



STATE AUDIT
OFFICE OF HUNGARY

2007 Audit Plan of the State Audit Office of Hungary

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Approved by



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President

INTRODUCTION

I.

The State Audit Office of Hungary (SAO) performs its audit activities on the basis of the annual audit plan approved by its President. The SAO published its latest medium term strategy in the summer of 2006. The audit plan for 2007 – the compilation of which is also supported by an annual professional planning document – was prepared with consideration of these strategic objectives.

The audit plan for 2007 is closely linked to the plan of the previous year, since the audits that has been carried over to 2007 (a total of 19 audits) partly determine the audit plan, and at the same time absorb 30% of the capacities. Due to the continuous nature of the audit work, the audit plan presents all SAO audits under way in the subject year, separately grouping audits that were started in the previous year and will be completed in the subject year, audits that will commence and end in 2007 and audits that will be completed in the year following the subject year. The planning document also provides an outlook for two subsequent years by scheduling the audit tasks.

Audit planning is influenced by regular – annual or biannual – tasks prescribed by the law. These tasks are constant year after year: expressing opinion on and auditing the state budget appropriation bill and the bill on the final accounts, auditing the utilisation of and settlement of accounts relevant to subsidies allocated to local governments from the central budget, auditing the privatisation organisation, the national news agency, political parties and their foundations. These regular tasks absorb a similar portion (39%) of the annual audit capacity as in the previous year.

The comprehensive audits of local governments, the priority objectives of which include the audit of the operation and efficiency of public administration, absorb another significant portion of capacity (18%). Apart from a summary report on the audit findings obtained during the on-the-spot checks of comprehensive audits of several municipal local governments, the plan also includes the audit of 17 local governments with significant budgets or assets.

II.

According to the SAO's strategy published in 2006, the organisation will reinforce and carry on the main lines of action of the former years, but at the same time it will pay attention to the major changes caused by the external environment. Meeting the requirements, as well as the exploitation of rights and opportunities arising from Hungary's EU membership pose new challenges to the operation and financial management of public finances. The modernisation of the central public administration and the system of local governments, as well as the management of social problems arising from the demographic changes seem to be unavoidable tasks. In this relation, the need to redefine the role of the state arises, and as a starting point the predictability, transparency and accountability of processes related to public funds and the operation of the system of public finances come to the foreground.

It is a fundamental strategic goal of the SAO to assist transformation, support the transparent, regular and accountable operation of the public sector, and within that, public finances, as well as the reinforcement of budgetary security and responsibility with its audits and recommendations.

Apart from our audits on the final accounts and the budget this goal is fostered by the development of the comprehensive audits of the state budgetary chapters into a modern systems audit, which enhances the improvement of the operation of the internal control systems. In this relation, the SAO will complete the audits of the Ministry of Agriculture and Rural Development, and the Ministry of Foreign Affairs chapters in 2007, and will start the audits of the Ministry of Education and Culture, and the Ministry of Finance chapters.

We examine the institutional system of the central budget, the system of chapter-managed appropriations, the operations of the public procurement system, the operations of the national monitoring and control system of EU subsidies, the operations of the National Development Agency, the development of e-government services, as well as the review activity on the utilisation of and settlement of accounts relevant to financial resources of central budgetary relations of local governments.

The exploration of the risk factors inherent in the relationship between public finances and the private sector, and in their novel investment and development cooperation, as well as the evaluation of the level of regulation and efficiency of the applied financial schemes of the implemented projects are also included in the audits. Therefore, the plan includes the audit of motorway investment projects completed in 2006 or to be completed in 2007, as well as that of the higher education investment programme for residence halls.

While paying special attention to the efficient and effective completion of state tasks, the balance requirements of the system of public finances and the modernisation of the large supply systems, the SAO has incorporated more performance audits into its plan than before.

In line with the strategic objective, we will audit the medicine management of hospitals owned by the state or local governments, the utilisation of funds allocated for certain oncological screening programmes and the preservation of the working capacity, as well as the utilisation of funds spent on nursing and rehabilitation by hospitals owned by local governments and residential social institutions for, and the activities of local governments related to basic social services.

