



STATE AUDIT
OFFICE OF HUNGARY

The Audit Plan of the State Audit Office of Hungary
for the First Half of 2015

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Approved by

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President

Introduction

According to its Strategy adopted by the National Assembly, the State Audit Office of Hungary (SAO) considers as its mission to promote the transparent and sound management of public finances with its value creating audits performed on a solid professional basis, and to contribute to ‘*good governance*’. Our audits are planned and implemented with the objective in mind to be able to contribute with our audit findings and recommendations and the utilisation of our audits to the improvement of the quality of public financial management, the creation of stability of public finances, the transparent, accountable and responsible management of national assets, thus to the benefits for the society.

It is of public interest that the SAO utilises its resources in an economic, effective and efficient way, thus carries out audits in fields where it is the most necessary. The determination of audit topics and the selection of audit sites related to each audit topic are supported by meticulous preparatory work and risk analysis based on the continuous processing of information necessary for the selection of audit topics.

During the compilation of our audit topics the tasks resulting from carrying on the audits already commenced and the implementation of audits stipulated by law constituted a determinant obligation. In the course of the selection of audit topics we lay emphasis on the audit of areas and organisations whose activities have an influence on the development of the public debt indicator and the general government deficit.

Similarly to the previous years, the audit on the execution of the central budget of Hungary is among our priority tasks also in 2015. For the efficient utilisation of resources we also continue our audits based on the audit on the execution of the budget. Such method was used for the audit of the Hungarian State Treasury, specific tax collection procedures, the activities related to the exercise of proprietary rights over state property, specific central institutions and the Hungarian Scientific Research Fund (OTKA). With its latter audit the SAO continues the audit of the regularity and transparency of the utilisation of public funds spent on research and development. The audit of public funds spent on scientific research may shed light also on the preparedness of audited organisations for receiving EU funds.

It is our strategic objective to focus our resources available after the fulfilment of our regular audit obligations stipulated by law or related to other events on audits with a systemic, holistic approach in order to ensure the transparency of the complex processes of public finances. We lay emphasis on audits based on one another, as the examination of a key field of public finances from different aspects contributes to the advisory activity of SAO.

Tax revenues have an important role in general government revenues. In the past years several tax allowances and social contributions were introduced in order to increase employment and to reduce unemployment. In 2015 we continue our audits launched in 2014 on the activities of the tax authority related to the management of tax arrears, the granting of tax allowances and social contributions, as well as its activities performed in relation to special taxpayers. Thus, we audit the establishment and operation of the data provision, controlling and monitoring system in relation to the task performance concerning personal income tax and the tax deducted from interest income at source. The activities of the Hungarian State Treasury concern a wide range of citizens, thus the audit of its task performance in compliance with regulations influences significantly the image of public administration. As the “auditor of auditors” the results of the work of the SAO may be perceptible to an increased degree in the

field of the regular public financial management. Our findings can be utilised in the activities of auditors.

With the development of information technologies the quantity of data stored electronically has increased. The experience of SAO audits carried out in the past years often revealed the deficiencies and risks of IT systems. For the secure management of data records, the high-level protection of data and the reduction of arising risks the SAO participates in an international parallel audit in the framework of the EUROSAI IT Working Group. The objective of the audit is to prepare a comprehensive evaluation of the current situation of data protection for the National Assembly and citizens.

According to our audit experience, the financial and public financial management of several institutions proved to be risky. With our serial audits we can carry out audits efficiently in specific topics covering the different sub-areas of public finances and the organisation falling outside them. In our audit plan for the first half of 2015 such audits concern the institutions of the central subsystem, the state-owned business organisations, as well as local governments and economic enterprises in majority ownership of local governments. In the framework of our audits on economic enterprises in majority ownership of local governments or owned by the state we evaluate the financial statements of those economic enterprises which have an influence on the general government deficit and the debt indicator, while taking into account the ESA methodology. We carry out our serial audits in several phases. We conduct audits in the same topic and covering the same organisations, applying the principles of rolling planning and on the basis of updated audit programmes. Such audits are distinguished by making reference to different phases.

In the course of the regularity audit on the institutions of the central subsystem we evaluate – with the application of an individual performance audit module – whether such institutions established and operated effectively the economy, efficiency and effectiveness requirements in their financial management and whether the management declaration on their application was sound. Similarly to the previous year, we will audit the compliance of the financial and asset management of local governments within one single audit. We evaluate the utilisation of our audit reports occasionally in the course of on-site follow-up audits.

We elaborate our opinion on the 2016 central budget bill according to our methodology renewed in 2014. Thus, we monitor the processes in 2015 which have an influence on the years following the fiscal year.

