



A-40-001/2003

The Audit Plan of the State Audit Office for the Year 2004

Approved:

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President

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INTRODUCTION

to the State Audit Office's audit plan for the year 2004

I.

The State Audit Office (SAO) performs its auditing activities on the basis of a strategy covering the time horizon of Parliamentary cycles and supports its annual audit plan with a medium-term outlook. The audit plan is approved by the president of the institution, who is also responsible for its implementation.

The audit activities in 2003 were carried out without any major problems, and this served as a sound basis for planning for the year 2004. The modifications implemented in the audit plan for 2003 were carried out in such a way that they did not interfere with the equilibrium of audit capacity utilisation.

The SAO's audit authorisations extend to auditing the whole field of the management of public finances, the treasury and the state's entrepreneurial property, the financial management of partially or completely state-owned organisations fulfilling state responsibilities and falling outside the framework of public finance, the operation of institutions with an obligation to report to Parliament as well as the legality of the financial management of political parties.

Act XXIV of 2003 on the amendment of specific acts related to the publicity, transparency and control of the appropriation of public funds and the use of public property further enhanced the scope of the SAO's authorisations, thereby strengthening the role and the competence of the institution. The SAO received an authorisation under public law, on the basis of which it may transcend the sphere of state institutions during its audits in order to audit the legality of the utilisation of state property and government subsidies. The SAO took this authorisation into full consideration during the drafting of its audit plan, not in the form of separate auditing tasks, but rather including it in certain thematic audits by increasing their extent and the audit capacity.

Concerning the audit authorisations provided by law, the SAO bears almost uniquely wide-ranging obligations and licences in international comparison with partner supreme audit institutions. It is not only authorised to audit the utilisation of public funds and property in the sphere of public finances, but also, within a defined scope and using specific methods, in the competitive (private) sphere. This entails an increased responsibility as well as a new professional challenge.

The adequate execution of the audits aimed at the realisation of the aforementioned wide-ranging audit obligations and licences with a limited staff (compared to the extent of the tasks) requires and presupposes the conscious formulation of the course of the operation and the development of audit activities and the continuous, targeted training of employees. This is the purpose of the SAO's strategy and the related training plan, based on the so-called human resources supporting strategy. Besides financial regularity audits and performance audits, this plan contains material related to accounting, the tax system, auditing quality assurance, sampling methods and familiarity with the EU, as well as training and management training programs, IT and foreign language training courses.

II.

The effective legal provisions provide for audit obligations to be performed annually, as well as ones to be carried out regularly. On average, over the last few years, these together have taken up about 60 percent of the SAO's audit capacity. Therefore, naturally taking into consideration the legal provisions relating to the SAO, approximately 40 percent of the audit capacity remains for the selection of audit tasks, topics and topic groups relating to timely and important social and economic issues and audits involving the preparation of economic analyses and conclusions, thereby assisting in the transparency of the utilisation of public funds and property.

The audit tasks to be performed annually are the following: presenting an expert opinion on the state budget bill, auditing the final accounts, auditing the utilisation and the accounting of subsidies provided to local governments from the central budget and auditing the operation and the financial management of the state privatisation company and the national news agency.

During the compilation of the plan for 2004, we considered resolution no. 35/2003. (IV. 9.) of Parliament to be authoritative, which, taking into account our auditing experiences, conclusions and proposals, defined new audit tasks with respect to the comprehensive auditing of the final accounts and the local governments.

Concerning the auditing of the implementation of the central budget, Parliament, confirming an earlier resolution, thought it necessary to make the audits qualifying the reliability of reports complete, with the increased involvement of the budgetary institutions supervising the chapters. Furthermore, it agreed that the SAO should audit every local government at least once in every election cycle. Within that, comprehensive audits should be focused on local governments possessing a significantly large budget or properties, and the findings of such audits should be published in separate reports. As a result, the number of reports published shows an increase compared to the plan for 2003, but this is

only due to the fact that the SAO has published 17 separate reports about its most significant comprehensive audits on local governments.

In 2004, in the line of the audit of the final accounts, which was combined with a certification of reliability, in the course of the audit of the final accounts for 2003, the SAO qualifies from the point of view of reliability the reports prepared by administrative titles of 24 budgetary chapters and, in the case of 17 budgetary chapters, the reports on chapter-managed appropriations as well as the accounts of the national economy. In the framework of the audit, the SAO examines the level of development and the operation of internal control mechanisms, since internal controls and the SAO's audits together provide the basis for qualifying the reliability of accounts on financial and economic management. The Act on Public Finances makes it clear that "...the audit of elementary reports prepared by central budgetary institutions must be performed according to a methodology developed by the State Audit Office".

Concurrently with auditing the final accounts of the state budget, the SAO also audits the budgetary relations of local governments. The report on the final accounts also contains the conclusions drawn in the reports concerning the utilisation and the accounting of normative state subsidies as well as targeted and labelled subsidies.

Compulsory annual audit tasks have expanded in connection with Hungary's accession to the EU with an accreditation audit of the institutional framework set up in order to implement the SAPARD program and to disburse support payments.

Auditing the budgetary chapters and the financial management of local governments forms a definitive part of the regular tasks defined by law. The SAO fulfils this task with performing so-called comprehensive audits.

At the focus of the comprehensive audits of the budgetary chapters are audits concerning the utilisation of funds provided for sector policy and professional management, the efficiency of the operation and the management of the chapters, as well as evaluation of the supervision performed by the chapters responsible for the reliability of the financial reports of their budgetary institutions.

In each parliamentary cycle, the SAO performs comprehensive audits on the management of the chapters that are definitive from the point of view of constitutional rule. The comprehensive auditing of the remaining chapters is done with a view to topical issues and audit capacity. Accordingly, the plan for 2004 includes audits of the Ministry of Finance, the Ministry of Health, Social and Family Affairs, the Ministry of Defence, the Ministry of Education and the Ministry of Informatics and Telecommunication.

Out of the four segregated state trust funds, the two that had been put into operation earlier will also be audited in 2004.

Auditing the operation of the Hungarian National Bank also constitutes a regular task for the SAO. Due to overlaps between the years, the audit plan contains audits of the operation of the central bank in the year 2003 as well as in 2004.

On the one hand, the objective of the comprehensive audits carried out at local governments is to inform Parliament about the way local governments perform their tasks, about connections between resources, changes of assets and financial equilibrium as well as the operation of management and control systems. On the other hand, the aim is to assist the work of local governments with findings and proposals concerning the legality, regularity and expediency of their financial management in a direct and, if possible, preventive manner.

In harmony with the strategy and the aforesaid, approximately 200 local governments will be audited in 2004. The audits of counties, towns and metropolitan districts, which bear significant budgetary connections and increased risks, will receive special attention. Such audits will be dealt with in 17 separate reports and one summary report.

III.

Besides its regular audit tasks defined by law and as far as its audit capacity allows, the SAO pays special attention to factors and connections that have a direct or indirect effect on the realisation of important economic and financial policy priorities. Whenever possible, the SAO attempts to explore also the motives behind the processes on the surface, and the deeper interrelations using so-called performance audits with a comprehensive, systematic approach, usually focusing on the analysis of efficiency attributes.

Whilst the plan for 2003 included 22 such audits, most of which were performance audits, the plan for 2004, in harmony with strategic guidelines and relying on increased audit capacity with the support of Parliament, contains 31 such performance audits, turning the spotlight on factors of efficiency. With these audits we aim to provide, amongst other things, a series of thematically interconnected audits relating to significant areas both from the point of view of public sentiments and the competitiveness of the national economy.

In 2004, the SAO will audit the current situation in and the financing of the consumption of pharmaceutical products, the model experiment of targeted patient care, PHARE programs implemented in healthcare and the utilisation of funds allotted to central and local government healthcare investments and reconstructions. In addition to this, as we have already mentioned, a comprehensive audit of the Ministry of Health, Social and Family Affairs chapter will also be carried out. Consequently, also taking into consideration the fact that the SAO recently audited inpatient care and its Research and Development Institute published a report on this in the autumn of this year, the SAO attempts to contribute to the responsible activities of Parliament and the (financial)

government by providing a detailed account of the control and operational mechanisms of the national economy, which are equally important from the point of view of national competitiveness, public finance reforms and, last but not least, the lifestyle of the population.

The same approach will be used next year to bring various programs into focus, for example audits of the National Cultural Program, the National Statistical Program, the environmental protection and transport development program realised from support by ISPA as well as the utilisation of the funds allotted to these programs. In addition, further programs that we can mention here are audits of the funds allotted to tasks and objectives in family affairs, the environmental protection fund, the prevention of natural disasters as well as research and development.

Taking into account the fact that, in line with international trends, transition between the public sector and the competitive (private) sector are widening in Hungary (this was precisely one of the reasons why the so-called "glass pocket" law assigned new auditing tasks to the SAO, in the coming year, we will pay special attention to auditing state tasks performed outside of the framework of public finance. A separate system audit is planned for this purpose.

In addition, the SAO will audit the operation of Eximbank Corp., Mehib Corp., the Hungarian Development Bank Corp. and the Hitelgarancia Corp., as well as their activities relating to the implementation of the central budget. Besides all of these activities, the plan for 2004 also includes audits of seven public foundations.

IV.

As of 2003, in line with its strategy, the SAO will introduce the "professional service" of providing an account of a certain area of the national economy in an independent analysis, using the reports prepared during the last three or four years, to highlight the characteristic processes, the typical problems and changes as well as the reasons behind them. This service will be performed in addition to the SAO's auditing tasks laid down in the audit plan.

This was the rationale behind the publishing of the studies entitled "The fight against corruption through the presentation of State Audit Office cooperation", "Local taxes and duties in the light of State Audit Office audits carried out at local governments" and "Ten years of inpatient care, the elements of a possible therapy". Two new SAO studies will be published in the near future, entitled "The operation, budgetary support and auditing of the non-profit sector" and "The objectives, guiding principles and the process of privatisation".

Up to 2006, in harmony with strategic provisions and based on the preliminary outlook program, the presentation of the interconnections and the detailed evaluation of the given topic will be carried out with respect to environmental

protection, the fulfilment of state tasks outside the framework of public finance, healthcare, higher education, employment, the modernisation of the armed forces and the revenues of the central budget.

Naturally, these studies, which contain professional analyses, do not feature in the audit plan (even though they rely on the utilisation of the experiences and working capacity of SAO employees). At the same time, they are intended to fulfil the need to publish the results of the SAO's work in a new format, by systematising and synthesising the experiences and the conclusions of specific, "official" audits, whilst also, in some cases, relying on professional publications, as well as those of research centres in Hungary and abroad, thereby making a valuable contribution to the work of Parliament, the government and the experts concerned.

V.

The management of the State Audit Office utilises the know-how and the creative potential of its qualified employees and, with the support of Parliament, its increased audit capacity (in line with its increased tasks) in a responsible manner.

Compared to the 75 audits carried out in 2003, the audit plan for 2004 contains a total of 94 audits. As we have mentioned before, the increase is due to the comprehensive audits of the larger local governments. The audit capacity aimed at ensuring the implementation of the plan, measured in audit days, is divided in such a way that providing an expert opinion on and auditing the implementation of the budget takes up 28 percent, audits related to the central budget take up 16 percent, audits of local governments take up 26 percent and audits of the social security funds take up precisely 4 percent. All of these added together represent three quarters of the annual audit capacity, whilst auditing the other areas (institutions outside the framework of public finance, assets, subsidies received from abroad, etc.) requires a quarter of the capacity. Due to the scheduling of the tasks and the overlaps between the years, the number of SAO reports to be published in 2004 is 46.

Implementation of the audit plan for 2004 will require 59,000 audit days (the plan for 2003 contained 53,000). This will require the entire audit capacity of the SAO. In line with earlier practices, the SAO will not have any reserve capacity in 2004 either. As a result, if new tasks arise in addition to the audit plan, it will be necessary to modify the audit plan. This could result in certain audits being delayed or cancelled.

Budapest, 3 December 2003

LIST OF AUDIT SUBJECTS

(Table of contents based on the serial number of the audit subjects)

I. AUDITS STARTED IN 2003 AND CARRIED OVER TO 2004

I. AUDITS RELATED TO AUDITING THE IMPLEMENTATION OF THE BUDGET AND THE FORMING OF OPINIONS ON BUDGETARY APPROPRIATIONS

- 01 Audit of the implementation of the budget of the Republic of Hungary for the year 2003

II. AUDITS RELATED TO THE CENTRAL BUDGET

- 02 Audit of the utilisation of funds spent on state healthcare investments and renovations
- 03 Audit of the operation of the Ministry of Finance chapter
- 04 Audit of the utilisation of the funds used for the targeted objectives of the Environment Protection Fund
- 05 Audit of the operation of the normative financing system in higher education
- 06 Audit of the utilisation of funds appropriated for museum renovation
- 07 Audit of the utilisation of central budget funds spent on research and development
- 08 Audit of the personal income tax declaration and reclaim system
- 09 Audit of the utilisation of the funds spent on the operation of the Hungarian Defence Forces' land forces

III. AUDITS RELATED TO LOCAL GOVERNMENTS AND MINORITY LOCAL GOVERNMENTS

- 10 Audit of personal care services provided in connection with child protection
- 11 Audit of the public utility sewage system development and operation tasks of local governments
- 12 Comprehensive audit of the financial management of local governments and of minority local governments
- 13 Audit of local government partnerships
- 14 Comprehensive audit of the financial management of Municipal Government of the II district of Budapest
- 15 Comprehensive audit of the financial management of the Municipal Government of Kőbánya X district of Budapest

- 16 Comprehensive audit of the financial management of the Local Government of Jász-Nagykun-Szolnok County
- 17 Comprehensive audit of the financial management of the Municipal Government of County Status Town Székesfehérvár
- 18 Comprehensive audit of the financial management of the Municipal Government of County Status Town Zalaegerszeg
- 19 Comprehensive audit of the financial management of the Municipal Government of County Status Town Salgótarján
- 20 Comprehensive audit of the financial management of the Municipal Government of County Status Town Szekszárd
- 21 Comprehensive audit of the financial management of the Municipal Government of Kispest XIX district of Budapest
- 22 Comprehensive audit of the financial management of Local Government of Bács-Kiskun County
- 23 Comprehensive audit of the financial management of Local Government of Csongrád County
- 24 Comprehensive audit of the financial management of Municipal Government of the County Status Town Miskolc
- 25 Comprehensive audit of the financial management of the Municipal Government of Budapest

IV. SEGREGATED PUBLIC FUNDS

- 26 Audit of the operation of the Labour Market Fund

V. AUDITS RELATED TO THE SOCIAL INSURANCE FUNDS

- 27 Audit of the current situation in the consumption of pharmaceutical products, its financing and subsidy system

VI. AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

- 28 Audit of the operation of the Hungarian Post Office Limited
- 29 Audit of the operation of the Hungarian Development Bank Corporation and of its activities relating to the central budget implementation
- 30 Audit of the financial management of the Hungarian News Agency Corporation (MTI Rt.) in 2003

VII. AUDITS RELATED TO FOREIGN ASSISTANCE

- 31 Audit of the PHARE programmes realised in the field of healthcare
- 32 2003 certifying audit of the institutional framework set up to implement the SAPARD programme and to disburse support payments

- 33 Pre-accreditation audit of the agency performing the tasks of the EAGGF Guarantee Section paying agency

VIII. AUDITS RELATED TO ORGANISATIONS FALLING OUTSIDE THE FRAMEWORK OF PUBLIC FINANCE

- 34 Audit of the financial management of the Jewish Heritage in Hungary Public Endowment
- 35 Audit of the operation of the Hungária Television Public Foundation and the Duna Television Corporation
- 36 Audit of the operation of Credit Guarantee Corporation and of its activities pertaining to the central budget implementation
- 37 Audit of the operation of the performance appraisal system employed at the National Bank of Hungary
- 38 Audit of the financial management of the Public Foundation for Gypsies in Hungary
- 39 Audit of the financial management of the Public Foundation for National and Ethnic Minorities in Hungary

IX. OTHER AUDITS

- 40 Audit of the National Theatre investment
- 41 Audit of the Danube Bridge investment at Szekszárd

II. AUDITS STARTED IN 2004 AND TO BE COMPLETED IN 2004

I. AUDITS RELATED TO AUDITING THE IMPLEMENTATION OF THE BUDGET AND THE FORMING OF OPINIONS ON BUDGETARY APPROPRIATIONS

- 42 Opinion on the budget of the Republic of Hungary for the year 2005.

II. AUDITS RELATED TO THE CENTRAL BUDGET

- 43 Audit of the operation of the Hungarian Defences Forces public procurement system
- 44 Audit of the operation of the Hungarian Competition Authority chapter
- 45 Audit of the accounting of the funds used for the implementation of the national referendum held on 12 April 2003.
- 46 Audit of the subsidy system of national and ethnic minorities in Hungary

III. AUDITS RELATED TO LOCAL GOVERNMENTS AND MINORITY LOCAL GOVERNMENTS

- 47 Changes in the conditions of secondary education

IV. SEGREGATED PUBLIC FUNDS

Due to the scheduling of audit subjects, no audits are planned

V. AUDITS RELATED TO THE SOCIAL INSURANCE FUNDS

Due to the scheduling of audit subjects, no audits are planned

VI. AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

- 48 Audit of the operation of the Hungarian Privatisation and State Holding Company in 2003 and of its activities related to the implementation of the central budget

VII. AUDITS RELATED TO FOREIGN ASSISTANCE

- 49 Audit of environmental protection programmes realised from ISPA support

VIII. AUDITS RELATED TO ORGANISATIONS FALLING OUTSIDE THE FRAMEWORK OF PUBLIC FINANCE

- 50 Audit of the regularity of the financial management of the Christian Democratic Popular Party in 2002
- 51 Audit of the regularity of the financial management of Union for Hungary Centrum in 2002-2003.
- 52 Audit of the regularity of the financial management of the Workers' Party in 2002-2003.
- 53 Audit of the regularity of the financial management of the Hungarian Democratic Forum in 2002-2003.
- 54 Audit of the regularity of the financial management of the Alliance of Young Democrats Hungarian Civic Union in 2002-2003.
- 55 Audit of the operation of the National Fund for Institutional Protection of Savings Co-operatives
- 56 Audit of the operation of the National Bank of Hungary in 2003.
- 57 Audit of the system of performing state tasks outside the framework of public finance
- 58 Audit of the financial management of the Illyés Public Foundation

IX. OTHER AUDITS

Due to the scheduling of audit subjects, no audits are planned

III. AUDITS STARTED IN 2004 AND CARRIED OVER TO 2005

I. AUDITS RELATED TO AUDITING THE IMPLEMENTATION OF THE BUDGET AND THE FORMING OF OPINIONS ON BUDGETARY APPROPRIATIONS

59 Audit of the implementation of the budget of the Republic of Hungary for the year 2004.

II. AUDITS RELATED TO THE CENTRAL BUDGET

- 60 Audit of the operation of the task financing system in higher education
- 61 Audit of the utilisation of the funds spent on the National Cultural Fund
- 62 Audit of the operation of the corporation tax collection system
- 63 Audit of the operation of the Hungarian Customs and Finance Guard
- 64 Audit of the operation of the Ministry of Health, Social and Family Affairs chapter
- 65 Audit of the operation of the Ministry of Defence chapter
- 66 Audit of the operation of the Ministry of Education chapter
- 67 Audit of the operation of the Ministry of Informatics and Communications chapter
- 68 Audit of environmental protection and nature conservation in the Hungarian-Austrian-Slovenian border region
- 69 Audit of the operation of the Constitutional Court chapter
- 70 Audit of the utilisation of the funds spent on the "Statistics" national program
- 71 Audit of the utilisation of earmarked amounts aimed at the fulfilment of family policy objectives