In 2007 the SAO will complete the audit of subsidies allocated for public work programmes, as well as the operation of the Labour Market Fund, and will start the audit of the effectiveness of the vocational school development programme. We will examine the modernisation of the central public administration, and evaluate the role of the multifunctional small regional associations of municipal local governments in the provision of public services and implementation of regional development tasks.

For the protection and efficient utilisation of state development resources we audit investment projects implemented in the mentioned PPP scheme, as well as the operation of state instruments available for economic development, the electricity supply system, the modernisation of rail transport and certain priority investment projects of local governments.

III.

The audit plan for 2007 contains 80 audits, i.e. six fewer than the plan for the previous year. The SAO consciously strives to reduce the number of reports. The reason behind it is that this is the only way to ensure the implementation of the provisions of the introduced integrated quality management system, and the high quality requirements relevant to audits. The SAO plans to publish 57 reports in 2007.

In our planning system we differentiate between capacities directly used for audits, as well as working time used for activities that closely support audits. Similarly to the previous year, in 2007 the SAO plans to use 87,000 auditor's days for the implementation of the audit plan, including 67,000 direct and 20,000 indirect auditor's days. Direct auditor's days refer to the working time of auditors directly involved in the on-the-spot checks, while indirect auditor's days consist of work - managerial, quality assurance, legal, IT and administrative tasks - performed to support the on-the-spot checks, report writing and publication. One direct audit day (projected to direct auditor's day) costs HUF 110,000.

During the preparation of its audit plan, the SAO counted with a smaller staff than in the previous years. The planned cost of the use of external experts has decreased by 10% compared to last year.

The SAO has no reserve capacities for 2007 either, which means that in case of tasks other than those included in the plan the audit plan will have to be modified. This may lead to the delay or cancellation of certain audits. The SAO's activity based budget submitted to the National Assembly is built on this set of audit tasks.

IV.

Similarly to the previous practice, the Research and Development Institute of the State Audit Office of Hungary plans to publish several studies in 2007, too. In accordance with the advisory nature of the SAO's work, these documents are not compiled in line with the requirements associated with the SAO reports and opinions. Instead, they are based on more extensive information, although they heavily rely on audit findings obtained in the given field.

The study that analyses areas that mostly threaten the operation of the local governments and carry most risks in relation to corruption is a direct supplementary background material for the audits to be completed in the subject year. Other studies on the reform and accounting of public finances, as well as the relationship between competitiveness and public administration intend to provide a policy background for decision-making by the parliamentary deputies.

LIST OF AUDIT SUBJECTS

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

I. AUDITS STARTED IN 2006 AND CARRIED OVER TO 2007

AUDITS RELATED TO THE EXECUTION OF THE BUDGET AND TO THE OPINION ON BUDGETARY APPROPRIATIONS

01 Financial regularity audit of the execution of the 2006 budget of the Republic of Hungary

AUDITS RELATED TO THE CENTRAL BUDGET

02 Comprehensive audit of the operations of the Ministry of Agriculture and Rural Development chapter

03 Comprehensive audit of the operations of the Ministry of Foreign Affairs chapter

04 Performance audit of the realisation of VAT revenues due to the budget

05 Performance audit of the development of e-government services

06 Performance audit of the utilisation of financial resources spent on public work programmes

07 Performance audit of the utilisation of financial resources disbursed for the management of cultural public collections

AUDITS RELATED TO THE LOCAL AND MINORITY LOCAL GOVERNMENTS

08 Comprehensive audit of the financial management system of local and minority local governments in 2006

09 Other regularity audit of the activities of local governments related to basic social services

10 Performance audit of the fulfilment of tasks of municipal local governments related to water management and drainage

AUDITS RELATED TO THE SOCIAL SECURITY FUNDS

11 Performance audit of the medicine management of hospitals owned by the state or local governments

AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

12 Comprehensive audit of the financial management of the Hungarian News Agency Corporation in 2006

AUDITS RELATED TO FOREIGN FINANCIAL ASSISTANCE

13 2006 certifying (financial regularity) audit of the Hungarian institutional framework set up for the implementation of the SAPARD Programme and the payment of financial assistance

