STATE AUDIT OFFICE OF HUNGARY

State Audit Office of Hungary

External auditor of internal audit and control

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State Audit Office (SAO) of Hungary - Outline

- History
- Legal status
- Independence
- New Act on SAO
- SAO's strategy
- Organisation
- Audits
- Integrity Project
- INTOSAI

History

Our historical predecessor, the Hungarian Audit Office was established **in 1870**.

The Hungarian Supreme Royal Audit Office was dissolved **in 1949**.

By amending the Constitution on **23 October 1989**, the State Audit Office of Hungary (SAO) was re-established.

The Act on the State Audit Office of Hungary was adopted on **28 October 1989**.

The SAO has been operating since **1 January 1990.**

5 July 2010: The National Assembly elected the President and Vice-President of SAO.

On **1 July 2011** the New Act on SAO entered into force.

Legal status

The SAO

- is the financial and economic audit organisation of the National Assembly;
- is the supreme organ of public auditing and one of the key basic institutions of the democratic state organisation;
- audits the utilisation of public funds and properties;
- is an independent organisation both in political and professional terms;
- carries out ex-post audits on the basis of legality, expediency and effectiveness.

Independence

- The SAO is subject only to the National Assembly and the laws.
- A majority vote of two-thirds of members of Parliament (MPs) present is required for the adoption of the Act on the SAO and for the election of its President and Vice-President.
- The President and Vice-Presidents are elected for 12 years.
- The SAO decides independently on the number of its staff.

New Act on SAO

- Further enhances SAO's independence.
- Further specifies audit activity and makes it more efficient and transparent.
- Introduces new instruments for providing SAO with further possibilities and responsibilities to promote the sound management of public funds and the audit of their utilisation.
- Ceases the practice of audit findings without any consequences and introduces sanctions in case of refusal of cooperation or the non-observance of SAO's recommendations.

http://www.asz.hu/introduction/act-lxvi-of-2011-on-the-sao-1/act-on-sao-2011.pdf

SAO's strategy

The mission of the State Audit Office of Hungary is to promote the transparent and sound management of public finances with its value creating audits performed on a solid professional basis, thus contributing to 'good governance'.

- SAO facilitates the creation of the integrity based, transparent and accountable utilisation of public funds

http://www.asz.hu/strategy/strategy/sao-strategy-2011-2015.pdf

Organisation

- New matrix organisation
- Aim:
  - the organisation shall be able to continuously progress,
  - challenges from the changing environment shall be met flexibly.
- http://www.asz.hu/introduction/organisation/organisational-chart-2012.pdf

Audits

The SAO has a wide audit mandate. It audits both the central and local governments.

2 examples of recent audits:

- Pilot audit on the financial management of local authorities

- Audit of central budgetary organisations – still in the phase of on-site audit

Audit of local authorities

Pilot audit of risk management in property management at 16 local authorities

Audit findings:

- No risk analysis or risk management - at 11 local authorities out of 16
- Annual internal audit plan is not based on risk analysis – 11 LAs
- No audit trails – 9 LAs
- No management controls – 7 LAs
- No accounting controls -2 LAs

Audit of local authorities 2

Audit findings:

- No countersignature of commitment – 10 LAs

- No attestation of performance – 10 LAs

- Former SAO recommendations not implemented – 6 LAs

Audit of local authorities 3

Road maintenance in Budapest (results of bad controls)

Audit findings:

- Lack of road condition survey

- No control of contracting prices (high prices)

- The quality of road maintenance was not determined (bad quality)

- No on-site check of road works

Audit of internal controls at central budgetary organisations

Audit findings:

IC is acceptable in 15, partly acceptable in 11, not acceptable in 2 cases

- Control environment: only 1 not accepted

- Risk management: half of the organisations did not manage the risks

- Control activities: 78% OK, problems: no checklists at public procurement, IT access

- Information and communication: 90% OK, problem: no communication strategy

- Monitoring: no monitoring system 40%, no monitoring strategy at 34% of the auditees

Audit of internal audit at central budgetary organisations

Audit findings:

Internal Audit is accepted in 17, partly accepted in 8, not accepted in 2 cases

- Organisation and regularity of IA 73% A, 23% PA, 4% NA,

- Competence of internal auditors 81% A, 15% PA

- Planning of IA 77% A, 19% PA

- Fieldwork and documentation 58% A, 35% PA

- Reporting 85% A

- Follow up 19% NA

Integrity project

- Objectives
- Project content
- Expected effects
- Some results

http://integritas.asz.hu/index.php?lang=en

Integrity project Objectives

- To **change administrative culture** and officials' attitude
- To **compile** integrity risk map
- To **measure** budgetary organs (benchmarking)
- To „**open public sector**" (transparency, accountability)
- To **develop** audit methodologies
- To **train** the civil servants
- To **help** governmental bodies

Integrity project content

- Country-wide **survey** for public organizations exploring the state's corruption protection system (integrity risk register)

- Conclusions about each participant's level of risk are visualized in digital „**risk maps**" accessible for all via Internet

- Scientific research, **analysis**, publications, recommendations

- Create **new methodologies** for integrity risk management

- Professional **trainings**, **conferences**:

  - public servants (leaders and auditors)

  - foreign professionals (Eastern-Europe, Western Balkans);

Integrity project
Expected effects

- Changes in officials' and leaders' personal attitude

- Transparency on the upgrade

- Widening knowledge:
  - Nature of corruption
  - Integrity
  - Organizational risks
  - Methodologies (risk-management, integrity audit)
  - Smart solutions (e-form, e-learning)

- Increased joint responsibility, change of culture

Integrity project
Some results

- Elaborated corruption risk methodology

- Corruption Risk Map available via Internet

- Integrity appears in the training materials of public servants

- Training methodology & materials

- Trained public servants and trainer candidates

- Professional contacts with NGOs and Government

INTOSAI

- INTOSAI = International Organization of Supreme Audit Institutions
- 1953 Havana
- General Secretariat in Vienna
- INCOSAI = International Congress of Supreme Audit Institutions – every 3 years
- Regional organisations (EUROSAI, ASOSAI, etc.)
- Committees, working groups
- INTOSAI Governing Board, October 2011

http://www.aszhirportal.hu/documents/speech-sao-act-pdf_20111102163639_97.pdf

ISSAIs & INTOSAI GOVs

ISSAIs (International Standards of Supreme Audit Institutions)

4 level of standards:

1. Founding Principles
2. Prerequisites for the Functioning of SAIs
3. Fundamental Auditing Principles
4. Auditing Guidelines

INTOSAI GOVs (Guidance for Good Governance)

http://www.issai.org/media(389,1033)/Proposal_for_INCOSAI.doc

Internal Control in the INTOSAI

- INTOSAI Guidance for Good Governance (INTOSAI GOVs) 9100-9199 on Internal Control

  6 documents

  http://www.issai.org/composite-194.htm

- Internal Control Standards Subcommittee (last meeting April 2012)

  http://www.psc-intosai.org/ics

Websites

- State Audit Office of Hungary
  - www.asz.hu
- INTOSAI
  - www.intosai.org
- ISSAIs
  - www.issai.org

Thank you for your attention.