III. AUDITS RELATED TO LOCAL GOVERNMENTS AND MINORITY LOCAL GOVERNMENTS

- 72 Audit of healthcare investments and renovations financed from earmarked support
- 73 Provision and funding issues of local government public education and library services
- 74 Audit of the maintenance of public cemeteries
- 75 Comprehensive audit of the financial management of local governments and minority local governments
- 76 The current condition of baths and especially medicinal baths in local government ownership and their development prospects, with special emphasis on tourism
- 77 Comprehensive audit of the financial management of the Municipal Government of Budapest
- 78 Comprehensive audit of the financial management of the Local Government of Borsod-Abaúj-Zemplén County
- 79 Comprehensive audit of the financial management of the Local Government of Fejér County

- 80 Comprehensive audit of the financial management of the Local Government of Hajdú-Bihar County
- 81 Comprehensive audit of the financial management of the Local Government of Komárom-Esztergom County
- 82 Comprehensive audit of the financial management of the Local Government of Pest County
- 83 Comprehensive audit of the financial management of the Local Government of Tolna County
- 84 Comprehensive audit of the financial management of the Municipal Government of County Status town Kecskemét
- 85 Comprehensive audit of the financial management of the Municipal Government of County Status Town Győr
- 86 Comprehensive audit of the financial management of the Municipal Government of County Status Town Eger
- 87 Comprehensive audit of the financial management of Municipal Government of County Status Town Szombathely
- 88 Comprehensive audit of the financial management of the Municipal Government of Budavár I district of Budapest
- 89 Comprehensive audit of the financial management of the Municipal Government of Terézváros VI district of Budapest
- 90 Comprehensive audit of the financial management of the Municipal Government of Ferencváros IX district of Budapest
- 91 Comprehensive audit of the financial management of the Municipal Government of the XIII district of Budapest
- 92 Comprehensive audit of the financial management of the Municipal Government of the XVI district of Budapest
- 93 Comprehensive audit of the financial management of the local government of the XVIII district of Pestszentlőrinc – Pestszentimre

IV. SEGREGATED PUBLIC FUNDS

- 94 Audit of the operation of the Central Nuclear Fund

V. AUDITS RELATED TO THE SOCIAL INSURANCE FUNDS

- 95 Audit of the managed healthcare pilot model

VI. AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

- 96 Audit of the financial management and operation of treasury assets
- 97 Audit of the financial management of the Hungarian News Agency Corporation in 2004

VII. AUDITS RELATED TO FOREIGN ASSISTANCE

- 98 2004 certifying audit of the Hungarian institutional framework set up in order to implement the SAPARD programme and to effect payments of support
- 99 Audit of transport development programmes realised with ISPA support

VIII. AUDITS RELATED TO ORGANISATIONS FALLING OUTSIDE THE FRAMEWORK OF PUBLIC FINANCE

- 100 Audit of the regularity of the financial management of political parties not receiving support from the central budget in 2001-2004
- 101 Audit of the operation of the Hungarian Export-Import Bank Corporation
- 102 Audit of the operation of the Hungarian Export Credit Insurance Corporation
- 103 Audit of the operation of the National Bank of Hungary in 2004
- 104 Audit of the financial management of the Apáczai Public Foundation for Hungarian Education Beyond the State Borders
- 105 Audit of the financial management of the National Boarding School Public Foundation

IX. OTHER AUDITS

- 106 Audit of the preparation for the prevention of natural disasters

I.

**AUDITS STARTED IN 2003
AND CARRIED OVER TO 2004**

Serial number: 1

Division responsible for the audit: 11. Organisational Management and Relations Division
22. Financial Audit Division
32. Financial Regularity and Performance Audit Division
33. Comprehensive Audit Division

Type of audit: Financial and other regularity

Audit of the implementation of the budget of the Republic of Hungary for the year 2003

Objective of the audit: to assess whether the data concerning the implementation of the budget of the Republic of Hungary for the year 2003 realistically reflect financial processes in 2003, how the various financial transactions influenced the position of the budget, whether the bodies with rights and competences in the budget implementation fulfilled their legal authorisations and obligations prescribed by law, and whether the utilisation and the accounting of contributions and support due to local governments occurred in accordance with legal provisions.

The significance of the audit subject: According to paragraph (2) of section 29 of the Act on Public Finances, Parliament discusses the final accounts bill together with the SAO's report. The SAO qualifies (gives an opinion on) the financial statements of 7 central budget chapters and 4 titles having chapter rights on the basis of a methodology devised for the financial-regularity audit of the financial report of central budgetary organisations.. In case of 17 chapters, financial reports on the management of administrative titles and chapter-managed appropriations will be assessed in their full scope. The financial audit of the national economy accounts will be also extended to their full scope. Regularity audits will be carried out at three segregated state funds and at the funds of the social security system. The audit extends to the financial relations between the system of public finance and the Hungarian Privatisation and State Holding Company as well. On the base of the audit focusing on the relations of local governments to the central budget, an opinion will be given on the well-establishedness and reliability of the data, that are provided by the Ministry of Interior budget report (latter includes the accounting of central budget contributions, subsidies due to the local governments).

Date of the commencement of preparation: 14 July 2003.

Date of the commencement of the on-site audit (approval of the programme): **19 April 2004.**

Date of closure (presidential board meeting discussing the report): **16 August 2004.**

Planned capacity requirement: 16651 auditor days. Out of this, 13011 days in plan year.

Serial number: 2

Division identification number: 123/3/03
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the utilisation of funds spent on state healthcare investments and renovations

Objective of the audit: to evaluate whether the chapter-managed healthcare equipment investments and renovations under the supervision of the Ministry of Health, Social and Family Affairs chapter (and its legal predecessor) were in harmony with prevailing healthcare policy objectives, whether they promoted the successful realisation of the policy and contributed to improving healthcare conditions, and how modifications in professional objectives and appropriations influenced the realisation of programmes initiated earlier.

The significance of the audit subject: HUF 59.8 billion of investment spending was accounted at the chapter between 1992 and 2000, out of this, HUF 48.7 billion against the chapter-managed appropriations. In the last few years, the sum of the chapter-managed appropriations has decreased. In 2001, it shrank to a quarter of the annual figure for 1998. Concurrently, in order to compensate for some of the amortizations, the ministry raised the operational appropriation of the chapter's institutions. In the framework of the comprehensive audit of the chapter, the SAO also audited the condition of equipment investments and renovations. The modernisation of the pool of X-ray machines affected only a small percentage of the equipment stock, which was only enough to slow down the general and average depreciation of the machinery. Pieces of ray therapy equipment are outdated and inadequate in number. Therefore, treatment was begun in time in the case of only about half of all the patients requiring treatment. The minimum requirements were not provided in anaesthesiology and intensive care. Based on experiences so far, it would be justified to audit the topic in more detail than before, with performance audit methodology.

Date of the commencement of preparation: 10 March 2003.

Date of the commencement of the on-site audit (approval of the programme): **30 June 2003.**

Date of closure (presidential board meeting discussing the report): **1 March 2004.**

Planned capacity requirement: 950 auditor days. Out of this, 30 days in plan year.

Serial number: 3

Division identification number:	123/17/03
Division responsible for the audit	23. Comprehensive Audit Division
Type of audit:	Comprehensive

Audit of the operation of the Ministry of Finance chapter

Objective of the audit: also taking into account the changes that occurred during the audited period, to determine whether the organisational structure, the steering and operational arrangements, the budgetary appropriations and the personnel and material conditions of the chapter were in harmony with professional tasks, whether budgetary management responsibilities were carried out appropriately and in accordance with legal provisions when using the available appropriations, and how the findings and recommendations of earlier SAO audits were utilised.

The significance of the audit subject: The last time the State Audit Office carried out a comprehensive audit of the chapter was in 1999. Since then, the tasks and the organisational structure of the chapter (titles 1 to 13) have undergone minor changes. Act CXXXIII of 2000 On the Budget of the Republic of Hungary for the year 2001 and 2002 set the spending appropriation of titles 1 to 13 at HUF 134 billion for the year 2002, and Act LXII of 2002 on the budget of the Republic of Hungary for the year 2003 set the appropriation for 2003 at HUF 156 billion. In the course of this audit, the audit of the reliability of the 2003 report on the chapter administration also commences. Work on this will be completed during the audit of the final accounts.

Date of the commencement of preparation: 12 May 2003

Date of the commencement of the on-site audit (approval of the programme): **12 September 2003.**

Date of closure (presidential board meeting discussing the report): **17 May 2004.**

Planned capacity requirement: 980 auditor days. Out of this, 210 days in the plan year.

Serial number: 4

Division identification number: 123/6/03
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the utilisation of the funds used for the targeted objectives of the Environmental Protection Fund

Objective of the audit: to evaluate the extent to which the steering and supervisory activities of the line ministry, which manages the fund, ensured the efficient utilisation of the available resources, the regular and efficient operation of the scheme mechanism, the appropriateness of the ratio of the supported sectors, the practice of determining specific objectives, and the expediency and well-establishedness of the methodology and indicators designed to evaluate the utilisation of support. It must also be determined to what extent the use of the resources ensured the realisation of sectoral and professional objectives, as well as the effectiveness of their environmental impact.

The significance of the audit subject: EU accession sets strict requirements in the area of environmental protection. The utilisation of the financial resources of the Fund must serve environmental policy objectives. The appropriation for the Fund was HUF 31 billion in 2002 and HUF 27 billion in 2003. The use of the Fund was audited in 2001 within the framework of the comprehensive audit on the operation of the chapter, primarily with a view to the steering and operational mechanisms of the chapter. Therefore, a more detailed audit with performance audit methodology is justified. In the framework of this follow-up audit the extent to which the findings and recommendations of earlier SAO audits were utilised, have to be examined.

Date of the commencement of preparation: 2 June 2003.

Date of the commencement of the on-site audit (approval of the programme): **13 October 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 700 auditor days. Out of this, 90 days in plan year.

Serial number: 5

Division identification number: 123/11/03
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the operation of the normative financing system in higher education

Objective of the audit: to evaluate the extent to which the normative financing system applied in higher education contributed to realising the higher education objectives of education policy, to promoting the equality of financial opportunities for students, to assess whether higher education institutions receive the support due to them in time and in accordance with legal provisions, and according to what internal regulations and practices the support is used, taking into account legality, expediency and effectiveness.

The significance of the audit subject: The basic function of normative support payments paid to higher education institutions for educational and facility maintenance purposes is to cover the justified cost demand of institutions, taking into account the number of state-financed students. The other part of normative support payments is determined by the valid central budget act in the light of available resources and student numbers. Changes to normative support payments and their utilisation in a legal, expedient and effective manner fundamentally determine the living and working conditions of employees and students at educational institutions. The processing of the experiences of the normative financing system enables legislators to further develop the system successfully.

Date of the commencement of preparation: 21 July 2003.

Date of the commencement of the on-site audit (approval of the programme): **17 November 2003.**

Date of closing (presidential board meeting discussing the report): **7 June 2004.**

Planned capacity requirement: 840 auditor days. Out of this, 290 days in plan year.

Division identification number:	121/2/03
Division responsible for the audit:	21. Performance Audit Division
Participating directorate(s):	3. Local Government and Regional Audit Directorate
Type of audit:	Performance audit

Audit of the utilisation of funds appropriated for museum renovation

Objective of the audit: to determine the value enhancements and results generated by the museum renovation carried out between 1998 and 2002 at the cultural institutions included in the renovation. The audit will shed light on the realisation of renovation objectives, their effectiveness, and the utilisation of state support.

The significance of the audit subject: Renovation of the major museums in Hungary began in 1995 from budgetary funds, as part of the celebrations of the anniversary of the Hungarian conquest. The use of the "museum renovation" high-priority chapter-managed appropriation has been realised from 1998 onwards, under the management of the Ministry of Cultural Heritage chapter. The high-priority appropriation includes the renovation of the Hungarian National Museum and its Sáropatak Rákóczi Museum, the Hungarian Natural Sciences Museum, the Museum of Fine Arts and the Museum of Applied Arts Nagytétény Castle Museum. Act CXXXIII of 2002 contains HUF 3 billion of original support for the year 2001 and HUF 3.7 billion in 2002 for museum renovation purposes.

Date of the commencement of preparation: 3 March 2003.

Date of the commencement of the on-site audit (approval of the programme): **2 June 2003.**

Date of closing (presidential board meeting discussing the report): **19 January 2004.**

Planned capacity requirement: 540 auditor days. Out of this, 70 days in plan year.

Serial number: 7

Division identification number: 121/5/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the utilisation of central budget funds spent on research and development

Objective of the audit: to evaluate whether the objectives, management and state support of research and development activities on a national and chapter level are realised in an effective manner, did they provide adequate operational conditions for R&D activities, whether the schemes and the implementation systems of central and sectoral R&D programmes and research measures ensured in a regular and effective manner the realisation of the objectives set, whether completed R&D programmes brought results, and whether the R&D facilities receiving state support used the basic institutional support, which is due to them, and the funds granted by R&D programmes effectively and efficiently.

The significance of the audit subject: Research and development activities and the sum of the funds spent on them are critical for the economic growth of a country, and therefore also for laying the foundations for the performance of the Hungarian economy. During its operations thus far, the State Audit Office has only performed audits of financial and economic nature concerning R&D activities within the framework of "chapter audits", at specific Research Funds (e.g. the Hungarian Scientific Research Fund), primarily according to considerations of legality and expediency. Within the audited period of 2002 and 2003, the audit pays attention to the entire scope of funds spent on research and development objectives from the central budget, and attempts to evaluate their utilisation with performance audit methods, under the aspects of effectiveness and efficiency.

Date of the commencement of preparation: 25 August 2003.

Date of the commencement of the on-site audit (approval of the programme): 1 December 2003.

Date of closing (presidential board meeting discussing the report): 28 June 2004.

Planned capacity requirement: 630 auditor days. Out of this, 330 days in plan year.

Serial number: 8

Division identification number: 121/9/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the personal income tax return and refund claim system

Objective of the audit: to evaluate whether the control and audit system of the Tax and Financial Control Administration ensures the realisation of budgetary revenues from personal income tax in a scope as wide as possible, and, within that, whether it takes into consideration the different risks of auditing those submitting employers' declarations and those submitting self-assessments, as well as whether the Tax and Financial Control Administration's measures implemented to reveal illegitimate refund claims and to prevent unwarranted payments were effective.

The significance of the audit subject: In 2001 the Tax and Financial Control Administration realised HUF 1,149.6 billion of personal income tax revenues and HUF 1,315.5 billion in 2002. Of these sums, it retransferred 2.9 % in 2001 (HUF 32.9 billion) and 3.2 % in 2002 (HUF 41.9 billion) to taxpayers. The audit risk is much greater in the case of those submitting self-assessments than in case of those submitting declarations through their employers. The efficient operation of the system controlling declarations and reclaims could reduce the number and the sum of illegitimate reclaims, thereby improving the financial position of the budget.

Date of the commencement of preparation: 14 July 2003.

Date of the commencement of the on-site audit (approval of the programme): 1 December 2003.

Date of closing (presidential board meeting discussing the report): 7 June 2004.

Planned capacity requirement: 660 auditor days. Out of this, 325 days in plan year.

Division identification number: 123/15/03
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Performance audit

Audit of the utilisation of the funds spent on the operation of the Hungarian Defence Forces' land troops

Objective of the audit: to evaluate whether the tasks of the land forces of the Hungarian army and the resources provided to them by the budget are in line, within that, whether the training of military staff and of military structures (the process of acquiring and developing the knowledge, experience and skills necessary for the armed defence of the country and for fulfilling military obligations included in international treaties) serves the performance of the tasks of land forces in a successful manner, and whether military logistical support will be able to provide appropriate conditions for this.

The significance of the audit subject: The land forces of the Hungarian Army constitute one of the important pillars of the defence of the country and form a significant part of the forces offered to NATO. Therefore, their level of training, preparation and equipment provides a representative picture on the military and allied commitment of the Republic of Hungary. Keeping this fact in mind, the audit will attempt to ascertain whether the planning and implementation of the training and exercises of military structures adequately contributes to attaining the objectives deriving from the basic task of the land forces, respectively prescribed by the ministry's NATO integration objectives. Within the Ministry of Defence chapter, as part of the land forces of the Hungarian Army sub-title, Parliament approved an expenditure appropriation of HUF 27.9 billion for the year 2001, HUF 29 billion for 2002 and HUF 36.2 billion for 2003. Due to the peculiar financial management system of the Ministry of Defence, military structures also receive some services free of charge (as part of logistical support). Budgetary means for this are budgeted and accounted under the sub-titles "Background Institutions of the Ministry of Defence" and the "Subordinate Organisations of the Army's Chiefs of Staff".

Date of the commencement of preparation: 16 June 2003.

Date of the commencement of the on-site audit (approval of the programme): **20 October 2003.**

Date of closing (presidential board meeting discussing the report): **10 May 2004.**

Planned capacity requirement: 1050 auditor days. Out of this, 180 days in plan year.

Serial number: 10

Division identification number: 132/1/03
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Performance audit

Audit of personal care services provided in connection with child protection

Objective of the audit: to determine what effect the Child Protection Act, which entered into force in 1997, had on the system of institutions providing personal care, whether local governments fulfilled their obligation of task performance, are the forms of care necessary for child protection available, what effect did the changes in the conditions of institutional care have on the professional work of the institutions and how the budgetary resources available for the establishment of new forms of care services were utilised.

The significance of the audit subject: The Child Protection Act created a uniform system of childcare services. Following the Act's entry into force, the State Audit Office only audited the establishment of the institutions providing personal care services within the framework of basic welfare. The scope of special services comprises the the services securing accomodation ("a Home") and the "Regional Child Protection" Professional Service. Their objective is to offer Home services to children in provisional and permanent state care, and to those, who had been placed only on a temporary basis. Local governments in the capital and in the counties must organise home services through foster parents, at children's homes or other boarding institutions. The existence of these institutions and the personal and material conditions prevailing within them are critical for child protection. Without an adequate system of institutions, care for and the placement of children cannot be provided. Since the entry into force of the Child Protection Act, a new institutional system has been set up, partly as a result of establishing new forms of care, and partly as a result of transforming the existing network of institutions. On 31 December 1999 there were 18,655, and at the end of the year 2000, there were 18,103 children being cared for in childcare institutions.

Date of the commencement of preparation: 14 April 2003.

Date of the commencement of the on-site audit (approval of the programme): **1 October 2003.**

Date of closing (presidential board meeting discussing the report): **17 May 2004.**

Planned capacity requirement: 1072 auditor days. Out of this, 261 days in plan year.

Serial number: 11

Division identification number: 132/3/03
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Performance audit

Audit of the public utility sewage system development and operation tasks of local governments

Objective of the audit: to determine whether local governments used the support payments provided to them in an expedient, efficient and effective manner, and whether the realised public utility water facilities meet the prescribed waste water drainage and treatment requirements, with special emphasis on the applicable EU requirements.

The significance of the audit subject: In order to improve the environmental conditions of Hungary and to fulfil the requirements of EU accession, one of the most important and most complex tasks within the protection of environment and drinking water stocks is a more rapid development of wastewater drainage and treatment. At the end of the year 2000, the rate of the public utility gap in Hungary was 41.7%, which means that whilst 93.1% of homes were connected to the public utility drinking water network, only 51.4% of homes were connected to the public utility sewage system. In 2000, 62% of the wastewater drained through the public utility sewage system was treated. Therefore, compared to the average level in the EU, Hungary still has a significant lag to make up. The major part of public utility sewage system developments is realised through local government investments, with considerable support of the central state. The operation of the facilities was realised in various systems and organisational forms. The majority of central state support, 40 to 60% of the investment expenditure, was provided by labelled and targeted subsidies. The sum of such support amounted to approximately HUF 200 billion in the years between 1991 and 2001.