14 Performance audit of the operations of the national monitoring and control system of EU subsidies

15 2006 certifying (financial regularity) audit of the organisation acting as the Paying Agency administering the measures financed under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund

AUDITS RELATED TO INSTITUTIONS OUTSIDE PUBLIC FINANCES

16 Performance audit of motorway investment projects completed in 2006

17 Comprehensive audit of the operations of the National Bank of Hungary in 2006

18 Financial regularity audit of the legality of the financial management of "Összefogás Magyarorszáért Centrum" (Centrum – Union for Hungary) in 2004 and 2005

19 Financial regularity audit of the legality of the financial management of the Hungarian Workers' Party in 2004 and 2005

II. AUDITS STARTING IN 2007 AND PLANNED TO BE COMPLETED IN 2007

AUDITS RELATED TO THE EXECUTION OF THE BUDGET AND TO THE OPINION ON BUDGETARY APPROPRIATIONS

20 Opinion on the 2008 budget of the Republic of Hungary

AUDITS RELATED TO THE CENTRAL BUDGET

- 21 Comprehensive audit of the system of implementation of public tasks stipulated in the act on the national news agency and the act on radio and television broadcasting
- 22 Comprehensive audit of the Civil National Security Services
- 23 Performance audit of the utilisation of financial resources spent on the preservation of the working capacity

AUDITS RELATED TO THE LOCAL AND MINORITY LOCAL GOVERNMENTS

- 24 Comprehensive audit of the financial management system of the Local Government of Borsod-Abaúj-Zemplén County in 2007
- 25 Comprehensive audit of the financial management system of the Local Government of Fejér County in 2007
- 26 Comprehensive audit of the financial management system of the Local Government of Hajdú-Bihar County in 2007
- 27 Comprehensive audit of the financial management system of the Local Government of Komárom-Esztergom County in 2007
- 28 Comprehensive audit of the financial management system of the Local Government of Érd, city with county rights, in 2007
- 29 Comprehensive audit of the financial management system of the Local Government of Tolna County in 2007
- 30 Comprehensive audit of the financial management system of the Local Government of Eger, city with county rights, in 2007
- 31 Comprehensive audit of the financial management system of the Local Government of Győr, city with county rights, in 2007
- 32 Comprehensive audit of the financial management system of the Local Government of Kecskemét, City with county rights, in 2007
- 33 Comprehensive audit of the financial management system of the Local Government of Szombathely, city with county rights, in 2007
- 34 Comprehensive audit of the financial management system of the Local Government of the 1st district of Budapest in 2007
- 35 Comprehensive audit of the financial management system of the Local Government of the 6th district of Budapest in 2007
- 36 Comprehensive audit of the financial management system of the Local Government of the 9th district of Budapest in 2007
- 37 Comprehensive audit of the financial management system of the Local Government of the 13th district of Budapest in 2007
- 38 Comprehensive audit of the financial management system of the Local Government of the 16th district of Budapest in 2007
- 39 Comprehensive audit of the financial management system of the Local Government of the 18th district of Budapest in 2007

- 40 Other regularity audit of the utilisation of financial resources spent on the parliamentary and local elections in 2006
- 41 Performance audit of the investment project of the overpass in Balatoni út undertaken by the Metropolitan Government of Budapest
(Stage 1 of the comprehensive audit of the Metropolitan Government of Budapest)

AUDITS RELATED TO THE SEPARATED STATE FUNDS

- 42 Comprehensive audit of the operations of the Labour Market Fund

AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

- 43 Performance audit of the higher education investment programme for residence halls
- 44 Comprehensive audit of the operations of the Hungarian Privatisation and State Holding Company in 2006 and its activities related to the execution of the central budget

