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AUDIT OF THE OUTPATIENT-SPECIAL-CARE HEALTH CENTRE OF ERCSI

Summary for the Press

on the audit of the Outpatient-special-care Health Centre of Ercsi (Ercsi Járóbeteg-szakellátó Egészségügyi Központ Közhasznú Nonprofit Kft.) (18103)

The State Audit Office of Hungary has completed the audit of the financial management of Ercsi Járóbeteg-szakellátó Egészségügyi Központ Közhasznú Nonprofit Kft. for the period 2013-2016. The SAO found that the Local Government of the town of Ercsi did not properly exercise its ownership rights of the company in its majority ownership. The level of regulation, financial management and property management of the Company did not comply with legal requirements. The basic conditions for anti-corruption were not established. The Company did not conclude its transaction affecting the public debt and creating debt in accordance with legal provisions. Transparency of its operation was not ensured, as since it did not comply with its statutory disclosure and reporting obligations, so the transparency of its operation was not ensured.

A key objective of the State Audit Office of Hungary is to ensure by uncovering the financial risks inherent in the financial management of local governments and by auditing the state subsidies provided outside the state budget and the free grants of assets and the task performance systems operating outside the state budget, that public funds are used by the organizations operating outside the state budget in a transparent and compliant manner as well. Therefore, the SAO audits economic organisations in the majority ownership of local governments in a scheduled manner and, within the framework of these audits, Ercsi Járóbeteg-szakellátó Egészségügyi Központ Közhasznú Nonprofit Kft. was also audited.

The Ercsi Járóbeteg-szakellátó Egészségügyi Központ Közhasznú Nonprofit Kft. was founded by the Local Governments of Ercsi, Ráckeresztúr, Baracska and Kajászó. The public benefit activity of the Company was the provision of outpatient-special-care for the population living in the administrative territory of these local governments.

The SAO audit found that, between 2013 and 2016, the local government of Ercsi did not properly establish the framework for the exercise of proprietary rights with respect to the majority-owned Ercsi Járóbeteg-szakellátó Kft., and the exercise of proprietary rights was not in line with the regulations. In 2016, the local government did not act as a guarantor of the Company's loan in a regular way. The Supervisory Board did not prepare its rules of procedures. The general meeting decided on the simplified annual accounts in the absence of the written reports of the Supervisory Board and did not create the remuneration policy.

The regularity of the financial management of Ercsi Járóbeteg-szakellátó Kft. did not meet the legal requirements. In 2013, it did not prepare all the statutes to be created within the framework of the accounting policy, and its statutes effective from 2014 did not comply with the legal provisions.

Its financial management and asset management activities, as well as its registration of own assets were not regular. It did not keep the accounting records in line with the legal regulations, it did not support its simplified annual accounts with inventory in compliance with the act. The Company classified as organization in the government sector took out loan, credit, however, it did not conclude and present in its simplified annual reports its transactions creating debt in accordance with the legal provisions.

The public service entity and public company did not fulfill its statutory obligation to publish and submit data, and did not ensure the transparency of its activity.

Based on the findings, the SAO report made 13 recommendations to the Managing Director of Ercsi Járóbeteg-szakellátó Egészségügyi Központ Közhasznú Nonprofit Kft., and 3 recommendations to the Mayor of the Local Government of Ercsi in response to which the stakeholders must prepare an action plan within 30 days.