Date of the commencement of preparation: 2 January 2003.

Date of the commencement of the on-site audit (approval of the programme): **2 June 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 2104 auditor days. Out of this, 60 days in plan year.

Division identification number: 133/2/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of local governments and of minority local governments

Objective of the audit: to review the regularity of the planning and the implementation of the financial management of local governments and the expediency of the utilisation of local government resources. A primary task is to assess the system of finances and financial management. With these audits, the State Audit Office, on the one hand, would like to provide help to the management of local governments in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: Local governments operate as a subsystem of public finance, and as such, they manage more than 3000 billion forints in assets of their own, as well as approximately HUF 1,900 billion of revenue in 2002. Out of this sum, the central budget provided HUF 537 billion in the form of support payments and contributions. The regular comprehensive audit of local governments contributes to making the financial management of these significantly large assets more regular, expedient and efficient. In 2003, the audit targets approximately 400 local governments. Within that, the local governments of counties, districts of Budapest, municipalities and large villages with significant financial relations to the central budget, and therefore with increased risks, will receive special attention. Together with auditing the local government of a settlement, the SAO will also audit the regularity and the expediency of the financial management of minority local governments elected at the given settlement. During sampling, we will ensure a proportionate system of selection among the minority local governments.

Date of the commencement of preparation: 2 January 2003.

Date of the commencement of the on-site audit (approval of the programme): **6 January 2003.**

Date of closing (presidential board meeting discussing the report): **28 June 2004.**

Planned capacity requirement: 7550 auditor days. Out of this, 220 days in plan year.

Division identification number: 133/5/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Performance audit

Audit of local government partnerships

Objective of the audit: to evaluate whether the local government partnerships were established in accordance with the provisions of Act LXV of 1990 on local governments and Act CXXXV of 1997 on the partnerships and cooperation of local governments and whether their operation is legitimate, how the financial incentives provided for the performance of partnership tasks in Budget Acts changed and were enforced, what are the tasks that local governments fulfil in partnership forms, has the fulfilment of tasks improved in efficiency and quality, and whether there are any factors impeding the fulfilment of partnership tasks.

The significance of the audit subject: The majority of the local governments functioning in villages, especially the 1482 local governments operating in villages with less than thousand inhabitants, are unable to fulfil their obligation of compulsory basic functions efficiently and on an appropriate level on their own. Therefore, the performance of their tasks at a sufficiently high quality and efficiency is made possible through the partnerships established for such purposes. The budget acts provide financial incentives for the performance of tasks in the form of partnerships. The success of the incentive scheme and the factors impeding the spread of the task performance in partnership form must also be evaluated.

Date of the commencement of preparation: 6 January 2003.

Date of the commencement of the on-site audit (approval of the programme): **19 May 2003.**

Date of closing (presidential board meeting discussing the report): **26 January 2004.**

Planned capacity requirement: 1088 auditor days. Out of this, 10 days in plan year.

Serial number: 14

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of Municipal Government of the II district of Budapest

Objective of the audit: to assess the regularity of the planning and implementation of the financial management of the municipal government and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 1 September 2003.

Date of the commencement of the on-site audit (approval of the programme): **11 September 2003.**

Date of closing (presidential board meeting discussing the report): **26 January 2004.**

Planned capacity requirement: 100 auditor days. Out of this, 10 days in plan year.

Serial number: 15

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Kőbánya X district of Budapest

Objective of the audit: to assess the regularity of the planning and implementation of the financial management of the municipal government and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 2 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **4 October 2003.**

Date of closing (presidential board meeting discussing the report): **23 February 2004.**

Planned capacity requirement: 100 auditor days. Out of this, 15 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Jász-Nagykun-Szolnok County

Objective of the audit: to assess the regularity of the planning and implementation of the financial management of the county local government and the expediency of the utilisation of local government resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of the local government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this local government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this county local government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 15 September 2003.

Date of the commencement of the on-site audit (approval of the programme): **16 September 2003.**

Date of closing (presidential board meeting discussing the report): **23 February 2004.**

Planned capacity requirement: 90 auditor days. Out of this, 15 days in plan year.

Serial number: 17

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Székesfehérvár

Objective of the audit: to assess the regularity of the planning and implementation of the financial management of the municipal government and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 3 September 2003.

Date of the commencement of the on-site audit (approval of the programme): **4 September 2003.**

Date of closing (presidential board meeting discussing the report): **23 February 2004.**

Planned capacity requirement: 115 auditor days. Out of this, 15 days in plan year.

Serial number: 18

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Zalaegerszeg

Objective of the audit: to assess the regularity of the planning and implementation of the financial management of the municipal government and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 29 September 2003.

Date of the commencement of the on-site audit (approval of the programme): **30 September 2003.**

Date of closing (presidential board meeting discussing the report): **23 February 2004.**

Planned capacity requirement: 100 auditor days. Out of this, 15 days in plan year.

Serial number: 19

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Salgótarján

Objective of the audit: to assess the regularity of planning and implementation of the financial management of the municipal government and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 1 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **2 October 2003.**

Date of closing (presidential board meeting discussing the report): **22 March 2004.**

Planned capacity requirement: 100 auditor days. Out of this, 15 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Szekszárd

Objective of the audit: to assess the regularity of planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 13 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **14 October 2003.**

Date of closing (presidential board meeting discussing the report): **22 March 2004.**

Planned capacity requirement: 123 auditor days. Out of this, 15 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Kispest XIX district of Budapest

Objective of the audit: to assess the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 20 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **21 October 2003.**

Date of closing (presidential board meeting discussing the report): **22 March 2004.**

Planned capacity requirement: 100 auditor days. Out of this, 10 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of Local Government of Bács-Kiskun County

Objective of the audit: to assess the regularity of the planning and implementation of local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of county local government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this local government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this local government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 20 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **21 October 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 90 auditor days. Out of this, 15 days in plan year.

Serial number: 23

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of Local Government of Csongrád County

Objective of the audit: to assess the regularity of the planning and implementation of local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of county local government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this local government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this local government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 9 October 2003.

Date of the commencement of the on-site audit (approval of the programme): **10 October 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 90 auditor days. Out of this, 15 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of Municipal Government of the County Status Town Miskolc

Objective of the audit: to assess the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of municipal government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this municipal government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this municipal government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 3 November 2003.

Date of the commencement of the on-site audit (approval of the programme): **4 November 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 105 auditor days. Out of this, 15 days in plan year.

Division identification number: 133/3/03
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Budapest

Objective of the audit: to assess the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the system of finances and financial management. With this audit, the State Audit Office, on the one hand, would like to provide help to the management of local government in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, the allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: The diversity of the tasks and services performed by this local government, the share of its respective expenditures, revenues and its assets in the total value of all local governments makes it necessary to draft a separate audit report on this local government, in frame of the comprehensive audit of local governments. The audit objective and task are in line with those of the comprehensive audit of other local governments of towns and villages. The uniformity of audit programs and techniques will ensure, besides the presentation of particularities, the comparability. The distribution of audit experiences in a broad scope like in case of other SAO-reports will promote the openness and transparency of local government financial management.

Date of the commencement of preparation: 10 September 2003.

Date of the commencement of the on-site audit (approval of the programme): **11 September 2003.**

Date of closing (presidential board meeting discussing the report): **29 March 2004.**

Planned capacity requirement: 217 auditor days. Out of this, 50 days in plan year.

Division identification number: 123/2/03
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Comprehensive

Audit of the operation of the Labour Market Fund

Objective of the audit: to evaluate the extent to which the management and operational activities of the ministry or ministries managing the fund ensured the efficient utilisation of the available resources, how the level of development of the organisational background and the information system of the institutional network assisted the regular and expedient operation of the provision system for the unemployed, whether the magnitude of the appropriations conformed to the tasks prescribed by legal provisions and the objectives of the chapter. The employment of the jobless as well as the efficiency, the success and the economic efficiency of the means assisting in their placement must be evaluated with the methods of performance audits. The on-site audit covers the period from 1999 to 2003, but the emphasis will be on auditing the period of 2002 and 2003.

The significance of the audit: The findings of the audit of the Labour Market Fund could assist legislators in providing a living for those who have become unemployed through no fault of their own, in the fulfilment of labour market and vocational training efforts aimed at reducing the number of unemployed people and in the flexible and co-ordinated management of resources and assets. In 2003, the expenditure appropriation of the Labour Market Fund amounted to HUF 213 billion. The SAO performed a comprehensive audit of the operation of the Fund, and, within that, of the utilisation of assets, in 1999 in the framework of a performance audit. As part of a supplementary audit, we shall examine the extent to which the findings and the proposals of the earlier SAO audit were utilised.

Date of the commencement of preparation: 14 July, 2003.

Date of the commencement of the on-site audit (approval of the programme): **8 December, 2003.**

Date of closing (presidential board meeting discussing the report): **28 June, 2004.**

Planned capacity requirement: 1370 auditor days. Out of this, 600 days in plan year.

Division identification number: 121/14/03
Division responsible for the audit: 21. Performance Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the current situation in the consumption of pharmaceutical products, its financing and subsidy system

Objective of the audit: to evaluate economic and legal opportunities to influence or transform the main factors that define the increase in public and private spending on (popular) pharmaceutical products used in outpatient care (consumption, changes to the price level and the subsidy system) in a way which continues to ensure the fulfilment of healthcare policy objectives, ensures a supply based on equal opportunities and in line with the needs of the population, conforms to EU guidelines and also slows down the rate of increase in expenditure on pharmaceutical products. In order to accomplish this, it is necessary to examine the expediency and the success of the measures implemented so far, and to determine the extent to which decision makers utilised the scope of competencies provided by legal provisions.

The significance of the audit : Expenditure by the Health Insurance Fund on subsidies for pharmaceutical products ordered in outpatient care doubled between 1997 and 2002. Subsidy payments for pharmaceutical products reached HUF 209 billion in 2002 and are expected to surpass HUF 240 billion in 2003. In the course of auditing the annual final accounts of the social security funds, and also during a comprehensive audit of the operation of the Health Insurance Fund, the SAO has ascertained that the implemented measures (such as terminating the opportunity to exceed the budgetary appropriation without its modification) are not sufficient to counterbalance the exceedingly complex factors that induce the acceleration in expenditure. Only a complex approach to the problem will bring results. Besides financial considerations, this also requires social consensus in several areas.

Date of the commencement of preparation: 7 October, 2003.

Date of the commencement of the on-site audit (approval of the programme): 16 February, 2004.

Date of closing (presidential board meeting discussing the report): 20 September, 2004.

Planned capacity requirement: 1859 auditor days. Out of this, 1670 days in plan year.

Division identification number: 123/10/03
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Comprehensive

Audit of the operation of the Hungarian Post Office Limited

Objective of the audit: to evaluate how the Hungarian Post Office Limited managed the state properties under its management, how it performed its activities in the private sphere as a company carrying out primary public services, at what level of quality did it perform its primary public service tasks (posting, routing and delivery of mail, payment order and cheque service, posting, transmission and delivery of telegrams), did it give effect to the provisions of the public procurement act, and how it utilised the findings and the proposals made by the previous SAO audit.

The significance of the audit: The Hungarian Post Office Limited is a 100% state-owned company fulfilling public duties that is of strategic importance from the perspective of the functionality of the national economy. The corporation is present in nearly 3200 settlements nation-wide and employs approximately 44,000 people. Following several years of successful financial management, the Hungarian Post Office Limited. produced a significant loss in 2002, exceeding HUF 9 billion. The company conducts audits of its accounts. The last State Audit Office audit of the corporation was conducted in 2000.

Date of the commencement of preparation: 14 July, 2003.

Date of the commencement of the on-site audit (approval of the programme): 3 November, 2003.

Date of closing (presidential board meeting discussing the report): 17 May, 2004.

Planned capacity requirement: 900 auditor days. Out of this, 260 days in plan year.

Division identification number: 121/6/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Development Bank Corporation and of its activities relating to the central budget implementation

Objective of the audit: to evaluate whether the operation and the activities of the Hungarian Development Bank Corporation meets the legal provisions, the expectations of the state as owner and internal regulations, whether bond issues and domestic and foreign loans taken with the intention of resource acquisition were in harmony with the contents of the budget act, and whether the resources ensure that the bank performs the tasks prescribed by Act XX of 2001 on the Hungarian Development Bank Corporation.

The significance of the audit: The Hungarian Development Bank Corporation is a 100% state-owned, specialised credit institution performing special state tasks. Parliament passed a separate Act about the Bank in 2001. Its task, amongst other things, is to perform tasks relating to infrastructure, environmental and other state developments and investments, and to act as an intermediate for efficient and bank-like placement of state resources. The government is responsible as joint and several guarantor to the debit of the central budget for payment obligations arising from bond issues and domestic and foreign loans taken by the Hungarian Development Bank Corporation with the intention of resource acquisition. The SAO has not performed comprehensive audits at the bank so far. There is an auditor operating at the bank.

Date of the commencement of preparation: 10 March, 2003.

Date of the commencement of the on-site audit (approval of the programme): **10 July, 2003.**

Date of closing (presidential board meeting discussing the report): **16 March, 2004.**

Planned capacity requirement: 800 auditor days. Out of this, 73 days in plan year.

Division identification number: 123/1/03
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the financial management of the Hungarian News Agency Corporation (MTI Rt.) in 2003

Objective of the audit: to find out whether the company's regulations, organisational and operational systems were in harmony with its tasks, whether the financial management of the properties placed at its disposal and of the operational and targeted subsidies received from the central budget for the performance of the public service tasks of the corporation (especially the targeted subsidies received for information technology investments) were legitimate, expedient and successful, and to evaluate the utilisation of the findings and proposals of the previous SAO audit.

The significance of the audit: Pursuant to section 9 of Act CXXVII of 1996 on the National News Agency and the deed of foundation of **MTI Rt.**, the company's president reports to Parliament annually on the performance of the corporation, which includes approval of the company's balance sheet and profit and loss statement, as well as appropriation of the corporation's net profits. The president's report must be submitted to Parliament together with an opinion by the Supervisory Committee, and the report by the president of the State Audit Office on the activities of the corporation must also be enclosed. This is the seventh time since the entry into force of the above Act that the SAO fulfils its obligation prescribed by law. Essentially, the findings and the proposals of earlier SAO audits were not utilised. The expected total revenues from the company's business activities is HUF 4 billion. Out of this, subsidies amount to 44 %. The company conducts audits of its own accounts.

Date of the commencement of preparation: 3 November, 2003.

Date of the commencement of the on-site audit (approval of the programme): **19 January, 2004.**

Date of closing (presidential board meeting discussing the report): **24 May, 2004.**

Planned capacity requirement: 190 auditor days. Out of this, 30 days in plan year.

Division identification number:	121/11/03
Division responsible for the audit:	21. Performance Audit Division
Participating directorate(s):	3. Local Government and Regional Audit Directorate
Type of audit:	Performance audit

Audit of the Phare programmes realised in the field of healthcare

Objective of the audit: to determine whether, with the PHARE support used in the field of healthcare, the public health laboratories and the epidemiological security inspection managed to attain the level expected by EU norms, whether data provision by the newly established National Centre of Drug Information System is in line with the provisions and the requirements of the European Monitoring Centre for Drugs and Drug Addiction, and whether the utilisation of the 13.8 million Euros and of the related domestic co-financing on these three PHARE projects was regular and efficient.

The significance of the audit: At the launch of the project, the Institute of National Public Health and Medical Officer Service was under equipped in the field of public health laboratory capacity when compared to the average European level. The objective of the project was to develop laboratory examination capacities. In the framework of the project in support of epidemiological security inspection, one of the important tasks was to create total compatibility with epidemic monitoring systems. This necessitated the development of the Hungarian legal framework, the security inspection, as well as its supporting information system. The establishment of the National Centre of Drug Information System is prescribed by Council Regulation 302/93 of the European Union. The basis for the project was the “**European Union Action Plan to Combat Drugs** (2000-2004)”, approved in December 1999, in Helsinki. A fundamental requirement of the measurement of drug-related activities is the development of drug information and documentation systems.

Date of the commencement of preparation: 28 July, 2003.

Date of the commencement of the on-site audit (approval of the programme): **1 December, 2003.**

Date of closing (presidential board meeting discussing the report): **1 June, 2004.**

Planned capacity requirement: 760 auditor days. Out of this, 365 days in plan year.

Division identification number: 122/3/03
Division responsible for the audit: 22. Financial Audit Division
Type of audit: Financial regularity

2003 certifying audit of the institutional framework set up to implement the SAPARD programme and to disburse support payments

Objective of the audit: to determine whether the internal audit procedures of the organisation managing the EU's pre-accession support for agriculture and regional development are theoretically well founded and whether they also operate adequately in practice, whether the procedures ensure sufficient guarantees that SAPARD projects will conform to the provisions of the multi-annual financial agreement, whether all the significant accreditation criteria continue to be fulfilled and there is complete compliance with earlier resolutions adopted by the European Commission, whereby the tasks of managing support were transferred to the SAPARD agencies, and whether the protection of the financial interests of the European Union are ensured to a sufficient degree.

The significance of the audit: Between 2000 and 2006, or up to the year of accession, Hungary receives 38 million Euros, or approximately HUF 10 billion worth of support annually from the EU SAPARD pre-accession programme. The long-term objective of the programme is to prepare the candidate countries for receiving support from the European Agricultural Guidance and Guarantee Fund after accession by means of institutional development. SAPARD is the first support program where the EU hands over the right of preliminary audits to the candidate countries. At the same time, however, one of the conditions of receiving support is for Hungary to set up a multi-layer audit system, which includes the internal audit units established within the SAPARD Agency, as well as the Certifying Body, as an independent external audit organisation. These bodies are responsible for auditing the utilisation of support against EU regulations. The State Audit Office performs the audit as a certifying institution commissioned by the government of the Republic of Hungary, in accordance with EU procedural regulations.

Date of the commencement of preparation: 2 January, 2003.

Date of the commencement of the on-site audit (approval of the programme): **16 January, 2003.**

Date of closing (presidential board meeting discussing the report): **15 April, 2004.**

Planned capacity requirement: 1370 auditor days. Out of this, 335 days in plan year.

Division identification number: 122/4/03
Division responsible for the audit: 22. Financial Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Financial regularity

Pre-accreditation audit of the unit performing the tasks of the EAGGF Guarantee Section as paying agency

Objective of the audit: to evaluate whether the structure and the procedures of the Agricultural and Regional Development Office, established on 1 July, 2003, which will perform the tasks of paying agency for the Common Agricultural Policy after Hungary's accession to the European Union, conform to the institutional requirements of the EU and to the accreditation criteria.

The significance of the audit: Pursuant to government decree no. 81/2003 (VI 7), the Agricultural and Regional Development Office performs tasks related to the management of external and internal market subsidy payments by the EU, the operation of the intervention system, the management of direct payments, the operation of the Integrated Administration and Control System and the management of regional development measures with respect to the European Agricultural Guidance and Guarantee Fund's (EAGGF) Guarantee Section. In accordance with the agreement concluded with the Governing Authority, it also performs the implementation of regional development measures with respect to the Guidance Section of the EAGGF. Furthermore, the tasks of the Agricultural and Regional Development Office include the operation and the implementation of the SAPARD subsidy system, as well as the performance of its paying functions. The fundamental conditions of the disbursement of EAGGF-financed subsidy payments include the establishment of the appropriate institutional network and procedural system as well as making the national accreditation decision. Pursuant to government decree no 2041/2003 (III 14), the Minister of Agriculture and Rural Development invited the president of the SAO to perform the pre-accreditation audit.