The development of the integrity culture contributes to the application of accountability and transparency, and it also supports the immunity of the organisation against corruption and the prevention thereof becomes also better controlled. In harmony with the strategic objectives of SAO it further facilitates the creation of the integrity-based, transparent and accountable utilisation of public funds. During our audits we evaluate the application of the integrity approach in financial management processes in order to reduce the exposure of the organisation to corruption.

As a socially responsible institution, the State Audit Office of Hungary is subordinated only to law and the National Assembly according to its independence stipulated by the Fundamental Law. It performs its activities independently from election cycles according to its public audit plan and reports in a stable and transparent way. We are convinced that while keeping our professional commitment we support the creation of order in public finances and we contribute to the efficient operation of the state.

According to the Act on SAO, the State Audit Office of Hungary can audit the implementation of the action plan in the framework of a follow-up audit, which is a further guarantee for the fulfilment of the objective that the SAO achieves real change in terms of the order of public finances. Our follow-up audits strengthen the reputation of SAO audits both towards the audited organisation and the society, increase discipline and demonstrate that the era of audits without consequences has come to an end.

LIST OF AUDIT SUBJECTS

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

- 1 *Internal control system of local governments* – regularity audit on the set-up of the internal control system of local governments and the operation of specific control activities and internal audit (third phase, ongoing task according to the audit plan for the second half of 2014)
- 2 Regularity audit on the financial management of minority local governments (second phase, ongoing task according to the audit plan for the second half of 2014)
- 3 *Systems audit on measures taken for improving the budgetary balance* – The specific measures taken for improving the budgetary balance and the impact thereof on the execution of the budget (ongoing task according to the audit plan for the second half of 2014)
- 4 *Regularity audit on the Governmental Information-Technology Development Agency (GITDA)* – Audit on the financial management and task performance of GITDA (ongoing task according to the audit plan for the second half of 2014)
- 5 *Regularity audit of certain research institutes of the Hungarian Academy of Sciences* – Audit on the restructuring of the research institute network and the financial management and task performance of specific research institutes of the Hungarian Academy of Sciences (ongoing task according to the audit plan for the second half of 2014)
- 6 *Regularity audit on the National Tax and Customs Administration (NTCA)* – Audit on the regularity of the activities of NTCA related to the management of tax arrears, enforcement procedures, and those performed in relation to special taxpayers, as well as on the EUROFISC system (ongoing task according to the audit plan for the second half of 2014)
- 7 *System of the utilisation of EU funds* – Systems audit on the task performance of the National Development Agency (and intermediate bodies) related to EU funds (ongoing task according to the audit plan for the second half of 2014)
- 8 *Audit on the National Bank of Hungary* – Audit on the regularity of the operation of the National Bank of Hungary (NBH) and the Hungarian Financial Supervisory Authority (HFSA), as well as the integration of the activity of HFSA into NBH (ongoing task according to the audit plan for the second half of 2014)
- 9 *Audit on the National Deposit Insurance Fund of Hungary (NDIF)* – Regularity audit on the operation, financial management and task performance of NDIF (ongoing task according to the audit plan for the second half of 2014)
- 10 Regularity audit on the financial management of the Hungarian Medical Chamber and the utilisation of budget subsidies received for financing its tasks (ongoing task according to the audit plan for the second half of 2014)
- 11 Regularity audit on the operation of the Student Loan Centre (ongoing task according to the audit plan for the second half of 2014)

- 12 *Higher education institutions* – Regularity audit on the financial management and operation of public higher education institutions, as well as the utilisation of state subsidies for higher education institutions maintained by churches (second phase, ongoing task according to the audit plan for the second half of 2014)
- 13 *Use of tax allowances and social contributions* – Regularity audit on the use of tax allowances and social contributions granted for employment purposes (ongoing task according to the audit plan for the second half of 2014)
- 14 *Forestry companies* – Regularity audit on the asset management activities of state-owned forestry companies (ongoing task according to the audit plan for the second half of 2014)
- 15 Regularity audit on the financial and asset management of local governments (first phase, ongoing task according to the audit plan for the second half of 2014)
- 16 *Business associations of local governments* – Regularity audit on the financial management activities of business associations in the majority ownership of local governments related to their public task performance (first phase, ongoing task according to the audit plan for the second half of 2014)
- 17 Regularity audit on the asset preservation and financial management activities of business associations owned (partially) by the state (first phase, ongoing task according to the audit plan for the second half of 2014)
- 18 Regularity audit on the financial and asset management of specific institutions of the central subsystem (first phase, ongoing task according to the audit plan for the second half of 2014)
- 19 Regularity audit on the financial management of national minority local governments (ongoing task according to the audit plan for the second half of 2014)
- 20 Regularity audit on the financial management of specific agrarian research institutes and genetic conservation institutions of the Ministry of Agriculture (second phase, ongoing task according to the audit plan for the second half of 2014)
- 21 *Compliance audit on the Hungarian State Treasury* – Audit on the public administration activities and the centralised payroll system of the Hungarian State Treasury
- 22 Compliance audit on the Hungarian Scientific Research Fund
- 23 *Regularity audit on the public transport system of the capital city of Budapest* – Audit on the regularity of the institutional transformation of the public transport system of Budapest, the establishment and operation of the Centre for Budapest Transport
- 24 *Compliance audit on tax collection procedures* – Audit on the regularity of the task performance related to specific tax collection activities
- 25 *Regularity audit on data protection* – Audit on the national framework of data protection and specific priority data records in the framework of international cooperation
- 26 *Higher education institutions* – Regularity audit on the financial management and operation of public higher education institutions, as well as the utilisation of state subsidies for higher education institutions maintained by churches (third phase)

