance of  
the National Deposit Insurance Fund  
(15024)

**The State Audit Office of Hungary (SAO) has audited the financial management and task performance of the National Deposit Insurance Fund (NDIF) in the period between 2011 and 2013. The SAO found that indemnification activity performed by NDIF was regular and its financial management was in line with the applicable legal regulations in the audited period. As a consequence of solvency problems at certain financial institutions in the recent past, activity of NDIF is followed by particular public attention.**

The task of NDIF is to make indemnity payments to the depositors in case of freezing of deposits at the member institutions, as well as to provide information in respect of such indemnification. Activity of NDIF is financed by the membership fees paid by member institutions. NDIF has been audited by the SAO several times since its establishment, last time in 2008.

During the years 2011-2013, the internal regulation system of the NDIF ensured regular task performance in line with the legal provisions determining its activity and operational processes. The Board of Directors of NDIF fulfilled its tasks in a regular way complying with its governance and control obligations.

The assets of NDIF increased by 9.2% in the audited period, its financial assets were kept – according to legal provisions – in state bonds, portfolio managers were entrusted with its management and deposit management contracts were concluded in that respect. Between 2011 and 2013, portfolio management activity was evaluated, the performance of asset management tasks of NDIF was successful, asset management contributed to the increase of assets and ensured coverage for indemnification payments.

In the course of indemnifications in 2011-2012 NDIF fulfilled its disclosure obligation stipulated by law, cooperation agreements concluded with partners involved in payments ensured regular settlement of payments. No indemnification obligation emerged in 2013.

Disregarding legal stipulations, in its yearly accounts for 2011-2013 the NDIF did not fully recorded the amount of capital and interests due but not yet paid to depositors. As a consequence, the principles of completeness and accuracy stipulated by law were not ensured. The amounts due to depositors – broken down to member institutions – as shown in the analytical registers were not identical to those shown in the general ledger and the balance sheet. In the complementary annexes to its financial statements the NDIF did not present the amounts of capital and interests not yet paid in respect of the frozen deposits.

Collection of member fees, calculation of costs and expenditures in respect of the operation of the Fund, as well as the establishment of year-end results complied with legal regulations in the audited period. Recommendations of the periodic internal audits and of the SAO audit in 2008 were utilized.

Based on the audit findings the SAO has formulated recommendations for the Chairman of the Board of Directors of NDIF. The audited entity has to prepare appropriate action plan on the basis of such recommendations.

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*The State Audit Office of Hungary as the financial and economic audit organisation of the National Assembly, is one of the key basic institutions of the democratic state organisation. Its mission is to promote the transparency of public finances with its value creating audits performed on a solid professional basis, thus contributing to 'good governance'. With its recommendations, the SAO facilitates the regular, economical, efficient and effective utilisation and use of public funds.*