Date of the commencement of preparation: 22 September, 2003.

Date of the commencement of the on-site audit (approval of the programme): **30 January, 2004.**

Date of closing (presidential board meeting discussing the report): **14 May, 2004.**

Planned capacity requirement: 1195 auditor days. Out of this, 540 days in plan year.

Division identification number: 131 /1/03
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

**Audit of the financial management of the Jewish Heritage in Hungary
Public Endowment**

Objective of the audit: pursuant to paragraph (8) of section 74/G of the Civil Code, to evaluate whether the public endowment managed its properties and the subsidy received from the central budget legitimately, expediently and in accordance with the objectives specified in the deed of foundation.

The significance of the audit: The government established the public endowment in 1997 to fulfil an obligation of international law. Its purpose is that the initial capital and its yields should be used by persons of Jewish origin who have suffered persecution as a result of racial, religious, or other Fascist regulations, as well as their descendants and communities, to reorganise their religious, cultural and education systems, to strengthen their Jewish identity and to improve their personal social conditions. The public endowment received HUF 5.3 billion of initial capital from the government, which represents 34% of the initial capital of the public foundations currently in operation. In addition, Parliament provided a total of HUF 120 million of support from the central budget for the performance of the tasks of public foundations between 1998 and 2001. In the course of its operations, 58,000 private individuals received a total of HUF 11.8 billion from the public endowment. In 2001, the SAO assessed the utilisation of state support with the help of data sheets filled out by the board of trustees, but no comprehensive audit concerning the regularity and the expediency of the financial management of the public endowment has been performed so far.

Date of the commencement of preparation: 14 April, 2003.

Date of the commencement of the on-site audit (approval of the programme): **1 September, 2003.**

Date of closing (presidential board meeting discussing the report): **19 January, 2004.**

Planned capacity requirement: 311 auditor days. Out of this, 1 day in plan year.

Division identification number: 123/9/03
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungária Television Public Foundation and the Duna Television Corporation

Objective of the audit: to evaluate the extent to which the intentions of the founders were implemented at the Hungária Television Public Foundation and the Duna Television Corporation during the utilisation of state subsidies, what efforts were made and how successfully at the proper utilisation of state subsidies, to what extent the financial management of the organisations conform to the requirements of legality and expediency, and how the findings and proposals of the previous SAO audit were utilised.

The significance of the audit: Pursuant to paragraph (8) of section 74/G of the Civil Code and paragraph (5) of section 60 of Act I of 1996 On Radio and Television Broadcasting (Media Act), the State Audit Office is entitled to audit the legality and the expediency of the financial management of the Hungária Television Public Foundation. The Duna Television Corporation receives subsidies from the central budget through the Hungária Television Public Foundation and the Broadcasting Fund for the purposes and to the extent prescribed by the annual budget act and the Media Act. The corporation performs audits of its own accounts. The last time the State Audit Office performed audits at the two organisations was in 1998.

Date of the commencement of preparation: 14 April 2003.

Date of the commencement of the on-site audit (approval of the programme): **14 July, 2003.**

Date of closing (presidential board meeting discussing the report): **1 March, 2004.**

Planned capacity requirement: 510 auditor days. Out of this, 40 days in plan year.

Serial number: 36

Division identification number: 121/7/03
Division responsible for the audit: Division responsible for the audit:
Type of audit: Comprehensive

Audit of the operation of Credit Guarantee Corporation and of its activities pertaining to the central budget implementation

Objective of the audit: to evaluate whether the operation of the Credit Guarantee Corporation conforms to legal provisions and the expectations of the state as owner, whether the joint and several liability assumed by the company conforms to the provisions of the budget act, whether budgetary expenditure (due to the re-guarantee) was justified, and whether the accounts conform to regulations.

The significance of the audit: The Credit Guarantee Corporation was founded in 1992 by the state and the Hungarian banks. The proportion of direct state ownership is 50.0249%. There is also indirect state ownership through the Hungarian Development Bank Corporation, the Postabank and Savings Bank Corp. and the Hungarian Export-Import Bank Corp. The combined proportion of direct and indirect state ownership is nearly 70%. The central budget assumes a re-guarantee for 70% of the company's payment obligations from the enforcement of the joint and several liability assumed by the bank. There is an auditor operating at the bank. The State Audit Office has not performed any audits at the corporation so far.

Date of the commencement of preparation: 17 November, 2003.

Date of the commencement of the on-site audit (approval of the programme): **23 February, 2004.**

Date of closing (presidential board meeting discussing the report): **23 August, 2004.**

Planned capacity requirement: 500 auditor days. Out of this, 420 days in plan year.

Serial number: 37

Division identification number: 121/8/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the operation of the performance appraisal system employed at Magyar Nemzeti Bank (National Bank of Hungary)

Objective of the audit: to evaluate whether the newly introduced and employed performance appraisal system is regulated or not, whether its operation is performed according to rules and regulations, whether the system promotes an increase in individual performances and their recognition, and, thereby, the fulfilment of the institution's objectives.

The significance of the audit: Magyar Nemzeti Bank introduced a new performance appraisal system in 2002. The system makes it possible to differentiate earnings according to performance. The joint application of the elements of the system (objective, measurement, feedback, appraisal and recognition) ensure a more efficient utilisation of the MNB's human resource capacity.

Date of the commencement of preparation: 6 October, 2003.

Date of the commencement of the on-site audit (approval of the programme): **26 January, 2004.**

Date of closing (presidential board meeting discussing the report): **21 June, 2004.**

Planned capacity requirement: 270 auditor days. Out of this, 220 days in plan year.

Division identification number: 131/2/03
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

Audit of the financial management of the Public Foundation for Gypsies in Hungary

Objective of the audit: pursuant to paragraph (8) of section 74/G of the Civil Code, to evaluate whether the public foundation utilised its properties and the support received from the central budget expediently and as intended, for the objectives specified in the deed of foundation.

The significance of the audit: The government established the public foundation in 1996 with HUF 150 million of initial capital (cash). The objective of the public foundation is to create equal opportunities by supporting the preservation of the identity of gypsies in Hungary, their social integration, curbing unemployment amongst the gypsies, improving their opportunities in education in and outside schools and protecting their human rights. According to the latest published balance sheet figures, the public foundation's equity capital amounted to HUF 348 million. Between 1999 and 2002, it received a total of HUF 1,145 million of subsidies, and HUF 1,135 million in 2003 from the central budget. The SAO performed an on-site audit of the legality and the expediency of the financial management of the public foundation in 1997. In 2002, we assessed the utilisation of state subsidies with the help of completed data sheets.

Date of the commencement of preparation: 21 October, 2003.

Date of the commencement of the on-site audit (approval of the programme): **5 January, 2004.**

Date of closing (presidential board meeting discussing the report): **10 May, 2004.**

Planned capacity requirement: 168 auditor days. Out of this, 123 days in plan year.

Serial number: 39

Division identification number: 131/2/03
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

Audit of the financial management of the Public Foundation for National and Ethnic Minorities in Hungary

Objective of the audit: pursuant to paragraph (8) of section 74/G of the Civil Code, to evaluate whether the public foundation utilised its properties and the subsidies received from the central budget expediently and as intended, for the objectives specified in the deed of foundation..

The significance of the topic: The government established the public foundation in 1995 as the legal successor to the public foundation of the same name established in 1990, from the properties offered by the legal successor and from HUF 400 million of state subsidies. The purpose of the public foundation is for the government to be continuously able to provide protection to the identity of minorities in Hungary, to ensure the enforcement of their specific social interests and to support activities promoting the development of their culture in their mother tongue. The objective of the public foundation, prescribed in the deed of foundations, is to promote, assist and provide multilateral support to the preservation of national and ethnic minority communities in Hungary, to preserve the identity of national and ethnic minorities in the country, to cultivate, develop and pass on the traditions and the languages of Hungarian minorities, to preserve their material and intellectual culture. According to the latest published balance sheet figures, the public foundation's equity capital amounted to HUF 310 million. Between 1999 and 2002, it received a total of HUF 2,260 million of subsidies, and HUF 663 million in 2003 from the central budget. The SAO performed an on-site audit of the legality and the expediency of the financial management of the public foundation in 1995 and 1997. In 2002, we assessed the utilisation of state subsidies with the help of completed data sheets.

Date of the commencement of preparation: 21 October, 2003.

Date of the commencement of the on-site audit (approval of the programme): **5 January, 2004.**

Date of closing (presidential board meeting discussing the report): **10 May, 2004.**

Planned capacity requirement: 168 auditor days. Out of this, 123 days in plan year.

Division identification number: 123/18/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the National Theatre investment

Objective of the audit: to evaluate whether the realisation of the National Theatre investment, and within that, the utilisation of the sums provided from the central budget and collected from public contributions, was executed expeditiously and on time, and whether the recommendations of the SAO report prepared in 1998 on the audit of the first phase of construction were utilised during the implementation of the investment.

The significance of the audit: The new National Theatre was built as a priority investment in a very short period of time. Due to its cultural significance and high cost requirement, the construction received a great deal of public interest. The National Theatre was opened in March 2002. HUF 12.1 billion of subsidies was appropriated from the central budget for the construction, which was supplemented by HUF 3.374 billion collected from public contributions and its interest.

Date of the commencement of preparation: 14 April, 2003.

Date of the commencement of the on-site audit (approval of the programme): 21 July, 2003.

Date of closing (presidential board meeting discussing the report): 9 February, 2004.

Planned capacity requirement: 490 auditor days. Out of this, 30 day in plan year.

Division identification number: 121/10/03
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the Danube bridge investment at Szekszárd

Objective of the audit: to evaluate whether the utilisation of the resources of the Danube bridge investment, being constructed as part of the M9 motorway stretch within the government's 15-year expressway network development programme, conforms to regulations prescribed by legal provisions and government decrees, whether the operation, co-operation and the regularity of the organisations and institutions participating in the realisation of the project is in harmony with the requirements prescribed by legal provisions and government decrees, and how the audit aimed at enforcing the interests of the state as owner functioned during the investment process.

The significance of the audit: The government ordered the development of the expressway network (motorways, motor roads) and the realisation of the priority elements of the national public road network up to 2015 in its resolution no. 2303/2001 (X 19). The stretch of the M9 motorway in the Szekszárd region is being constructed from loans guaranteed by the state. The cost appropriation of the investment is HUF 23 billion, out of which the new Danube Bridge amounts to HUF 9 billion. The bridge and the 20 kilometres of motorway linked to it connect main traffic road no.6 with road 51, and will also form part of the M9 motorway, which will be extended at a later date. The new stretch of road and the bridge over the Danube promotes the development of Southern Hungary, linking the Southern Trans-Danubian region with the Southern Great Plains region. The State Audit Office performs the audit of contractual obligations on the basis of considerations determined in co-operation with the Swiss Audit Office, in the frame of a parallel audit.

Date of the commencement of preparation: 10 June, 2003.

Date of the commencement of the on-site audit (approval of the programme): **20 October, 2003.**

Date of closing (presidential board meeting discussing the report): **10 May, 2004.**

Planned capacity requirement: 510 auditor days. Out of this, 430 days in plan year.

II.

**AUDITS STARTED AND
TO BE CONCLUDED IN 2004**

Serial number: 42

Division responsible for the audit: 11. **Organisational Management and Relations Division**
22. **Financial Audit Division**
32. **Financial Regularity and Performance Audit Division**

Type of audit: **Other regularity**

Opinion on the budget of the Republic of Hungary for the year 2005.

Objective of the audit: to evaluate whether the appropriations of the 2005 budget bill, the quantified concepts developed for the years 2006-2007, the methods applied during planning, the system of state tasks and the regulators, as well as their proposed modifications adequately ensure the validity of the bill. Whether the compilation of the budget bills of the chapters and the social security funds conform to the provisions of the act on public finance and the government decrees issued for its execution. Whether the planned modifications to the resource regulation and support system of local governments in the budget bill are justified, whether they ensure the resources necessary for the implementation of the tasks and the predictability of regulations. Whether the objectives specified in the government's program were duly taken into consideration during the formulation of the proposed magnitude of transferred resources and subsidy payments. Whether the budget bill is in harmony with the Act on Public Finance and other related acts.

The significance of the audit: Pursuant to paragraph (1) of section 29 of the Act on Public Finance, Parliament discusses the budget bill together with the opinion of the State Audit Office, and by fulfilling this constitutional obligation; it assists the legislative work and the making of justified decisions. Section 2 of Act XXXVIII of 1989 refers audits of the validity of the state budget bill and, within that, of state subsidy payments to local governments, to the sphere of authority of the State Audit Office, whilst section 29 of the Act on Public Finance prescribes that it is the task of the State Audit Office to formulate an opinion on the budget bill. The audit of the expediency and the regularity of the budget bill submitted by the government, which defines the budgetary relations of local governments, is carried out on the basis of these legal authorisations, in order to substantiate the SAO's opinion of the bill.

Date of the commencement of preparation: 21 June, 2004.

Date of the commencement of the on-site audit (approval of the programme): **6 August, 2004.**

Date of closing (presidential board meeting discussing the report): **18 October, 2004.**

Planned capacity requirement: 1314 auditor days. Out of this, 1314 days in plan year.

Division identification number: 123/12/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Performance audit

Audit of the operation of the Hungarian Defence Forces public procurement system

Objective of the audit: to evaluate whether the centralised public procurement system of the Ministry of Defence and the management and co-operation arrangements of the military logistical system ensure adequate conditions for the successful realisation of the equipment acquisitions required by the Hungarian Army and whether, in the course of the procurement of military equipment, the provisions of Act XL of 1995 on public procurements were implemented or, in the case of procurements exempted from the scope of the act, whether the provisions of the government decrees prescribing special rules were implemented in the production logistics sub-system of the Hungarian Army.

The significance of the audit: Production logistics, as a functional sub-system of logistical support is aimed at ensuring the conditions required for the operation of logistical processes within the Ministry of Defence's entire scope of competence. The offices and the divisions of the ministry all participate in the realisation of the tasks of production logistics, co-operating in the field of the submission and the satisfaction of claims with the logistical and support organisations of the combined services of the Hungarian Army. The audit aims to evaluate the success of equipment acquisitions through reviewing the activities of these organisations.

The majority of public procurements by the Ministry of Defence were exempted from the application of the Public Procurement Act for reasons of national security. In such cases, pursuant to the authorisation of the Public Procurement Act, the government regulated the special rules of specific procurements and the procurement procedures of military equipment for reasons of national security and confidentiality [government decree no 151/1999 (X 22) and no 152/1999 (X 22)]. The ministerial orders issued at the Ministry of Defence in connection with public procurements defined a fundamentally centralised public procurement procedure.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): **29 March, 2004.**

Date of closing (presidential board meeting discussing the report): **18 October, 2004.**

Planned capacity requirement: 970 auditor days. Out of this, 970 days in plan year.

Serial number: 44

Division identification number: 123/11/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Competition Authority chapter

Objective of the audit: to evaluate whether the chapter's organisational, management and operational systems and budget were in harmony with professional tasks, whether they ensured the efficient and successful performance of the authority's supervisory tasks, whether the chapter met the requirements of the process of accession to the European Union, whether, during the utilisation of available public funds and other resources, it performed its budgetary management tasks and its tasks prescribed by law in accordance with legal provisions, expediently and successfully, and to what extent it utilised the findings and recommendations of earlier SAO audits.

The significance of the audit: The Hungarian Competition Authority is a budgetary institution that is independent of the government. It constitutes a separate chapter within the system of the state budget, and bears a reporting duty to Parliament only. Its basic tasks were prescribed in Act LVII of 1996, pursuant to which the Hungarian Competition Authority performs supervisory tasks in the area of competition. Solving the constitutional problems determined in connection with the executive regulations linked to the provisions of competition law in the European Agreement in 2002 was a legislative task related to economic competition. The budget appropriation of the Hungarian Competition Authority was HUF 1.1 billion. The audit of the authority's 2003 annual report will take place concurrently with the performance of the comprehensive audit. Findings concerning the annual report will appear in the report on the authority's final accounts for 2003.

Date of the commencement of preparation: 19 April, 2004.

Date of the commencement of the on-site audit (approval of the programme): **21 June, 2004.**

Date of closing (presidential board meeting discussing the report): **29 November, 2004.**

Planned capacity requirement: 420 auditor days. Out of this, 420 days in plan year.

Division identification number:	123/2/04
Division responsible for the audit:	23. Comprehensive Audit Division
Participating directorate(s):	3. Local Government and Regional Audit Directorate
Type of audit:	Performance audit

Audit of the subsidy system of national and ethnic minorities in Hungary

Objective of the audit: to evaluate whether the appropriations approved at the chapters in the central budget ensured the utilisation of funds in a co-ordinated manner and in accordance with legal provisions, and whether the support provided was utilised expediently and successfully, with the participation of the national and ethnic minority organisations.

The significance of the audit: the State Audit Office has not audited the utilisation of the subsidy of national and ethnic minority tasks in Hungary so far. Through the audit of the subsidy system of national and ethnic minorities it is possible to evaluate whether budget appropriations were utilised in an expedient manner. Act LXII of 2002 provided a total of HUF 2.3 billion at four chapters (Parliament, Prime Minister's Office, Ministry of Education, Ministry of Cultural Heritage) from the 2003 budget for this task. The target areas of the audit, which will receive special attention, will be selected based on data analysis.

Date of the commencement of preparation: 9 February, 2004.

Date of the commencement of the on-site audit (approval of the programme): **17 May, 2004.**

Date of closing (presidential board meeting discussing the report): **13 December, 2004.**

Planned capacity requirement: 1040 auditor days. Out of this, 1040 days in plan year.

Division identification number: 132//04
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Performance audit

Changes in the conditions of secondary education

Objective of the audit: to determine how the institutions of secondary education are able to conform to personal and material requirements of the legal provisions and required by society. What sort of requirements will be necessary to prepare students for the two-tier secondary school-leaving examination, what assistance can the bodies maintaining the institutions provide in this process, and to what extent does the central budget provide assistance. What sort of measures were taken to improve computer skills education, and to ensure that a breakthrough in quality occurs in the teaching of foreign languages. Whether the implementation of these measures, the provision of their material and personal conditions provide a framework that is sufficient for the fulfilment of the task.

The significance of the audit: The task of secondary education is to equip career starters with marketable knowledge and to supply sufficiently prepared students for higher education. The objectives prescribed by the education administration (two-tier secondary school-leaving examination, significantly better quality foreign-language skills, ability-based computing skills) are desirable from a social perspective. Their implementation requires the provision of numerous factors that form the joint competence of sector management, the bodies maintaining the institutions and the schools themselves. The topic is partly a continuation, and partly a supplementation of earlier SAO audits related to measures aimed at improving the quality of secondary school education and the sector concerned with the relationship of the labour market and vocational training. The SAO intends to carry out the audit in part by using performance audit methods.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): **2 February, 2004.**

Date of closing (presidential board meeting discussing the report): **26 July, 2004.**

Planned capacity requirement: 1018 auditor days. Out of this, 1018 days in plan year.

Serial number: 47

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Financial and other regularity

Audit of the accounting of the funds used for the implementation of the national referendum held on 12 April, 2003.

Objective of the audit: to determine whether the central organs and the local governments of the various settlements and counties performing tasks in connection with the referendum utilised the funds provided for the preparation and the implementation of the referendum in accordance with legal provisions, and whether the central organs and the regional and local governments and offices participating in the referendum fulfilled their duties of financial reporting in the manner prescribed by legal provisions and within the specified deadlines. Another task of the audit is to examine how the State Audit Office's findings and recommendations concerning the audit of the 2002 elections were utilised during the referendum.