AUDITS RELATED TO INSTITUTIONS OUTSIDE PUBLIC FINANCES

- 45 Other regularity audit of the financial management of the Holocaust Documentation Centre and Memorial Collection Public Foundation
- 46 Financial regularity audit of the settlement of accounts relevant to financial resources spent on the parliamentary elections of 2006 at the nominating organisations and independent candidates
- 47 Other regularity audit of the financial management of the Public Foundation for Patient Rights, the Rights of People under Care and Children's Rights
- 48 Other regularity audit of the legality of the financial management of the Táncsics Mihály Foundation in 2005 and 2006
- 49 Financial regularity audit of the financial and economic activities of the National Polish Minority Government in the years 2002 through 2005
- 50 Other regularity audit of the legality of the financial management of Szabó Miklós Scientific, Documentary, Research and Educational Liberal Foundation in 2005 and 2006
- 51 Financial regularity audit of the financial and economic activities of the National Ruthenian Minority Government in the years 2002 through 2005
- 52 Financial regularity audit of the financial and economic activities of the National Serbian Minority Government in the years 2003 through 2006
- 53 Financial regularity audit of the legality of the financial management of the Party of Hungarian Justice and Life in 2005 and 2006
- 54 Financial regularity audit of the legality of the financial management of the Hungarian Socialist Party in 2005 and 2006
- 55 Financial regularity audit of the legality of the financial management of the Alliance of Free Democrats – Hungarian Liberal Party in 2005 and 2006
- 56 Comprehensive audit of the system of electricity supply

OTHER AUDITS

- 57 Performance audit of the review activity on the utilisation and settlement of accounts relevant to financial resources of central budgetary relations of local governments and minority local governments

III. AUDITS TO BE STARTED IN 2007 AND CARRIED OVER TO 2008

AUDITS RELATED TO THE EXECUTION OF THE BUDGET AND TO THE OPINION ON BUDGETARY APPROPRIATIONS

58 Financial regularity audit of the execution of the 2007 budget of the Republic of Hungary

AUDITS RELATED TO THE CENTRAL BUDGET

59 Performance audit of the utilisation of financial resources disbursed for the funding of public education tasks under the Ministry of Education and Culture chapter

60 Comprehensive audit of the institutional system of the central budget

61 Performance audit of the collection system of gambling tax due to the budget

62 Comprehensive audit of the operations of the Ministry of Finance chapter

63 Comprehensive audit of the system of chapter managed appropriations

64 Comprehensive audit of the modernisation of the Hungarian central public administration system

65 Comprehensive audit of the operations of the National Development Agency

AUDITS RELATED TO THE LOCAL GOVERNMENTS

66 Comprehensive and audit of the financial management system of local governments in 2007

67 Performance audit of the effectiveness of the utilisation of financial resources spent on the development of vocational training

68 Performance audit of the role of multifunctional small regional associations of municipal local governments in the provision of public services and implementation of regional development tasks

69 Performance audit of priority investment projects of local governments

70 Performance audit of the utilisation of funds spent on nursing and rehabilitation by hospitals owned by local governments and residential social institutions

AUDITS RELATED TO THE SEPARATED STATE FUNDS

71 Comprehensive audit of the operations of the Innovation Fund for Research and Technology

AUDITS RELATED TO THE SOCIAL SECURITY FUNDS

72 Performance audit of the utilisation of financial resources spent on certain oncological screening programmes

AUDITS RELATED TO THE ENTREPRENEURIAL AND TREASURY ASSETS OF THE STATE

73 Comprehensive audit of the modernisation of rail transport

74 Comprehensive audit of the financial management of the Hungarian News Agency Corporation in 2007

AUDITS RELATED TO INSTITUTIONS OUTSIDE PUBLIC FINANCES

75 Other regularity audit of the financial management of the Chances for People with Disabilities Public Foundation

76 Comprehensive audit of the operations of the National Bank of Hungary in 2007

77 Performance audit of motorway investment projects to be completed in 2007

78 Other regularity audit of the utilisation of budgetary subsidies to non-profit organisations engaged in educational activities

OTHER AUDITS

79 Performance audit of the operations of the system of state instruments available for economic development

