

Summary of the report on SAO activities in 2004 (0516)

In 2004 the State Audit Office prepared 70 reports. In addition to these reports SAO presented a separate comprehensive report on its activities pursued in the previous year to the National Assembly. Last year 18 reports and two studies of the Research and Development Institute of SAO were included in the agenda of the parliamentary committees, either separately or in connection with the debate of bills.

The report on SAO's activities in 2003, the reports about the audit of the financial management of the Hungarian News Agency in 2002 and 2003, the report and opinions on the final accounting and budgetary bills were discussed in plenary meetings.

According to the established practice the report on the annual activities presents the focal points of audits. In 2004 as much as 61% of the auditing capacity was used for auditing the legally prescribed obligations at specified (annual, biannual or other regular) intervals. In addition to fulfilling the legal requirements, in 2004 39% of the auditing capacity was used for audits the frequency of which has not been stipulated by law.

While compiling its audit plan for 2004, SAO was governed by the resolution of the National Assembly, which specifies tasks in relation to final accounting and the comprehensive audits of local governments.

In connection with the audit of the execution of the central budget, the National Assembly – confirming its former resolution – found it necessary to make the audits evaluating the reliability of comprehensive reports through the gradual involvement of the audit organizations responsible for the chapters. During the 2004 audit of final accounting, the audit undertaken by SAO became comprehensive and was completed with a declaration on the reliability of final accounting. This audit tied up 19% of the direct annual auditing capacity.

In compliance with the resolution of the National Assembly, SAO pays special attention to the comprehensive audit of local governments possessing sizeable budgets or assets. Such audits required 24% of the direct annual auditing capacity.

Due to their nature, the findings of SAO audits pertain to shorter or longer periods preceding the audits and the reports contain figures for closed financial years. Our report is based on the experiences of the reports of 2004, however the trends and conclusions provide an outlook beyond the budgetary year.

In the past years several findings and recommendations have been formulated that recur in our reports pertaining to different fields of audit. The experiences gained during the audits performed in 2004 can be typically summarized in similar, often comprehensive, system-like findings.

Clearly defined state tasks constitute the foundation for transparent public finances and accountability. Financing that is efficient and transparent throughout all stages is not possible without defining the content of state tasks in the form of rules. The reconsideration and more accurate definition of state tasks require the separation of powers and duties of the central budget and the local governments, as well as the reconsideration of regionalism and the related financing.

Without the comprehensive and harmonized modernization and renewal of public finances and the large community provision systems the financial tensions and funding problems can be managed in the short run, but they cannot be solved without eliminating the causes.

Our auditing experience shows that the large-scale renewal of public administration can only be implemented in compliance with long-term strategic principles based on consensus and supported by impact studies. For this purpose we must, first of all, abandon the regulatory practice, which fails to examine or examines with insufficient accuracy the impacts of certain provisions and requirements, and the financial requirements of implementation.

The recurrent mistakes revealed by SAO point not only to the structural problems or to the lack of state discipline, but also to the fact that external control cannot resolve the weaknesses of internal managerial leadership and audits assigned to certain institutions and ministries, not even with extremely extensive powers and significant capacity concentration.

In 2004, an important objective of our activity was again to conduct value generating audits in compliance with high level reliability requirements, with which we aimed to enhance and improve the effectiveness of the activities of the audited organizations, and that of public funds management. Through the adoption of the best international practice and the large-scale application and promotion of the results of methodological research we intended to help with substantiated recommendations to discover and eliminate the risks inherent in the audited organizations, systems and processes, as well as to enforce regularity and improve efficiency. We paid attention to audit and monitor the utilization of former SAO findings and recommendations, and the implementation of the initiated measures.

Our report indicates that SAO considers it an important task to contribute to the improving of the Hungarian auditing culture. In connection with this our institution assumes a specifically active professional role – by international

standards – in the management and work of various domestic and foreign organizations. In terms of international cooperation, the most outstanding event in 2004 was the XVIII INTOSAI Congress in Budapest, which was attended by representatives of 149 countries and 12 international organizations. The items of the agenda were crucial for the further development of INTOSAI.

In addition, the report gives an overview about the major characteristic features of human resource management, the quality assurance of audits, methodological work, institutional IT, as well as operation and management.

SAO works with highly qualified experts. It employs 136 chartered public accountants and 210 auditors with multiple degrees. In terms of EU relations it is important to mention that 207 employees have at least one intermediate level state language certificate. At the end of 2004 SAO employed 594 persons. The average age of staff members is 48 to 49 years. Fluctuation within the Office is low.

SAO pays utmost attention to the publicity of its activities. The most popular source of information is its website (which is visited by nearly 90,000 people each year, and the number of visitors is continuously and dynamically rising), where the full-length reports, information on the organization, as well as the English summaries of the reports are available.

The report on the 2004 SAO activities consists of two major structural parts. The first one presents the auditing activity of the institution, the enhancement of the quality of auditing work, as well as the operation and financial management of SAO. In addition to summarizing our experiences, this is the first time that we prepared an overview for the European Court of Auditors about the audits of the use of EU funds, which is integrated into our report. The second part (Annexes) presents the utilization of recommendations made in 2004, the characteristic features of completed reports, the summary of the most important findings, the discussion of the reports by the committees and the major recommendations for potential amendments of laws.