The significance of the audit: Pursuant to the Act on the Election Procedure, the State Audit Office is responsible for auditing the fulfilment of state tasks related to the preparation and the implementation of the referendum and for informing the Parliament about the findings of the audit. The audit extends to auditing the regular and expedient utilisation of the financial resources spent on the preparation and the implementation of the national referendum held on 12 April, 2003. The central budget provided a total of HUF 3,824 million for the referendum.

Date of the commencement of preparation: 12 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): **2 February, 2004.**

Date of closing (presidential board meeting discussing the report): **19 April, 2004.**

Planned capacity requirement: 391 auditor days. Out of this, 391 days in plan year.

Division identification number: 123/15/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Privatisation and State Holding Company in 2003 and of its activities related to the implementation of the central budget

Objective of the audit: to evaluate how the appropriations, obligations and guarantees included in the budget act and related to the activities of the Hungarian Privatisation and State Holding Company were fulfilled, whether they are in harmony with legal provisions, whether the company's operating revenues and expenditure are in line with the objectives specified in the business plan and the framework prescribed by legal provisions, whether considerations of regularity and economy are prevalent in the company's financial management, and how the findings and the proposals of the previous SAO audit were utilised.

The significance of the audit: It is the legal obligation of the Hungarian Privatisation and State Holding Company to continuously, annually control the state's entrepreneurial properties, their privatisation and operation, pursuant to Act XXXIX of 1995 on the sale of entrepreneurial properties in state ownership. The audit of the company's activities in 2003 includes auditing its financial management, as well as the changes in the privatisation and the operation of the properties entrusted to it. It is expected that the privatisation process will be restarted and accelerated in 2003. The company conducts audits of its accounts.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): 16 March, 2004.

Date of closing (presidential board meeting discussing the report): 19 August, 2004.

Planned capacity requirement: 900 auditor days. Out of this, 900 days in plan year.

Division identification number: 121/7/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of environmental protection programmes realised from ISPA support

Objective of the audit: to evaluate whether the ISPA programme, which takes into account both pre-accession requirements and the system of requirements after accession, ensures a smooth automatic transition to the Cohesion Fund. Whether the preparation and the judgement of large environmental protection programmes and the utilisation of support conformed to valid Hungarian regulations and procedural rules, which are becoming increasingly comprehensive through the process of legal harmonisation, and whether the regulation of the procedure is in harmony with the requirements prescribed by legal provisions and government resolutions. Whether the tracking and the evaluation of the utilisation of domestic and EU resources and the enforcement of the interests of the state as owner and trustee are ensured, and how the related recommendations of the previous State Audit Office audit were utilised.

The significance of the audit: On 31 December, 2003 the ISPA pre-accession support programme, which serves as preparation for receipt of the Cohesion Fund, is terminated and the ISPA projects approved since the year 2000 and currently under implementation will have to be completed according to the rules of the Cohesion Fund. The projects realised with ISPA support prior to accession will automatically receive resources from and according to the rules of the Cohesion Fund following the accession. The 19 significant environmental protection infrastructure investments initiated between 2000 and 2003 received 330.9 million Euros from ISPA resources. Out of these, there are seven wastewater treatment projects and twelve waste treatment and management projects. These are projects taking several years to complete, and up to the end of 2003 none of them will include an accomplished major investment project.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): 10 May, 2004.

Date of closing (presidential board meeting discussing the report): 13 December, 2004.

Planned capacity requirement: 670 auditor days. Out of this, 670 days in plan year.

Serial number: 50

Division identification number: 131/1/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of the Christian Democratic Popular Party in 2002

Objective of the audit: to determine whether the annual reports prepared by the party and published in the Hungarian Bulletin conformed to legal provisions, whether the data contained in them correspond to facts and accounts, whether applicable legal provisions and internal regulations were enforced during book-keeping and financial management, whether the party used legally utilisable resources for its operation, whether it engaged in illegal financial management activities prohibited by the Act on political parties, and whether it accepted any illegal donations.

The significance of the audit: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the operation and financial management of political parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. The act prescribes an audit obligation for every two years. The previous audit by the SAO examined the legality of the party's financial management in 2000-2001. This time, the audit is limited to 2002, since the party no longer received regular budget support after the parliamentary elections. The significance of the topic lies not in the magnitude of the audited sums, but rather in the guarantee requirement arising from the rule of law that the audit of the legality of the financial management of all organisations must be provided for, and that penalties must be implementable in case of a breach of the barriers and prohibitions prescribed by law. The financial management of the political parties must be audited on a regular basis in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties on the basis of party auditing methods in force from the year 2003.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): **2 February, 2004.**

Date of closing (presidential board meeting discussing the report): **19 April, 2004.**

Planned capacity requirement: 142 auditor days. Out of this, 142 days in plan year.

Division identification number: 131/2/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of Union for Hungary Centrum in 2002-2003

Objective of the audit: to determine whether the annual reports prepared by the party and published in the Hungarian Gazette were conform to legal provisions, whether the data contained in them correspond to facts and accounts, whether applicable legal provisions and internal regulations were enforced during book-keeping and financial management, whether the party used legally utilisable resources for its operation, whether it engaged in illegal financial management activities prohibited by the Act on political parties, and whether it accepted any illegal donations.

The significance of the audit: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the operation and financial management of political parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. The act prescribes an audit obligation for every two years. The SAO has not audited the party, which was registered in 2001, since it receives regular budget support as a result of the election alliance during the 2002 parliamentary elections. The significance of the topic lies not in the magnitude of the audited sums, but rather in the guarantee requirement arising from the rule of law that the audit of the legality of the financial management of all organisations must be provided for, and that penalties should be implemented in case of a breach of the barriers and prohibitions prescribed by law. The financial management of the political parties must be audited on a regular basis in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties on the basis of party auditing methods in force from year 2003.

Date of the commencement of preparation: 2 February, 2004.

Date of the commencement of the on-site audit (approval of the programme): **22 March, 2004.**

Date of closing (presidential board meeting discussing the report): **28 June, 2004.**

Planned capacity requirement: 153 auditor days. Out of this, 153 days in plan year.

Division identification number: 131/3/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of the Workers' Party in 2002-2003.

Objective of the audit: to determine whether the annual reports prepared by the party and published in the Hungarian Gazette conformed to legal provisions, whether the data contained in them correspond to facts and accounts, whether applicable legal provisions and internal regulations were enforced during book-keeping and financial management, whether the party used legally utilisable resources for its operation, whether it engaged in illegal financial management activities prohibited by the act on political parties, and whether it accepted any illegal donations.

The significance of the topic: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the operation and financial management of political parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. The act prescribes an audit obligation for every two years. The previous audit by the SAO examined the legality of the party's financial management in 2000-2001. The significance of the topic lies not in the magnitude of the audited sums, but rather in the guarantee requirement arising from the rule of law that the audit of the legality of the financial management of all organisations must be provided for, and that penalties should be implemented in case of a breach of the barriers and prohibitions prescribed by law. The financial management of the political parties must be audited on a regular basis in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties based on party auditing methods in force from year 2003.

Date of the commencement of preparation: 1 March, 2004.

Date of the commencement of the on-site audit (approval of the programme): **14 May, 2004.**

Date of closing (presidential board meeting discussing the report): **5 July, 2004.**

Planned capacity requirement: 190 auditor days. Out of this, 190 days in plan year.

Division identification number: 131/4/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of the Hungarian Democratic Forum in 2002-2003

Objective of the audit: to determine whether the annual reports prepared by the party and published in the Hungarian Gazette conformed to legal provisions, whether the data contained in them correspond to facts and accounts, whether applicable legal provisions and internal regulations were enforced during book-keeping and financial management, whether the party used legally utilisable resources for its operation, whether it engaged in illegal financial management activities prohibited by the Act on political parties, and whether it accepted any illegal donations.

The significance of the audit: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the operation and financial management of political parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. The act prescribes an audit obligation for every two years. The previous audit by the SAO examined the legality of the party's financial management in 2000-2001. The significance of the topic lies not in the magnitude of the audited sums, but rather in the guarantee requirement arising from the rule of law that the audit of the legality of the financial management of all organisations must be provided for, and that penalties should be implemented in case of a breach of the barriers and prohibitions prescribed by law. The financial management of the political parties must be audited on a regular basis in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties based on party auditing methods in force from year 2003.

Date of the commencement of preparation: 1 June, 2004.

Date of the commencement of the on-site audit (approval of the programme): **1 October, 2004.**

Date of closing (presidential board meeting discussing the report): **22 November, 2004.**

Planned capacity requirement: 208 auditor days. Out of this, 208 days in plan year.

Serial number: 54

Division identification number: 131 /5/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of the Alliance of Young Democrats Hungarian Civic Union in 2002-2003

Objective of the audit: to determine whether the annual reports prepared by the party and published in the Hungarian Gazette conformed to legal provisions, whether the data contained in them correspond to facts and accounts, whether applicable legal provisions and internal regulations were enforced during book-keeping and financial management, whether the party used legally utilisable resources for its operation, whether it engaged in illegal financial management activities prohibited by the Act on political parties, and whether it accepted any illegal donations.

The significance of the audit: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the operation and financial management of political parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. The act prescribes an audit obligation for every two years. The previous audit by the SAO examined the legality of the party's financial management in 2000-2001. The significance of the topic lies not in the magnitude of the audited sums, but rather in the guarantee requirement arising from the rule of law that the audit of the legality of the financial management of all organisations must be provided for, and that penalties should be implemented in case of a breach of the barriers and prohibitions prescribed by law. The financial management of the political parties must be audited on a regular basis in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties based on party auditing methods in force from year 2003.

Date of the commencement of preparation: 7 June, 2004.

Date of the commencement of the on-site audit (approval of the programme): **30 August, 2004.**

Date of closing (presidential board meeting discussing the report): **29 November, 2004.**

Planned capacity requirement: 208 auditor days. Out of this, 208 days in plan year.

Serial number: 55

Division identification number: 121/11/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Other regularity

Audit of the operation of the National Fund for Institutional Protection of Savings Co-operatives

Objective of the audit: to evaluate whether the operation of the National Fund for Institutional Protection of Savings Co-operatives conforms to legal provisions and internal regulations, whether consolidation agreements between the Fund and the Savings Co-operatives were concluded on the basis of the consolidation agreement (and its modification) concluded between the Hungarian state and the Fund, whether settlements between the Fund and the budget were performed in accordance with regulations, and whether the debt remission instituted pursuant to Act LXXV of 2001 on the implementation of the budget of the Republic of Hungary for the year 2000 is being implemented in respect of the Savings Co-operatives..

The significance of the audit: The proportion of state ownership in the National Fund for Institutional Protection of Savings Co-operatives is 98%. The Hungarian state also involved co-operative savings associations in the consolidation of the bank sector, with the National Fund for Institutional Protection of Savings Co-operatives as the executive organisation. In the case of some of the consolidated savings co-operatives, however, a capital decrease became necessary, and the Fund suffered asset losses as a result. The state compensated this with a debt remission. The objective of the measure was to stabilise the position of the savings co-operatives, which is necessary in order to fulfil the higher capital requirements of the EU accession. The National Fund for Institutional Protection of Savings Co-operatives was established in 1992. The State Audit Office has not carried out an audit at the Fund so far.

Date of the commencement of preparation: 16 February, 2004.

Date of the commencement of the on-site audit (approval of the programme): **10 May, 2004.**

Date of closing (presidential board meeting discussing the report): **27 September, 2004.**

Planned capacity requirement: 225 auditor days. Out of this, 225 days in plan year.

Serial number: 56

Division identification number: 121/12/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the National Bank of Hungary in 2003

Objective of the audit: to evaluate whether the operation of the National Bank of Hungary were conform to legal provisions, to assess the financial management of the institution, its efficiency and regularity, and, within that, the appropriateness of planning, changes to the costs of operation, the realisation of investment objectives and internal control activities.

The significance of the audit: The National Bank of Hungary is playing a significant role in ensuring financial stability and in the prudential supervision of the monetary system. The monetary decisions of the central bank are also influenced by the regularity and the efficiency of its operation. Pursuant to section 45 of Act LVIII of 2001 on the National Bank of Hungary, the State Audit Office is entitled to fulfil tasks related to auditing the operation of the bank. The SAO assists the supervisory work of Parliament by carrying out a continuous, annual audit of the operation and the financial management of the bank. The audit also includes auditing accounts related to the final accounts, as well as the utilisation of the proposals made by earlier SAO reports. On the other hand, the SAO does not examine the validity of the central bank's balance sheet and annual report, since those are audited by external auditors.

Date of the commencement of preparation: 16 February, 2004.

Date of the commencement of the on-site audit (approval of the programme): **5 April, 2004.**

Date of closing (presidential board meeting discussing the report): **6 September, 2004.**

Planned capacity requirement: 360 auditor days. Out of this, 360 days in plan year.

Serial number: 57

Division identification number: 123/10/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the system of performing state tasks outside the framework of public finance

Objective of the audit: to evaluate whether unified guiding principles are enforced during the utilisation of the funds placed outside the sub-systems of public finance (except the sub-system of local governments), with special emphasis on considerations of expediency and efficiency during decision-making and realisation and on verifiable savings.

The significance of the audit: The rationalisation of the performance of public tasks, including the ability to track and audit public funds placed outside the framework of public finance, is a recurrent element of the public finance reform. For the latter, Act XXIV of 2003 on the amendment of specific acts related to the publicity, transparency and control of the appropriation of public funds and the use of public property assigns certain regulatory means. Within the framework of auditing the implementation of the budget of the Republic of Hungary for the year 2002, the State Audit Office carried out a survey of the magnitude of the public finance resources allocated from the budget to business organisations and public utility companies established by the chapters or in majority state ownership. According to the survey, the sum of the budgetary funds transferred in this manner amounted to approximately HUF 52 billion. In the course of the audit, the SAO would like to determine whether it is possible to define the scope of the state tasks of the sub-systems of the central government, the segregated state trust funds and the social security system being performed outside the framework of public finance, whether reorganisations resulted in any savings of public funds, and whether the regulatory means of the act referred to above contribute to the increased transparency of processes.

Date of the commencement of preparation: 5 January, 2004.

Date of the commencement of the on-site audit (approval of the programme): **19 April, 2004.**

Date of closing (presidential board meeting discussing the report): **6 December, 2004.**

Planned capacity requirement: 1190 auditor days. Out of this, 1190 days in plan year.

Division identification number: 131/2/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

Audit of the financial management of the Illyés Public Foundation

Objective of the audit: Pursuant to paragraph (8) of section 74/G of the Civil Code, to evaluate whether the public foundation utilised its properties and the subsidy received from the central budget expediently and as intended in the interests of the Hungarian communities living outside of Hungary.

The significance of the audit: The government established the public foundation, which has been classified as such since 1 January, 1994, for the continuous performance of public tasks arising from a sense of responsibility for the fate of Hungarians living outside our borders, in order to support Hungarian communities outside of Hungary and Hungarians scattered throughout the world, and to assist in solving their specific problems. Its legal predecessor, the Illyés Foundation, had been established by the government in 1990 with an allocation of HUF 20 million . According to the latest published balance sheet figures, the public foundation's equity capital amounted to HUF 551 billion . Between 2000 and 2003, it received a total of HUF 4,748 billion of subsidy from the central budget. The SAO performed an on-site audit of the legality and the expediency of the financial management of the public foundation (legal predecessor foundation) in 1995. In 2002, we assessed the utilisation of state subsidy with the help of completed data sheets.

Date of the commencement of preparation: 16 March, 2004.

Date of the commencement of the on-site audit (approval of the programme): **3 May, 2004.**

Date of closing (presidential board meeting discussing the report): **25 October, 2004.**

Planned capacity requirement: 430 auditor days. Out of this, 430 days in plan year.

Division identification number: 122/2/04
Division responsible for the audit: **Division responsible for the audit:**
Type of audit: **Financial and other regularity**

Audit of the implementation of the budget of the Republic of Hungary for the year 2004.

Objective of the audit: To assess whether the bill presenting the implementation of the budget of the Republic of Hungary for the year 2004 give a fair view on the financial processes from 2003, whether the bodies having authority and competence in the execution of the budget (Parliament, Government, bodies supervising the various chapters, respectively their subordinate budgetary institutions) have performed their tasks and done their duties in line with their respective mandate and authority stipulated by the Act on Public Finance, the Annual Budget Act, and the amendments thereof..

The significance of the audit subject: The State Audit Office assists Parliament's legislative work by fulfilling its constitutional duty. In spirit of the process of preparation for EU membership, the SAO gives audit opinion on the financial statements of the following central budget chapters: Parliament, Office of the President of the Republic, Constitutional Court, Parliamentary Commissioners' Office of Hungary, Courts, Attorney General of the Republic of Hungary and the Hungarian Competition Authority. Opinion is given also on the following central budget titles with chapter manager competence: Public Procurement Committee, Government Control Office and the Hungarian Financial Supervisory Authority . The aforementioned financial audit activity is performed according to methodology applied from 1999 and gradually developed further for the financial regularity audits of the reports of budgetary institutions. This methodology harmonises with best international practices. In case of 24 chapters, we evaluate in full scope the reports of administration titles and chapter-managed appropriations, and out of the statements on the national economy, the central income and expenditure accounts of the budget. The audit also extends to the financial relations of the Hungarian Privatisation and State Holding Company. Thus, the realisation of the financial audit objectives specified in the SAO's strategy will be completed.

Date of the commencement of preparation: 12 July 2004.

Date of the commencement of the on-site audit (approval of the programme): **18 April 2005.**

Date of closing (presidential board meeting discussing the report): **18 August 2005.**

Planned capacity requirement: 16700 auditor days. Out of this, 2345 days in plan year.

Topic serial number: 60

Division identification number: 121/1/04
Division responsible for the audit: 21. Performance Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the operation of the task financing system in higher education

Objective of the audit: to evaluate the success with which the task financing system in higher education contributed to the realisation of the objectives of higher education policy. The audit will attempt to determine how the financing of higher education programs, information technology developments, World Bank (non-investment) programs and other program support payments implemented in the framework of task financing ensured a more successful fulfilment of education, training and research objectives as well as the development and more economical operation of infrastructure at higher education institutions.

The significance of the audit subject: The fundamental elements and appropriations of the task financing system of the Ministry of Education support the development of the new, integrated university and college centres within the institutional structure of public higher education system, which was reorganised from 1 January 2000. Amongst the supported tasks we find education and training development initiatives promoting our accession to the European Higher Education Region, schemes aimed at the development of management information systems and management, higher education information technology developments and projects of the National Information Infrastructure Development Program. Under the higher education task financing sub-title, the central budget contained initially HUF 7.5 billion of support appropriation in 2000, HUF 5 billion in 2001 and HUF 5.3 billion in 2002.

Date of the commencement of preparation: 8 March 2004.

Date of the commencement of the on-site audit (approval of the programme): **1 June 2004.**

Date of closing (presidential board meeting discussing the report): **17 January 2005.**

Planned capacity requirement: 1140 auditor days. Out of this, 1135 days in plan year.

Serial number: 61

Division identification number: 121/2/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the utilisation of the funds spent on the National Cultural Fund

Objective of the audit: to evaluate whether the state support provided to the National Cultural Fund was utilised in accordance with the prescribed cultural objectives, whether its financial management was lawful and expedient, what was the success and the efficiency of the funds spent on the various cultural areas during the audited period, and what kind of added value resulted.

The significance of the audit subject: The State Audit Office audited the legal predecessor to the current Fund, in 1998. The objective of the new fund, established on 1 January 1999, is to support, within the multi-channel financing of cultural objectives, the creation and the preservation of national and universal values, as well as their promotion in Hungary and abroad. The fund's original budgetary expenditure appropriation was HUF 4.6 billion in 1999, HUF 4.6 billion in 2000, HUF 5.6 billion in 2001, HUF 6.1 billion in 2002 and HUF 7.4 billion in 2003.

