



ÁLLAMI
SZÁMVEVŐSZÉK

Summary

of the Audit on the Proper Utilisation of Public Funds by the 'Hálózat' – Foundation for Budapest Fee Payers and Defaulting Payers (1045)

Objective and scope of the audit

Three private individuals established the 'Hálózat'– Foundation for Budapest Fee Payers and Defaulting Payers (Foundation) in 1995, which was declared a non-profit organisation in 1998. Within its scope of activities the Foundation granted one-time or continuous support to the groups in need socially and those disadvantaged in order to promote their access to socially equal opportunities. The last year audit report on the Budapest Municipality's activity to set the amount of fees chargeable for official proceedings considered it necessary to carry out a separate audit on the Foundation as an organisation which provides support for the payment of public utility fees. The related legal provisions served as a legal basis for the audit only in a limited way. The chairman of the board of trustees of the Foundation consented only to the audit of the complementary subsidies provided for supporting overhead charges within the support scheme of the Foundation. In the course of the on-site visit it could be concluded that the subsidy could be audited separately from the audit of the overall asset utilisation of the Foundation, therefore, the SAO audit aimed at the regular and proper utilisation of this subsidy.

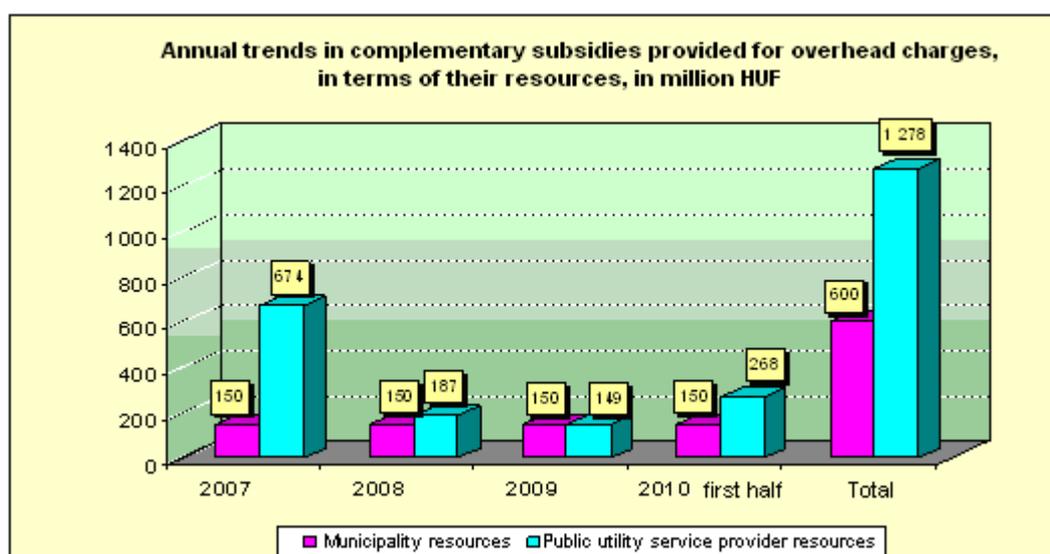
Main findings

The operational expenditures related to the overall support activity of the Foundation – including the complementary subsidies provided for overhead charges – amounted to 0.3% of its total expenses; there were no employees, and the members of the board of trustees did not receive remuneration for their work.

In the period between 2007 and the first half of 2010 the Foundation provided support in the amount of HUF 6,879 million, 8.7% of which resulted from local government resources. In the audited period the Municipality of Budapest provided a support of HUF 150 million annually, amounting to a total of HUF 600 million. The Foundation received the total amount of funds from the Municipality for complementary subsidies to be provided for overhead charges in the capital during winter time. The amount of subsidies totalled HUF 1,878 million; the funds exceeding the support provided by the Municipality resulted from the donations of public utility service providers who supported the

Foundation with the amounts stipulated by the resolutions of the General Assembly of the Municipality of Budapest.

The Foundation did not have a concept adopted by the board of trustees regarding subsidies provided for overhead charges, the criteria for granting subsidies were stipulated by the decree of the Municipality. With the exception of the year 2009, the Foundation did not fulfil its obligation regarding accountability stipulated in the subsidy contract.



Between 2007 and the first half of 2010 the Foundation granted the complementary subsidies provided for overhead charges in order to achieve the objectives set in the deed of foundation and the subsidy contract concluded with the Municipality. The subsidies – via public utility bills – had been credited to private individuals registered in the invoicing system of the organisations entitled to invoice (Municipal Fee Collection Private Limited Company and Budapest District Heating Works Private Limited Company), based on the applications submitted by the claimants. However, the absence of documents justifying the eligibility for subsidy did not allow for forming an opinion on the existence of a social need. The Foundation did not verify the eligibility for subsidy.

The Foundation received funds both from the Municipality and from public utility service providers on a contractual basis. The framework agreement between the Foundation and the Municipality was not updated, it contained only the amount of subsidies for the year 2000. The amounts of donations approved by the General Assembly were only included in the annual contracts between the Foundation and the public utility service providers. These contracts however did not stipulate that the Foundation was allowed to allocate that part of the support

provided by the public utility service providers which was beyond the price compensation for complementary subsidies for overhead charges or for other funding objectives of the Foundation. The cooperation agreement between the Municipal Fee Collection Private Limited Company crediting the subsidy and the Foundation did not cover the tasks, competencies and responsibilities related to the complementary subsidies provided for overhead charges, thus, the organisation performed this task without a contract.

The SAO audit revealed errors in relation to the regularity of the transfer of subsidies. In the years 2007 and 2010 the guidelines published by the Foundation as regards the conditions applying for the complementary subsidies provided for overhead charges did not comply with the decree of the Municipality in terms of the scope of beneficiaries. For lack of harmony between the guidelines and the decree, the entitled organisations credited customer accounts with subsidies totalling HUF 240 million in case of such individuals who, according to decree of the Municipality, were not eligible for receiving complementary subsidies for overhead charges. On behalf of the organisations entitled to credit invoices, duplicated subsidies worth HUF 9.8 million were granted. The Budapest District Heating Works Private Limited Company credited an amount exceeding the maximum HUF 16,000 per person stipulated in the decree totalling HUF 2.4 million.

The Foundation registered its revenues and expenditures separately in its accounting records, did not comply however with the provisions applicable to separation stipulated in the subsidy contract concluded with the Municipality, since it did not handle the funds received separately from its other funds.

Recommendations

The SAO recommended the board of trustees to elaborate the concept of complementary subsidies provided for overhead charges as well as a scheme for verifying the eligibility for the subsidies; to update the framework agreement with the Municipality; to provide for the harmony between the application guidelines and the scope of beneficiaries stipulated by the decree of the Municipality; and to fulfil the obligations regarding accountability in relation to the Municipality. Moreover, the SAO requested the board of trustees to amend the quantified errors revealed in the course of the audit (subsidies not complying with eligibility, duplicated subsidies and those exceeding the limit per person). The SAO recommended the General Assembly of the Municipality of Budapest to specify the scope of documents justifying eligibility and the related control obligations, as well as to exercise their control rights and to specify the way and contents of accounting requirements in the subsidy contracts concluded with the Foundation.