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THE AUDIT OF MILLENÁRIS TUDOMÁNYOS KULTURÁLIS NONPROFIT KFT.

Summary for the press on the audit of state-owned business associations – Millenáris Tudományos Kulturális Nonprofit Kft. (18321)

The State Audit Office of Hungary has completed the audit of Millenáris Tudományos Kulturális NKft. The SAO concluded that the regulation of the company's financial and asset management did not comply with the legal requirements between 2012 and 2015. The conditions of regular financial and asset management were established in 2016, and the asset management of the company was regular in that year. The company failed to fully comply with its disclosure obligation, consequently, the publicity and transparency of its financial management were not ensured. The preparation for the decision-making on the “Creation of a new premises for the National Dance Theater” investment was appropriate. The organizational and operational processes and internal regularity of Millenáris Nkft. risked the investment's accountability.

The objective of the State Audit Office of Hungary is to ensure by auditing 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 in order to carry out the state tasks assumed in the contract. The purpose of the audit was also to contribute to the effectiveness of investments financed from public finances, to ensure the transparency of the investment process at Millenáris NKft as the investment preparator company of the “Creation of a new premises for the National Dance Theater” and at the Prime Ministeriate.

The predecessor of Millenáris NKft. was founded by the Hungarian state in 2008 with a registered capital of HUF 100 million. Until May 19th, 2014, Millenáris NKft. operated as a non-profit public company, after as a non-profit company. The main activity of Millenáris NKft. between 2012 and 2014 was museum-related (public) activity, after the lease and operation of own and leased real estate. The aim of the founder was to operate a cultural and educational center suitable for public and business events in Millenáris Park.

Ownership rights were exercised by MNV Zrt. between January 1st, 2012 and December 14th, 2014, by the Prime Ministeriate between December 15th, 2014 and November 2nd, 2015, by Foster Center between November 3rd, 2015 and December 31st, 2016 and as of January 1st, 2017 the Prime Ministeriate started exercising the ownership rights again. MNV Zrt., the Prime Ministeriate and the Forster Center have exercised their ownership rights over Millenáris Nkft. lawfully.

Between 2012 and 2015, the regularity of the management of the company did not comply with the legal requirements due to the lack of the system of accounts, the evaluation regulation, the deficiencies of the accounting policy and the inventory policy. The regulation of the operation of Millenáris NKft. improved in 2016, but it did not have a system of accounts and public procurement regulations during the audited period.

The company's asset management was not regular between 2012 and 2015, however, it was regular in 2016. The company made its decisions resulting in changes in the assets lawfully between 2012 and 2015, however, assets and liabilities shown in the balance sheet were not substantiated by a regular inventory. The annual report was substantiated by an inventory in 2016.

Millenáris NKft. has complied with the planning, reporting and data provision obligations imposed by the accounting legislation and the owners exercising their rights. The company did not have a regulation governing the disclosure of data of public interest and the order of fulfillment of data requests of public interest, did not comply lawfully with its disclosure obligation, thus the transparency of its financial management was not ensured.

Despite regulations, the company did not set up an internal monitoring system to track the implementation of the investment objectives. Millenáris NKft. did not operate an internal control system between 2014 and 2016 despite legal regulations. As part of the control activity, the establishment of controls aimed at reducing the risks to the achievement of organisational goals in the area of investment activities, in particular as regards the approval of decisions in terms of regularity and their countersigning were not ensured.

The preparation of the decision on the investment and the investment process were determined by the sponsor in accordance with the regulations. The company had the budget support needed for the preparation and implementation of the investment and the authority licenses. The business contracts concluded during the preparation of the investment did not meet the requirements of eligibility criteria.

The State Audit Office of Hungary made 10 recommendations to the Managing Director of Millenáris Nkft.