Date of the commencement of preparation: 6 December 2004.

Date of the commencement of the on-site audit (approval of the programme): **21 March 2005.**

Date of closing (presidential board meeting discussing the report): **10 October 2005.**

Planned capacity requirement: 712 auditor days. Out of this, 45 days in plan year.

Serial number: 62

Division identification number: 121/4/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the operation of the corporation tax collection system

Objective of the audit: to evaluate whether the control system of the Tax and Financial Control Administration ensures the collection of budgetary revenues from the corporation tax as completely as possible. Within this, it is necessary to examine the selection system for control, the detection of illegitimately employed tax allowances and the measures taken to collect payment obligations determined during the control.

The significance of the audit subject: On average, 7 to 8% of the central budget originates from corporation tax revenues each year. The gradual phasing out of tax allowances provided to companies is one of the requirements of harmonisation with EU regulations. This fact has a significant influence on the market policy of the companies already in operation as well as those planning subsequent investments, which, in turn, effects, amongst other things, the sum of corporation tax revenues for the central budget.

Date of the commencement of preparation: 6 December 2004.

Date of the commencement of the on-site audit (approval of the programme): **14 March 2005.**

Date of closing (presidential board meeting discussing the report): **10 October 2005.**

Planned capacity requirement: 496 auditor days. Out of this, 315 days in plan year.

Division identification number: 121/3/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Customs and Finance Guard

Objective of the audit: to evaluate whether the personal, material and financial conditions at the disposal of the Hungarian Customs and Finance Guard and its structure and operation are in harmony with legal provisions, with special reference to the requirements of EU accession, whether requirements of legality, expediency and effectiveness are enforced during the performance of its tasks, and how the recommendations made in the course of earlier SAO audits were utilised.

The significance of the audit subject: The Hungarian Customs and Finance Guard must perform its tasks, which have changed as a result of EU accession, its developments, the transformation of its organisational structure and its human resource and asset management in accordance with the requirements of domestic financial management as well as the requirements of the EU, ensuring both the realisation of domestic budgetary revenues and community revenues. The Hungarian Customs and Finance Guard collected 47.7% of the revenues of the central budget in 2001 (HUF 1,946 billion) and 49.6% in 2002 (HUF 2,164 billion). Its approved operational expenditure for 2003 was HUF 30.5 billion, its workforce numbered approximately 7,800. The last time the SAO carried out a comprehensive audit at the organisation was in 1998.

Date of the commencement of preparation: 29 March 2004.

Date of the commencement of the on-site audit (approval of the programme): 21 June 2004.

Date of closing (presidential board meeting discussing the report): 28 February 2005.

Planned capacity requirement: 1110 auditor days. Out of this, 1060 days in plan year.

Division identification number: 123/3/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Ministry of Health, Social and Family Affairs chapter

Objective of the audit: to evaluate whether the organisational, management and operational system, the budget and the personnel and material conditions of the chapter were in harmony with professional tasks, whether budgetary management responsibilities were carried out expediently, effectively and in accordance with legal provisions during the utilisation of the available appropriations, and how the findings and recommendations of earlier SAO audits were utilised.

The significance of the audit subject: Act XI of 2002 on the List of the Ministries of the Republic of Hungary established the Ministry of Health, Social and Family Affairs. Prior to that, the Ministry of Health and the Ministry of Social and Family Affairs operated as separate chapters. The State Audit Office carried out comprehensive audits at the Ministry of Social and Family Affairs in 2000 and at the Ministry of Health in 2001-2002. The line ministry tasks have been modified several times, and the organisational structure has also changed. The analysis and evaluation of the performance of tasks and the operation of the organisation are timely; therefore, the audit of the operation of the chapter is justified. Act LXII of 2002 on the budget of the Republic of Hungary for the year 2003 set the chapter's expenditure appropriation at HUF 377.9 billion, its revenue appropriation at HUF 67 billion and its support appropriation at HUF 117.2 billion. The examination of the reliability of the 2004 report on the management of the chapter will commence during the audit and is to be completed in the course of auditing the final accounts.

Date of the commencement of preparation: 5 July 2004.

Date of the commencement of the on-site audit (approval of the programme): **18 October 2004.**

Date of closing (presidential board meeting discussing the report): **16 May 2005.**

Planned capacity requirement: 790 auditor days. Out of this, 730 days in plan year.

Division identification number: 123/14/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Ministry of Defence chapter

Objective of the audit: to evaluate whether the Ministry of Defence fulfilled the steering and institutional supervisory tasks of the chapter, with the enforcement of the requirements of legality, expediency and efficiency when using the available public funds, whether the chapter utilised the development support for fulfilment of defence objectives in an appropriate manner, and how the findings and recommendations of earlier SAO audits were applied.

The significance of the audit subject: The State Audit Office carried out a comprehensive audit of the chapter in 2000. The control structure was modified following the audit with the integration of the Army Chiefs of Staff into the organisation of the ministry. Concerning the financial management and control activities of the chapter and the operational conditions of defence organisations, the implementation of the reorganisation of the army, the formulation of the conditions of modernisation and the fulfilment of the tasks arising from NATO membership are important factors. The financial management of the organisations under the supervision of the ministry differs, in a regulated manner, from the general arrangements relating to budgetary chapters. Financial management is centralised in several areas (personnel numbers, and pay, developments and stockpiling of war materiel, procurement of technical equipment, repairs, renovations, etc.). The annual budget act approved an expenditure appropriation of HUF 314.5 billion and a support appropriation of HUF 309.5 billion for the chapter for the year 2003. Essentially, the Ministry of Defence does not plan any revenues of its own (only the Hungarian Army's healthcare institutions expect to collect revenues of their own in connection with the social security funding).

Date of the commencement of preparation: 20 September 2004.

Date of the commencement of the on-site audit (approval of the programme): **3 January 2005.**

Date of closing (presidential board meeting discussing the report): **18 July 2005.**

Planned capacity requirement: 1060 auditor days. Out of this, 420 days in plan year.

Division identification number: 123/1/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Ministry of Education chapter

Objective of the audit: to evaluate whether the chapter's organisational, steering and operational structure, budget and its utilisation were in harmony with professional tasks, whether the line ministry's steering activity on the chapter as a whole was performed in accordance with considerations of legality, expediency and effectiveness in regard of the institutions' operation, the utilisation of chapter-managed appropriations and the implementation of prioritised educational investments.

The significance of the audit subject: The State Audit office audited the operation of the Ministry of Education in 1999. The audit is justified by the question, to which extent the chapter's sectoral tasks are performed, how the budgetary resources were used, the operation of organisation governance, evaluation of the reform processes initiated earlier and currently under way, and the evaluation of the execution of measures introduced in order to implement recommendations made on the basis of the previous audit. Act LXII of 2002 set the chapter's expenditure appropriation for the year 2003 at HUF 415.5 billion, its support appropriation at HUF 272.9 billion and its revenue appropriation at HUF 144.4 billion. The examination of the reliability of the 2004 report on the administration of the Ministry of Education will commence during the audit, to be completed in the course of auditing the final accounts.

Date of the commencement of preparation: 27 September 2004.

Date of the commencement of the on-site audit (approval of the programme): 3 January 2005.

Date of closing (presidential board meeting discussing the report): 25 July 2005.

Planned capacity requirement: 1240 auditor days. Out of this, 560 days in plan year.

Division identification number: 123/7/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Ministry of Informatics and Communications chapter

Objective of the audit: to evaluate whether the chapter's organisational, management and operational structure and its budget ensured the effective and successful performance of its tasks, whether the professional tasks prescribed upon establishment were integrated into its operation, whether its activities conformed to the requirements made towards an independent chapter, to what extent it contributed to meeting the government's information technology objectives and the requirements of EU-accession process, whether it performed its budgetary management tasks, supervisory and sectoral management duties in accordance with legal provisions, expediently and successfully, whether it ensured the regular and expedient utilisation of chapter-managed appropriations and the fulfilment of the prescribed sector and professional objectives.

The significance of the audit subject: The ministry was established in 2002 in frame of the reorganisation of government structure as a new body for sectoral management. Its primary field of operation is the performance of tasks related to the drafting and executing of and accounting for the budget of priority IT-tasks in context of building an information society and furthermore, the performance of program preparation and harmonisation work arising from tasks of EU accession. The Communications Authority and the Hungarian Space Office also form part of the chapter. The chapter's original expenditure appropriation for 2003 was HUF 42.4 billion.

Date of the commencement of preparation: 30 August 2004.

Date of the commencement of the on-site audit (approval of the programme): **22 November 2004.**

Date of closing (presidential board meeting discussing the report): **20 June 2005.**

Planned capacity requirement: 880 auditor days. Out of this, 420 days in plan year.

Division identification number:	123/4/04
Division responsible for the audit:	23. Comprehensive Audit Division
Participating directorate(s):	3. Local Government and Regional Audit Directorate
Type of audit:	Performance audit

Audit of environmental protection and nature conservation in the Hungarian-Austrian-Slovenian border region

Objective of the audit: to evaluate the measures, investments, development activities supporting environmental protection and nature conservation in the Austrian-Slovenian border region, primarily those aimed at phasing out cross-border activities with a negative impact on the environment, to examine the steering and supervisory activities of the Ministry of Environment and Water Management, the task performance of executive authorities (environmental supervisory authorities, national park directorates, water management directorates), as well as cooperation with the neighbouring countries involved in this field. The audit must include an assessment of the efficiency of the steering and supervisory activities, examine cost-effectiveness and analyse the barriers to reaching the objectives.

The significance of the audit subject: Due to the geographic location of the country and its imminent accession to the European Union, cooperation with neighbouring countries aimed at the prevention and the reduction of cross-border pollution has been placed high on the environmental protection and nature conservation agenda. As a result, regional and especially sub-regional cooperation must be improved. The presidents of the Supreme Audit Institutions of the three countries have agreed to cooperate and share information between their institutions. In this frame, the audit will target the management of environmental and nature related problems affecting all three countries, and will try to determine the effectiveness of environmental and nature conservation efforts taken on the Hungarian side in the border region to Austria and Slovenia. The specialists from the three Supreme Audit Institutions will coordinate the major aspects and the program items prior to the audit.

Date of the commencement of preparation: 29 November 2004.

Date of the commencement of the on-site audit (approval of the programme): **28 February 2005.**

Date of closing (presidential board meeting discussing the report): **22 August 2005.**

Planned capacity requirement: 500 auditor days. Out of this, 50 days in plan year.

Division identification number: 123/8/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Constitutional Court chapter

Objective of the audit: to evaluate whether the chapter's operation and management structure was in harmony with professional tasks, whether the considerations of regularity and expediency were enforced during its budgetary management, and whether the findings and recommendations of earlier SAO audits have been utilised in its control and financial management activities.

The significance of the audit subject: The Constitutional Court was established as the primary body of constitutional protection under Act XXXII of 1989, which also defined its scope of authority, organisation and procedural rules. The independence of the Constitutional Court, which serves as a basis for its outstandingly important and unique role in the protection of constitutional order, is protected by legal safeguards. The Constitutional Court forms a separate chapter in the structure of the central budget, but it does not have subordinate institutions. The SAO carried out a comprehensive audit of the chapter in 2000, when the recommendation was made that Parliament revise the legislation on the Constitutional Court. Pursuant to Act LXII of 2002 on the budget of the Republic of Hungary for the year 2003, the chapter's total amount of expenditure shall be HUF 1,100.5 million. In addition, it receives HUF 1,057.1 million of support from the central budget. The examination of the reliability of the 2004 financial statements of the chapter will commence during the audit, to be completed in the course of auditing the final accounts.

Date of the commencement of preparation: 17 May 2004.

Date of the commencement of the on-site audit (approval of the programme): **19 July 2004.**

Date of closing (presidential board meeting discussing the report): **31 January 2005.**

Planned capacity requirement: 365 auditor days. Out of this, 330 days in plan year.

Division identification number: 123/9/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Performance audit

Audit of the utilisation of the funds spent on the “Statistics” national program

Objective of the audit: to evaluate whether the utilisation of the chapter-managed appropriation “National Program “Statistics” for EU-accession and related government tasks”, which is under the “Central Statistical Office” chapter, and the realisation of the prescribed tasks was in harmony with the objectives defined in the program, whether it assisted in their successful realisation, and whether it contributed to fulfilling the requirements of EU accession in the area of statistics.

The significance of the audit subject: Government resolution 2084/1998 (IV 8) on basic issues of the accession negotiations between Hungary and the European Union, the selection of the negotiation delegation, the National Program for adopting the *acquis communautaire*, and the background of the economic strategy of preparation for accession approved the EU accession National Program subject to annual revisions. Between 2000-2003, HUF 10 billion was approved within the Central Statistical Office chapter at the title “chapter-managed appropriations” for the implementation of the tasks of the “Statistics” National Program. However, there was significant fluctuation in the phasing of payments over the years, with HUF 2,500 million in 2000, HUF 3,970 million in 2001, HUF 2,818 million in 2002, and HUF 748.6 million in 2003. A separate analysis is needed in order to determine whether the utilisation of the funds provided occurred in an effective and efficient manner, and whether the utilisation of funds and their phasing were in harmony with professional objectives.

Date of the commencement of preparation: 6 December 2004.

Date of the commencement of the on-site audit (approval of the programme): **7 March 2005.**

Date of closing (presidential board meeting discussing the report): **29 August 2005.**

Planned capacity requirement: 680 auditor days. Out of this, 15 days in plan year.

Division identification number: 121/14/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of the utilisation of earmarked amounts aimed at the fulfilment of family policy objectives

Objective of the audit: to evaluate how effectively and efficiently the chapter-managed appropriations earmarked for family policy objectives within the budget of the Ministry of Health, Social and Family Affairs chapter were utilised, and whether the prescribed policy objectives were fulfilled as a result of the programs financed.

The significance of the audit subject: An appropriation of HUF 1 billion was budgeted for family policy programs within the budget of the Ministry of Health, Social and Family Affairs chapter for the first time in 2001. In 2003, the chapter's budget contained HUF 1.4 billion for the same purpose, which was utilised through application schemes. As of 2003, the scope of programs classified as family policy and financed from the budget of the ministry changed in connection with the reappraisal of state involvement in family policy. By examining the utilization of funds earmarked for family policy programs with performance audit methods, we may get a picture of the correspondence between support objectives and the assigned resources, the efficiency of the utilisation of support and whether the prescribed professional policy objectives were fulfilled as a result of the various programs.

Date of the commencement of preparation: 29 November 2004.

Date of the commencement of the on-site audit (approval of the programme): 3 January 2005.

Date of closing (presidential board meeting discussing the report): 27 June 2005.

Planned capacity requirement: 360 auditor days. Out of this, 95 days in plan year.

Division identification number: 132/2/04
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Financial and other regularity

Audit of healthcare investments and renovations financed from earmarked support

Objective of the audit: to evaluate whether hospital renovations and investments realised from earmarked support contributed to improving patient-oriented care and the harmony between the healthcare needs of the population and the healthcare system, what adverse factors came up during the preparation of investment decisions, the construction and the initiation of operations, whether the current financing and regulatory system ensures the solution of such difficulties and the fulfilment of sector and professional objectives, whether the necessary measures have been taken in order to ensure that investment and renovations are completed in time, within the approved budget and at the appropriate level of quality.

The significance of the audit subject: Since 1991, earmarked and targeted support has been provided for the realisation of infrastructure investments of vital social importance and a high level of cost. Between 1991 and 2002, local governments received a total of HUF 146.6 billion in earmarked and targeted support for investments related to the health sector (and especially to hospitals and outpatient clinics), but the vast majority of that amount (HUF 127 billion) was used for renovating hospitals from earmarked subsidies. Earlier audits carried out by the SAO have called attention to the lack of harmony between individual hospital developments and professional programs. It has been established that development was mostly concentrated on expanding the capacity of active care, whilst, due to the shortcomings of the welfare system, there is a shortage of facilities providing chronic inpatient care. In many cases, unutilised capacities were created from central support, which did not always correspond to the needs of inpatient care. Due to a lack of appropriate preparation, certain renovation projects were not completed by the designated deadline, extra costs were incurred, which the local government, as owner, was unable to cover, and therefore passed on, in part or entirely, to the hospital.

Date of the commencement of preparation: 1 March 2004.

Date of the commencement of the on-site audit (approval of the programme): **1 June 2004.**

Date of closing (presidential board meeting discussing the report): **17 May 2005.**

Planned capacity requirement: 1975 auditor days. Out of this, 1723 days in plan year.

Serial number: 73

Division identification number: 132/3/04
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Performance audit

Provision and funding issues of local government public education and library services

Objective of the audit: to determine whether the management levels of providing public education and library services were formulated in an expedient manner, and how local governments are able to perform the obligatory tasks prescribed by the Acts on local governments and the Act on culture . Whether they are able to secure material and personal conditions, conform to legal provisions, to what extent budgetary allocations cover the performance of tasks, and what sources do local governments use to supplement the support received.

The significance of the audit subject: The Acts on local governments, respectively Culture list the provision of public education and library services as a compulsory task for local governments. The service provision facilities and opportunities of local governments differ according to the type of settlement they represent. Based on the experiences of earlier SAO audits, which only examined the lawfulness of local government requests for the relevant centralised support, the contradictions existing in the service provision by local governments and the financing practices used, justify a more comprehensive audit of this area.

Date of the commencement of preparation: 1 September 2004.

Date of the commencement of the on-site audit (approval of the programme): **4 October 2004.**

Date of closing (presidential board meeting discussing the report): **9 May 2005.**

Planned capacity requirement: 1081 auditor days. Out of this, 929 days in plan year.

Serial number: 74

Division identification number: 133/4/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Performance audit

Audit of the maintenance of public cemeteries

Objective of the audit: to evaluate how local governments fulfil their compulsory tasks relating to the maintenance of public cemeteries. Whether the provisions of Act XLIII of 1999 on cemeteries and burials are enforced, and whether the provisions of joint decree no 10/1970 (IV 17) of the Ministry of Construction and Urban Development and the Ministry of Health on cemeteries and burial activities were enforced during the establishment, maintenance and the operation of cemeteries.

The significance of the audit subject: Public cemeteries were transferred into the ownership of local governments on the base of the Act on local governments. Their maintenance and, if necessary, the establishment of new cemeteries are a compulsory task of local governments. The task had to be carried out on the basis of the ministerial decree until 30 September 1999, and, after that, on the basis of Act XLIII of 1999 and its executive order. The SAO intends to audit the quality of task performance, the expenditure on maintenance and the development of cemeteries with performance audit methods.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **30 April 2004.**

Date of closing (presidential board meeting discussing the report): **24 January 2005.**

Planned capacity requirement: 1074 auditor days. Out of this, 1062 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of local governments and minority local governments

Objective of the audit: to evaluate the regularity of the planning and implementation of local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide help to the financial management of local governments in formulating an orderly system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, allocation of resources and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the topic: Local governments operate as a sub-system of public finance, and as such, they manage approximately HUF 6,000 billion in assets of their own, as well as approximately HUF 2,000 billion of revenue in 2003. The usual comprehensive audit of the financial management of local governments contributes to making the financial management of these significantly large assets, and, within that, the management of securities, more regular, expedient and efficient. In 2004, the audit will target approximately 200 local governments. Within that, the local governments of counties, districts, municipalities and large villages with significant financial relations to the central budget, and therefore carrying increased risks, will receive special attention. Together with auditing the local government of a settlement, the SAO will also audit the regularity and expediency of the financial management of minority local governments operating in the given settlement. During sampling, we will ensure a proportionate system of selection among the minority local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): 12 January 2004.

