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## THE AUDIT OF THE NATIONAL ARCHIVES OF HUNGARY (MAGYAR NEMZETI LEVÉLTÁR)

Summary for the press on the financial and asset management audit of specific institutions of the central subsystem – National Archives of Hungary (18312)

**The State Audit Office of Hungary has completed the audit of the National Archives of Hungary in respect to years 2014 to 2016. The SAO concluded that the establishment and operation of the internal control system of the archives was not regular and therefore the transparent and accountable use of public funds was not ensured. The financial and asset management was not regular. Due to the deficiency of the integrity control system operation the integrity approach did not prevail.**

The use of public funds by the central subsystem of public finances, the diversity of public tasks carried out by the institutions and the scale of the assets assigned to the performance of tasks require the State Audit Office of Hungary to perform audits in the area of financial and asset management. The SAO contributes to the more accurate assessment of the financial situation of central institutions through its audits, and by the development and dissemination of good practices, audits can help improve the regularity of financial management.

The organization of the National Archives of Hungary was formed after the merger of the county archives into the Hungarian National Archives on October 1st, 2012. It was founded by the Parliament of Hungary, its governing body is the Ministry of Human Capacities. Its public task is the performance of archiving activities. Its core business includes the performance of tasks related to issuing document management regulations, the receipt and preservation of non-discardable public domain documents of the bodies under its jurisdiction, the control of archives disposal and document management of public service entities and public companies, the receipt, purchase, preservation and collection of private documents of lasting value, the operation of the archives science library. Other tasks include maintaining international relations, conducting domestic and foreign microfilm and brochure exchange, providing file protection and reprographic services.

The assets of the Archives according to the balance sheet was HUF 9,891.5 million on December 31st, 2016, its total revenue amounted to HUF 4,346.7 million, its total expenditure was HUF 3,819 million in 2016. Its average statistical headcount increased from 682 persons to 802 persons between 2014 and 2016.

The SAO concluded that the governing body power was exercised lawfully by the Ministry of Human Capacities.

The establishment and operation of the Archive's internal control system was not regular in the audited period, furthermore, no responsible person was appointed to coordinate the integrated risk management system starting October 1st, 2016. The performance of control activities was not regular, and the full-scale implementation of internal control plans was not ensured.

The Archive's financial management was not regular. In the course of the collection and settlement of revenues, the legal and internal regulations were not complied with and the cash management powers were not exercised in accordance with the legal requirements when using the expenditure appropriations. Asset management was not regular, because the Archives had no asset management contract covering the entire scope of its assets. By the end of the audited period, it did not fulfill its reporting obligation to the organisation exercising ownership rights in respect of the assets which it had under its jurisdiction under the law. Despite legal requirements and internal regulations, the Archive failed to take a detailed inventory listing the quantity and value of all of its assets and liabilities in an auditable way on the balance sheet date.

Controls supporting the integrity required by law have been developed, but the integrity approach has not been enforced due to the deficiencies revealed in the operation.

The State Audit Office made 17 recommendations to the Director General of the National Archives of Hungary, for which he has to prepare a plan of action within 30 days.

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