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## AUDIT OF “KOPPÁNY-VÖLGYE KEK” EGÉSZSÉGÜGYI ÉS SZOLGÁLTATÓ NKFT.

Summary for the Press

On the audit of “Koppány-Völgye KEK” Egészségügyi és Szolgáltató Nkft. (18112)

**The State Audit Office of Hungary concluded the audit of “Koppány-Völgye KEK” Egészségügyi és Szolgáltató Nkft. The SAO concluded that the local government of Tab established the framework for exercising proprietary rights over the company properly and exercised its proprietary rights regularly. The level of regulation of the financial management of Koppány-Völgye KEK Kft. did not comply with the requirements. The Company did not fulfill its reporting and disclosure obligation and thus did not ensure transparency. Its asset management did not comply with regulations.**

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 organisations operating outside the state budget in a transparent and compliant manner as well. The audit of “Koppány-Völgye KEK” Egészségügyi és Szolgáltató NKft. was carried out in accordance with the goals of the State Audit Office and the social demand, as well as the important role of companies.

The Company was founded in 2008 by 25 local governments in the micro-region called “Koppány Völgye” with a registered capital of HUF 3.1 million. The health development center established with the support of the tender started its operation in September 2011. During the audited period, the company belonged to other organizations classified in the government sector.

In addition to basic health care, the public benefit activity of Koppány-Völgye KEK Kft. was the provision of outpatient services. The contract for task performance concluded between the Local Government of Tab and the Company identified the provision of outpatient services, general medical service and health visiting service as obligatory tasks. As part of its public duties, the Company carried out tasks related to health preservation, treatment and health care rehabilitation. In the audited period, the Company did not have any assets under property management.

In the audited period (except for 2014), Koppány-Völgye KEK Kft. was profitable, its equity and the net sales income increased by 110.6% and 91.5% respectively.

The local government of Tab established the framework for exercising proprietary rights over the company properly and exercised its proprietary rights regularly. The representative council fulfilled its obligation to create regulations.

The level of the regularity of accounting of Koppány-Völgye KEK Kft. did not comply with the requirements. The company had an accounting policy that defined the rules of accounts and records as well as other mandatory regulations as part of the policy, however, in terms of their content, the accounting policy, the financial management policy and the evaluation policy did not fully comply with the statutory requirements. The system of accounts was not in compliance with the regulations.

The accounting of revenues and expenditures and depreciation did not comply with legal regulations due to the deficiencies of the regularity of accounting. The fee application of the Company did not comply with the regulations either, since it determined the usage fees in its fee policy in derogation from legal provisions.

The balance sheet items of abridged annual reports were not substantiated with an inventory, the company did not fulfil its disclosure obligations, and thereby the requirement of transparency and accountability was not enforced.

The Company had exclusively own assets. The registration of assets was not in compliance with the regulations.

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*The State Audit Office of Hungary, as the supreme financial 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.*

According to the findings, the SAO made two recommendations to the mayor of the local government, and thirteen recommendations to the managing director of the company, in response to which the stakeholders shall prepare an action plan within 30 days.