Date of closing (presidential board meeting discussing the report): 27 June 2005.

Planned capacity requirement: 8940 auditor days. Out of this, 8280 days in plan year.

Serial number: 76

Division identification number: 132/5/04
Division responsible for the audit: 32. Financial Regularity and Performance Audit Division
Type of audit: Financial and other regularity

The current condition of baths and especially medicinal baths in local government ownership and their development prospects, with special emphasis on tourism

Objective of the audit: to audit the utilisation of support for the development of baths under the Széchenyi Plan. To evaluate the situation and state of awarding the 2001-2003 support appropriation, the legality, regularity, expediency and effectiveness of their utilisation, and their situation from a professional perspective and the perspective of financial management, to analyse the operation (functioning) of baths in the light of ticket prices, support from the National Health Insurance Fund and local government support. The reality of implementing the Széchenyi Plan's ten-year medicinal and health tourism development program.

The significance of the audit subject: It is well known that Hungary is a country with favourable geothermic endowments. Thermal springs, or, in other words, springs or wells containing water of at least 30C in temperature are common in approximately 70% of the country. The number of thermal springs registered in the country is 1,288. Of these, 849 (66%) are operational. There are 250 thermal wells serving bathing purposes in 140-150 settlements. There are 39 baths in the country, which have been classified as medicinal baths. The water flowing from 136 wells has been classified as medicinal water. Currently, there are approximately 40-50 spa hotels in operation. Nearly 80-85% of baths are owned entirely or partly by local governments. In 2001-2002, support for bath development under the Széchenyi Plan, available through application, amounted to HUF 29.3 billion and supported 74 development objectives. In 2003, 50 support applications have been submitted, for which there is a budget of HUF 5.1 billion available.

Date of the commencement of preparation: 1 April 2004.

Date of the commencement of the on-site audit (approval of the programme): **20 September 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 2115 auditor days. Out of this, 1515 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With this audit, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating a legitimate system of financial management, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it assists the Parliament in its legislative work, the resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments. In the case of the Municipal Government of Budapest, however, the State Audit Office carries out the comprehensive audit of financial management phased out over several years. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): 12 January 2004.

Date of closing (presidential board meeting discussing the report): 27 June 2005.

Planned capacity requirement: 205 auditor days. Out of this, 175 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Borsod-Abaúj-Zemplén County

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With this audit, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 80 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Fejér County

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management of and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly of financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 110 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Hajdú-Bihar County

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and ask of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 110 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Komárom-Esztergom County

Objective of the audit: to evaluate the regularity of the planning and implementation of local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 110 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Pest County

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 80 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Local Government of Tolna County

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the county government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the county government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 110 auditor days. Out of this, 110 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Kecskemét

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 130 auditor days. Out of this, 100 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Győr

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this local government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 130 auditor days. Out of this, 100 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Eger

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 115 days in plan year.

Serial number: 87

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of County Status Town Szombathely

Objective of the audit: to evaluate the regularity of the planning and implementation of the local government financial management and the expediency of the utilisation of local government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 85 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Budavár I district of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 115 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Terézváros VI district of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 115 days in plan year.

Serial number: 90

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Ferencváros IX district of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 115 days in plan year.

Serial number: 91

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of the XIII district of Budapest

Objective of the audit: to evaluate the regularity of the planning and the implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 130 auditor days. Out of this, 130 days in plan year.

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of the XVI district of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 115 days in plan year.

Serial number: 93

Division identification number: 133/3/04
Division responsible for the audit: 33. Comprehensive Audit Division
Type of audit: Comprehensive

Comprehensive audit of the financial management of the Municipal Government of Pestszentlőrinc - Pestszentimre XVIII district of Budapest

Objective of the audit: to evaluate the regularity of the planning and implementation of the municipal government financial management and the expediency of the utilisation of municipal government resources. A primary task is to assess the established financial management system. With these audits, the State Audit Office, on the one hand, would like to provide assistance to the management of the municipal government in formulating an orderly financial management system, and on the other hand, by collecting, presenting and evaluating information characteristic of local governments as a whole, it supports the work of Parliament in legislation, resource allocation and in defining conditions for receiving support. Another objective of the audit is to expose factors jeopardising financial stability, the elimination of which enables the prevention of resource gaps and bankruptcies.

The significance of the audit subject: the diverse nature of the tasks performed by the municipal government and the share of its respective expenditures, revenues and its assets in the total value of all local governments justifies that, within the framework of the comprehensive audit of the financial management of local governments, a separate SAO report should be prepared on this municipal government. The objective and task of the audit fit in with the comprehensive audit of the financial management of other local governments of towns and villages. Besides presenting unique characteristics, the uniformity of the audit program and of the audit method also ensures comparability. As in the case of other SAO reports, the widespread publication of findings promotes the openness and the transparency of the financial management of local governments.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **12 January 2004.**

Date of closing (presidential board meeting discussing the report): **27 June 2005.**

Planned capacity requirement: 115 auditor days. Out of this, 85 days in plan year.

Division identification number: 123/6/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the operation of the Central Nuclear Monetary Fund

Objective of the audit: to evaluate whether the management and operation of the organisations managing the Central Nuclear Fund and the regulation on the supervisory activity ensured the regular and expedient utilisation of the Fund, whether the financial resources utilised from the Fund ensured the expedient and permanent placement of radioactive waste materials, the establishment of temporary and permanent storage facilities for the placement of spent fuel and the financing of the dismantling of nuclear facilities. The SAO last audited the utilisation of the Fund in 2000. In the course of the present audit the implementation of the recommendations put forward in the former report will be examined.

The significance of the audit subject: The human-centered use of radioactive materials widely serves the interests of mankind and of society. At the same time, however, maximum safety must be ensured during the use of atomic energy and the handling of the resulting radioactive waste. The objective of the Central Nuclear Fund is that adequate amount of resources be available for financing the permanent placement of radioactive waste and spent fuel and the dismantling (demolition) of nuclear facilities. The state trust fund segregated for this purpose cannot be used for anything else. In addition, its risk-free maintenance of value must be ensured. The fund's appropriation for 2003 was HUF 23.5 billion.

Date of the commencement of preparation: 1 June 2004.

Date of the commencement of the on-site audit (approval of the programme): **30 August 2004.**

Date of closing (presidential board meeting discussing the report): **14 February 2005.**

Planned capacity requirement: 460 auditor days. Out of this, 450 days in plan year.

Serial number: 95

Division identification number: 121/6/04
Division responsible for the audit: 21. Performance Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the managed healthcare pilot model

Objective of the audit: to evaluate the cost reduction effect of this patient care organisation method, being operated as a pilot model since 1999, and its effect on the quality of patient care. Whether the accounting system is transparent, whether accounts were made in accordance with regulations and the experiences of the pilot model's operation warrant its introduction on a national scale.

The significance of the audit subject: Since 1999, managed healthcare pilot model has received a gradually increasing share of the expenditure of the Health Insurance Fund spent on treatment and preventive care. The sum of the targeted appropriation increased from HUF 139 million in 1999 to HUF 637.6 million in 2003. The Budget Act increased the number of patients taking advantage of managed healthcare to 1 million people. Managed care appears in various healthcare reform plans from time to time as a method of patient care organisation that results in cost reduction whilst at the same time maintaining or even improving the quality of patient care. Even so, it has not been introduced on a larger scale. Besides the positive assessments, professional opinions of a different nature have also been expressed with regard to the pilot model.

Date of the commencement of preparation: 17 May 2004.

Date of the commencement of the on-site audit (approval of the programme): 16 August 2004.

Date of closing (presidential board meeting discussing the report): 7 February 2005.

Planned capacity requirement: 720 auditor days. Out of this, 700 days in plan year.

Serial number: 96

Division identification number: 123/5/04
Division responsible for the audit: 23. Comprehensive Audit Division
Participating directorate(s): 3. Local Government and Regional Audit Directorate
Type of audit: Performance audit

Audit of the financial management and operation of treasury assets

Objective of the audit: to evaluate whether the legal provisions entering into force from 1 January 1996 as part of the public finance reforms, the organisational arrangements, internal regulations and measures introduced have ensured the complete enumeration of treasury assets and the conditions necessary for the financial management of treasury assets in a responsible manner, according to the intended purposes. Whether the solutions formulated for the operation of the assets were successful, whether controls by the owner were effective, and how the findings and the proposals of earlier SAO audits were utilised.

The significance of the audit subject: Pursuant to section 104. of the Act on Public Finance, treasury assets belonging to the scope of public finances must be managed in a responsible manner, according to the intended purposes. This is controlled by Parliament through the State Audit Office. The SAO audited the asset stewardship, management and utilisation activities of the Treasury Property Directorate in 1997 in the framework of a comprehensive audit. Then, in 1999 and 2000, the SAO carried out audits covering specific elements of the treasury assets. The SAO's audit reports on the registration of exclusively state-owned properties, forestry management and the registration of state-owned lands also concerned the scope of treasury assets. Earlier, performance audits of treasury assets only related to certain elements of the properties.

Date of the commencement of preparation: 3 May 2004.

Date of the commencement of the on-site audit (approval of the programme): 30 August 2004.

Date of closing (presidential board meeting discussing the report): 14 March 2005.

Planned capacity requirement: 1060 auditor days. Out of this, 990 days in plan year.

Serial number: 97

Division identification number: 123/16/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Comprehensive

Audit of the financial management of the Hungarian News Agency Corporation in 2004

Objective of the audit: to determine whether the regulations, the organisational and the operational system of the Hungarian News Agency Corporation were in harmony with its tasks, whether it managed the assets and the operational and targeted support provided for the fulfilment of the public service tasks of the corporation from the central budget regularly, expediently and effectively, and whether the findings and recommendations of the previous SAO audit were utilised.

The significance of the audit subject: Pursuant to section 9 of Act CXXVII of 1996 on the National News Agency and the articles of association of the Hungarian News Agency Corporation, the president of the company submits to the Parliament annual accounts on the activities of the corporation. Subsequently, the balance sheet and the profit and loss account are approved and profits are divided. The report by the president must be submitted to Parliament together with an opinion by the supervisory committee. The report by the president of the State Audit Office on the activities of the corporation must also be enclosed. Planned total revenues from the company's business activities amount to HUF 4.5 billion, of which, support accounts for 49%. The company applies a private accountant to audit its books.

Date of the commencement of preparation: 8 November 2004.

Date of the commencement of the on-site audit (approval of the programme): **24 January 2005.**

Date of closing (presidential board meeting discussing the report): **23 May 2005.**

Planned capacity requirement: 190 auditor days. Out of this, 25 days in plan year.

Division identification number: 122/1/04
Division responsible for the audit: 22. Financial Audit Division
Type of audit: Financial regularity

2004 certifying audit of the Hungarian institutional framework set up in order to implement the SAPARD program and to effect payments of support

Objective of the audit: to determine whether the internal control procedures of the organisation managing the EU's pre-accession support for agriculture and regional development are theoretically well founded and whether they also operate adequately in practice, whether the procedures provide reasonable assurance that SAPARD projects will conform to the provisions of the multi-annual financial agreement, whether all the important accreditation criteria continue to be fulfilled and there is complete compliance with earlier resolutions adopted by the European Commission, whereby the tasks of managing support were transferred to the SAPARD agencies, and whether the protection of the financial interests of the European Union are ensured to a sufficient degree.

The significance of the audit subject: Between 2000 and 2006, respectively up to the year of accession, Hungary receives an annual support of € 38 million (approx. HUF 10 billion) from the EU SAPARD pre-accession program. The long-term objective of the program is to prepare the candidate countries for receiving support from the European Agricultural Guidance and Guarantee Fund after accession by means of institutional development. SAPARD is the first support program, where the EU delegates the right of pre-audits to the candidate countries. At the same time, however, one of the conditions of receiving support is for Hungary to set up a multi-layered control system, which includes the internal audit units established within the SAPARD Agency, as well as the Certifying Body, as an independent external audit organisation. These bodies are responsible for auditing the utilisation of support against EU regulations. The State Audit Office performs the audit as a certifying institution commissioned by the government of the Republic of Hungary, in accordance with EU procedural regulations.

Date of the commencement of preparation: 5 January 2004.

Date of the commencement of the on-site audit (approval of the programme): **19 January 2004.**

Date of closing (presidential board meeting discussing the report): **15 April 2005.**

Planned capacity requirement: 1582 auditor days. Out of this, 1125 days in plan year.

Division identification number: 121/8/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Performance audit

Audit of transport development programs realised with ISPA support

Objective of the audit: to evaluate whether the ISPA program, which takes into account both pre-accession requirements and the system of requirements after accession, ensures a smooth transition to the Cohesion Fund. Whether the preparation and evaluation of large transport development programs and the support utilisation are in conformity to valid Hungarian regulations, whether the operation and co-operation of and the regulation on the organisations taking part in implementation were in harmony with the requirements prescribed by legal provisions and government resolutions. Whether the monitoring and evaluation of the utilisation of domestic and EU resources and the enforcement of interests of the state as owner and trustee are ensured, and how the related recommendations of the previous State Audit Office audit were applied.

The significance of the audit subject: On 31 December 2003, the ISPA pre-accession support program, which also serves as a preparation for receiving resources from the Cohesion Fund, has terminated and the ISPA projects approved since the year 2000 and currently under implementation will have to be completed according to the rules of the Cohesion Fund. Following accession the projects realised with ISPA support prior to the accession will automatically receive resources from and according to the rules of the Cohesion Fund. Besides a few preparatory projects with technical objectives, between 2000 and 2003 the European Commission approved three large ISPA projects concerning railway development or rehabilitation, running on for several years. Of the € 380 million of investment required for these projects, the EU provides 50%.

Date of the commencement of preparation: 2 August 2004.

Date of the commencement of the on-site audit (approval of the programme): 15 November 2004.

Date of closing (presidential board meeting discussing the report): 20 June 2005.

Planned capacity requirement: 792 auditor days. Out of this, 430 days in plan year.

Division identification number: 131/6/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Financial regularity

Audit of the regularity of the financial management of political parties not receiving support from the central budget in 2001-2004

Objective of the audit: to determine the extent to which the political parties, that are registered in Hungary and operating in the period 2001-2004, but receiving no support from the central budget fulfilled their legal obligations. Whether they fulfilled the obligations deriving from their accountability in accordance with regulations, whether the requirements prescribed by the Act on Accounting relating to regulations, book-keeping and accounting records were enforced, and whether the parties adhered to restrictions concerning financial management activities and other regulations.

The significance of the audit subject: Pursuant to section 5 of Act XXXVIII of 1989 on the State Audit Office and paragraph (1) of section 10 of Act XXXIII of 1989 on the Operation and Financial Management of Political Parties (which was modified several times), the State Audit Office is entitled to audit the legality of the financial management of political parties. Approximately 95% of political parties are not entitled to support from the central budget, since they have not obtained 1% of the votes of all the voters taking part in the election. Laws do not contain differentiated regulations for such parties, although, in the absence of budgetary support, the conditions of their operation are extremely diverse. The significance of the topic lies not in the magnitude of the audited sums, but rather in the requirement to safeguard rule of law. It means that the audit of the legality of the financial management of all political party organisations must be provided for. The financial management of the political parties not receiving budgetary support must be audited periodically in order to guarantee fairness on the political scene. The SAO performs audits of the financial management of political parties based on its party auditing methods in force from the year 2003.

Date of the commencement of preparation: 11 October 2004.

Date of the commencement of the on-site audit (approval of the programme): **22 December 2004.**

Date of closing (presidential board meeting discussing the report): **29 March 2005.**

Planned capacity requirement: 360 auditor days. Out of this, 180 days in plan year.

Serial number: 101

Division identification number: 121/10/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Export-Import Bank Corporation

Objective of the audit: to evaluate whether the operation of the Hungarian Export-Import Bank Corporation conforms to legal provisions and to the expectations of the state as owner, whether resource acquisitions by the company are in harmony with the provisions of the Budget Act, whether the restrictions prescribed by the Budget Act were enforced at the assumption of export-oriented warranty transactions, and how the recommendations and proposals of the previous SAO-audit were utilised.

The significance of the audit subject: The intention of the activities of the Hungarian Export-Import Bank Corporation, which is in 100% state ownership, is to enforce the interests of the state in regard of exports, and, within that, to promote the appearance of Hungarian goods and services on foreign markets by means of providing lending, warranty and opportunities of risk sharing. Accession to the European Union requires competition under equal terms, and export support must be provided to residents and non-residents alike by law. On 31 December 2002, the balance sheet total of the Hungarian Export-Import Bank Corporation was HUF 138.5 billion, its subscribed capital was HUF 10.1 billion, its balance sheet profit was HUF 371 million, and, with its activities, it covered 2 to 2.5% of total Hungarian exports. The State Audit Office last audited the activities and the financial management of the bank in 1999, when the requirements of EU accession had not yet been implemented in its operation.

Date of the commencement of preparation: 24 May 2004.

Date of the commencement of the on-site audit (approval of the programme): **6 September 2004.**

Date of closing (presidential board meeting discussing the report): **7 March 2005.**

Planned capacity requirement: 490 auditor days. Out of this, 440 days in plan year.

Serial number: 102

Division identification number: 121/9/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the Hungarian Export Credit Insurance Corporation

Objective of the audit: to evaluate whether the operation of the Hungarian Export Credit Insurance Corporation conforms to legal provisions and the expectations of the state as owner, whether changes in the portfolio of insurance against non-marketable risks assumed by the company are in harmony with the provisions of the budget act, and how the findings and recommendations of the previous SAO-audit were utilised.

The significance of the audit subject: The objective of the activities of the Hungarian Export Credit Insurance Corporation, which is in 100% state ownership, is to enforce the interests of the state in regard of exports, to promote the appearance of Hungarian goods and services on foreign markets, and, within that, the division of export and domestic financial risks by making it easier for exporters to obtain credit. On December 31, 2002, the balance sheet total of the Hungarian Export Credit Insurance Corporation was HUF 8.7 billion, its equity was HUF 6.1 billion, and its balance sheet profit was HUF 13.6 million. The State Audit Office audited the activities and the financial management of the corporation in 1999.

Date of the commencement of preparation: 23 August 2004.

Date of the commencement of the on-site audit (approval of the programme): **29 November 2004.**

Date of closing (presidential board meeting discussing the report): **6 June 2005.**

Planned capacity requirement: 410 auditor days. Out of this, 150 days in plan year.

Serial number: 103

Division identification number: 121/13/04
Division responsible for the audit: 21. Performance Audit Division
Type of audit: Comprehensive

Audit of the operation of the National Bank of Hungary in 2004

Objective of the audit: to evaluate whether the operation of the National Bank of Hungary conformed to legal provisions, to assess the institution's financial management, its efficiency and regularity, and, within that, the appropriateness of planning, changes in the operation costs, the realisation of investment objectives, staff and wage management, asset management, internal control activities, and the utilisation of the recommendations of earlier SAO reports.

The significance of the audit subject: The National Bank of Hungary has a significant role to play in ensuring financial stability and in the prudential supervision of the monetary system. The monetary decisions of the central bank are also influenced by the regularity and the efficiency of its operation. Pursuant to section 45 of Act LVIII of 2001 on the National Bank of Hungary, the State Audit Office is entitled to perform audit tasks regarding the operation of the bank. The SAO assists the supervisory work of Parliament by carrying out a continuous, annual audit of the operation and the financial management of the bank. On the other hand, the SAO does not examine the authenticity of the central bank's balance sheet and annual report, since those are audited by external auditors.

Date of the commencement of preparation: 6 September 2004.

Date of the commencement of the on-site audit (approval of the programme): 3 January 2005.

