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THE AUDIT OF "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" NONPROFIT KFT.

Summary for the press on the audit of the business organisations with majority local government ownership -

"AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. 18109

The State Audit Office of Hungary (SAO) has completed its audit of "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. for the period 2013-2016. The SAO concluded that the City Government of Sellye had not properly formed and practiced its ownership rights over the company. The regulatedness of "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. has not complied with the legal requirements. The settlements of revenues and expenses were not regular, and its asset management did not meet the statutory requirements. The company did not fulfil its public disclosure obligations with regards to data of public interest, thus its management was not transparent.

The main aim of the State Audit Office of Hungary is to contribute to the control of public finances by organizations operating outside the public finances in a transparent and orderly way by revealing the financial risks inherent in the management of local governments, budget support outside the public finances and free of charge disposals used. The SAO therefore regularly monitors the business organisations with majority local government ownership, related to which the audit of "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. took place as well.

The Local Government of Sellye and the other 36 sub-regional local governments founded the "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. in 2008, without the goal of generating profit and wealth, to ensure the healthcare and specialist care of people living in the municipality and micro-region. The ownership of the municipal government with a 75.8% qualified majority stake, the ownership structure of the company remained unchanged during the period under review. The company's activities covered the provision of general, specialist and dental outpatient care and other human health services, but it also engaged in entrepreneurial activities and rented real estate. Among its activities, basic health care qualified as public task.

The audit of the SAO found that the Municipality of Sellye did not establish the conditions for the exercise of ownership further to the statutory requirements, it established the supervisory board at the end of the controlled period and did not properly exercise its ownership rights.

The company's regulations did not comply with the statutory requirements, the revenues, expenses, the settlement of depreciation and the registry of assets were not regular.

Notwithstanding the statutory requirement, the balance sheet items of the financial statements were not supported by an inventory, despite being subject to a statutory provision, they did not carry out an inventory by volume. Due to the deficiencies, the accounting principle of the realness did not prevail.

The company fulfilled its reporting obligation but despite the legal provision, it did not publish its data of public interest, including changes in its public interest data.

The State Audit Office of Hungary in its report made six proposals to the executive director of "AZ ORMÁNSÁG EGÉSZSÉGÉÉRT" Nonprofit Kft. to which the person concerned shall prepare an action plan within 30 days.