



STATE AUDIT
OFFICE OF HUNGARY

The Audit Plan of the State Audit Office of Hungary
for the First Half of 2013

A-032-009/2012

December 2012

Approved by

László Domokos
President

INTRODUCTION

The State Audit Office of Hungary (SAO) carries out its audit activities on the basis of the audit plan approved by its President. The institution publishes its audit plan every six-month cycle.

The audit planning system of SAO is in the phase of development and transformation, in harmony with the strategic objectives of the institution. One of the results of development is that more emphasis is laid upon identifying topics to be included in the audit plan. When compiling the plan and scheduling the audits we considered the need and possibilities for the utilisation of the reports by the National Assembly and the society. By applying well-founded and careful planning methods, the timeliness of audits as well as the efficient utilisation of audit capacities can be ensured while performing our wide range of audit obligations and mandates in a scheduled manner.

When compiling the audit plan for the first half of 2013, the determining factors were audits carried over from tasks commenced earlier and also our statutory audit obligations to be performed annually or biannually. The performance of these tasks engage a considerable part of our audit resources.

In the plan for the first half of the year, emphasis is laid on audit series based on model programmes, covering several auditees. These audits – in line with their prominent role – will be further developed in the planning period compared to our similar audits performed previously. The audit series are carried out on the one hand in the area of local governments and on the other hand in the area of the organisations of the central subsystem of the state. Execution of the planned audit series – due to the restricted nature of available resources – requires the transformation of procedures and the structure of reports.

Within our competence included in the latest amendment of the Act on the State Audit Office of Hungary, we shall prepare analyses and studies drawing upon the synthesis of the experience gained during our audit series.

The resources available beyond fulfilling our tasks carried over from the previous year, carried out annually (biannually) by law or performed as audit series are utilised according to two guiding principles. Since risk assessment is carried out as a continuous task – being an activity supporting planning and audit subject selection –, we can identify areas of high risk and thus audit tasks selected by means of risk analysis. Apart from that, we aim at audit areas where no SAO audit has been performed or the area was touched only marginally.

Following the change of the Hungarian government, restructuring of the system of public finances, elimination of parallel task fulfilment and centralisation of the performance of public tasks has started. It is reasonable to assess the fulfilment of the benefits determined as the objectives of the continuous restructuring, which also turns the focus of the SAO's work towards the issue of transformation. Owing to restructuring, the risk of non-compliance with the regularity requirements on operation and financial management is increased. This may adversely affect the activities of the organisations performing public tasks, thus the quality of task performance and the social image of the affected organisations.

Through the gaps and deficiencies detected concerning the utilisation of EU funds during our previous audits, we evaluate the activities, financial management and operation of internal controls of the organisations taking part in the control and audit of allocation and utilisation of funds.

In line with our mid-term strategy, crucial tasks are the opinion on the 2014 budget bill of Hungary and the audit on the execution of the 2012 budget of Hungary. Continuing with the good practice commenced earlier, the audit on the execution of the budget is extended to the central institutions performing public tasks – while harmonising our activities with our other audits within the same time period. This way, by taking steps towards austerity, we can rationalise the utilisation of resources thereby increasing audit efficiency while reducing the burden on audited organisations resulting from their obligation to co-operate.

In recent years an increasing and considerable part of public tasks have been transferred under the scope of economic entities, therefore special attention has to be paid to the audit of these organisations in order to ensure social control. With this purpose in mind, we shall audit the conditions of the performance of public tasks, the activities of economic entities aimed at preserving and increasing property value and the impact of restructuring on the performance of public tasks.

We continue with our audits aiming at the assessment of the property and financial status as well as the internal control systems of local governments. Furthermore, we will commence the audit of certain topics in the focus of public attention in the first half of 2013.

With the view to more efficient and reasonable task performance, the type of two audits included in audit plan for the second half of 2012 and carried over to 2013 were modified from performance audit to financial audit ('Simplification of Structural Funds regulations (cooperative audit coordinated by the EU Working Group on Structural Funds)' and the 'Audit on the utilisation of the funds provided for the operation of hospital care'. When performing regularity audits, however, we identify performance and other indicators that might be the basis of future performance audits covering the referred topics. Taking into consideration the multifold activities, the risk-involving restructuring and the specialised organisational structure of the institutions belonging to the central subsystem, we modified the objective and justification of the planned 'Regularity audit on the specific institutions of the central subsystem in terms of financial management situation and property management thereof' compared to the plan for the previous half year, the scope of the audit shall be extended to other organisations being the part of the central subsystem. Likewise, the scope of the 'Performance audit on the efficiency and effectiveness of the subsidy scheme of public employment and the related training programmes', covering local governments was extended with the audit of other economic organisations participating in public employment.

