

Audit of the asset preservation and financial management activities of state-owned (partly state-owned) economic organisations – HungaroControl Hungarian Air Navigation Services Pte.Ltd.Co. (17098)

On the 5 July 2017 the State Audit Office of Hungary has published the audit report of HungaroControl Hungarian Air Navigation Services Pte.Ltd.Co. for the period between 1 January 2012 and 31 December 2015. The SAO has concluded that the exercise of proprietary rights by the Ministry of National Development and Hungarian National Asset Management Inc. over HungaroControl Hungarian Air Navigation Services Pte.Ltd.Co. was compliant. The rules of the operation, the fulfilment of financial, accounting, data provision and controlling tasks were compliant with the requirements. The asset management of the company was all in all compliant.

The State Audit Office of Hungary, by auditing the systems carrying out public duties outside the state budget, contributes to public funds being used by the organisations operating outside the state budget in a transparent manner. The SAO, therefore, proceeds with scheduled audits of state-owned economic organisations, within the framework of which HungaroControl Hungarian Air Navigation Services Pte.Ltd.Co. was also audited.

HungaroControl provides air traffic services in the Hungarian airspace and (based on the request of NATO in the high airspace above Kosovo, too), provides training for air traffic personnel and carries out air navigation research and development. Its sole shareholder is the Hungarian state, its founder's and proprietary rights are exercised by the Hungarian National Development Minister. HungaroControl Pte.Ltd.Co., employing more than 700 persons, performed its tasks with the assets received for asset management and with its own assets. Its equity continually increased in the period between 01 January 2012 and 31 December 2015, while the amount of its subscribed capital remained unchanged. The company operated at a profit.

The audit concluded that the Ministry of National Development exercised the proprietary rights over the shares of the company and Hungarian National Asset Management Inc. (HNAM Inc.) exercised proprietary rights over the national assets handed into its management compliant to the regulations. The Ministry of National Development determined the rules for exercising proprietary rights in internal policies and in the articles of incorporation in compliance with the statutory requirements. HNAM Inc. laid down the rights relating to asset management and the criteria for responsible management in an asset management agreement and determined the accounting settlement rules for investments and renovations carried out on the managed assets in a settlement agreement.

HungaroControl Pte.Ltd.Co.'s operations were regulated in compliance with the legal requirements and internal provisions. The company performed its financial, accounting and controlling tasks in an orderly manner. The accounting of revenues and expenses complied with the requirements; the prime costs of the services performed were supported with subsequent calculations. The company fulfilled its reporting and data provision obligations set forth by the law and in the internal regulations in compliance with the regulations and ensured that the recommendations of the internal audit and the owner's audit were realised.

The company established the conditions for compliant asset management and, in adherence to the regulations, it ensured that the value and condition of the state-owned assets in its management as well as of its own assets were preserved. Separate records were kept on the managed assets and the revenues and expenses deriving from their operation. The SAO revealed, however, that the amount of committed reserve was reduced in 2014 with the capitalised value of the investments and renovations carried out on the managed assets in spite of the fact that HNAM Inc. had not approved the annual report for 2014 in writing by the balance sheet date. The company fulfilled its data provision obligation related to investments and renovations according to the regulations.

The SAO did not make recommendations based on the findings of the audit.