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THE AUDIT OF THE FINANCIAL MANAGEMENT OF THE REGIONAL WATERWORKS

Summary for the press – The audit of the financial management of the regional waterworks (17107)

The State Audit Office of Hungary has completed the audit of the regional waterworks for the period between 1 January 2011 and 31 December 2015. The SAO concluded that the measures of the governing ministries and the bodies exercising proprietary rights and supervision supported the implementation of the integrational process. The regional waterworks companies applied the service fees in accordance with the regulations. The efficiency of their cost management has improved. They managed the assets aimed for the provision of public tasks in accordance with the regulations.

The providing potable water and sewage services safely at an appropriate level and protecting the assets of the national waterworks are a fundamental national interest. The regional waterworks providers in a majority state ownership have outstanding significance in achieving these strategic aims. Providing healthy potable water and the local sewage treatment is the obligation of the state and of the local governments of municipalities that operate the waterworks-systems in their ownership with the participation of the waterworks-providers.

In 2011, there were close to 400 municipality-owned and state-owned waterworks-provider economic operators within the waterworks service branch. After the act aiming to regulate this field took effect on 31 December 2011, the integration of the waterworks services started; as result of this, the companies holding permits decreased to 42 in 2015. Central regulatory pricing was implemented in determining the waterworks utility prices. As of 1 July 2013, a utility bill reduction scheme was implemented in the pricing, in order to reduce the burdens of the residential population.

Until 26 June 2012, the management tasks were performed by the legal predecessor of FM; following this, NFM assumed the regulatory tasks of the financial management of the waterworks branch. The regulation of certain other activities was still performed by the Minister for Rural Development, which as of 1 January 2014 were transferred to the responsibility of BM. The proprietary rights over the waterworks companies are exercised by the National Asset Management Inc., their professional activity as of 4 April 2013 is supervised by the MEKH.

The integrational process contributed to creating a more efficient operational size and to improving cost efficiency, the number of consumers served by a regional waterworks company in certain areas grew and this had a positive effect on the unit cost.

The companies managed the assets they received for use or that were placed in their management to perform public tasks in an orderly manner. The efficiency of the asset management of the companies took an unfavourable turn as the level of wear and tear, the value of trade receivables, and the depreciation recognised in connection to this have increased. The renewals, investments increasing the lifespan of the tangible assets in the audited period until 2014 were typically realised proportionately to the degree of wear and tear; in 2015, however, the preservation of the asset value was not ensured. The regional waterworks companies fulfilled their accounting separation obligation in an orderly manner. The ban on cross-financing was fully complied with.

The implementation of the waterworks utility service fees was in accordance with legal regulations. As of 2013, the regional waterworks companies reduced the service fees according to the statutory requirements.

The SAO made three recommendations to the general manager of Tiszamenti Regionális Vízművek Zrt., two to the general manager of Északmagyarországi Regionális Vízművek Zrt. and the general manager of Északdunántúli Vízmű Zrt., one to the general manager of Duna Menti Regionális Vízmű Zrt. and the general manager of Dunántúli Regionális Vízmű Zrt., for which the involved parties must prepare an action plan within 30 days.

The State Audit Office of Hungary, as the supreme financial-economic and economic audit institution of the Hungarian National Assembly, is an independent fundamental institution of the democratic system of institutions. Its mission is to promote the transparency of public finances through value creating audits, performed on a solid professional basis, thus contributing to 'good governance'. Through its recommendations, the SAO promotes the regular, economical, efficient and effective use and utilisation of public funds.