We strive to encompass the widest possible area of utilisation of public funds with our audits and to assess the activity of the audited organisations based on the same criteria.

LIST OF AUDIT SUBJECTS

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

I. AUDITS CARRIED OVER TO 2013

- 01 Other regularity audit on the set-up of the internal control system of local governments and the operation of specific control activities and internal audit
- 02 Other regularity audit on the situation and regularity of the financial management of local governments
- 03 Other regularity audit on the property management of local governments
- 04 Other regularity audit on the regularity of the operation of the National Bank of Hungary and the accounts made in relation to the central budget
- 05 Other regularity audit on the activities of regional and micro-regional development councils related to the allocation of resources
- 06 Regularity audit on the simplification of the regulations in Structural Funds (cooperative audit coordinated by the EU Working Group on Structural Funds)
- 07 Other regularity audit on the financial management of local and minority local governments
- 08 Other regularity audit on the activities of economic organisations to maintain and increase property value at specific selected public service companies or other groups of companies performing similar activities
- 09 Other regularity audit on the specific institutions of the central subsystem in terms of financial management situation and property management thereof
- 10 Regularity audit on the utilisation of budget subsidies provided for the performance of public tasks of economic chambers, as well as on the costs accountable in the course of the utilisation of vocational training contributions, arising at economic entities organising vocational training in 2009-2011
- 11 Performance audit on the efficiency and effectiveness of the subsidy scheme of public employment and the related training programmes
- 12 Regularity audit on local government associations and the task performance thereof
- 13 Other regularity audit on the performance of public tasks of business associations in a majority ownership of local governments
- 14 Performance audit on the utilisation of the funds provided for the operation of hospital care
- 15 Performance audit on the utilisation of funds allocated for the development of the cycle path network (parallel audit with the SAI of Slovakia)
- 16 Follow-up audits

II. AUDITS TO BE CARRIED OUT ANNUALLY (BIANNUALLY) BY LAW

- 17 Financial regularity audit on the execution of the 2012 budget of Hungary
- 18 Opinion on the 2014 budget bill of Hungary
- 19 Performance (systems) audit on the activities related to the exercise of proprietary rights over state property – to be launched in 2013
- 20 Review of the local government decree on revenues due to and shared by the Budapest Municipality and the Budapest district local governments in 2012 (audit carried over)
- 21 Financial regularity audit on the legality of the financial management of the Antall József Foundation in 2010-2011 (audit carried over)
- 22 Financial regularity audit on the legality of the financial management of FIDESZ – Hungarian Civic Union in 2010-2011 (audit carried over)
- 23 Financial regularity audit on the legality of the financial management of the Foundation for a Civic Hungary in 2010-2011 (audit carried over)
- 24 Financial regularity audit on the legality of the financial management of the Christian Democratic People's Party in 2010-2011 (audit carried over)
- 25 Financial regularity audit on the legality of the financial management of the István Barankovics Foundation in 2010-2011 (audit carried over)
- 26 Financial regularity audit on the legality of the financial management of the Democratic Community of Welfare and Freedom in 2010-2011 (audit carried over)
- 27 Financial regularity audit on the accounting for the financial resources allotted to the campaigns of mid-term parliamentary elections in 2011 performed at the nominating organisations that obtained representation (audit carried over)

<p style="text-align: center;">III. NEW AUDITS PLANNED TO BE LAUNCHED IN THE FIRST HALF OF 2013</p>
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- 28 Regularity audit on the financial management of Courts of Justice
- 29 Regularity audit on the operation and financial management of the Directorate General for Audit of European Funds
- 30 Regularity audit on the operation and financial management of the Hungarian Competition Authority
- 31 Regularity audit on the Military National Security Service
- 32 Regularity audit on the operation and financial management of the Hungarian State Treasury
- 33 Regularity audit on the financial management of certain agricultural research institutes and gene conservation institutions of the Ministry of Rural Development
- 34 Regularity audit on the financial management of Wekerle Sándor Fund Management
- 35 Regularity audit on the operation of the previous and the renewed public procurement system
- 36 Regularity audit on the financial management of ESF Social Services Nonprofit Ltd.
- 37 Systems audit on the establishment and operation of the new organisational, financing and control system of the public media and news broadcasting services
- 38 Other regularity audit on the set-up of the internal control system of local governments and the operation of specific control activities and internal audit – to be launched in 2013
- 39 Other regularity audit on the situation and regularity of the financial management of local governments – to be launched in 2013
- 40 Other regularity audit on the property management of local governments – to be launched in 2013
- 41 Other regularity audit on the financial management of local and minority local governments – to be launched in 2013