Date of closing (presidential board meeting discussing the report): 27 June 2005.

Planned capacity requirement: 765 auditor days. Out of this, 340 days in plan year.

Serial number: 104

Division identification number: 131/2/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

Audit of the financial management of the Apáczai Public Foundation for Hungarian Education Beyond the State Borders

Objective of the audit: Pursuant to paragraph (8) section 74/G of the Civil Code, to evaluate whether the public foundation utilised its assets and the support received from the central budget and the Development and Training Section of the Labour Market Fund expediently, according to the original intentions.

The significance of the audit subject: The government established the public foundation at the end of 1998 with an initial capital of HUF 20 million for the continuous performance of the following state public tasks: supporting the identity of Hungarian communities living beyond the borders of Hungary; the education of local professionals of the various regions in sufficient numbers and at an appropriately high level; in connection with the former objective the establishment of an independent institutional background in higher education and vocational training beyond the state borders. On 18 March 1999, the Municipal Court of Budapest registered the public foundation and at the same time, qualified it as a "corporation of special public utility". According to the data of the Treasury, the public foundation received HUF 100.7 million of state support in 2001 and HUF 100 million in 2002 from the Ministry of Education chapter. Out of this, the SAO carried out an on-site audit in 2002 of the regularity and expediency of the utilisation of state support received in 2001, as part of the audit of the utilisation of non-normative support provided from the central budget to public foundations and foundations between 1998-2001. In its report entitled "Summary of the role of vocational education in meeting the labour market needs", published in 2003, the SAO established that the public foundation received a total of HUF 2.486. million of support between 1998-2001 from the Development and Training Section of the Labour Market Fund for supporting Hungarian education beyond the borders of Hungary. Amongst other things, the public foundation utilised this sum in ways not related to vocational training, for supporting the scholarships of Hungarian students from beyond the borders studying in Hungary, the development of teachers' apartments and dormitories, for property investments and for dormitories for Hungarian students living beyond our borders.

Date of the commencement of preparation: 23 August 2004.

Date of the commencement of the on-site audit (approval of the programme): **4 October 2004.**

Date of closing (presidential board meeting discussing the report): **14 February 2005.**

Planned capacity requirement: 157 auditor days. Out of this, 132 days in plan year.

Division identification number: 131/2/04
Division responsible for the audit: 31. Regularity Audit Division
Type of audit: Other regularity

Audit of the financial management of the National Boarding School Public Foundation

Objective of the audit Pursuant to paragraph (8) section 74/G of the Civil Code, to evaluate whether the public foundation utilised its properties and the support received from the central budget and the Development and Training Section of the Labour Market Fund expediently, according to the original intentions.

The significance of the audit subject: The government established the public foundation in 2000 with an initial capital of HUF 192 million in cash, of which HUF 20 million was given as stock capital. Aim of the foundation's establishment is the continuous performance of the following state public tasks and county local government tasks: supporting the development, modernisation and expansion of boarding school education, adoption of new methodologies, developing the care of talented young people, and training of boarding school teachers. On 11 December 2000, the Municipal Court of Budapest registered the public foundation and at the same time, qualified it as an organisation of public utility. According to the data of the Treasury, the public foundation received HUF 397 million of state support in 2001 and HUF 90 million in 2002 from the Ministry of Education chapter. Concerning this, the SAO carried out an on-site audit in 2002 of the regularity and expediency of the utilisation of state support received in 2001, as part of the audit of the utilisation of non-normative support provided from the central budget to public foundations and foundations between 1998-2001. In its report entitled "Summary of the role of vocational education in meeting labour market needs", published in 2003, the SAO established that the public foundation received HUF 2000 million of support in 2001 from the Development and Training Section of the Labour Market Fund (the implementation of the entire program was planned over three years) for establishing the boarding school system of the 21st century. Amongst other things, the public foundation realised developments from this sum which are not related to vocational training, and provided support to institutions not engaged in vocational training.

Date of the commencement of preparation: 23 August 2004.

Date of the commencement of the on-site audit (approval of the programme): **4 October 2004.**

Date of closing (presidential board meeting discussing the report): **28 February 2005.**

Planned capacity requirement: 137 auditor days. Out of this, 92 days in plan year.

Division identification number: 123/13/04
Division responsible for the audit: 23. Comprehensive Audit Division
Type of audit: Performance audit

Audit of the preparation for the prevention of natural disasters

Objective of the audit: Concerning the protection system against disasters, to comprehensively evaluate the activities of the organisational and management systems of prevention and of the bodies involved in prevention of natural disasters and in the coordination of tasks of and central budgetary resources for prevention (Governmental Coordination Committee, Ministry of Interior, the Ministry of Interior's National Directorate for Tackling Disaster, the Ministry of Environment and Water Management, National Water Authority), more specifically, to analyse the situation of flood protection in the Upper Tisza Region according to considerations of effectiveness.

The significance of the audit subject: Pursuant to Act LXXIV of 1999 and Government Decree no. 179/1999 (XII 10) on its execution, the Governmental Coordination Committee compiles, among others, the national strategy for protecting against the effects of natural disasters, the annual national plan of prevention and preparation and its budget. The Minister of Interior manages and supervises the implementation of the tasks of the county protection committees relating to protection and preparation. It is the task of the sector's minister to monitor processes that carry the threat of disasters within his scope of competence, to take the necessary measures to provide funds for prevention and the fulfilment of tasks, and to supervise the implementation of tasks in prevention.

The audit is topical, due to the fact that budgetary expenditure arising in consequence of the natural disasters of the last few years (protecting against floods and ground waters and the costs of renovations) have been substantial. Furthermore, an agreement has been concluded with the president of the Ukrainian Audit Chamber concerning a parallel audit relating to the situation of flood protection in the Upper Tisza Region.

Date of the commencement of preparation: 21 June 2004.

Date of the commencement of the on-site audit (approval of the programme): **20 September 2004.**

Date of closing (presidential board meeting discussing the report): **4 April 2005.**

Planned capacity requirement: 1020 auditor days. Out of this, 940 days in plan year.

APPENDIX

to the SAO's audit plan for 2004

**APPENDICES TO THE OUTLOOK PROSPECTS AND
OTHER INFORMATION**

**concerning the State Audit Office's Audit
Plan for 2004**

December 2003

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

The Protection of State Assets and Public Funds Allocated Outside the Central Budget		
2004	2005	2006
Audit of the operation of the Ministry of Finance chapter	Audit of the management and the operation of treasury assets	
Audit of the operation of the Hungarian Post Office Ltd.	Audit of the operation of the Hungarian Export Loan Insurance Corp.	
Audit of the operation of Hitelgarancia Rt. (Credit Guarantee Corp.) and of its activities relating to the implementation of the central budget	Audit of the operation of Magyar Export-Import Bank Corp.	
Audit of the operation of the Hungarian Privatisation and State Holding Company in 2003 and of its activities relating to the implementation of the central budget	Audit of the operation of the Hungarian Privatisation and State Holding Company in 2004 and of its activities relating to the implementation of the central budget	Audit of the operation of the Hungarian Privatisation and State Holding Company in 2005 and of its activities relating to the implementation of the central budget
Audit of the system of performing state tasks outside the framework of public finance		
Findings relating to chapter-managed appropriations within the framework of the audit of the final accounts for 2002	Findings relating to chapter-managed appropriations within the framework of the audit of the final accounts for 2003	Findings relating to chapter-managed appropriations within the framework of the audit of the final accounts for 2004
List of the titles of earlier reports relating to the topic		
Audit of the operation of the Hungarian Privatisation and State Holding Company in 2002 and of its activities relating to the implementation of the central budget (2003)		

***Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Revenues of the Central Budget		
2004	2005	2006
Audit of the personal income tax declaration and refund system	Audit of the operation of the Hungarian Customs and Finance Guard	Audit of the changes in and the effects of the investment and other tax incentives provided to businesses
	Audit of the operation of the corporate tax collection system	Audit of the Tax and Financial Control Office
Findings relating to the revenues of the central budget within the framework of the audit of the final accounts for 2003	Findings relating to the revenues of the central budget within the framework of the audit of the final accounts for 2004	Findings relating to the revenues of the central budget within the framework of the audit of the final accounts for 2005
List of the titles of earlier reports relating to the topic		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Transportation, Transport Development		
2004	2005	2006
Audit of the Danube bridge investment at Szekszárd	Audit of transport development programs realised with ISPA support	Audit of the utilisation of funds for road maintenance and targeted development tasks
		Audit of the utilisation of funds for the expressway network program
List of the titles of earlier reports relating to the topic		
Audit of the financial processes of the M3 motorway investment (2002)		
Audit of the Mária-Valéria bridge investment (2002)		
Audit of the financial processes of the reconstruction of the M7 motorway (2003)		
Audit of the operation and the financial management of the Hungarian State Railways Corp. in 1999-2000 (2002)		
Audit of the operation of the Ministry of Economy and Transport chapter (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Modernisation of the Armed Forces		
2004	2005	2006
Audit of the utilisation of the funds used for the operation of the land forces of the Hungarian Army	Audit of the Hungarian Army's public procurement system	Audit of the utilisation of the funds used for the operation of the flying and anti-aircraft defence units of the Hungarian Army
	Audit of the operation of the Ministry of Defence chapter	Audit of the utilisation of the funds used for the realisation of the objectives of the Ministry of Defence chapter defence review
List of the titles of earlier reports relating to the topic		
Developments realised in Hungary in the framework of NATO's Security Investment Program (NSIP) (2002)		
Audit of military defence investments (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Environmental Protection, Nature Conservation		
2004	2005	2006
Audit of the utilisation of the funds used for the targeted objectives of the environmental protection fund	Audit of environmental protection investments	Audit of the operation of the Ministry of Environment and Water chapter
Audit of environmental protection and nature conservation in the Hungarian-Austrian-Slovenian border region		Audit of the utilisation of the funds used for the realisation of the Environmental Protection and Infrastructure Operative Program
Audit of the environmental programs realised from ISPA support		
List of the titles of earlier reports relating to the topic		
Audit of the operation of the Ministry of the Environment chapter (2002)		
Audit of environmental protection in the Lake Fertő region (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Higher Education		
2004	2005	2006
Audit of the operation of the normative financing system in higher education	Audit of the operation of the task financing system in higher education	Audit of the implementation of the higher education development program
	Audit of the operation of the Ministry of Education chapter	
List of the titles of earlier reports relating to the topic		
Audit of the integration of the higher education institutional network		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Healthcare		
2004	2005	2006
Audit of the utilisation of the funds spent on state healthcare investments and renovations	Audit of the targeted patient care model experiment	
Audit of the Phare programs realised in the field of healthcare	Audit of the operation of the Ministry of Health, Social and Family Affairs chapter	
Audit of the current situation in the consumption of pharmaceutical products, its financing and support system		
List of the titles of earlier reports relating to the topic		
Audit of the Ministry of Healthcare chapter (2002)		
Audit of the operation of the Health Insurance Fund (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Employment		
2004	2005	2006
Audit of the operation of the Labour Market Fund	Audit of the operation of the Ministry of Employment and Labour Affairs chapter	Audit of the utilisation of the funds spent on public works programs
List of the titles of earlier reports relating to the topic		
Audit of the utilisation of employment promotion support payments (2002)		
The role of the vocational training system in satisfying labour market needs (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

2. Directorate of Auditing the Central Level of Public Finances

The Prospective Scheduling of State Audit Office Thematic Audits

Social and Family Affairs Policy		
2004	2005	2006
	Audit of the operation of the Ministry of Health, Social and Family Affairs chapter	Audit of the operation of the Pension Insurance Fund
	Audit of the utilisation of the funds spent on family affairs policy programs	
List of the titles of earlier reports relating to the topic		
Audit of the utilisation of the funds spent on the support of the disabled (2003)		

* **Note:** the audits appear in the table at the year when the report on them is completed.

3. Local Government and Regional Audit Directorate

The Prospective Scheduling of State Audit Office Thematic Audits

Regional and Urban Development		
2004	2005	2006
Audit of healthcare investments and renovations financed from earmarked subsidies	The efficiency of energy rationalisation measures at local governments	Audit of the regional development institutional network (micro-region, region, etc.)
Audit of support for accumulation purposes provided to investments and renovations by local governments in 2003	Audit of support for accumulation purposes provided to investments and renovations by local governments in 2004	Audit of support for accumulation purposes provided to investments and renovations by local governments in 2005
The current condition of baths and especially medicinal baths in local government ownership and their development prospects, with special emphasis on tourism	Audit of educational investments and reconstructions financed from targeted and labelled subsidies	
List of the titles of earlier reports relating to the topic		
Audit of the utilisation of subsidies available to regional development councils and their working bodies (2003)		
Audit of the utilisation of targeted and labelled subsidies provided for investments and renovations by local governments in 2002 (2003)		
Audit of financial support provided to local governments for the construction and modernisation of rented flats (2003)		

3. Local Government and Regional Audit Directorate

The Prospective Scheduling of State Audit Office Thematic Audits

The Communal Responsibilities of Local Governments		
2004	2005	2006
Audit of the performance of the development and operation of the public utility sewage system by local governments	Audit of the development and maintenance of public premises (parks, playgrounds) in local government ownership	Audit of the utilisation of support for public transport
Audit of the maintenance of public cemeteries	The efficiency of energy rationalisation measures at local governments	
List of the titles of earlier reports relating to the topic		
Audit of the application for and the utilisation of subsidies available to regional development councils and their working bodies (2003)		
Audit of the utilisation of targeted and labelled subsidies provided for investments and reconstructions to local governments in 2002 (2003)		

3. Local Government and Regional Audit Directorate

The Prospective Scheduling of State Audit Office Thematic Audits

Educational Responsibilities of Local Governments		
2004	2005	2006
Trends in the conditions of secondary school education	The conditions of the operation and maintenance of secondary school hostels	The realisation and operation of educational investments financed from labelled subsidies
List of the titles of earlier reports relating to the topic		
The role of the vocational training system in satisfying labour market needs (2003)		

3. Local Government and Regional Audit Directorate

The Prospective Scheduling of State Audit Office Thematic Audits

The Social Responsibilities of Local Governments		
2004	2005	2006
Audit of personal care benefits related to child protection	The financial conditions of caring for the homeless, the efficiency of expenditure	The operation of the social and child welfare personal care system
List of the titles of earlier reports relating to the topic		
Audit of the long-term social tasks of local governments (2003)		

2. Directorate of Auditing the Central Level of Public Finances

Audits planned for 2005-2006

1. Audit of the operation of the Ministry of Labour and Employment chapter
2. Audit of the operation of the Ministry of Interior
3. Audit of the operation of the Prime Minister's Office chapter
4. Audit of the operation of the Parliament chapter
5. Audit of the operation of the Ministry of Environment and Water Management chapter
6. Audit of the operation of the Presidency of the Republic
7. Audit of the operation of the Courts chapter
8. Audit of the operation of the Attorney General of the Republic of Hungary chapter
9. Audit of the operation of the Ministry of Agriculture and Regional Development chapter
10. Audit of the operation of the Ministry of Justice chapter
11. Audit of the operation of the Ministry of Foreign Affairs chapter
12. Audit of the operation of the Tax and Financial Control Administration
13. Audit of the operation of the Ministry of Cultural Heritage chapter
14. Audit of the operation of the Hungarian Academy of Sciences chapter
15. Audit of the operation of the Pension Insurance Fund
16. Audit of the financial management of Hungarian Public Television
17. Audit of the financial management of the Hungarian State Railways Co. Ltd.
18. Audit of the financial management of the National Bank of Hungary
19. Audit of the financial management of the Hungarian News Agency
20. Audit of the operation of the Hungarian Privatisation and State Holding Company
21. Opinion on the budgets of the Republic of Hungary for the years 2006 and 2007
22. Audit of the implementation of the budgets of the Republic of Hungary for the years 2005 and 2006
23. Audit of centralised public procurements
24. Audit of the utilisation of funds for economic development

25. Audit of the utilisation of funds for the support of governmental information technology
26. Audit of the utilisation of funds for the support of the state subsidised tenement flat program
27. Audit of the realisation and the utilisation of the centralised revenues of the Ministry of Agriculture and Regional Development chapter
28. Audit of the utilisation of the funds of the Ministry of Agriculture and Regional Development chapter spent on current expenditure and income subsidy
29. Audit of the utilisation of the funds of the Ministry of Defence chapter spent on the realisation of the objectives of the defence review
30. Audit of the utilisation of the funds spent on investments relating to the penal institutions
31. Audit of the utilisation of the funds of the Ministry of Economy and Transport chapter spent on supporting enterprises
32. Audit of the utilisation of the funds spent on the expressway road network program
33. Audit of the utilisation of the funds spent on targeted road maintenance and development tasks
34. Audit of the utilisation of the funds spent on the development of the Vásárhelyi plan
35. Audit of the utilisation of the funds of the Ministry of Education chapter spent on the development of public education and the establishment of a computer network
36. Audit of the utilisation of the funds of the Ministry of Education chapter spent on technical development
37. Audit of the utilisation of the funds spent on the support of competitive sports
38. Audit of the utilisation of the funds spent on information technology, the development of telecommunications and frequency management
39. Audit of the utilisation of the funds spent on the support of public works programs
40. Audit of public debts
41. Audit of the utilisation of the funds spent on the realisation of the Environmental Protection and Infrastructure Operative Program
42. Audit of the utilisation of the funds spent on the development of football stadiums and facilities
43. Audit of the placement of government bodies and their supply of tangible assets

3. Local Government and Regional Audit Directorate

Audits planned for 2005-2006

1. Audit of the relations of the central budget for 2004-2005
2. Audit of the planning of the central budget for 2005-2006
3. Comprehensive audit of the financial management of local governments
4. Audit of the utilisation of the funds spent on retraining
5. The realisation and the operation of educational investments financed from labelled subsidies
6. The conditions of the operation and the maintenance of secondary school hostels
7. Audit of the development and maintenance of public premises (parks, playgrounds) in local government ownership
8. The efficiency of energy rationalisation measures at local governments
9. Audit of the utilisation of support payments spent on public transport
10. The financial conditions of caring for the homeless, the efficiency of expenditure
11. The operation of the social and child welfare personal care system
12. Audit of educational investments and reconstructions financed from targeted and labelled subsidies
13. Audit of support for accumulation purposes provided to investments and renovations by local governments in 2004-2005.
14. Audit of the regional development institutional network (micro-region, region, etc.)
15. Audit of the legality of the financial management of the Hungarian Socialist Party in 2003-2004 (in 2005)
16. Audit of the legality of the financial management of the Alliance of Free Democrats in 2003-2004 (in 2005)
17. Audit of the legality of the financial management of the Hungarian Justice and Life Party in 2003-2004 (in 2005)
18. Audit of the legality of the financial management of the Mihály Táncsics (Hungarian Socialist Party) party foundation in 2003-2004 (in 2005)
19. Audit of the legality of the financial management of the Miklós Szabó (Alliance of Free Democrats) party foundation in 2003-2004 (in 2005)
20. Audit of the legality of the financial management of the Alliance of Young Democrats Hungarian Civic Union in 2004-2005 (in 2006)

21. Audit of the legality of the financial management of the Hungarian Democratic Forum in 2004-2005 (in 2006)
22. Audit of the legality of the financial management of the Workers' Party in 2004-2005 (in 2006)
23. Audit of the legality of the financial management of Union for Hungary CENTRUM in 2004-2005 (in 2006)
24. Audit of the legality of the financial management of the István Széchenyi (Alliance of Young Democrats) party foundation in 2004-2005 (in 2006)
25. Audit of the legality of the financial management of the József Antall (Hungarian Democratic Forum) party foundation in 2004-2005 (in 2006)