- 27 Regularity audit on the financial and asset management of specific institutions of the central subsystem (second phase)
- 28 Regularity audit on the asset preservation and financial management activities of business associations owned (partially) by the state (second phase)
- 29 *Financial management of minority local governments* – Regularity audit on the financial management framework of minority local governments, as well as the conditions of the operation of the local government set up and provided for by local governments (third phase)
- 30 *Internal control system of local governments* – Compliance audit on the set-up and operation of the internal control system of local governments (fourth phase)
- 31 *Business associations of local governments* – Compliance audit on the regularity of the financial management activities of business associations in the majority ownership of local governments related to their public task performance (second phase)
- 32 Compliance audit on the financial and asset management of local governments (second phase)
- 33 *Internal control system of local governments* – regularity audit on the set-up of the internal control system of local governments and the operation of specific control activities and internal audit (shortened programme)
- 34 Compliance audit on the financial management of local governments (simplified financial module)
- 35 Follow-up audits

**AUDITS TO BE CARRIED OUT ANNUALLY, BIANNUALLY BY LAW AND
AUDITS RELATED TO OTHER EVENTS**

- 36 *Execution of the 2014 budget of Hungary* – Compliance audit on the execution of the central budget of 2014 of Hungary
- 37 *Regularity audit on funds allotted to campaigns* – Audit on the accounting for the financial resources allotted to the campaigns of parliamentary elections in 2014 performed at the Hungarian State Treasury, the nominating organisations and individual candidates (ongoing task according to the audit plan for the second half of 2014)
- 38 Review of the local government decree on revenues due to and shared by the Budapest Municipality and the Budapest district local governments in 2014 (ongoing task according to the audit plan for the second half of 2014)
- 39 *Opinion on the 2016 central budget* – Opinion on the 2016 central budget appropriation bill of Hungary
- 40 Regularity audit on the activities relating to the exercise of proprietary rights over state property

- 41 Regularity audit on the legality of the financial management in 2012-2013 of political parties receiving budget subsidies (ongoing task according to the audit plan for the second half of 2014)
- 41/1 Regularity audit on the legality of the financial management of FIDESZ – Hungarian Civic Union in 2012-2013
- 41/2 Regularity audit on the legality of the financial management of the Christian Democratic People’s Party in 2012-2013
- 41/3 Regularity audit on the legality of the financial management of the Democratic Community of Welfare and Freedom in 2012-2013
- 42 Regularity on the legality of the financial management in 2012-2013 of political party foundations receiving budget subsidies (ongoing task according to the audit plan for the second half of 2014)
- 42/1 Regularity audit on the legality of the financial management of the Foundation for a Civic Hungary in 2012-2013
- 42/2 Regularity audit on the legality of the financial management of the István Barankovics Foundation in 2012-2013
- 42/3 Regularity audit on the legality of the financial management of the Antall József Foundation in 2012-2013
- 43 Regularity audit on the utilisation of funds spent on the 2014 elections (ongoing task according to the audit plan for the second half of 2014)
- 43/1 Regularity audit on the utilisation of funds used for the 2014 elections of the members of the National Assembly
- 43/2 Regularity audit on the utilisation of funds spent on the 2014 elections of the members of the European Parliamentary
- 43/3 Regularity audit on the utilisation of funds spent on the 2014 elections of local government representatives and mayors, as well as representatives of minority local governments
- 44 Regularity audit on the utilisation of funds spent on by-elections
- 45 Regularity audit on funds allotted to campaigns – the accounting for the financial resources allotted to the campaigns of mid-term parliamentary elections