



ÁLLAMI
SZÁMVEVŐSZÉK

THE SAO AUDITED THE INSTITUTIONAL TRANSFORMATION OF PUBLIC TRANSPORT
IN BUDAPEST

Summary for the Press

on the audit of the institutional transformation of public transport in Budapest, the establishment and the regularity of operation of the Budapesti Közlekedési Központ (BKK Zrt.) (16027)

The organisation of the Budapesti Közlekedési Központ (Budapest Transport Centre) (BKK Zrt.) was established without the preparation of impact studies. Among other things, this was revealed by the State Audit Office of Hungary's audit, which assessed the transformation of public transport in Budapest and the regularity of the operation of BKK Zrt. for the period of 2010–2014. The SAO found that the regularity of the financial management of the company, its asset management activities and asset records serving the performance of public tasks were in general regular, while some deficiencies were discovered by the auditors in connection with the registration of the surcharges received and the efficiency of the collection of surcharges. Based on the risks identified during the audit, the SAO will start preparing the further audit of the companies concerned.

The SAO found that the Municipality of Budapest prepared its concepts for the transformation of the institutional system of public transport in Budapest in accordance with the legal requirements and the sectoral strategy, while the organisation of BKK Zrt. was established without the preparation of impact studies, in the process of establishment. In the course of the transformations, the takeover of assets and human resources for the performance of public tasks were in compliance with the legal requirements and the ownership regulations. The order of the exercise of proprietary rights was properly established and practiced. The audited Budapest Transport Closely Held Corporation and BKK Zrt. performed their public transport tasks during the period audited in general on the basis of contracts complying with the relevant legal requirements.

The financing system developed by the Municipality of Budapest did not completely solve the reduction of external indebtedness of Budapest Transport Closely Held Corporation during the period audited. On 1 January 2010, the debt of Budapest Transport Closely Held Corporation amounted to HUF 79.3 billion, it was HUF 57.2 billion as of 31 December 2014, and the solution of the problem was only possible with state subsidy. At Budapest Transport Closely Held Corporation, the lack of improvements and supplementations, the depreciation of the vehicle fleet and the infrastructure compromised the safety of transport during the audited period. At Budapest Transport Closely Held Corporation, the degree of usability of technical equipment and vehicles continued to deteriorate from 2010 to 2012, with major improvements only occurring in 2014, with the M4 metro having been placed into service.

In the first two years of the audited period, BKK Zrt. had deficiencies in accounting regulations, but since 2012, the regulation has already been in compliance with the legal requirements.

As at 31 December 2014, BKK Zrt.'s receivables from surcharges amounted to HUF 19.4 billion, the return on surcharges at the end of 2014 was very low, showing a value of only around 5%. Many of the claims were in many cases based on non-real personal data, and became non-recoverable due to poor propensity to pay. BKK Zrt. considered the surcharge revenues as fine items, so it showed the surcharges received not under other revenues but under net sales revenues. This accounting practice was contrary to the requirements of the Accounting Act.

Based on the findings, the SAO formulated recommendations for the CEO of BKK Zrt. and the Mayor of Budapest, based on which an action plan must be prepared by them within 30 days.

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